



FY 2023 – 2024 Annual Report

The University of New Mexico Internal Audit Department

Submitted by:

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<http://iaudit.unm.edu/>

FY 2023-2024 Annual Report

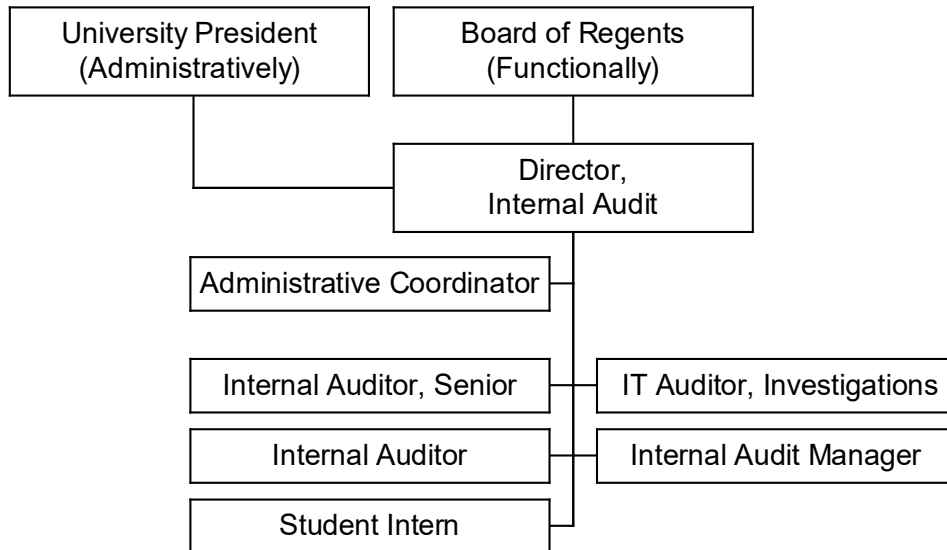
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Mission and Vision

The University of New Mexico Internal Audit Department's (Department) mission is to assist personnel in effectively, efficiently, and economically fulfilling their assigned responsibilities by providing objective analyses of the activities reviewed. In doing so, we work together with University departments to develop, improve, and implement policies and procedures, streamline processes for most efficient use of time and resources, and enhance training.

Organizational Chart



Note 1: UNM Health System Internal Audit function has a reporting line to the Internal Audit Director.

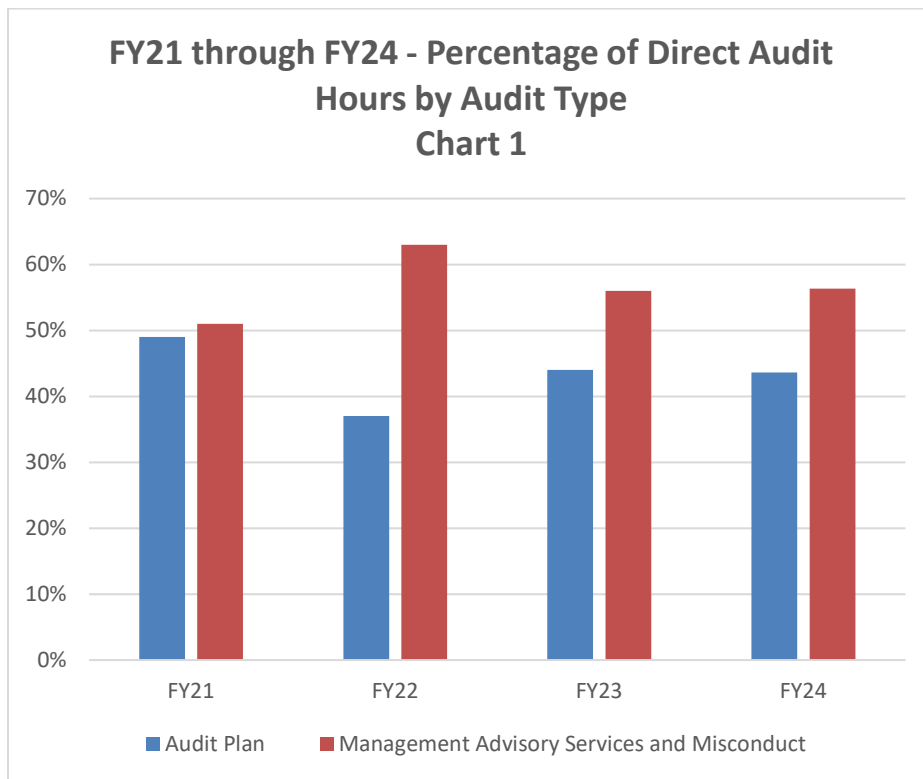
Note 2: Two out of three budgeted auditor positions were filled as of June 30, 2024. Internal Audit is currently filling the third vacant auditor position.

