

# UNIVERSITY-WIDE RISK ASSESSMENT AND PROPOSED THREE-YEAR INTERNAL AUDIT PLAN

THE UNIVERSITY OF NEW MEXICO

Report 2020-04  
August 13, 2020



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# CONTENTS

## OVERVIEW OF RISK ASSESSMENT AND PROPOSED THREE-YEAR INTERNAL

**AUDIT PLAN..... 1**

Methodology ..... 1

Risk Assessment Analysis and Risk Matrix ..... 2

**APPROVALS ..... 4**

## ABBREVIATIONS

ASM.....	Anderson School of Management
C&G.....	Contracts and Grants
Cancer Center.....	Cancer Treatment Research Center
CID.....	Center for Infectious Disease
CME.....	Continuing Medical Education Department
CPH.....	College of Population Health
ECE.....	Electrical Computer Engineering Department
EM.....	Emergency Medicine Department
EVP Admin.....	Executive Vice-President for Administration
FM.....	Facilities Management
GME.....	Graduate Medical Education Department
HSC.....	Health Sciences Center
HSC Admin.....	Health Sciences Center Administration
HSC C&M.....	Health Sciences Center Communication and Marketing
HSC IT.....	Health Sciences Center Information Technology
Internal Audit.....	University of New Mexico Internal Audit Department
IT.....	Information Technology
KNME.....	KNME Television Station
OMI.....	Office of the Medical Investigator
P&T.....	Parking and Transportation
P-Card.....	Purchasing Card
PCI.....	Payment Card Industry's Data Security Standards
PPD.....	Physical Plant Department
Project ECHO.....	Project Extension for Community Healthcare Outcomes
SOM Dean.....	School of Medicine Administration
SRS.....	Safety and Risk Services
UME.....	Undergraduate Medical Education
University.....	The University of New Mexico
Units.....	University Colleges, Schools, Branches, Centers, Departments, and Programs
UNM.....	University of New Mexico
VPRED.....	Vice President for Research and Economic Development

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# OVERVIEW OF RISK ASSESSMENT AND PROPOSED THREE-YEAR INTERNAL AUDIT PLAN

The UNM Internal Audit Department worked in collaboration with Health Systems Internal Audit and the Main Campus and Health Sciences Center (HSC) Compliance Offices to conduct a joint 2020 University-Wide Risk Assessment. The UNM Internal Audit Department (Internal Audit) used a risk assessment methodology to select University colleges, schools, centers, branches, departments, and programs (“Units”) that will be included in the proposed three-year Internal Audit plan for Fiscal Years 2021-2023. Using the risk assessment model and working in collaboration with the Compliance offices will ensure that Internal Audit’s priorities are focused on those areas where risks and material exposure is greatest. The development of a risk-based audit plan included the following procedures:

## METHODOLOGY

Auditable Units are developed based on the University’s strategic goals, financial and key operational systems, organizational structure, and significant University processes. Core audit areas identify those business operations whose key controls are relied on day in and day out for the business of the University to be carried out, because risk assessment may not guarantee adequate coverage over time of these fundamental business operations. Examples would include student financial aid, budgeting, payroll, and accounts payable/purchasing. There were 198 Units included in Internal Audit’s University-Wide risk assessment.

Internal Audit prepared a risk assessment matrix for evaluating each individual Unit. The overall risk assessment is based on “Likelihood” and “Impact.” “Likelihood” is the probability that non-compliance, misstatement, or fraud may occur within the Unit, considering the Unit’s internal controls in place. “Impact” represents the effect a single occurrence of the risk will have upon the achievement of the Unit’s goals and objectives. Internal Audit identified various factors, which we determined to affect “Likelihood” and “Impact” risk assessments. Those factors are listed below.

- a. Likelihood
  - 1) Risk Assessment Questionnaire
  - 2) Complaints
  - 3) Discussions with University Officials
  
- b. Impact
  - 1) Size and Significance of Unit
  - 2) Risk Assessment Questionnaire
  - 3) Discussions with University Officials

After the factors were identified, Internal Audit developed a numerical rating system for the risk assessments. The numerical rating system for each risk assessment scaled from 1 to 5 points.

