

Compliance Partners Presentation

Techniques Used to Monitor Risk

October 16th, 2007

A decorative graphic on the left side of the slide. It features a dark red square partially overlapping a yellow square. A thin yellow vertical line is positioned to the right of the red square. A horizontal yellow line with a gradient effect extends across the slide, starting from the yellow square and ending on the right edge.

University of Minnesota
Office of Internal Audit

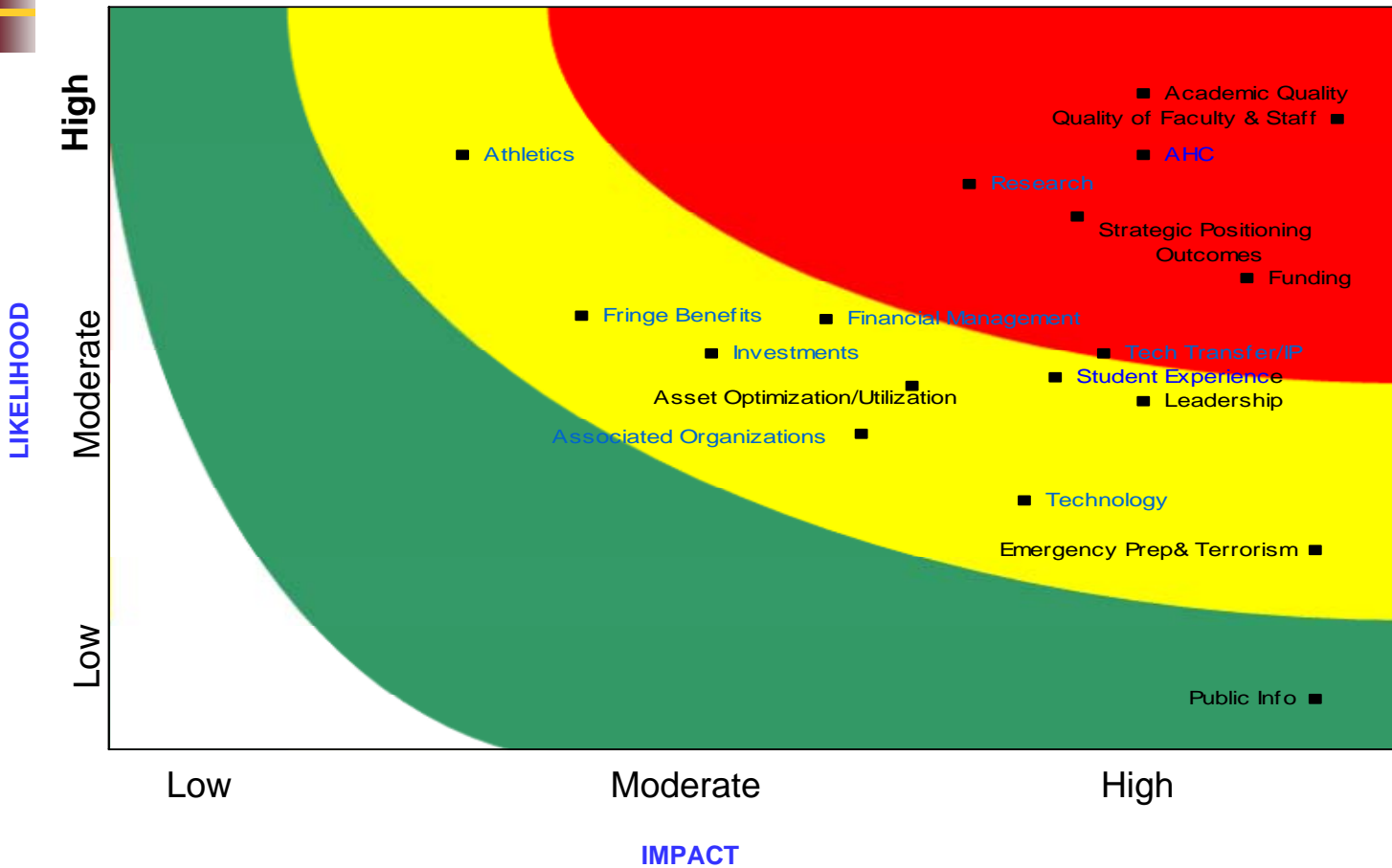
UNIVERSITY OF MINNESOTA



Risk Monitoring Starts With Risk Assessment

- To monitor risk we first need to identify the risks that management has determined most significant
- We start by assessing risks broadly, then narrow the focus
- Risk identification & their eventual prioritization is aided by many sources

Institutional Compliance Risk Profile Heat Map





Other Tools and Sources of Institutional Risk Identification:

