

# QUALITY ASSESSMENT OF THE UNIVERSITY OF NEW MEXICO INTERNAL AUDIT ACTIVITY

**Self-Assessment with External Independent Validation**

**Report 2013-02  
February 8, 2013**



THE UNIVERSITY *of*  
NEW MEXICO

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## **Audit Committee Members**

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THE UNIVERSITY of  
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## EXECUTIVE SUMMARY

**To:** Robert G. Frank, President, University of New Mexico  
Members of the University of New Mexico Board of Regents' Audit Committee

**From:** Manu Patel, Internal Audit Director

**Date:** February 8, 2013

**Subject:** Internal Quality Assessment Review, Report # 2013-02

The University of New Mexico (UNM) Internal Audit Department (IAD) has completed an internal quality assessment review (QAR) of the internal audit activity of UNM in preparation for validation by an independent assessor. The principle objective of the QAR was to assess the internal audit activity's conformance to The Institute of Internal Auditors (IIA)'s *International Standards for the Professional Practice of Internal Auditing (Standards)*. The independent validation took place in December 2012.

Overall, we concluded that the internal audit activity generally conforms to the IIA *Standards* and Code of Ethics. Generally conforms is the top rating and means that internal audit activities are judged to be in conformance with the *Standards*. The report includes two observations noted during our internal quality assessment review and four additional observations noted by the external independent validators. These observations are due to partial conformance with the following *Standards* and related practice advisories:

- Standard 1300 – Quality Assurance And Improvement Program
- Standard 2000 – Managing the Internal Audit Activity
- Standard 2100 – Nature of Work
- Standard 2210.A1 – Engagement Objectives
- Standard 2340 – Engagement Supervision
- Standard 2440 – Disseminating Results
- Standard 2500 – Monitoring Progress

Partial conformance means that although deficiencies were identified, they did not preclude the internal audit activity from performing its responsibilities in an acceptable manner. Recommendations were provided to improve existing audit procedures and to enhance the value, effectiveness, and efficiency of internal audit activities.

We would like to extend our appreciation to the Board of Regents' Audit Committee, Executive and Senior Management, and other UNM staff for their assistance and cooperation during this review. We are available to answer any questions you may have regarding this report.

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## ABBREVIATIONS

CAE.....	Chief Audit Executive
IAD .....	Internal Audit Department
IIA.....	Institute of Internal Auditors
QAR.....	Quality Assurance Review
Standards.....	International Standards for the Professional Practice of Internal Auditing
UNM.....	The University of New Mexico
Audit Committee.....	The University of New Mexico Board of Regents’ Audit Committee

## INDEPENDENT VALIDATION STATEMENT

The validators were engaged to conduct an independent validation of the University of New Mexico (UNM) internal audit activity's self-assessment. The primary objective of the validation was to verify the assertions made in the attached quality self-assessment report concerning adequate fulfillment of the organization's basic expectations of the internal audit activity and its conformity to The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (Standards)*. Other matters that might have been covered in a full independent assessment, such as an in-depth analysis of successful practices, governance, consulting services, and use of advanced technology, were excluded from the scope of this independent validation by agreement with the Chief Audit Executive.

In acting as validators, we are fully independent of the organization and have the necessary knowledge and skills to undertake this engagement. The validation, conducted during the period December 3-6, 2012, consisted primarily of a review and testing of the procedures and results of the self-assessment. In addition, interviews were conducted with senior members of management, Board of Regents' Audit Committee, internal audit staff, and the Chief Audit Executive. We also conducted anonymous surveys of the audit staff.

We **concur** with the internal audit activity's conclusions in the self-assessment report that the activity generally conforms to the IIA's *Standards* and Code of Ethics. Although we did not perform a full assessment of activities, our validation procedures allowed insight into the UNM internal audit activities operations. From this insight, we have recommended, and the Chief Audit Executive has accepted, recommendations 3 through 6.