**Risk Assessment Questionnaire:** The Internal Audit and Compliance Offices engaged with the UNM Institutional Analytics department to assist in the development and distribution of a risk assessment questionnaire via Opinio, a web-based survey software tool. The questionnaire was sent to selected staff, management, and faculty of each of the Units included in our University-Wide risk assessment. It included 19 risk questions that were self-assessed by each Unit, which also included open-ended questions and “free text” for each Unit to identify any additional risks or concerns that may exist. The questionnaire presented several possible risk areas throughout the Unit, and requested that the recipient rank the risks based on their perceived likelihood of the risk occurring, and the impact of the risk on the Unit. The ratings for each of the 19 questions were self-rated, based on a five-point scale, with 1 being the lowest risk and 5 being the highest. Some self-rating questions also included a “comment” section to provide detail for the question’s rated response. Comments were reviewed to identify common risks and concerns related to each question. Risk ratings for open-ended questions were judgmentally assigned based on responses received. The total score for all questions on the questionnaire resulted in computation of a numerical risk rating that contributed to the overall “Likelihood” and “Impact” risks.

**Complaints:** Internal Audit compiled a list of complaints received by Internal Audit for Fiscal Years 2017-2020 (six-months through 12/31/20). The number of complaints reported, by Unit, contributed a numerical rating to the overall “Likelihood” risk.

**Discussions with University Officials:** Internal Audit had discussions with selected University officials to present preliminary risk assessment results, and to determine if they had any specific risks and/or concerns related to any college, school, branch, center, department, or program that reported to them. For any specific Units that the officials had concerns with, or they felt were high risk, this contributed to both overall “Likelihood” and “Impact” risks.

**Size and Significance:** The size of the Unit based on annual expenses and/or transaction volume, and the significance of their operations, contributed to the numerical rating for the overall “Impact” risk.

## **RISK ASSESSMENT ANALYSIS AND RISK MATRIX**

Risk Assessment questionnaires were provided to 198 Units included in the University-Wide Risk Assessment. The Units selected were “Level 3” or “Level 5” organizations on the University of New Mexico Organizational Reporting Structure. Of the 198 Units, 163 Units (82.32%) provided responses to the information requested on the Risk Assessment Questionnaire; 35 Units did not respond.

The impact of Covid-19 on the University has increased significant risks related to financial, operational, and compliance requirements which include:

- Budget Constraints/Loss of Funding
- Fraud, Theft, and Misuse of Funds
- Health and Safety Requirements
- Exposure to Legal Liability

Common high-risk areas identified by survey recipients and UNM officials include:

- Information Technology
  - Security over confidential data
  - Data loss
  - Ransomware/viruses
  - Change or upgrade in key information systems
- Interaction and/or Activities Involving Minors
- Receipt of Cash or Goods for Services
- Sensitive Inventories – Controlled Substances, Radioactive Materials, Chemicals, etc.

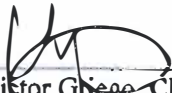
Upon completion of the University-Wide Risk Assessment, Internal Audit is proposing a three-year audit plan to the UNM Audit and Compliance Committee for Fiscal Years 2021-2023 based on combined risk assessments for “Likelihood” and “Impact.” The summarized three-year audit plan is presented at **Exhibit 1**. Internal Audit also prepared a Risk Matrix bubble chart heat map for the UNM Main Campus and the Health Sciences Center, presented at **Exhibit 2 and Exhibit 3**, illustrating risks by “Likelihood” and “Impact.”

Internal Audit will work in collaboration with the Main Campus and HSC Compliance Offices and revisit the Three-Year Internal Audit Plan on an annual basis. Any new information and/or identified risks brought to the Internal Audit Department’s attention will be considered for future Internal Audit plans.

Internal Audit will develop and perform detailed procedures during the individual internal audits to address identified risks. Each internal audit includes its own risk assessment process which further evaluates risk and allocates audit effort to the highest risks.

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## APPROVALS



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Victor Griego, CPA  
Interim Director, Internal Audit Department

Approved



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Chair, Audit Committee

Proposed Three-Year Internal Audit Plan

<b>Audit Area</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Contract</b>			
University President's Travel & Entertainment Expenses *	√	√	√
<b>Information Technology</b>			
Information Security (TBD)	√	√	√
<b>Colleges and Schools</b>			
Anderson School of Management	√		
School of Engineering			√
College of Fine Arts		√	
College of Population Health			√
College of Nursing		√	
<b>Academic Departments</b>			
Biology			√
Pediatrics (SOM)	√		
Internal Medicine (SOM)		√	
<b>Branches and Centers</b>			
UNM Valencia	√		
UNM Gallup		√	
Children's Campus	√		
Research and Economic Development			√
Office of Medical Investigator (OMI)	√		
Cancer Treatment Research Center			√
<b>Human Resources</b>			
Benefits Management			√
<b>Academic/Student Welfare &amp; Success</b>			
Enrollment Management	√		
Financial Aid			√
Student Health and Counseling (SHAC)			√
Recreational Services		√	
<b>Athletics</b>			
Athletics Administration		√	
<b>Auxiliary Enterprises</b>			
KNME			√
Parking and Transportation			√