- Discussions with senior University management (on-going discussions and annual audit plan development)
 - “Hot topics” from meetings with auditors from other academic institutions (e.g. Big 10 schools)
 - External auditor management letter comments
 - Regulatory agency (e.g. Office of Inspector General) areas of interest or items found to be issues in audits they conducted
 - Past experiences from our own internal audits



Specific Monitoring Activities Performed by Internal Audit:

- Use of a risk matrix to both measure relative risk as well as monitor major changes in risk within a unit
 - Done annually
 - Covers all “auditable units” within the University
 - Results in a “risk score” that allows units to be ranked highest to lowest
 - Major changes in a unit’s risk score are investigated to determine why and how that should impact their audit frequency

Example:

2008 Risk Assessment – Auditable Units

2008-Risk Assessment - All Auditable Units

AREA	CAT	QUANTITATIVE RISK EXPOSURE FACTORS: 50%						QUALITATIVE RISK MAGNITUDE FACTORS: 50%									Risk Rank	Score
		Dollars	Non-Spon					U Exec/			Fraud							
		Controlled/	C/ Fwd	Exp	Rev	Sponsrd	C/ Fwd	Control	Leader	others	Informtn	Complexity	Impact of	Occur	Ext	Regltry		
		Processed	Bal	/ Annum	/ Annum	Expend	Bal	Environ	Turn-	Reliance	Tech	/Diversity	Errors &	Last	Rept	Concern		
		(Non-acad)	(N-acd)	(Acad)	(Acad)	(Acad)	(Acad)		Over	on Unit	Stability	of Activity	Omissions	2 Yrs				
		8.0	2.0	3.0	2.0	3.0	2.0	2.0	1.0	1.5	1.0	0.5	1.0	1.0	0.5	1.5		
Unit A	S	5	5					2	2	5	5	5	5	1	2	5	85.50	
Unit B	S	5	4					3	3	5	3	4	4	3	2	3	82.00	
Unit C	A			5	5	5	4	4	4	2	1	4	4	3	2	5	81.50	
Unit D	A			5	5	5	4	3	4	3	2	4	4	1	2	5	80.00	
Unit E	S	5	4					2	2	5	2	4	5	1	2	4	78.50	



Specific Monitoring Activities Performed by Internal Audit (cont.)

- Regular follow-up on recommendations rated as “essential” to monitor progress made and implementation by expected due dates
 - Includes overall reporting to the Regents and identification of those units with lack of progress or obstacles hindering implementation
 - Current status is also communicated down to the department head level

Status of "Essential" Recommendations as of April 27, 2007

Report Date	Audit	# of Essential Recommendations in the Report	# of Essential Recommendations Remaining From Prior Quarter	Current Quarter Results			Overall Progress Towards Implementation*	Any Individual Issues With < Satisfactory Progress?
				Implemented	Partially Implemented	Not Implemented		
Apr-03	Athletic Department - NCAA Compliance	6	1		1		Satisfactory	
Apr-04	College of Architecture & Landscape Architecture	5	1		1		Satisfactory	
Aug-04	UMD Health Service	10	3		3		Satisfactory	
Sep-04	School of Dentistry	9	1	1			Completed	
Jan-05	A Review of Education Abroad Programs	4	1		1		Satisfactory	
Jan-05	University of Minnesota - Crookston	11	2	1	1		Satisfactory	
Mar-05	College of Veterinary Medicine	9	1		1		Satisfactory	
Apr-05	UMD Library	4	2	2			Completed	
Apr-05	Enterprise Imaging System	4	1		1		Satisfactory	
May-05	Carlson School of Management	4	2		2		Satisfactory	
Jun-05	UMD School of Fine Arts	10	5		5		Unsatisfactory	
Aug-05	Selected Units Within the Controller's Office	6	1		1		Satisfactory	
Aug-05	Intercollegiate Athletics	12	4		3	1	Satisfactory	
Sep-05	Facilities Management Maintenance Operations	10	5		4	1	Satisfactory	
Dec-05	Disaster Recovery	1	1			1	Satisfactory	
Mar-06	Institutional Biosafety Committee	10	1		1		Satisfactory	
Mar-06	UMD Information Technology Systems & Services	4	2	2			Completed	
May-06	Office of Asset Management	8	1		1		Satisfactory	
May-06	University of Minnesota Extension Service	5	1	1			Completed	
Jul-06	UMD Food Service	5	1		1		Satisfactory	
Jul-06	Medical School Duluth	6	1			1	Satisfactory	
Jul-06	Department of Psychiatry	10	3		3		Satisfactory	
Sep-06	Housing & Residential Life	1	1	1			Completed	
Sep-06	eResearch Systems	1	1		1		Satisfactory	
Oct-06	Capital Planning & Project Management	10	10	7	2	1	Satisfactory	
Nov-06	Law School	5	5	1	2	2	Satisfactory	
Nov-06	OVPR-Central Units Supporting Research	5	5	2	1	2	Satisfactory	
Jan-07	UMD-College of Liberal Arts	9	9	5	4		Satisfactory	
Jan-07	University Libraries	5	5	1	4		Satisfactory	
Jan-07	MAES-Agricultural Services & Greenhouse ISOs	6	6	3	2	1	Satisfactory	
Jan-07	Department of Neurology	5	5	1	4		Satisfactory	
Jan-07	HIPAA Security Review-Pediatrics	3	3	1	2		Satisfactory	
Feb-07	School of Public Health-NIOSH Grant Year 11	5	5		2	3	Satisfactory (a)	
Total:		208	96	29	54	13		