Executive Summary

In fiscal year (FY) 2024, the Department coordinated closely with the University stakeholders to identify high priority areas/audits. The Department focused its resources on complaint investigations as they were received, while conducting planned audits as needed on the risk-based audit plan.

The FY24 adjusted budget was \$1,324,265, \$37,245 of which came from the departmental reserves; and, total expenses for the year were \$1,119,262, resulting in I&G funding exceeding expenses by \$167,758. Departmental reserves increased from \$279,026 at the beginning of FY24 to \$446,784 at FY24 year end. Internal Audit's budget savings is due to two vacant senior auditor positions, one for three months, and the other for the full fiscal year of FY24.

Chart 1 illustrates the percentage of audit work hours performed, by audit type, for FY21 through FY24.



The Department adds projects to the work plan in the following ways:

- The Department includes risk-based (planned) audits based on a risk assessment performed by the Department, with input from the University leadership.
- Management request - special requests made during the fiscal year by the President, Board of Regents, and University Management. Because of the source of the requests, these projects are also risk-based and high priority.
- Contractual requirements (information/language contained in a specific contract). Because of the source of the request, these audits are also risk-based and high priority.
- The Audit Director adds investigative audits - resulting from complaints - which after a preliminary investigation, may result in a significant risk to the University.

Management Advisory Services provided include investigating complaints of allegations, certain management requests, consulting, and department-oriented initiatives.

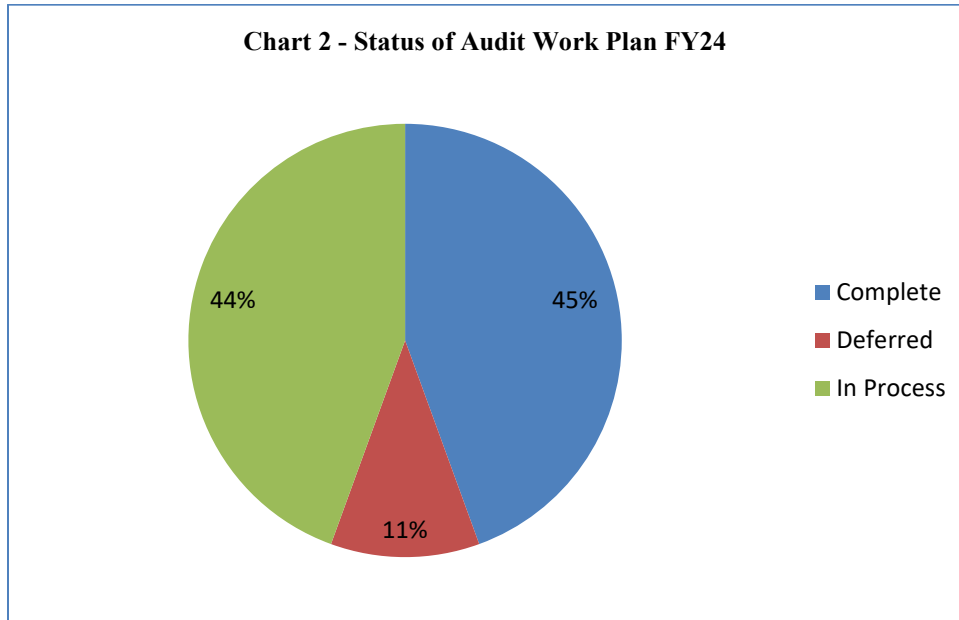
Fiscal Year 2024 Audit Plan

The FY24 audit plan included 9 projects. The projects consist of:

- 4 completed audits/reviews;
- 4 audits/reviews in progress at the end of FY24; and
- 1 deferred audit.

