THE UNIVERSITY OF NEW MEXICO

HLC Accreditation
Evidence Document

Title: Documents from the Internal Audit Department (IAD)

Office of Origin: Internal Audit Department

Description: A collection of three documents from the Internal Audit Department outlining the function and capacities of the Internal Audit Department. This includes an overview of methodologies, types of audits, and a "Self Assessment Questionnaire" given to units prior to audit.

Date: 2018

Internal Audit Department
Risk Assessment Methodology

The UNM Internal Audit Department (Internal Audit) works with management to create a risk-conscious climate and a risk-based audit plan that focuses its priorities on those areas where risks and material exposure is greatest. Internal Audit uses a risk assessment methodology to select University colleges, schools, centers, branches, departments, and programs ("Units") that will be included in the five-year audit plan.

Auditable units – Auditable units are developed based on the University strategic goals, objectives, financial and key operational systems, organizational structure, significant University processes, and topics of the Association of College & University Auditors (ACUA) surveys. 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. In addition to the functional areas, the Units are primarily selected at "Level 3" or "Level 5" organizations on the University of New Mexico Organizational Reporting Structure.

Audit universe – Audit universe is the compilation of the auditable units. The audit universe serves as the source from which a five-year audit plan and the annual audit schedule can be prepared. The universe will be periodically revised to reflect changes in the overall risk profile.

Internal Audit evaluates overall risk assessment of each individual Unit 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 successful achievement of the Unit's goals and objectives.

Internal Audit identifies various factors that may affect "Likelihood" and/or "Impact" that contribute to a rating system of the overall risk assessments. Selected factors are described below:

> **Risk Assessment Questionnaire:** Internal Audit distributes a risk assessment questionnaire to the head of each of the Units included in our University-wide risk assessment. The questionnaire includes a number of selected risk questions that are self-assessed by each Unit, and several open ended questions for each Unit to identify any additional risks or concerns that may exist. The questionnaire presents several possible risk areas throughout the Unit, and requests that the recipient rank the risks based on their perceived likelihood of the risk occurring, and the impact of the risk on the Unit.

> **Complaints:** Internal Audit considers number of complaints received from prior years related to the Unit.

> **ACUA high risk area:** Internal Audit reviews the Unit that encompasses components that were identified by ACUA as high risk areas.

Discussions with University Officials: Internal Audit discusses with selected University officials to determine if they have any specific risks and/or concerns related to any college, school, branch, center, department, or program that reports to them.

Size and Significance: The size of the Unit based on annual expenses and/or transaction volume, and the significance of their operations.

Upon completion of the University-wide risk assessment, Internal Audit proposes a five-year audit plan to the UNM Board of Regents' Audit and Compliance Committee for its review and approval. Internal Audit will revisit the five-year audit plan on an annual basis. Any new information brought to the Internal Audit Department's attention will be considered for future audit plans.

INTERNAL AUDITING

Each fiscal year, the Internal Audit Department develops the annual Audit Plan and presents it to the Audit and Compliance Committee for its review and approval. This Audit Plan is primarily based on a University-wide risk assessment. The objectives of each audit are based upon the initial objectives in the annual Audit Plan, the perceived needs of the function, department, school, and college, and preliminary risk assessment performed by the internal auditor.

Audits are categorized into the following common areas:

MANAGEMENT AND PERFORMANCE AUDITS

This type of audit focuses on evaluating whether an organization is achieving its goals and objectives regarding efficiency and effectiveness of its operations based on criteria or metrics determined. The goals of the evaluation are to improve operations, performance and optimize resources allocation.

COMPLAINCE AUDITS

Compliance audits are the review of organization's financial and operating controls to determine if an organization complies with applicable requirements of provisions of laws, regulations, standards, rules, contracts or grant agreements, and/or University policies and procedures.

INFORMATION TECHNOLOGY AUDITS

The Internal Audit Department conducts audits of information systems organizations, installations, and computerized applications. These audits evaluate the quality of the controls over the University's assets, the effective use of data processing resources, and adherence to management policies. Information Technology audits encourage the design and implementation of adequate controls over computer applications and the computing environments in which they are used.

SPECIAL REQUESTS

The Internal Audit Department will conduct an audit based on a request from the Management or the Board of Regents. These special requests may result from concerns about a program, function or account. These audits address specific objectives relating to the concerns.

FRAUD AUDITS

Fraud audits are initiated from irregularities identified during routine audit work, management who find fraud in their organizations, and complaints from various sources including the University Hotline.

Purpose: To gain an adequate understanding of your department or program's operations, priorities, and challenges, we need the following information. This short self-assessment has been designed to obtain input from you so that Internal Audit can effectively determine the correct level and areas of focus of their activity in the upcoming audit of your area. Your input is important and appreciated. Please return this questionnaire as soon as possible, but no later than XXXX.

Area:_____ Responsible Party:_____

Section A - Organization

1) Whom do you report to, and, how does your organization fit into the overall University operations?

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2) What is your *mission statement*? (May attach separately.)

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3) Please describe the *key business processes* (this would include your *significant programs, areas of emphasis, and activities*) within your area.

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4) Please describe your *key business objectives* and *current goals*.

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5) Please list the *specific objectives* within your area.