Implementation of all the recommendations contained in the validated self-assessment report will improve the effectiveness, enhance the value of the internal audit activity, and ensure its full conformity to the *Standards*.



Ross Justus, CPA  
Independent Validator  
January 3, 2013



Clifford M. Chrissinger, CIA  
Independent Validator  
January 3, 2013

# INTRODUCTION

## BACKGROUND

The Institute of Internal Auditors (IIA)'s *International Standards for the Professional Practice of Internal Auditing (Standards)* require internal audit departments to develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program should include both internal and external assessments designed to enable an evaluation of the internal audit activity's conformance with the standards established by the IIA, and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. According to the *Standards*, the quality assurance and improvement program must include:

- Ongoing monitoring of the performance of the internal audit department (IAD) activity. This includes day-to-day supervision, review, and measurement of the IA activity;
- Periodic reviews to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics, and the *Standards*; and,
- External assessments, conducted at least once every five years.

The IIA's *Quality Assessment Manual* suggests a scale of three ratings, "Generally Conforms," "Partially Conforms," and "Does Not Conform." "Generally Conforms" is the top rating and means that an IA activity has a charter, policies, and processes that are judged to be in conformance with the *Standards*. "Partially Conforms" means deficiencies in practice are noted that are judged to deviate from the *Standards*, but these deficiencies did not preclude the IA activity from performing its responsibilities in an acceptable manner. "Does Not Conform" means deficiencies in practice are judged to be so significant as to seriously impair or preclude the IA activity from performing adequately in all or in significant areas of its responsibilities.

## SCOPE AND PURPOSE

As required by the *Standards*, in preparation for validation by an independent assessor, the IAD completed an internal quality assessment review (QAR). The validation took place in December 2012. We used the IIA Quality Assessment Manual, Updated 6th Edition to perform the review. The purpose of this report is to provide observations and recommendations for improvement based on the work performed by the IAD activity during Fiscal Years 2010, 2011 and 2012. The principle objective of the QAR was to assess the IAD activity's conformance to the *IIA's Standards*. Specific objectives were to:

- Assess the organization of UNM's IAD activity, and evaluate whether its structure and responsibilities are best suited to serve UNM;
- Assess whether the IAD activity's planning process considered UNM's risk framework, control environment, accountability processes, strategic and technology plans, and significant business activities to arrive at the annual and long-term plan;
- Evaluate the professional proficiency of the IAD staff, and appraise the

- development and assignment of staff in order to achieve the IAD's mission/goals;
- Evaluate the annual audit plan; determine how the IAD monitors plan accomplishments, and how the plan adds value to the University;
  - Evaluate internal audit work papers and determine conformance with the *Standards* and internal policies with respect to performance and documentation of engagements; and,
  - Determine the implementation status of recommendations and corrective actions provided in the FY 2005 external quality assessment review. The status of these recommendations is presented in Exhibit A.

Review procedures included:

- Reviewing general IAD information, policies and procedures, and management practices for the department;
- Conducting interviews and/or surveys with Audit Committee members, Executive and Senior Management, the Chief Audit Executive (CAE), and IAD staff;
- Reviewing a representative sample of audit work paper files; and,
- Identifying opportunities for improvement and providing recommendations that conform to the *Standards* and enhance the value, effectiveness and efficiency of the internal audit activities.

## **SUMMARY AND CONCLUSION**

### **OPINION AS TO CONFORMITY TO THE *STANDARDS***

**It is our overall opinion that The University of New Mexico Internal Audit Activity generally conforms to the *Standards* and Code of Ethics.**

# OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

## INTERNAL REVIEW OBSERVATIONS

### **Observation 1 - Standard 1300 – Quality Assurance and Improvement Program**

The Chief Audit Executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The Chief Audit Executive must discuss with the Board:

- The form and frequency of external assessment; and
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

**Condition:** UNM IAD has not had a QAR in the last five years. External assessments should be conducted at least once every 5 years by a qualified independent reviewer (team) from an outside organization. The UNM IAD engaged the IIA to perform a Quality Assurance Review (QAR) of the Internal Audit Department which was completed in October 2004. All of the findings in the QAR have been addressed.

