



INTERNAL AUDIT

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UNIVERSITY *of* WASHINGTON

# 2019 Internal Audit Results

Finance and Asset Management Committee  
Board of Regents

February 2020

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## Executive Summary

This report highlights the key goals and results of the internal audit work completed in 2019 for the University, including work completed across all of UW Medicine.

### Audit Goals

Internal Audit's major goals for 2019 were:

- Complete 28 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 a Quality Assurance Review in accordance with IIA Standards and new WA State Regulations;
- Continue to manage the University-wide financial fraud and ethics reporting hotline; and
- Participate on major system implementation committees as an advisor and complete pre-implementation reviews (Finance Transformation / Clinical Transformation).

### Audit Results 2019

As a result of the work completed we issued 30 audit reports, with another 9 reports issued to UW units "in draft" related to the approved 2017 - 2019 Internal Audit plans. We received and investigated 48 complaints from our financial fraud and ethics hotline and other sources in 2019. We also conducted follow-up audit procedures to "close" approximately 225 audit recommendations, provided audit liaison and management advisory services, provided controls and ethics trainings across all three UW campuses, participated in a review of the readiness phase of the new Financial Transformation Project, and participated in the Compliance Support Program throughout 2019. Finally, we continued our student intern program in 2019, and completed our internal self-assessment and our external Quality Assurance Review.

Detailed information on the audit work completed and the results of our reviews can be found beginning on page 2 of this report and a listing of all audits and reports issued in Appendix A. Generally, we found the departments tested had good control systems in place. The control weaknesses identified primarily consisted of lack of sufficient management oversight and monitoring, and poorly identified roles and responsibilities. Internal Audit will continue to follow-up to ensure that all agreed upon corrective action plans are completed.

### Audit Advisory Committee

The Audit Advisory Committee (AAC) completed its fifth full year of operation in 2019, with Internal Audit continuing to report quarterly and provide support to the Committee. This Committee is charged with advising the Board of Regents on matters pertaining to external financial audits, internal audits and policies regarding internal controls.

## 2019 Audit Results

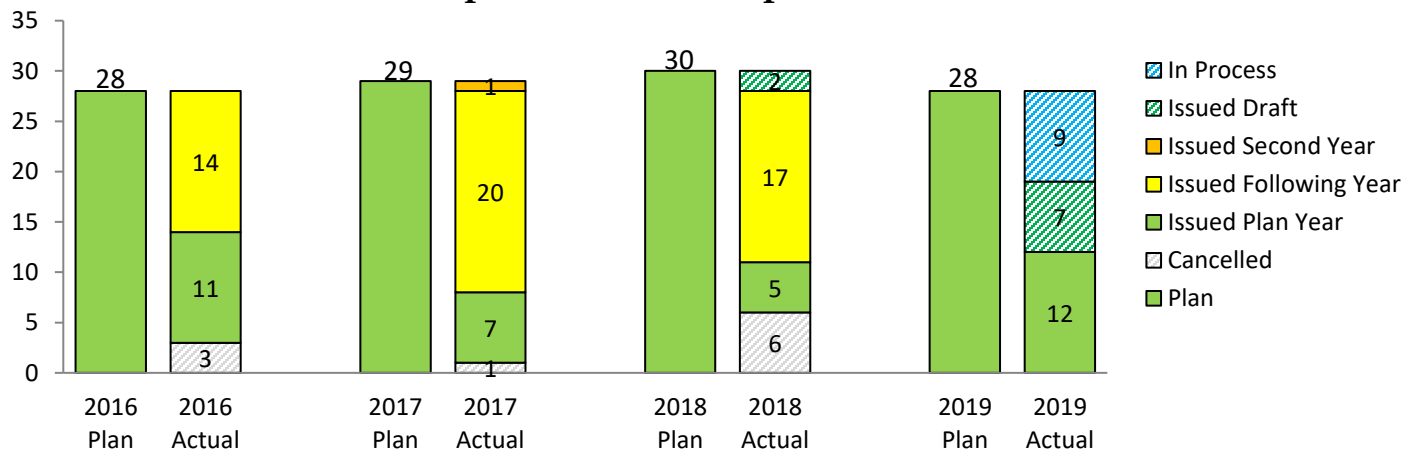
Internal Audit continued to emphasize the importance of strong systems of internal control in 2019. Generally, we found the departments tested had good control systems in place. The control weaknesses identified primarily consisted of lack of sufficient management oversight and monitoring, and poorly identified roles and responsibilities.

