



INTERNAL AUDIT

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UNIVERSITY *of* WASHINGTON

## 2018 Audit Plan

Finance and Asset Management Committee  
Board of Regents

November 2017

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## Executive Summary

The 2018 Audit Plan contains key information on our planned audit activity for calendar year 2018. The plan was based on the results of our annual risk assessment process.

### Audit Goals

Internal Audit's major goals for 2018 are:

- Complete 30 audits focused on areas identified within Internal Audit's Risk Assessment;
- Provide the University with value added recommendations to improve controls, mitigate identified risks and increase efficiency of operations;
- Continue staff training & development, including our student intern program;
- Complete an internal self-assessment in advance of 2019's Quality Assurance Review;
- Continue to manage the University-wide financial fraud and ethics reporting hotline;
- Contribute and coordinate with the University Institutional Resilience Program managed within the Compliance & Risk Services; and
- Continue to participate on major system implementations as an advisor on oversight committees and complete pre/post implementation reviews.

### Audit Plan 2018

The University of Washington Internal Audit Plan for 2018 is designed to provide audit coverage across the entirety of the University, deploying Internal Audit resources in an effective and efficient manner.

We continue to focus our audit plan and related projects on the highest risk areas identified in our Internal Audit risk assessment. The risk assessment includes the review of:

- Strategic plans and initiatives of the University;
- Interviews with over 100 executive and senior management personnel across all schools, colleges, central units and all four medical centers;
- Changes impacting the major operating units within the University (Schools, Colleges and Central Administrative units);
- Emerging risks within higher education, healthcare and information technology as shared with Internal Audit while attending national conferences throughout 2017; and
- Financial and historical information regarding the University.

The Audit Plan documents presented here include:

- Overview of the Audit Plan;
- Analysis of Audit Coverage of University Auditable Units from 2014 - 2018;
- Listing of Planned Audit Projects; and
- Allocation of Audit Resources.

## 2018 Audit Plan

Internal Audit engages in three primary activities – audits, management advisory services, and investigations. Our focus is to actively work with schools, colleges, central administration and UW Medicine to assist management in addressing strategic, financial, operational, and compliance risks and exposures. Internal Audit focuses on both university-wide and departmental level processes and control systems. In order to focus our audit resources, we consider the work completed by other audit professionals and compliance officers across the University such as KPMG LLP, Peterson Sullivan LLP, State Auditor’s Office, UW Medicine Compliance, Compliance & Risk Services and other regulatory agencies in setting our overall audit plan and in planning the work conducted on any specific project. Additionally, we provide liaison services between the University and external audit parties to assist in the effective conduct of outside auditor’s projects.

Internal Audit’s goals for 2018 are:

- Complete 30 audits focused on areas identified within Internal Audit’s Risk Assessment;
- Provide the University with value added recommendations to improve controls, mitigate identified risks and increase efficiency of operations;
- Continue staff training & development including our student intern program;
- Continue to manage the University-wide financial fraud and ethics reporting hotline;
- Contribute and coordinate with the University Institutional Resilience Program managed within Compliance & Risk Services;
- Continue to participate on major system implementations as an advisor on oversight committees and complete pre/post implementation reviews;
- Increase use of data analytics and other technologies to enhance audit program;
- Provide training on internal controls, WA Ethics Law and other related subjects; and
- Participate in roundtables /conferences with peer institutions to discuss emerging risks;

The UW Internal Audit Plan for 2018 is designed to provide audit coverage across the entirety of the University, deploying Internal Audit resources in areas of increased risk or operations we have not audited in the recent past. The methodology that we utilized for performing our risk assessment and developing our audit plan is included in Appendix I.

To enable us to focus on the appropriate areas, we considered the strategic plans and significant initiatives of the University, such as the Be Boundless Campaign, Population Health Initiative, Global Innovation, WorkDay system implementation, Finance Transformation, Capital Planning, Outside Consulting Strategy Documents and UW Medicine Initiatives. We have also acknowledged increasing external forces (uncertain compliance oversight by federal government, data breaches and changes to state funding) that could adversely impact the internal controls processes previously developed within the University. Also in conducting our risk assessment, we teamed with Compliance & Risk Services to meet with University executives to learn further about enterprise risks being identified during the Institutional Resilience interviews (next generation ERM).