(a) A control evaluation chart was not developed for this audit since the audit was a review of just one sponsored grant.

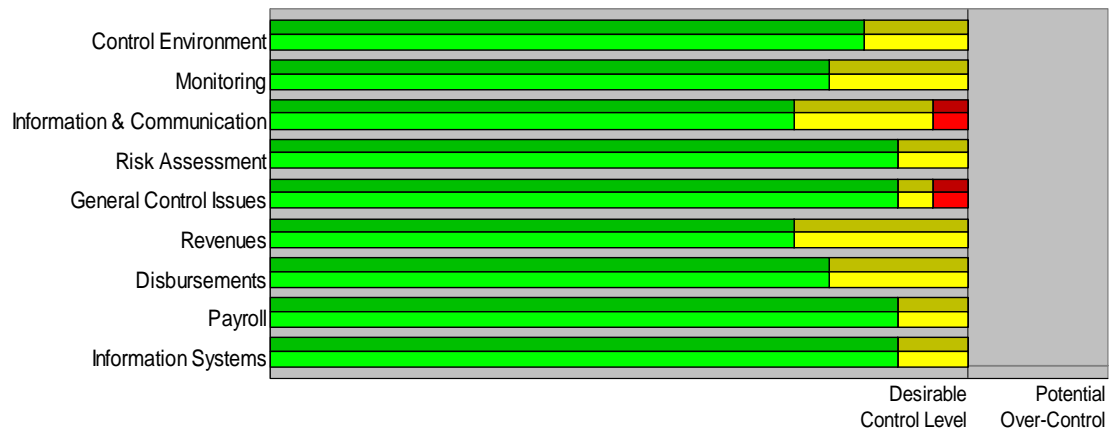
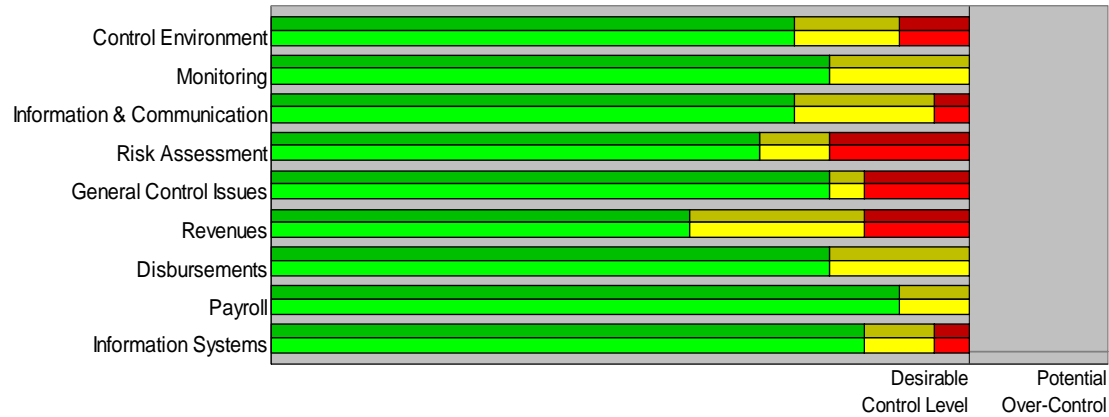
* The following bar charts provide details on progress made towards implementation

"Essential" Recommendation Implementation Trends

Month/ Year of Follow-up Report

	May 2007	Feb. 2007	Sept. 2006	May 2006	Feb. 2006	Sept. 2005	May 2005	Feb. 2005	Sept. 2004	Average
# of Essential Recommendations Receiving Follow-up	96	91	114	108	112	110	120	122	115	110
# of Recommendations Considered Fully Implemented	29	48	46	27	44	36	36	51	43	40
Implementation Percentage	30%	53%	40%	25%	39%	33%	30%	42%	37%	36%

Example: UMD Continuing Education (May 2007)





Specific Monitoring Activities Performed by Internal Audit (cont.)