**Recommendation 1:** The UNM IAD should be more proactive in ensuring that a QAR is conducted at least once every 5 years.

#### **Management Response:**

<b>Action Items</b>
<b><i>Targeted Completion Date: 2/28/2013</i></b>
<b><i>Assigned to: Manu Patel, Director, UNM Internal Audit; Chien-Chih Yeh, Internal Audit Manager, UNM Internal Audit.</i></b>
<b><i>Corrective Action Planned: Management concurs. The UNM IAD is currently in the process of performing an Internal Quality Assessment review with External Independent Evaluation. The UNM Internal Audit Department's five-year annual plan includes the next QAR to be performed in FY 2016.</i></b>

## **Observation 2 - Standards 2000 – Managing the Internal Audit Activity and 2100 – Nature of Work**

The Chief Audit Executive must effectively manage the internal audit activity to ensure it adds value to the organization. The Chief Audit Executive must establish risk-based plans, consistent with the organization's goals, to determine the priorities of the internal audit activity. The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the Board must be considered in this process.

The internal audit activity must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach. The internal audit activity must evaluate risk exposures relating to the organization's governance, operations, and information systems.

**Condition:** The UNM IAD has continually updated the 5-year audit plan on an ad hoc basis. However, since FY2009, the IAD has not performed an annual University-wide risk assessment to revise the potential audit areas of the plan. The UNM IAD has a documented risk assessment process to develop the annual audit plan and a five-year audit plan. The risk assessment process ensures that areas where risks and material exposure are greatest are included on the annual audit plan. Information Technology audit areas are included as core audits that cover the critical information technology processes, such as the physical security core, network security core, information security, and backup and recovery core. The audit plan includes the core audits but does not include specific mission critical applications, key systems, high-risk areas, and system development processes.

The risk assessment process includes the development of potential audit areas based on University strategic goals, financial and key operational systems, organizational structure, significant University processes, the Association of College & University Auditors' Risk Dictionary, questionnaires sent to University management, and IAD judgment. The potential audit areas, such as payroll, contracts and grants, environmental health and safety, financial aid, and information systems, are rated high, medium, or low risk. The areas with the highest risk are included on the annual audit plan based on available staff resources.

The annual audit plan is presented to management and the Board of Regents' Audit Committee for their input on additions or deletions to the annual plan. The Board of Regents' Audit Committee approves the annual audit plan. Audits are also added throughout the year based on management requests, Board of Regents' Audit Committee requests, and by the IAD Director in cases of misconduct or fraud.

**Recommendation 2:** The UNM IAD should perform a risk assessment annually and present the results of the annual risk assessment to the Audit Committee and the University President. The risk assessment should further include specific mission critical applications, key systems, high-risk areas, and system development processes.

**Management Response:**

<b>Action Items</b>
<b>Targeted Completion Date: 06/30/2013</b>
<i>Assigned to: Manu Patel, Director, UNM Internal Audit; Chien-Chih Yeh, Internal Audit Manager, UNM Internal Audit; Lisa Wauneka, Information Systems Auditor, UNM Internal Audit.</i>
<i>Corrective Action Planned: Management concurs.</i> <ul style="list-style-type: none"><li>• <i>UNM IAD will use tools available in the recently acquired TeamMate electronic work paper software to update the audit universe and to perform an annual risk assessment.</i></li><li>• <i>UNM IAD will coordinate with the Chief Information Officer to identify and include mission critical applications, key systems, and system development processes.</i></li></ul>

**EXTERNAL REVIEW OBSERVATIONS**

**Observation 3 - Standard 2210.A1 – Engagement Objectives**

Internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of this assessment. The risk assessment during the planning phase is used to further define the initial objectives and identify other significant areas of concern. After identifying the risks, the auditor determines the procedures to be performed and the scope of those procedures. Engagement procedures performed in the appropriate scope are the means to derive conclusions related to the engagement objectives.