**Exhibit 1**



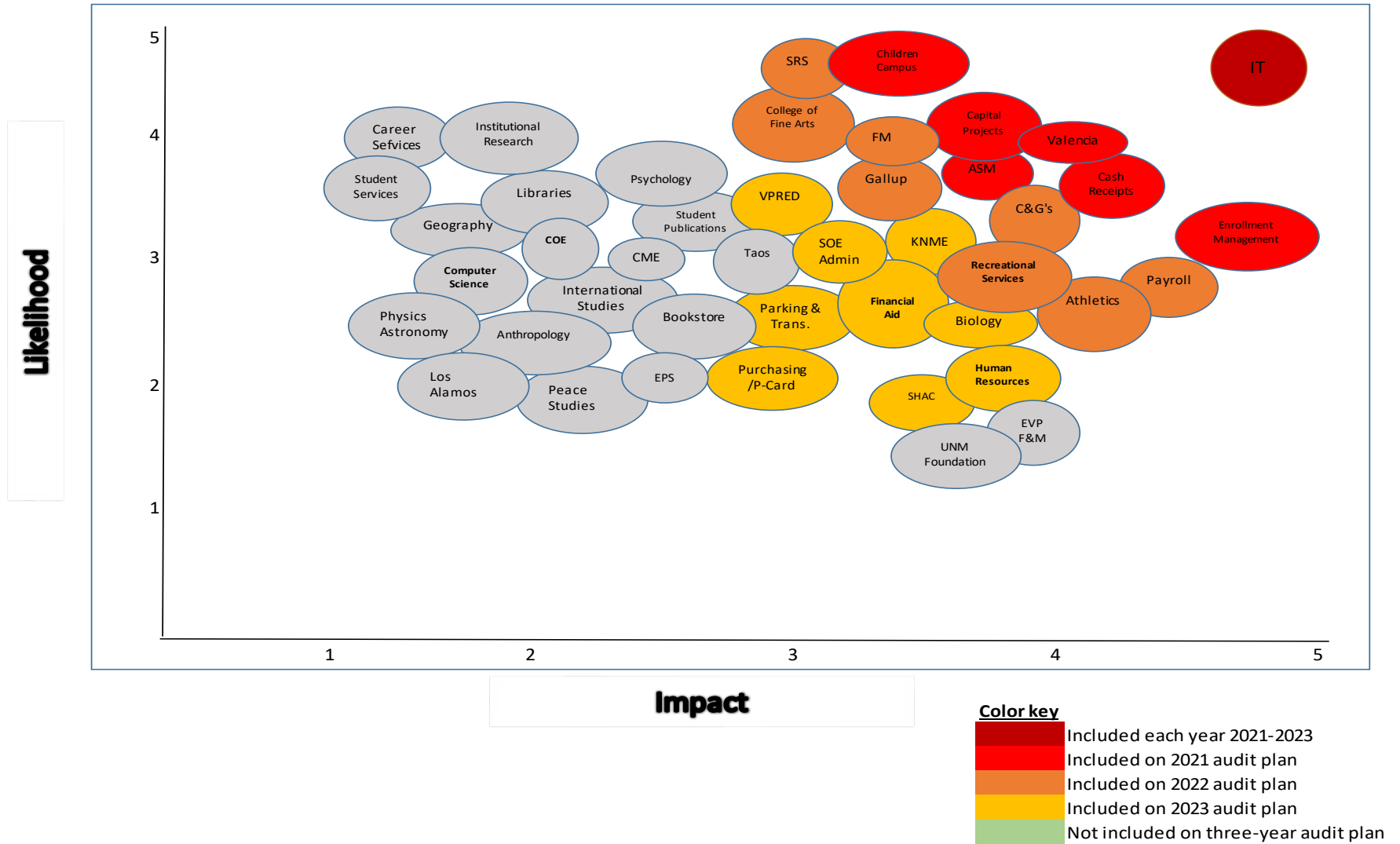
Proposed Three-Year Internal Audit Plan

<b>Facilities and Project Management</b>			
Facilities Management		√	
Capital Projects	√		
<b>Financial and Administrative Management</b>			
Cash Receipts (Main Campus and HSC)	√		
Purchasing and P-Card (Main Campus and HSC)			√
Payroll (Main Campus and HSC)		√	
Contracts and Grants (Main Campus and HSC)		√	
<b>Health and Safety</b>			
Safety and Risk Services		√	
<b>Total</b>	<b>10</b>	<b>12</b>	<b>13</b>

\* Internal Audit conducts a contract audit of the UNM President's travel and entertainment expenses on an annual basis (RPM 3.9).