## Analysis of Audit Coverage of University Auditable Units

The University auditable units, listed below, are ranked from high to low in terms of the risk based on the 2018 risk assessment performed by Internal Audit (IA). Additionally, we have included the rankings from previous risk assessments. The previous year columns identify the IA risk ranking in those periods and the type of audit work conducted within the respective unit.

AUDITABLE UNIT	2018		2017/2016		2015/2014	
	Rank	Audit Coverage	Rank	Audit Coverage	Rank	Audit Coverage
UW Medicine Clinical Enterprise	1	IA	1	IA	1	IA
School of Medicine	2	IA	2	IA	2	IA
UW Information Technology	3	IA	3	IA	4	IA
School of Dentistry	4	IA	7	IA	6	IA
Health Sciences Administration	5	IA	5	IA	3	IA
Office of the President/Provost	6	IA	8	IA	23	IA*
Intercollegiate Athletics	7	IA	4	IA	5	IA
Office of the Controller	8	Ext	14	IA*	7	IA
UW Bothell	9	IA	10	IA	22	IA
Capital Planning and Development	10	-	6	IA	13	-
UW Tacoma	11	IA	16	IA	24	IA
CoMotion	12	IA	21	-	21	IA
Enrollment Management	13	Reg	15	IA	8	Reg
Office of Planning and Management	14	-	12	-	14	IA
School of Public Health	15	IA	11	IA*	9	IA
College of Engineering	16	-	18	IA	12	IA
College of the Environment	17	-	17	IA	25	IA
Enterprise Services	18	IA	13	IA	10	IA
Information School	19	-	33	-	35	IA*
College of Arts and Sciences	20	-	19	IA	15	IA
Human Resources	21	-	9	IA	17	IA
School of Nursing	22	IA	22	-	16	IA*
Office of Research	23	-	20	IA	11	IA
Housing and Food Services	24	IA	29	Ext	19	IA
Continuum College	25	-	23	IA	18	IA
School of Law	26	IA	34	-	28	-
Treasury Office	27	Ext	26	Ext	26	Ext
School of Pharmacy	28	-	24	IA	27	IA*
School of Social Work	29	-	28	IA*	34	IA
College of Education	30	-	31	IA*	31	-
University Advancement	31	-	25	IA	29	-
Student Life	32	IA	27	IA	20	Ext
Evans School of Public Affairs	33	-	38	-	37	IA*
University Libraries	34	-	37	-	36	IA*
Foster School of Business	35	-	30	IA*	33	IA*
Graduate School	36	-	35	-	30	IA*
Facilities Services	37	-	32	IA	32	-
College of the Built Environment	38	-	36	-	38	IA*

Legend: IA - Audited by Internal Audit  
 IA\* - Audited by Internal Audit as part of a university-wide process audit  
 Ext - Audited by KPMG LLP or Peterson Sullivan LLP  
 Reg - Audited by regulatory agencies, including State Auditor's Office

## Planned Audit Projects

We will continue to focus on the high risk areas as identified in our risk assessment. We identified both audit units and university-wide processes within which to focus our audit activities during 2018. As part of our risk assessment, we continued our focus on audit projects whose results could be shared across the campus to improve control effectiveness. Additionally, based on risk and controls reviews conducted in the audit planning process, we may validate and/or expand upon the areas of focus and risks in each respective audit unit. We will conduct audits in the units identified in the chart below.

Our risk assessment process will be further refined for the UW Medicine clinical enterprise to include a more in-depth identification of audit units and possible audit projects within the enterprise. This process will include expanded meetings with the executives within the UW Medicine clinical entities, operational management and meetings with the Boards of UW Medicine and the respective medical centers.

Please note that 2018 is the first year of the current two year risk assessment cycle which includes a larger and more comprehensive set of interviews with University Leadership. High risk auditable units not selected for review in 2018 will be considered for selection in 2019, with the goal of covering all high risk units within the two year period.