**Condition:** Workpaper review indicated that IAD did not develop engagement objectives through a documented project-level risk assessment. Although the planning procedures were substantial and an informal assessment of risk is likely being performed, the formal ranking and prioritizing of identified risks is not fully documented in the workpapers. The objectives selected for audit, along with the related procedures and scope, were not formally tied into the planning and risk assessment activities. Subsequent expansion of objectives and/or scope did not appear to be integrated into the initial planning activities.

The UNM Board of Regents' Audit Committee plays a major role in guiding the nature of the audit activities. In some instances, the Audit Committee requested expansion of scope near the completion of the originally planned procedures. Although valid concerns, introducing these items after completion of planning leads to an inefficient and/or ineffective process for performing the audit engagement. In order to assist in ensuring efficient and effective oversight, it may be helpful to provide a greater level of detail regarding the proposed high-level objectives and scope for audits on the audit plan. If considered necessary, the results of the project level risk

assessment and the related objectives should be communicated to ensure that the Audit Committee is comfortable with the direction of each project.

**Recommendation 3:** IAD should complete project-level risk assessments for each project, with enough documented detail to display the determined “cutoff” for those risks that were worthy of audit objectives and those that did not rise to the level of a formal objective. Procedures and scope should only include those objectives that are supported by the risk assessment.

The Chief Audit Executive should expand the process to inform the Audit Committee of the purpose, scope, and objectives. This process can include communication in the annual audit plan regarding the purpose, scope, and objectives for each planned engagement. The Audit Committee could be updated as to any significant changes in the originally planned scope or objectives based on the results from the project-level risk assessment.

**Management Response:**

<b>Action Items</b>
<b>Targeted Completion Date: 6/30/2013</b>
<i>Assigned to: Manu Patel, Director, UNM Internal Audit; Chien-Chih Yeh, Internal Audit Manager, UNM Internal Audit; Lisa Wauneka, Information Systems Auditor, UNM Internal Audit.</i>
<p><b>Corrective Action Planned:</b> <i>Management concurs.</i></p> <ul style="list-style-type: none"> <li>• <i>UNM IAD will develop a process to ensure the selected audit objectives are determined based on formal risk assessment documented in the workpapers at the project level.</i></li> <li>• <i>UNM IAD will communicate the determined audit objectives with Audit Committee at the early stage of the audit before detailed procedures and scope of those procedures are formally determined and performed.</i></li> </ul>

**Observation 4 - Standards 2110 – Governance and 2120 – Risk Management**

The internal audit activity must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach. Internal audit responsibilities in risk management are to evaluate the effectiveness and contribute to the improvement of the risk management process. Improvement of governance includes assisting and making recommendations for:

- Communicating risk and control information to appropriate areas of the organization; and
- Coordinating the activities of and communicating information among the board, external and internal auditors, and management.

**Condition:** The University of New Mexico does not currently have a mature risk management process. Although risk management activities such as the consideration of a centralized compliance function and the pending risk assessment for audit purposes are planned, these do not integrate into an overall enterprise risk management process. The efficiency and effectiveness of each risk management activity would be improved by having them coordinated as part of an enterprise risk management model.

The UNM Internal Audit Department is not currently notified of all external reviews performed at the university. Large research universities typically have many third party organizations perform a variety of different audits and/or reviews. The Audit Committee indicated that they are not currently made aware of the results of any other audits other than the financial statement audit performed in accordance with the New Mexico State Auditor guidelines.

Training activities performed by the internal audit activity accomplish a significant portion of the communication of risk and control information to the university. The UNM Internal Audit Department previously contributed - but does not currently contribute - to the training at new employee orientation.

**Recommendation 4:** In addition to the internal observation on the annual risk assessment, the internal audit activity should consider increasing its role in (or championing) the overall Enterprise Risk Management activities at the university, especially as it relates to the coordination of the compliance function into a singular point of contact.