The FY24 audit plan included nine (9) projects, which were approved by the Audit and Compliance Committee (“Committee”).

See Chart 2 below for the status of the FY24 audit work plan. Contributing to the 45 percent completion rate and 44 percent in-process rate of FY24 audits (compared to 25 and 33 percent respectively in FY23), were a filling of a vacant position for a senior internal auditor, more hours available on audit/review, and less planned audits deferred to the next year.



Fiscal Year 2024 Audit Plan Detail, as of June 30, 2024:

Report No	Report Name	Audit Type	Status
2022-03	Project Echo	Risk-Based	Completed - Follow Up
2023-02	2023 Risk Assessment	Risk-Based	Completed
2024-01	President's Travel and Entertainment Expense	Contractual	Completed
2023-04	Office of Medical Investigator	Risk-Based	Completed - Follow Up
2024-03	Non-Standard Payment (NSP) Audit	Risk-Based	Report Writing
2024-02	Anderson School of Management	Risk-Based	Planning
2024-04	Education Abroad Programs	Risk-Based	Planning
TBD	IT - Disaster Recovery	Risk-Based	Planning
TBD	Office of Community Health	Risk-Based	Fieldwork

Note: The hours spent on the reports above and on follow-up procedures are included in the “Audit Plan” in Chart 1, FY21 through FY24 – Percentage of Direct Audit Hours by Audit Type.

Accomplishments

- Provided valuable on-the-job training to a student intern.
- Collaborated with the UNM Main Campus Compliance Office, HSC Privacy Office, HSC Compliance Office, and Health System Internal Audit on a regular basis.
- Helped facilitate EthicsPoint hotline operations by serving as Administrator and assisted in the implementation of the EthicsPoint hotline upgrade to “Enterprise” module.
- Assisted UNM Health System in policy development and guidance for required reporting of dishonest and fraudulent activities, and assisted UNM Health and Controllor’s office with preparing required OSA notifications.
- Continued coordination with external auditors to ensure appropriate coverage of audit risk and collectively reduce audit duplication on the University’s annual external financial audit.
- Continued navigation of features in the new TeamMate+ platform for more efficient operations. Provided a department-wide audit and investigation training to all professional staff and a student intern.
- IA management and staff served as professional and community board members for the Albuquerque Chapter of Institute of Internal Auditors (IIA) and City of Albuquerque Accountability and Governance Oversight (AGO) Committee.

Performance Goals for Fiscal Year 2024

Performance Goal 1 - Provide quality audit reports that are useful to auditees, management, and the Board of Regents’ Audit and Compliance Committee.		
Measure	Target	Results for FY24
Audits and reviews are relevant and address risks.	50% of completed audits and reviews originate from the risk-based audit plan.	4 of the 4 completed projects identified as risk-based (*) on the audit plan.
Audits and recommendations add value.	75% of recommendations implemented within specified dates.	86% of recommendations implemented within specified dates.
	After-audit surveys (**) rate value-added at 4 or above (on a 1-5 scale).	Value-added rating 5 and overall rating of 4.9.
Audits are timely.	Complete 75% of audits within 15% of budgeted hours.	Audits are completed within 15% of budgeted hours.
Performance Goal 2 - Audits result in more efficient and effective University operations.		
Measure	Target	Results for FY24
Audits and reviews identify potential cost savings and increases to revenue.	Potential savings, cost avoidance, and increased revenues are greater than or equal to 100% of the Department budget.	None specifically identified.
Audit recommendations address University-wide issues.	50% of reports include University-wide recommendation(s).	One (1) of two (2) reports included University-wide recommendations.