<b>Audit Unit</b>	<b>Audit Focus</b>
<b>UW Medicine Clinical Enterprise (12)</b>	Revenue Cycle, Charge Capture (multiple units), Tele-Medicine, Virtual Clinic, IT Change Control and additional audit projects
<b>School of Medicine (2)</b>	Federal Compliance and Business Operations, Shared Service Review
<b>UW Information Technology (2)</b>	Change Control, EDW Governance
<b>School of Dentistry</b>	Financial Stability Plan / Faculty Practice Plans
<b>Health Sciences Admin</b>	Environmental Health & Safety
<b>Office of the President/Provost</b>	Global Affairs - International Travel Safety
<b>Intercollegiate Athletics - 2018</b>	Compliance with NCAA Standards & Title IX
<b>UW Bothell</b>	Business Operations
<b>UW Tacoma</b>	Business Operations
<b>CoMotion</b>	Global Innovation Exchange
<b>School of Public Health</b>	Federal Grant Compliance
<b>Enterprise Services (2)</b>	ISC/WorkDay Security Roles, Finance Transformation
<b>School of Nursing</b>	Federal Grant Compliance
<b>School of Law</b>	Financial & Business Operations
<b>Housing &amp; Food Services</b>	Residence Hall Access Security
<b>Student Life</b>	Use of University Facilities

## Planned Audit Projects (continued)

The following projects were identified as higher risk by Internal Audit and management but not significant enough to be included in the 2018 planned audits due to current resource constraints. We will include certain of these audits in our 2018 audit projects as staffing permits.

Audit Unit	Audit Focus
<b>UW Medicine Clinical Enterprise</b>	ALNW, UW Medicine Azure Database, PUMA
<b>School of Medicine</b>	Physician Incentive Plan, Clinical Research Billing
<b>Health Sciences Administration</b>	Center on Human Development and Disability
<b>Office of the Controller</b>	Internal Control Checklist Review
<b>Capital Planning &amp; Development</b>	Lease Management, Capital Spending
<b>Office of Planning &amp; Management</b>	Deficit Policy
<b>Enterprise Services</b>	Cloud Vendor Management
<b>College of Arts &amp; Sciences</b>	Jackson School Business Operations
<b>Human Resources</b>	Benefit Management
<b>Office of Research</b>	Export Controls
<b>Housing &amp; Food Services</b>	Cash Management
<b>Treasury</b>	Semi-Annual Borrower Reports (SABRe)
<b>Student Life</b>	IMA Fiscal Management
<b>University Libraries</b>	Business Operations
<b>Graduate School</b>	Electronic Application System
<b>College of the Built Environment</b>	Security Training for Shops
<b>Multiple Unit Audits</b>	Financial Stability Plans
<b>Multiple Unit IT Audits</b>	IT Security Controls GLBA/FERPA/FISMA

## Audit Resources

The audit plan for calendar year 2018 is based on a professional staffing complement of 18.5 FTE, which is consistent with our 2017 Audit Plan. Note that this year of stabilization was expected as part of our overall growth plan to bring UW Internal Audit to a full complement of 21 FTE over the next three to five years dependent on the identification of additional University financial resources to fund the growth. We will augment our staff by continuing our IA Internship Program in which we currently employ two UW students.

Approximately 54% of the Internal Audit's available resources are committed to the completion of planned audit projects and follow-up audit procedures. The annual audit plan is designed to provide appropriate coverage utilizing a variety of audit methodologies: audits of individual units on campus and within the UW Medicine clinical entities, functional and process audits, University-wide reviews, and information system projects. Internal Audit semi-annually conducts follow-up audit procedures to ensure that management is implementing controls as described within their responses to Internal Audit report findings.

We have a number of audit projects begun in 2017 which will carryover for completion in early 2018. Additionally, we continue to refine our planning process and quarterly reporting to the Audit Advisory Committee to ensure our own accountability and minimize audit slippage. The amount of carryover work is in line with a normal audit process where audits begun in the last few months of the year are completed and issued early in the following year.

The remainder of our FY 2018 audit resources is allocated as follows:

- 16% to accommodate requests from the President, the Board, or other executive management and consultations with University departments. Additionally we plan to incur hours conducting investigations into whistleblower claims, regulatory, ethics and fraud allegations; especially as we began the University wide Fraud, Waste and Abuse Reporting Hotline in the Summer of 2016.
- 9% for employee professional development, internal quality improvement projects and ongoing expansion and maintenance of our electronic work paper system. Additionally, we participate in national roundtables with peer institutions (large research universities with medical centers). We also participate in one to two Quality Assessment Reviews of peer institutions annually.
- 6% for risk mitigation efforts such as the audit liaison function for the University, advisory services regarding WA State Ethics regulations, training provided to University personnel, and University risk mitigation committee work.
- 15% has been further allocated for internal administrative functions, including employee performance evaluations, interviews of Internal Audit candidates and manager/staff meetings.