- Development of a recommendation database that will allow tracking of all recommendations by topic or by major administrative unit
 - Will be useful in identifying common issues that might be occurring institution-wide, or trends within a specific administrative unit (e.g. the AHC or Provost)

Office of Internal Audit Database

Microsoft Access - [FrmNewAuditEntry : Form]

File Edit View Insert Format Records Tools Window Help Adobe PDF

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Audit UMD Continuing Education Return to Main Menu

Audit Findings Recommendation

ReportNo 0718 FindingNo 9 FollowupAuditor: Decker, Al

Finding Title Procedures for the approval of disbursements need to be reviewed and enhanced.

Finding

In testing a sample of CE disbursement transactions, we found that a number of different employees had signed the various documents to approve the expenditures. Although we were told all of these employees are authorized to approve disbursement transactions, the department does not maintain an authorized signer list to document approval authority. Although CE does utilize the President's Delegation of Authority web site, which assigns authority to top levels of the department, this does not extend to many of the employees who approve transactions. Consequently, this delegation needs to be supplemented with an authorized signer list that identifies authorized departmental approvers.

In addition, we found two transactions that were not properly approved. In one case, the department head's travel reimbursement had been approved by a subordinate. In the other case, a monetary award to an employee for winning a departmental art contest was authorized by a coworker. We were told both of these procedures are routine in CE.

University Financial Policy (Section 1 - Financial Oversight Guiding Principles) states "deans and equivalent officers are responsible for identifying and documenting approval authority within their college. Deans and equivalent officers are further responsible for ensuring approval authority is used properly."

Properly assigned approval authority adds value to the transaction, promoting accuracy and consistency with policy. Documentation of the approval authority provides the added benefit of ensuring separation of duties. This departmental control supports the integrity of the University's business transactions and reduces the potential for fraud.

Previous Finding Next Finding Add New Finding

FindingType Purchasing and Disbursements FindingSubType

FindingType Purchasing and Disbursements FindingSubtype Oversight Management

Record: 9 of 13

Database: Examples of various Findings types, sub-types, and area categories

Area Category
AHC
Athletics
Budget and Finance
Affairs
Crookston
Financial & Controller's Office
Human Resources
IT
Morris
OGC
Research
System Administration
Twin Cities Academic
UMD
University Services

FindingType	FindingSubtype
Administration	Other
Athletics	Other
Athletics	NCAA Compliance
Control Environment	Work Environment
Equipment/ Inventory	Other
External Sales/ ISO	ISO Rates
External Sales/ ISO	Other
Facilities Management	Physical Security
Facilities Management	Contract Management
Facilities Management	Change Orders
Facilities Management	Other
Facilities Management	Safety
Financial Management	Budgeting
Financial Management	Training
Controlled Substances	Storage
Controlled Substances	Disposal
Controlled Substances	Compliance
Controlled Substances	Other
HIPAA	Security
HIPAA	Other
HIPAA	Notification
Information Systems	Change Control
Information Systems	Security
Information Systems	Disaster Recovery
Information Systems	Other
Information Systems	Data Center
Information Systems	Testing
Information Systems	Methodology

FindingType	FindingSubtype
Information Systems	Application Controls
Information Systems	Interface
Information Systems	PCI Compliance
Miscellaneous	Other
Payroll/HR	Payroll
Payroll/HR	Separation of Duties
Payroll/HR	Other
Payroll/HR	HR
Payroll/HR	Benefits
Purchasing and Disbursements	Disbursements Policy Compliance
Purchasing and Disbursements	Oversight Management
Purchasing and Disbursements	Purchasing Policy Compliance
Purchasing and Disbursements	Separation of Duties
Purchasing and Disbursements	Other
Purchasing and Disbursements	Pcard
Purchasing and Disbursements	Gift Expenditures Compliance
Purchasing and Disbursements	PO's after Invoice or Late CFPS
Revenue	Accounts Receivable
Revenue	Gifts vs. Grants
Revenue	Cash Receipts
Revenue	Separation of Duties
Revenue	Other
Revenue	Credit Cards
Sponsored Projects	Human Subjects
Sponsored Projects	Effort Reporting
Sponsored Projects	Other / Compliance
Travel	Proper Approval
Travel	Per Diem Rates
Travel	Other



Specific Monitoring Activities Performed by Internal Audit (cont.)

- Payroll exception report monitoring
 - Review of high-dollar salary payments processed each pay period
 - Support for the payment is requested from the unit processing the payment
- Review of reports from other compliance units such as OAR
 - Helps to identify trends
 - Used in the planning process when determining what to audit in a unit
- Receipt of escalation notices when problems occur with effort reporting



Questions?

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