Performance Goal 3 - Reduce potential liability to the University by coordination of investigations of allegations of fraud and employee misconduct.		
Measure	Target	Results for FY24
Coordinate investigations and report on allegations.	Work with Human Resources, University Police, University Counsel, State Auditor, and departments, as applicable, to conduct timely investigations.	36 cases closed in FY24.
Increase accountability by assisting University in documenting wrongdoing by employees.	All cases of potential fraud or potential violations of criminal statutes turned over to proper authorities for prosecution.	Two (2) letters to the State Auditor reporting potential criminal violations.
Provide follow-up information to individuals who allege misconduct at the University.	Notify individuals within 10 days of action taken. When investigation is complete, notify complainant within 10 days.	Internal Audit staff post updates of action taken and resolution of complaint immediately in the EthicsPoint Incident Management System. Callers may access their case through the system to read the updates and resolution when they call back or use the web to access the system.
Performance Goal 4 - Prevent potential problems through proactive consulting, training, and communication.		
Measure	Target	Results for FY24
Present training on various topics to University faculty and staff.	Continue participating in Grants management training.	The Department participated in updating the materials of the course in prior years; however, made no specific update in FY24.
	Revise and present fraud training.	Target not met because of other priorities.
Communicate corrective actions University-wide to address systemic problems.	University-wide communications provide Audit Tip of the Month through the list serve, or on Department web page.	Target not met because of other priorities. However, Department communicates with University community by posting audit reports with recommendations and responses on the website for public viewing. IA will revisit the area to determine a practical communication protocol.

* As noted in the Introduction, Management Requests and Contractual Requirements are risk-based because of the nature of the request.

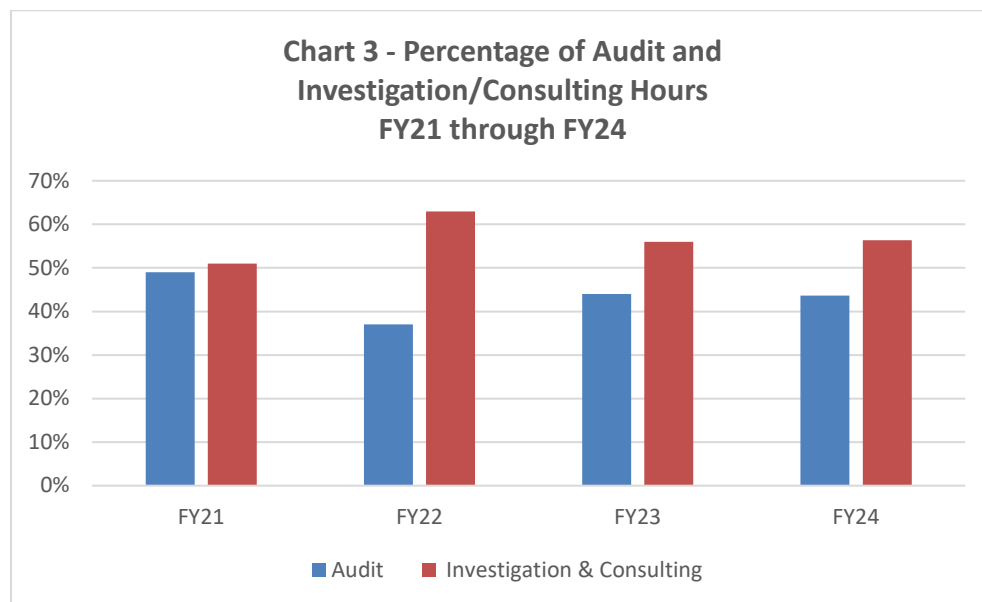
** The survey seeks feedback on a number of performance factors, including objectivity, professional proficiency, scope of work, audit purpose, feedback on findings, minimization of disruption of normal activities, timeliness of audit report, value-added results, etc.

The Internal Audit Department's Hours by Category

The Department's professional staff worked a combined total of 14,090 hours. The Department tracks hours worked on detailed time reports, showing the specific audit or other category where the professional employee spent his or her time. The auditors may work on multiple audit projects at any given time; therefore, auditors track time spent each day on various projects. The table below shows the total hours, with non-audit/investigation classifications of hours subtracted out, leaving a remainder of 6,644 net hours devoted to audit and investigatory work.