The Chief Audit Executive should be notified of all reviews and receive a copy of all final reports issued by the third parties. Communication of significant risks or deficiencies could then be appropriately communicated to the Audit Committee.

Consideration at the university level should be given to the internal audit activity resuming its involvement in the university training activities, such as the new employee orientation.

**Management Response:**

Action Items
<b>Targeted Completion Date: 06/30/2013</b>
<b>Assigned to: Manu Patel, Director, UNM Internal Audit; Chien-Chih Yeh, Internal Audit Manager, UNM Internal Audit.</b>

**Corrective Action Planned:** Management concurs.

- UNM IAD will make contact with UNM management to restart the Enterprise Risk Management (ERM) Council.
- UNM IAD will coordinate with other UNM entities and departments to develop a process to communicate external third party audits to the Audit Committee.
- UNM IAD will coordinate with the Human Resources Department to resume training activities.

**Observation 5 - Standards 2440 – Disseminating Results and 2500 – Monitoring Progress**

The Chief Audit Executive must establish and maintain a system to monitor the disposition of results communicated to management. This process must monitor and ensure that management actions have effectively been implemented or that senior management has accepted the risk of not taking action. The Chief Audit Executive must communicate results to the appropriate parties.

**Condition:** The UNM Internal Audit Department has developed an effective process to monitor the status of their recommendations. This process, however, is limited to only those findings or recommendations made by the internal audit activity. Monitoring of the disposition of findings or recommendations made by third party agencies is not currently performed or communicated. Additionally, the Audit Committee expressed concern that they do not feel that they have enough detail to know what areas have addressed their corrective actions and which ones have not.

**Recommendation 5:** The Chief Audit Executive should work with the Audit Committee members to gain an understanding of the level of detail desired relating to reporting of follow-up results. This communication could also include expectations related to follow-up of external findings and recommendations, as applicable.

**Management Response:**

Action Items
<b>Targeted Completion Date: 6/30/2013</b>
<b>Assigned to: Manu Patel, Director, UNM Internal Audit; Chien-Chih Yeh, Internal Audit Manager, UNM Internal Audit</b>

**Corrective Action Planned:** Management concurs.

- UNM IAD will work with the Audit Committee to determine the level of detail desired relating to reporting of follow-up results.
- UNM IAD will coordinate with other UNM entities and departments to develop a process for follow-up of external audit findings and implementation of recommendations to the Audit Committee.

### **Observation 6 - Standard 2340 – Engagement Supervision**

Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed. Supervision is a process that begins with planning and continues throughout the engagement. The supervision includes review of engagement working papers to ensure that they support the engagement communications and that the engagement objectives have been met.

**Condition:** Review of the UNM Internal Audit Department working papers showed that supervision and working paper review is in place. It was noted that the timeliness of the working paper review was not always consistent between engagements, which was likely due to the vacancy in the audit manager position and the turnover in the Chief Audit Executive position. Although it is not always practical, industry best practices indicate that a real time review of the planning and fieldwork improves the timeliness of audit engagements and helps ensure that audit work is directly related to the engagement objectives. Timely review can also aid in the development of more relevant and effective audit reports.

**Recommendation 6:** With the implementation of TeamMate audit software by the UNM Internal Audit Department, we would recommend establishing a periodic recurring review process to ensure that planning and fieldwork review is consistently timely. Because of the monitoring capabilities within the TeamMate system, weekly or bi-weekly review of completed working papers is reasonably possible.