Exhibit 1 - continued

## Risk Matrix - Main Campus and Branches



Proposed Three-Year Internal Audit Plan

**Risk Matrix - HSC**

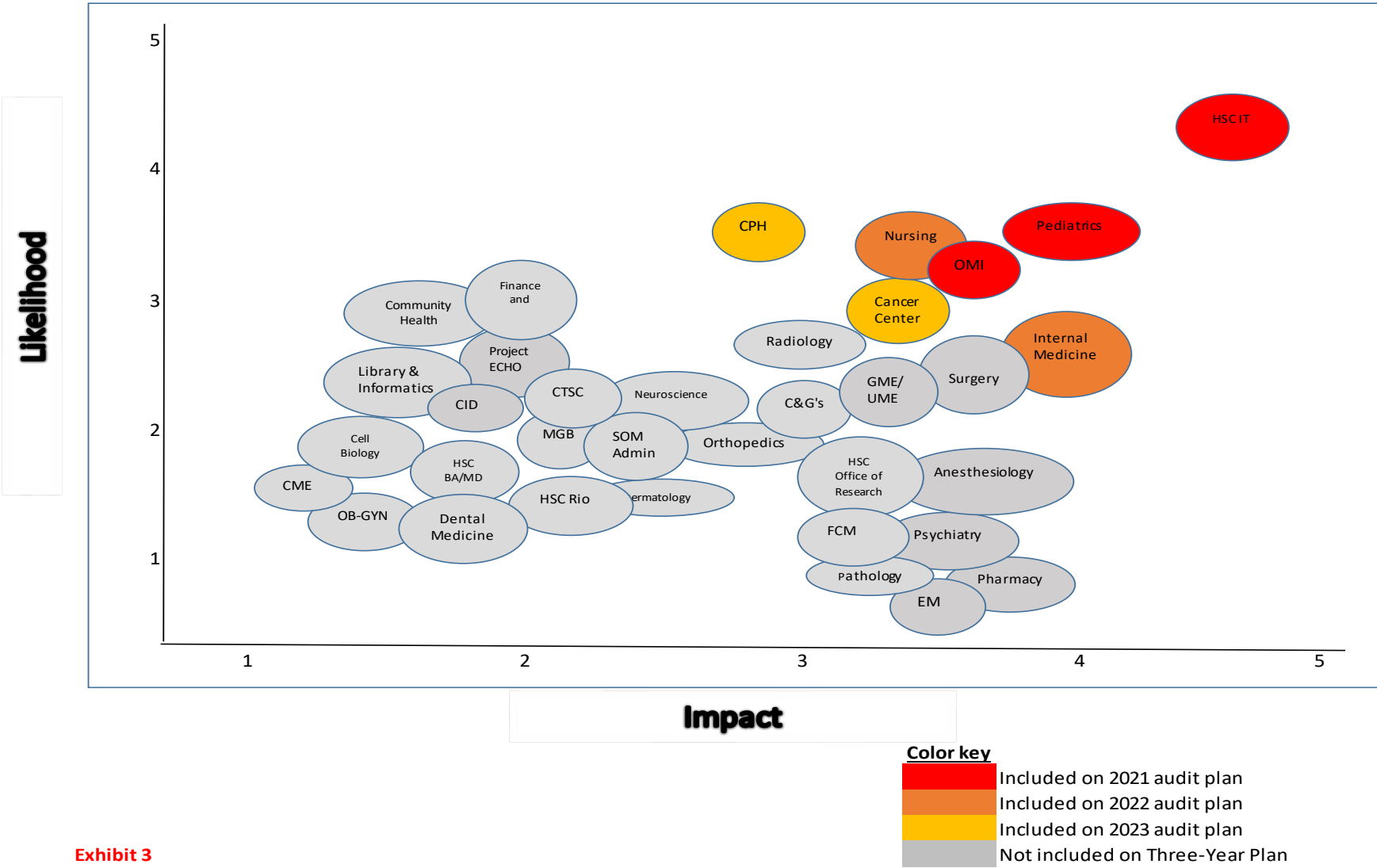


Exhibit 3