The Audit Advisory Committee (AAC) meets four times a year and is charged with advising the Board of Regents on matters pertaining to external financial audits, internal audits and policies regarding internal controls. At each meeting, the AAC received statistics and specific updates on how Internal Audit is executing on our 2019 audit plan, as well as a summary of the objectives and results of our audit work. The AAC also provided input and reviewed Internal Audit’s 2020 audit plan that was approved by the Board of Regents in December 2019. In addition, the AAC also reviewed the results of the 2019 financial statement audit, met with our external audit firm, KPMG, and reviewed the plans and work performed by Financial Accounting related to the implementation of a new program to implement a more structured system of internal controls over financial reporting. The AAC was also provided updates on the readiness phase of the Finance Transformation Project and information on our IT security systems.

The following sections of the report provide information on Internal Audit Productivity measures, other Internal Audit Projects and responsibilities along with appendices summarizing our audit reports and liaison activities.

### Productivity

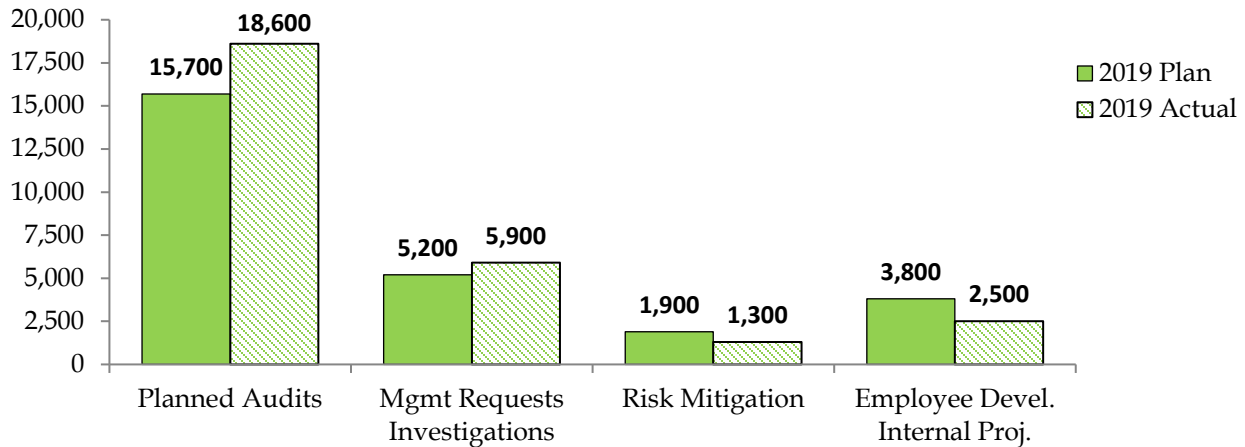
#### Audit Reports Issued Compared to Plan



Our 2019 audit plan was approved by the Board of Regents at the November 2018 meeting and included 28 planned audits. In 2019, we issued 30 audit reports (18 from the 2017 & 2018 audit plan, and 12 from the 2019 audit plan) and 9 “draft” audit reports awaiting management’s response (2 from the 2018 audit plan and 7 from the 2019 audit plan), which are detailed in Appendix A.

## Productivity (cont.)

### Plan to Actual Audit Hours



During 2019 we issued a total of 39 audit reports, 9 more audit reports (in “final” or “draft”) than we issued in the previous year and met our Productivity Goals for the year regarding planned audit hours. The increased focus in 2019 was to complete all carried over 2018 audits and make significant progress on the 2019 audit plan. This was achieved. We head into 2020 with 19 of the 28 planned 2019 audits either issued in final or draft, we have 8 planned 2019 audits which will be issued in draft in the first two months of 2020, and only 1 audit will have significant work performed after February 2020 from our 2019 audit plan.