## Appendix I

### Risk Assessment Methodology / Development of Annual Plan

We use a two year risk assessment model to prioritize audit coverage and ensure timely reviews of high exposure areas. 2018 is the first year of the current two year cycle which includes Internal Audit undertaking a larger and more comprehensive set of interviews of University leadership. The Audit Plan is a calendar year plan to align with the finalization of budget data and annual approval processes of the Board of Regents.

We began the process in year one by utilizing previous Internal Audit risk assessments as a starting point. We identified the risk categories to be considered in the risk assessment and updated the categories to acknowledge the changing profile of the University.

The following risk categories were considered in the development of our annual plan:

Strategic Risk	Impairment to the strategic mission of the University.
Operational Risk	Impairment of the ability to carry out the operations of the University.
Compliance Risk	Failure to comply with laws, regulations and policies of the University.
Financial Risk	Loss of financial resources or assets.
Reputational Risk	Risk that public image or reputation is damaged by actions of a unit or individual connected to the University.

We reviewed risk assessment models and processes used by peer institutions and utilized their experience and knowledge of university and medical center operations to ensure our risk assessment model included factors relevant to the University of Washington and UW Medicine clinical entities.

We gathered information about any trends or emerging risks, significant changes in organizations, information systems complexity, prior audits/results, and obtained input from key senior management regarding high risk areas. We reviewed new and developing information being provided to the University from the President and Provost offices over the last twelve months. We then evaluated both the financial and budgetary data for all audit units identified and updated our current risk assessment model and related risk rankings identified during prior years. We conducted our risk assessment interviews in 2017 along with Compliance & Risk Services, as they rollout a new tool – Institutional Resilience.

In completing the 2018 Risk Assessment, we have suspended the process of linking the risks identified in the Universities former ERM process to our audit coverage as we are expecting an updated set of risks to be developed in 2017/18 by Compliance & Risk Services. Our proposed audit projects for 2018 will be selected from a number of the highest ranked auditable units. We will also revisit our plan and consider areas identified by Institutional Resilience tool in 2018.

## Appendix II

### University Highest Risks as defined in the 2014/15 ERM Report

The chart below represents a listing of the top University risks as defined by UW Enterprise Risk Management 2013/2014 Annual Report presented to the Board of Regents in January 2015. In prior years, Internal Audit aligned its mapped audit plan to the list of risks identified to ensure that we both considered the risks and identified those areas where we might conduct audits, this year we have provided as a simple reference of prior audits.

Risk Ranking	Risk Title	Risk Area	2017	2016	2015
1	Information systems assurance	Compliance	X	X	X
2	Safety of students, faculty, staff, visitors	Operations	X	X	X
3	Age of IT systems	Operations		X	
4	Age of facilities	Operations			
5	Recruit and retain top faculty, and maintain research competitiveness	Strategic	X	X	X
6	Changing revenue streams	Financial	X	X	X
7	Federal grant regulations	Compliance	X	X	X
8	Crime on or near campus	Operations		X	
9	Minors on campus	Operations		X	X
10	Environmental and occupational health, lab safety and hazardous materials	Compliance			X
11	Information security and back up	Operations	X	X	X
12	Academic, scientific misconduct, research integrity, and conflict of interest	Compliance	X		
13	Student wellness	Operations			X
14	Healthcare regulations	Compliance	X	X	X
15	Investments in capital reduce financial flexibility for other initiatives	Strategic	X	X	
16	Enrollment and yield rates	Financial	X		X
17	Emergency and disaster preparedness	Mega/External		X	
18	Student athlete code of conduct	Compliance	X	X	X
19	Animal research regulations	Compliance			
20	Patient safety	Operations	X	X	X
21	Online learning capabilities	Strategic			
22	Human resource regulations	Compliance	X	X	X
23	International student regulations	Compliance			
24	NCAA compliance	Compliance	X	X	X
25	Alliances, affiliations, industry consolidations	Strategic	X	X	X
26	Recruit and retain top graduate students	Strategic	X		