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6) Do you have a written *departmental Policies and Procedures Manual*?
(Circle One) Yes   No (Please have copy available)
Comments:

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7) Who is responsible for keeping this Policies and Procedures manual *up-to-date*?

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8) What are the *key information systems utilized* in your area?

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9) Please describe the *key performance measures* you use to monitor the
effectiveness/efficiency of your processes.

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10) Please describe the *key means of communication* you use to inform other departments of
activities/issues occurring in your area.

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11) Please list the *key personnel* and their major areas of responsibility.

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12) Please list any *applicable laws and/or regulations* that apply specifically to your area.

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13) Please describe the *key business risks* that exist in your area (i.e., risks that may prevent
you from achieving your objectives or may result in inappropriate or ineffective use of
University assets).

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14) Please describe the *key internal controls* (management and financial) that you believe exist
in your area (i.e. How do you control the major activities, output, etc., in your area? What
controls do you have to mitigate the key risks?).

15) Are there any areas that you would like Internal Audit to specifically review (i.e. areas of immediate control concern or inefficient process)?

Section B - Issues

In order for our office to perform an audit that adequately addresses any issues that you are presently aware of, please answer the following questions as completely as possible.

1) Are you aware of any violations of University policies or procedures? If yes, provide an explanation.

2) Are you aware of any violations of any State statutes or Federal regulations? If yes, provide an explanation.

3) Are you aware of any operational, control, or procedural problems? How do you monitor these?

4) Have there been any major changes in (if yes, provide an explanation):
   a) Personnel, programs, systems, and/or policies and procedures?

   b) Responsibilities regarding the regulatory environment?

5) Have there been any activities that could be perceived as improper, or have you noticed any unusual transactions or events? If yes, provide an explanation. Such as:
   a) Thefts of funds or property

   b) Fraud

   c) Questionable procurements

   d) Employees who have developed too close a relationship with a vendor, or other conflict of interest situations

   e) Contract violations or other non-compliance by vendors

6) Describe your budgetary control system and how it is monitored.

7) What reports do you generate on a regular basis and how are these used? What variations/exceptions do you find?

8) Who is responsible for equipment/capital assets, and is an annual inventory done?

9) Do you have an individual responsible for computer equipment, software purchases, and/or licensing? Do you have any concerns in this area?

10) Do you handle any revenues, cash, and/or checks? If so, for what and who is responsible?

11) If you handle credit card transactions how to ensure compliance with "Credit Card Processing" Policy 7215 and Section 3.2.4 "Cash Management" Policy 7200, UAPPM.

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12) Do you have any accounts receivable or accounts payable? Are they handled separately or within the University system? Who is responsible for these areas?

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13) Are there any material liabilities or other transactions not properly recorded? If yes, provide an explanation.

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14) Does the department, college, and/or program have any financial relationships/ responsibilities with external organizations (i.e. booster groups, fundraising organizations, and/or alumni groups)? If yes, provide an explanation.

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15) How does your department protect private employee and/or student information?

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16) Are you completing Performance Reviews for all employees?

(Circle one)   Yes   No
Comments:

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17) Does someone in your department ensure employees are in compliance with mandatory training (such as Preventing Sexual Harassment, Conflict of Interest, Cash Management, Grants Management)? If so, who?

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18) Are your employees encouraged to attend EOD/training on payroll, accounting, civil rights, Banner, etc.?

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19) In the past year, have there been any charges of discrimination, harassment, or other violations of personnel rules? If yes, provide an explanation.

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20) Have there been any "forced placements" or other positions created or filled outside of the normal process? If yes, provide an explanation.

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21) Have your employees sent any written memos or other documentation communicating problems or concerns in their areas to management or individuals outside the department? If yes, provide an explanation.

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22) Are your employees familiar with the Whistleblower Policy?

(Circle one)   Yes   No
Comments:

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23) What is your process for communicating and dealing with problems in your organization?

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24) Are there any scheduled vacations or other conflicts with personnel in key positions that could hamper the audit? If yes, provide an explanation.

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25) Are there any significant legal actions pending? If yes, provide an explanation.

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Section C - Documentation

Please provide us with the following documents:

a) Most recent organization chart detailing the divisions, functions, programs and/or projects in the organization (If the employee names are not on the organization chart, please provide a list of all current employees and their titles/positions).
b) Any flow charts that exist of key processes.
c) Applicable departmental Policies and Procedures manuals, including IT area.
d) Significant agreements, contracts, and grants that are applicable to the area under review.
e) City, state, and federal laws, rules, and regulations as applicable to the area under review.
f) Any third party audit or review reports, consultant's reports or outside monitoring of the department, division, and/or program.
g) Budget to actual reports for the period(s) under review.
h) List of all unrestricted accounts and the individual responsible for each account.
i) List of all restricted accounts and the Principal Investigator responsible for each account.
j) Written progress reports (weekly, monthly, and/or other) to management from supervisors.
k) Program reports (for example, restricted account reports).
l) Any routine analysis and reports on operations.

We may request additional information during the course of the audit. If there is any additional information you feel we should have prior to our review, please attach it to this questionnaire. Please return this questionnaire and any attachments to Internal Audit by XXXXX.