The result of the additional focus and push to complete 2019 calendar year audits in 2019 resulted in the increased output of hours in 2019 in the Planned Audit category above (some 2,900 hours). This increase was somewhat at the expense of our risk mitigation activities and certain internal departmental projects such as the updating of our audit manual and re-evaluation of certain audit processes. In 2019 Internal Audit continued to incur more hours on Investigations than expected, albeit a smaller actual excess in 2019 than in 2018. We have committed to changing the way we manage Investigations in 2020 and have dedicated a Senior Auditor as a full time investigator in January 2020. This individual’s work will still include one audit per year, but their primary focus will be on completing our Investigations timely and in a consistent manner with as little impact to the 2020 Planned Audits budget category.

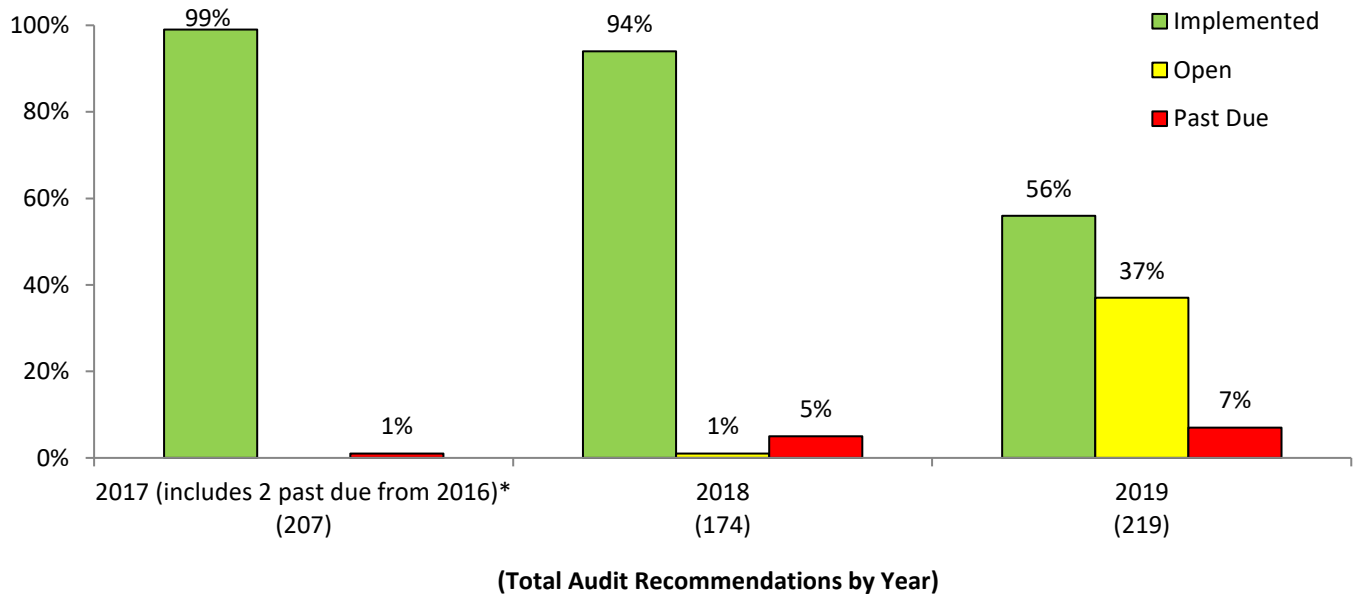
Internal Audit was also involved in a number of other activities to deliver value to the University. These activities included follow-up testing of previously issued audit recommendations, reviews of new IT systems (Finance Transformation), specific risk areas as requested by management, audit liaison services to the campus, training on internal controls, advisory work on key campus committees and internal quality improvement initiatives within Internal Audit. We also completed our Internal Self-Assessment project and worked with outside professionals on a successful Quality Assurance Review which was delivered in June 2019. We have summarized our involvement in these areas below.