**Management Response:**

Action Items
<b>Targeted Completion Date: 06/30/2013</b>
<b>Assigned to: Manu Patel, Director, UNM Internal Audit; Chien-Chih Yeh, Internal Audit Manager, UNM Internal Audit</b>

***Corrective Action Planned: Management concurs.***

- *UNM IAD will use TeamMate to establish a periodic recurring review process to ensure that planning and fieldwork review is performed in a consistently timely manner.*
- *The UNM IAD is currently in the process of developing and formalizing an internal quality review checklist and a project-based evaluation for the auditor upon completion of each audit. These tools along with timely supervision will assist the IAD in its continuing quality improvement and staff development.*

## APPROVALS



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Manu Patel, CPA  
Director, Internal Audit Department

Approved for Publication



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Chair, Audit Committee

## EXHIBIT A

### **FOLLOW-UP ON THE FY2005 QAR Report**

**Prior Recommendation 1: Ensure that the IA Activity develops a risk assessment model that will facilitate preparation of annual audit planning documents that address the most serious risks in the UNM.**

**Current Status – Resolved:**

The IAD has developed a risk assessment methodology, which is detailed in the Audit Manual. The IAD develops an annual audit plan and a 5-year audit plan based on fraud, input from management and the Audit Committee, and approved by the Audit Committee in the beginning of the year. Audits may be added to the audit plans throughout the year based on fraud, management request, or Audit Committee request.

**Prior Recommendation 2: Create an Audit Committee of the Board of Regents to provide focus on effective oversight of the auditing and financial matters of UNM.**

**Current Status – Resolved:** On August 10, 2004, the UNM Board of Regents approved Regents' Policy No. 7.3, which provides for the creation of an Audit Committee consisting of three Board members appointed by the President of the Board of Regents, with one member from each of the previously existing standing committees. The Audit Committee will meet at least four times per year. The Director of Internal Audit will submit quarterly reports to the Audit Committee, which will provide the status and results of the audit plan, and significant audit findings.

**Prior Recommendation 3: Ensure that the IA Activity concentrates its efforts on audits with objectives that address compliance, economy, efficiency, effectiveness and process improvement issues.**

**Current Status – Resolved:** The IAD develops an annual audit plan based on their risk assessment methodology. The audit plan addresses compliance, economy, efficiency, effectiveness, and process improvements.

**Prior Recommendation 4: Realign the internal auditing activities of the UNM Hospital more closely with the UNM Board of Regents and the UNM IA Activity.**

**Current Status – Resolved:** The primary internal audit activity of the UNM Hospital is outsourced to an outside audit services firm. The UNM Hospital has an internal audit coordinator that directs the audit activity and acts as liaison between the audit firm and the UNM Hospital Board's audit committee. The UNM Hospital also has a compliance office that handles complaints and issues concerning hospital compliance with various laws and governing bodies.

The IAD is involved in the risk assessment process and audit plan process of the UNM Hospital. IAD participates in the entrance and exit conferences with the outside audit services firm, attends the UNM Hospital Board's Audit Committee meetings, and regularly works with the compliance office on cases specific to UNM Hospital.

After presentation to the UNM Hospital Board Audit Committee, the UNM Hospital audit reports are presented to the UNM Board of Regents' Audit Committee.

**Prior Recommendation 5: Direct the Chief Audit Executive (CAE) to draft a Management Control Policy Statement for Regents' review and approval that defines the roles of the senior management, the Board of Regents, the IA Activity and the external auditors in the UNM governance process.**

**Current Status – Resolved:** The Regents' Audit Committee approved the Management Control Policy in October 2004.

**Prior Recommendation 6: Create separate processes for audits, investigations, and advisory services within the IA Activity to protect the integrity of investigations of fraud and program abuse.**

**Current Status – Resolved:** The IAD has created separate policies and procedures in the Internal Audit Manual for audits, reporting misconduct, and advisory services.

**Prior Recommendation 7: Develop a universe of auditable areas in the UNM by using strategic planning documents, university budgets, IIA Global Audit Information Network (GAIN) data on educational institutions, organization charts, input from executive management, and other relevant management information.**

**Current Status – Resolved:** The IAD has developed a risk assessment methodology, including the development of a universe of auditable units, to form its annual audit plan and 5-year plan. This is detailed in the Audit Manual.