FY24	Hours
Total Available Hours	14,090
Less: IT Support and Application Admin	647
Training Attended/Provided	578
Leave and Holidays	2,350
Administrative and Other Duties	3,871
Net Audit and Investigative Hours Available	6,644

Chart 3 below breaks down the percentage distribution of the audit versus investigative hours.



Detailed explanation of each category follows.

Audit - The hours the professional audit staff spent on specific audits or projects, including significant work related to reporting misconduct. Hours spent on follow-up procedures are included in this category.

Investigation and Consulting Work - This category represents hours spent on reports of fraud and misconduct that do not usually result in extensive work by the Department, and hours spent on smaller management request tasks. The Department receives fraud and misconduct complaint cases assigned by the UNM Compliance Office – Main Campus through its hotline, walk-ins, and concerns expressed by UNM leadership.

IT Support and Application Admin - The Department's resources mainly used to support the Department's general technology and TeamMate software.

Training Attended/Provided - Each professional staff member in the Department must attend a minimum of 40 hours of continuing professional education each year.

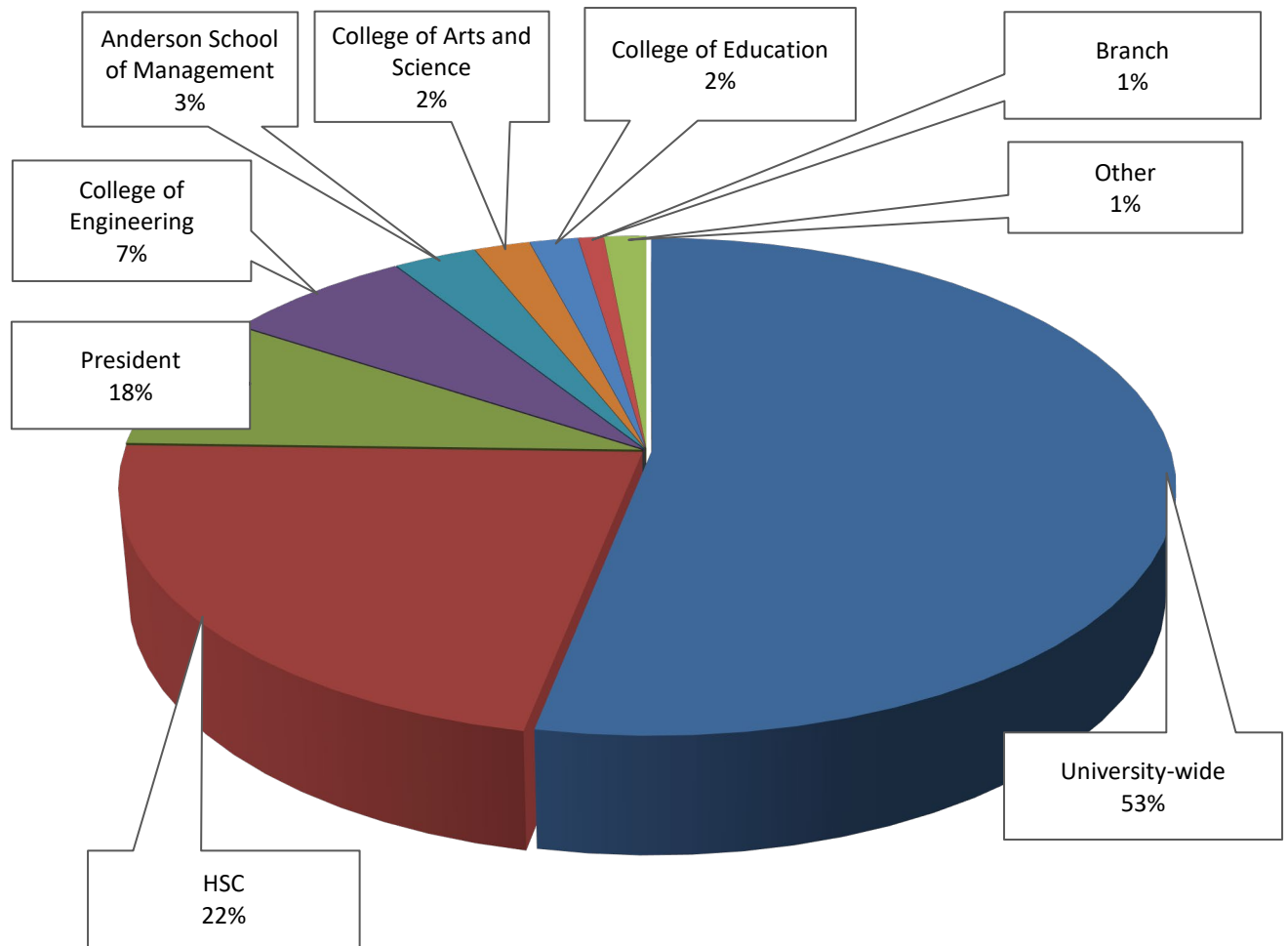
Leave and Holidays - This category captures sick, annual and holiday leave. Employees take leave in accordance with University policy.