## Additional Contributions by Internal Audit

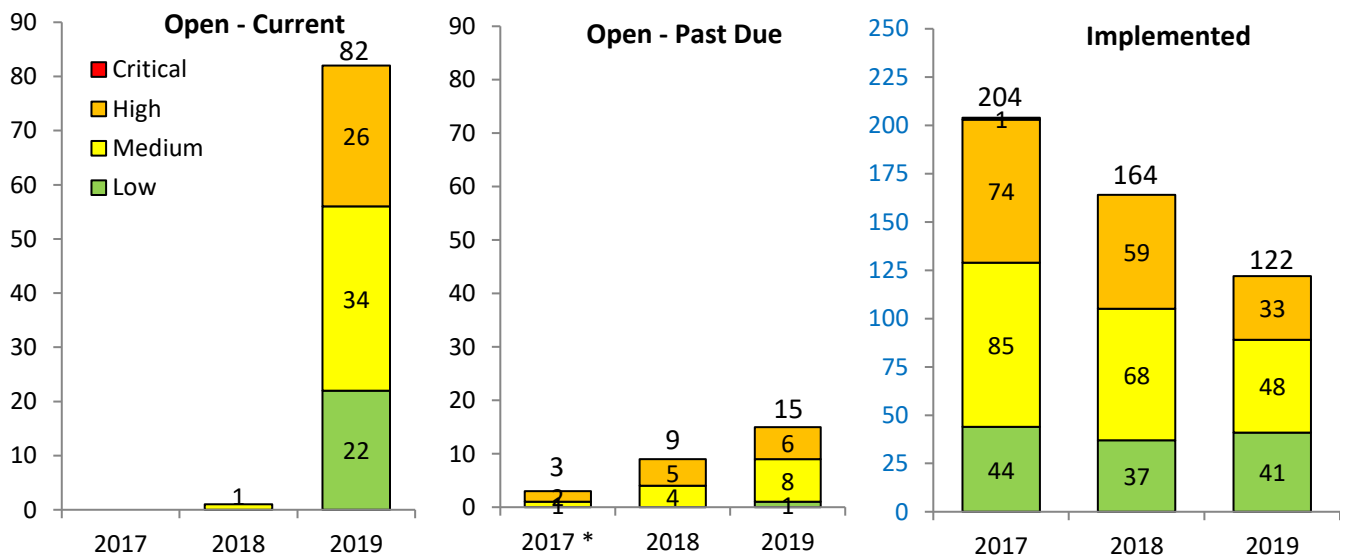
### Follow-up Audit Procedures

Semi-annually Internal Audit conducts follow-up audit procedures to ensure that management is implementing recommended controls, and provides a report to management with the results. We rank findings to provide management with Internal Audit’s perspective regarding the ongoing risk of not implementing controls to address the identified audit finding. If a management action plan is not implemented by the original target implementation date provided by management, it is considered “past due”. The following charts represent a summary of the status of recommendations across the University **as of December 31, 2019**:

### Percentage of Recommendations Implemented 2016-2018



### Status of Risk Ranked Audit Findings for 2016-2018



## **Additional Contributions by Internal Audit (cont.)**

### **Management Requests and Advisory Services**

During 2019 Internal Audit conducted a number of projects at the request of the Board of Regents and executive management. These focused on testing of controls in areas of management concern and/or consultations on controls for ongoing projects. The projects we participated in included direct assistance to KPMG with our external financial audit, an evaluation of controls over financial reporting at the UW Club, a review of internal controls over budget management at the Center for Information Assurance and Cybersecurity at UW Bothell, a ticket certification for Intercollegiate Athletics, and general departmental consulting on internal controls questions.

### **Liaison Services**

Internal Audit serves as liaison between central administrative offices, University departments and external auditors (federal, state and financial). The department maintains a record of all external auditors on campus, ensures documentation and information requests are understood and met, assists University staff in responding to audit findings and facilitates communication and coordination between different groups of auditors to minimize disruption to departmental activities. Additionally, we attend entrance and exit conferences and act as a focal point for putting auditors in touch with the right people at the University to answer their questions. In 2019, we spent additional time with a number of Federal OIG audit groups reviewing grants from the Department of Justice and the National Science Foundation. Appendix B contains a listing of external audit organizations who conducted work at the University in 2019.

