The Office of Internal Audit has established a methodology by which risk rankings (ratings) and opinions can be consistently applied and meaningfully interpreted by all stakeholders. Thus, these risk rankings and opinions will reflect the internal control environment of the audit area and also provide an opinion for management that assesses the adequacy, effectiveness and efficiency of internal controls for the audit area.

**Risk Ranking Matrix**

During the course of work performed, all results (findings) will be ranked as High, Moderate, or Low based on an analysis of the impact over the (probability) likelihood of a control or process failure, as shown in the Results Ranking Matrix below. Audit results and rankings are included in the audit report.

<table>
<thead>
<tr>
<th>Risk Ranking Matrix</th>
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<tbody>
<tr>
<td><strong>RESULTS RANKING MATRIX</strong></td>
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<tr>
<td><strong>CRITERIA</strong></td>
</tr>
</tbody>
</table>

**High**
- **Risk has a high impact and high likelihood**
  - This is a high priority issue; immediate attention from a University Administrator is required. This is a serious internal control or risk management issue that if not mitigated, may, with a high degree of certainty, lead to:
    - Substantial losses, possibly in conjunction with other weaknesses in the control framework or the organizational entity or process being audited.
    - Serious violation of University strategies, policies, or values.
    - Serious reputation damage
    - Significant adverse regulatory impact, such as loss of operating licenses or material fines.
  - Policy does not exist for significant University processes
  - Preventive, detective and mitigating controls do not exist
  - University reputation or financial status is at risk
  - University is not in compliance with laws and regulations
  - Significant total $ amount of transactions; reasonably probable; known risk of inappropriate activity
  - Fraud or theft is detected for a significant amount of University resources

**Moderate**
- **Risk has a high impact and low likelihood, or low impact and high likelihood**
  - This is a medium-priority issue; timely attention from a University Administrator is warranted. This is an internal control or risk management issue that could lead to:
    - Financial losses (stipulate levels).
    - Loss of controls within the organizational entity or process being audited.
    - Reputation damage
    - Adverse regulatory impact, such as public sanctions or immaterial fines.
  - Policy exists but adherence is inconsistent
  - Preventive and detective controls do not exist, but mitigating controls exist
  - University’s compliance with laws & regulations requires additional evaluation & review
  - Significant total $ amount of transactions & reasonably possible risk of inappropriate activity
  - Fraud or theft is suspected for a minimal amount of University resources

**Low**
- **Risk has a low impact and low likelihood**
  - This is a low priority issue, routine Administration attention is warranted. This is an internal control or risk management issue, the solution to which may lead to improvement in the quality and/or efficiency of the organizational entity or process being audited. Risks are limited.
  - Policy exists but was not adhered to on exception basis
  - Preventive controls do not exist, but detective and mitigating controls exist
  - Significant total $ amount of transactions and remote possibility of inappropriate activity

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1 This methodology is based on guidance from the International Professional Practices Framework of the Institute of Internal Auditors.
Opinion Methodology

After audit results have been ranked based upon the criteria and analysis above, the amount of audit findings and the type of audit ratings are assessed to determine the overall opinion issued. The opinion methodology is summarized as follows:

- No findings yield an “Effective” opinion.
- More than one Low rating, or a Combination of Low and Moderate ratings, yields an “Effective with Opportunity for Improvement” opinion.
- One or more High ratings yields an “Insufficient & requires improvement” opinion.
- More than one or more High ratings may yield a “Not adequate” opinion.

Opinions may change based upon professional discretion of the audit management and based upon the control environment and risk management descriptions noted in the table below.

| Effective                          | • Control environment is adequate  
|                                   | • No findings noted                  
|                                   | • Management’s control environment appears sound  
|                                   | • All high level risks adequately controlled  
| Effective with opportunity for improvement | • Control environment is adequate but some exceptions exist  
|                                   | • Some control weaknesses and/or opportunities for improvement observed  
|                                   | • Management’s control environment appears otherwise sound  
|                                   | • High level risks are adequately controlled  
| Insufficient and requires improvement | • Control environment is not adequate and/or significant exceptions exist  
|                                   | • Some high level risks are not adequately controlled  
|                                   | • At least one finding is rated “high”  
|                                   | • Immediate safety and soundness are not threatened, but Management’s control environment requires improvement  
|                                   | • Significant exposure to fraud or security vulnerabilities  
| Not Adequate                      | • Control environment is not adequate and below standard  
|                                   | • Requires University Administrator’s immediate attention  
|                                   | • Lack of attention could lead to significant losses  
|                                   | • Management’s control environment considered unsound  

Further Articulation of Audit Opinions

Audit opinions are included in the final audit report and communicated to management.