Administrative and Other Duties - Administrative activities include attending Regents' meetings, attending high-level University meetings, reading professional literature, preparing monthly and quarterly reports, participate with UNM Hospital's internal audit function, preparing for Audit and Compliance Committee meetings, preparing correspondence to the State Auditor and other officials, attending Departmental meetings, reviewing internal payroll and other financial documents, and other varied duties.

The Internal Audit Department's Hours by Department/School/College

Chart 4 illustrates a breakdown of the Department's professional staff hours by category: Department/School/College. The percentage of time spent in these areas varies each year based on the audit plan, audit follow-up, management requests, committee and consulting work, and investigations of fraud or misconduct.

Chart 4 - Percentage of Hours by Department/School/College FY24



Note: The areas included under Other are VP for Research, College of Fine Arts, and Athletics.

The Internal Audit Department's Hours for Fraud, Misconduct, and Consulting

The Department provides investigation and consulting. The amount of Department time spent in FY24 on providing guidance, reviewing reports of fraud and misconduct, and consulting totaled 3,744 hours. The contacts are through management requests, walk-ins, and the University hotline.

The misconduct and fraud process is as follows:

- Intake - includes interviewing complainants, and reviewing e-mails, letters, and hotline reports for financial misconduct only.

- Review - includes reviewing information provided by the complainant, interviewing other involved parties, reviewing University documents, and other evidence as necessary. The review process includes documenting interviews and analyses.
- Audits - the Department will perform an audit, based on the information received from the complainant, if the information may result in significant risk to the University.
- Tracking - the Department tracks referrals from intake through resolution.

Future Plans/Goals

The Department plans to improve their efficiency and image, assist employees, and enhance internal processes, by:

- Increasing number of University-wide recommendations.
- Expanding cost savings and/or revenue enhancements - when appropriate, and if applicable.
- Continuing to work with the Anderson School of Management to hire student professional interns, thus providing these students with practical internal audit experience.
- Continued collaboration with UNM Compliance and HSC Compliance Offices to identify and address project level risks.
- Assessing internal audit organizational structure and modifying, if needed.

Personnel Appointments and Separations

Appointment of Staff

<u>Name</u>	<u>Job Title</u>	<u>Action</u>	<u>Date</u>
Antonio Baca	Internal Auditor, Senior	Hired	September 25, 2023
Jeremiah Sanchez	Student	Hired	April 15, 2024

Separations of Staff

None

Service to the Profession and Public Service

Department personnel are dedicated University employees and active members in both their profession and the community. The audit staff members belonged to the following professional organizations during fiscal year 2024:

- Association of College and University Auditors
- Institute of Internal Auditors
- Information Systems Audit and Control Association
- Association of Certified Fraud Examiners
- American Institute of Certified Public Accountants

Director's Communication

Pursuant to The Institute of Internal Auditors' *Standards*, the chief audit executive (CAE) communicates the following part of a quality assurance and improvement program to senior management and the Committee:

Internal Assessments:

- Ongoing monitoring - The Department has established ongoing monitoring of the internal audit activity. A number of processes and tools have been used which include engagement planning and supervision, standardized audit practices and templates with detailed procedures, reviews of audit deliverables, and documented signoffs of work prepared and reviewed in paperless audit management software. Areas in need of improvement are identified, evaluated, and determined as needed.