### **Special Investigations**

Internal Audit received 48 complaints in 2019 that required our attention (29 from the financial fraud and ethics hotline, and 19 from other sources). Of these, we referred 8 to other departments for resolution. Internal Audit conducted investigations related to whistleblower claims and regulatory, ethics and fraud allegations, and closed 33 investigations in 2019. We carry out many of these investigations as the proxy for the State Auditor's Office (whistleblower and fraud allegations), which allows Internal Audit to quickly identify control weaknesses and provide recommendations on ways to strengthen internal controls.

### **Trainings Provided**

One of our goals is to continue to assist the University in their endeavor to strengthen internal controls. As such, we deliver trainings in the areas of Internal Controls and Fraud Prevention, Grants Management, and State Ethics Laws. We believe these trainings which amount to some 100 hours of work in 2019 help strengthen the overall control environment while providing our staff with opportunities to meet with future audit clients and strengthen presentation skills.

## **Additional Contributions by Internal Audit (cont.)**

### **Participation in UW Committees**

Internal Audit provides advisory input into a number of key University initiatives through its participation on committees. Our participation on committees is solely as an advisor and does not extend to a management / decision making role on the specific initiatives. We provide thoughtful input on the challenges faced by the University through an Internal Audit “lens” and focus on how any initiative impacts the control structure of the University.

A sample of the committees we participate in are: the Compliance Coordination Committee, the Compliance Officers Group, and the UW Medicine Security Standards Steering Committee.

### **Quality Improvement Initiatives**

Additionally, we undertook a number of internal initiatives in 2019 to increase our productivity and effectiveness including:

- Completion of our external Quality Assurance Review – we hosted Baker Tilly as well as peer Chief Audit Executives from Penn, Oregon State and UC San Francisco.
- Revamp of our bi-weekly staff meetings to focus more on quality initiatives and less on administrative functions – work included rework of Risk & Control Matrix, Annual Evaluation Forms, Sampling Plans, and Supervisor checklists.
- Initiated a Quality Assurance Improvement Program – program to be fully implemented in 2020 with standard review procedures and regular reporting on progress of quality initiatives.
- Review of Audit Manual.

### **Pacific Northwest Higher Education Internal Audit Conference**

Internal Audit participated in the tenth annual Pacific Northwest Higher Education Internal Audit Conference. This training was created to present a low cost training alternative to all Pacific Northwest Internal Audit departments, create an opportunity to share best practices amongst the audit departments and strengthen professional relationships at all levels. Other participants in 2019 included Washington State University, Western Washington University, Central Washington University, Oregon State University, University of Oregon, Southern Oregon University, Oregon Health Sciences University, University of Colorado, Montana State University, University of Montana, University of Alaska, Utah System of Higher Education, and University of Calgary.

### **Internal Audit Internship Program**

Internal Audit began a student intern program in 2011 for students majoring in Accounting or related fields. The students work during the summer of their junior year and part-time during their senior year in Internal Audit. They assist in the performance of audits, investigations, risk assessments, and management advisory services. This provides the students with real life experience on what it is like to be an auditor. In 2019 we employed two students from the Foster School of Business as interns.



# Appendices

## Summary Status of Planned Audits

During the course of calendar year 2019, we completed a number of audits that were in progress at the end of 2018, and completed or began most audits planned for 2019. Below is a summary of the progress we have made to date. Additionally, in accordance with IIA standards, we are presenting a summary of changes to 2020 planned audits that were approved by the Board of Regents in December 2019.