**Prior Recommendation 8: Update the IA Activity charter to conform to the new IIA definition of internal auditing and to expand on some of the language addressing a new internal auditing focus on adding value, and improving the effectiveness of risk management, control, and governance that the Standards now embody.**

**Current Status – Resolved:** The IAD's charter was updated in July 2007 and May 2008. The charter presently states that the IAD shall abide by the standards published by the IIA and the AICPA.

**Prior Recommendation 9: Complete the draft of the audit practices manual and include subjects such as standard working paper preparation techniques, interview techniques, report writing guidelines, report distribution, administrative procedures, opening and closing conference procedures and report preparation methods.**

**Current Status – Resolved:** In 2004, the IAD updated its audit manual to include techniques and procedures for standard working paper preparation, planning, interview, good communication, and audit reports. The department also held internal training on the enhanced work paper techniques. The audit manual was finalized in October of 2004, and was further revised on 6/25/08, 3/27/09 and 5/1/12.

**Prior Recommendation 10: Develop an information technology audit universe upon which to conduct risk assessments and to prepare annual audit plans. Increase the use of automated auditing tools within the IA Activity.**

**Current Status – Resolved:** The IAD has developed a risk assessment methodology, including the development of IT auditable units based on function and area. Critical IT audit areas have been rated as high risk. The methodology for the IT audits has also been included in the Audit Manual. Most planned audits will be integrated audits with system reviews/validations to verify

the reliability of audit information obtained from the computer systems. This will increase coverage of the many stand-alone computer systems that exist at the University.

**Prior Recommendation 11: Institute a strong audit follow-up system featuring elapsed time thresholds that trigger escalation of the issue to higher management levels when resolution cannot be achieved.**

**Current Status – Resolved:** The IAD has implemented a follow up system with due dates. IAD uses an MS Access database to pursue follow up on audit recommendations with the auditees' management, and report status of follow up to the Audit Committee.

**Prior Recommendation 12: Track, summarize, and analyze time used to complete audit projects and compare it to budgeted hours providing a tool for managing the audit activities and achieving audit plans and other management goals.**

**Current Status – Resolved:** The IAD maintains a database with the audit plan, budgeted audit hours, and audit assignments, along with a timekeeping function for individual audit personnel to enter and track hours worked. IAD monitors hours worked against the budgeted hours by specific project (or other category). This enables IAD to manage the audit activities and achieve audit plans and other management goals.

**Prior Recommendation 13: Institute quarterly review meetings with business heads to discuss audit findings, responses to audits, needs of customers, staffing issues for internal auditing and other subjects that educate and lead to more cooperation, understanding, and support.**

**Current Status – Resolved:** The IAD Director regularly participates in Executive Cabinet meetings and UNM Hospital Audit Committee meetings. The Director is a non-voting member of the Enterprise Risk Management (ERP) Steering Committee, and served on the Enterprise Risk Management Council. The IAD Director and his staff meet monthly with the HSC compliance officer, and meet bi-weekly with staff from the Human Resources Department to coordinate and discuss the complaint and compliance functions.

**Prior Recommendation 14: Establish management performance measures against which to evaluate the overall efficiency and effectiveness of internal audit operations.**

**Current Status – Resolved** The IAD uses the UBPP 3230 Performance Review and Recognition policy to perform annual performance appraisals. All of the IAD auditors who perform audits have set goals and duties related to audit budgets, productivity, and audit follow up for their year-end performance reviews.

**Prior Recommendation 15: Develop and implement working paper standards, including sample formats, documentation requirements, indexing, and cross-referencing techniques with sufficient flexibility to serve as guidance for all types of audits, reviews, evaluation, and investigations.**

**Current Status – Resolved:** In 2004, the IAD updated its audit manual to include techniques and procedures for standard working paper preparation, planning, interview, good communication, and audit reports. The department also held internal training on the enhanced work paper techniques. The audit manual was finalized in October of 2004, and was further revised on 6/25/08, 3/27/09 and 5/1/12.