### 2017 Carry-Over Audits

<b>Audit</b>	<b>Status</b>
Title IX	Issued

### 2018 Carry-Over Audits

<b>Audit</b>	<b>Status</b>
College of Built Environment - Shop Safety (Addition)	Issued
School of Dentistry - Financial Stability Plan	Issued
School of Public Health - Grants	Issued
UW Tacoma - Housing Business Operations	Issued
Enterprise Services - Finance Transformation	Issued
Housing & Food Services - Residence Hall Access	Issued
UW Information Technology - Change Control	Issued
Intercollegiate Athletics - Compliance 2018 & Title IX	Issued
UW Medicine - Quality Metrics (MIPS)	Issued
UW Medicine - Social Media	Issued
UW Medicine - Telemedicine IT Privacy/Security	Issued
UW Medicine - Telemedicine Revenue Charge Capture	Issued
UW Medicine - Underpayments	Issued
HMC - Interpreter Services (Addition)	Issued
NWHMC - Rehabilitation and Respiratory Therapy	Issued
School of Medicine - Radiation Oncology Grants	Issued
School of Medicine - Shared Services	Issued
UW Information Technology - Electronic Data Warehouse	Draft Issued
Student Life - Use of University Facilities	Draft Issued
UW Medicine - ITS Change Control	Deferred 2020

### 2019 Planned Audits

<b>Audit</b>	<b>Status</b>
School of Public Health – I-TECH & UW Kenya	Issued (3 Reports)
Controller – Equipment Inventory (Replacement)	Issued
Financial Transformation	Issued
UW Medicine – Financial Stability Plan (FIT)	Issued
UW Medicine – Pharmacy Compliance	Issued
UWMC - Physical Security	Issued
UWMC - Sports Medicine Clinic	Issued
HMC – Physical Security (Replacement)	Issued
NWHMC – Physical Security (Replacement)	Issued
VMC – Physical Security (Replacement)	Issued
VMC – Business Continuity Planning	Issued
School of Medicine - Scholarships	Issued
Information School – Compliance & Business Operations	Draft Issued
Enterprise Services – ISC IT Change Control (Replacement)	Draft Issued
Office of Research – Export Controls	Draft Issued
President/Provost – Global Affairs Travel Safety	Draft Issued
UW Medicine – Vizient Contract	Draft Issued
HMC – UW/King County Agreement	Draft Issued
School of Medicine – Genome Sciences Grant	Draft Issued
College of Arts & Sciences – Multi Unit Business Operations	1 Issued 4 Drafts Issued 3 In Progress
Controller – Internal Controls over Financial Reporting	In Progress
Enterprise Services – ISC Performance Measurements	In Progress
Graduate School – Electronic Application Sys (Replacement)	In Progress
UW Tacoma – Milgard School of Business	In Progress
Health Sciences Administration – EH&S Lab Safety	In Progress
Intercollegiate Athletics – Special Admissions	In Progress
Office of Planning & Budgeting – Deficit Policy	In Progress
UW Medicine – Epic Work Ques	In Progress

### 2020 Planned Audit Changes

<b>Audit</b>	<b>Status</b>
NONE	

## External Auditors – 2019

### Financial Statement and Agreed Upon Procedures Audits:

#### KPMG

University of Washington	UW Medicine Clinical Entities -
Internal Lending Program	UW Division
Intercollegiate Athletics	Harborview Medical Center
Housing and Food Services	Valley Medical Center
Portage Bay Insurance	Seattle Cancer Care Alliance
UW Alumni Association	I-Tech Field Offices

#### Peterson Sullivan

Metro Tract	Student Life
Student Apartments	

### Federal and State Regulatory Audits and Reviews:

#### State Auditor's Office

Audit of federal programs in accordance with the Single Audit Act  
 Whistleblower and citizen complaint investigations  
 Accountability audit of University compliance with state laws, and regulations

#### Federal Agencies

##### Department of Justice

Grant Fiscal & Programmatic Compliance, Epidemiology

##### Department of State

Sub Recipient Monitoring Review, Global Health & UW Kenya

##### National Science Foundation

Business Services Review, Oceanography  
 Internal controls and Costs Claimed, Ocean Observatories Initiative,  
 Oceanography (review performed by Woods Hole Ocean Institute)

##### Special Office of Inspector General for Afghan Reconstruction (SIGAR)

Grant Audit of Costs Claimed, School of Law

#### State, Local, Foreign and Private Agencies

##### Cystic Fibrosis Foundation

Grant Fiscal Compliance, Pediatrics

##### University of Alaska

Sub Recipient Monitoring, Applied Physics Lab

##### University of North Carolina

Sub Recipient Monitoring, Radiology