



INTERNAL AUDIT

UNIVERSITY *of* WASHINGTON

2019 Audit Plan

Finance and Asset Management Committee
Board of Regents

November 2018

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Executive Summary

The 2019 Audit Plan contains key information on our planned audit activity for calendar year 2019. The plan was based on the results of our annual risk assessment process.

Audit Goals

Internal Audit's major goals for 2019 are:

- 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 Plan 2019

The University of Washington Internal Audit Plan for 2019 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 40 executive and senior management personnel across the University and UW Medicine;
- 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 2018; 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 - 2019;
- Listing of Planned Audit Projects; and
- Allocation of Audit Resources.

2019 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 and other regulatory agencies in setting our overall audit plan and in planning the work conducted on any specific project. We also 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 2019 are:

- 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;
- Continue to manage the University-wide financial fraud and ethics reporting hotline;
- Complete a Quality Assurance Review in accordance with IIA Standards and new WA State Regulations;
- Participate on major system implementation committees as an advisor and complete pre-implementation reviews (Finance & Clinical Transformation);
- Increase use of data analytics and other technologies to enhance the 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 and best practices.

The UW Internal Audit Plan for 2019 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 HR system implementation/stabilization, Finance Transformation (new Financial System), Clinical Transformation (EPIC – Electronic Health Record), Capital Planning, 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. Finally, Internal Audit held internal meetings to engage all of our staff and accumulate information we have learned through our many interactions across campus and in conferences to focus our work on the key initiatives within Higher Education and Medicine.

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 2019 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	2019/2018		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
School of Dentistry	3	IA	7	IA	6	IA
UW Information Technology	4	IA	3	IA	4	IA
UW Facilities	5	IA	6	IA	13	-
Enterprise Services	6	IA	13	IA	10	IA
Intercollegiate Athletics	7	IA	4	IA	5	IA
Health Sciences Administration	8	IA	5	IA	3	IA
Office of the President/Provost	9	IA	8	IA	23	IA*
UW Bothell	10	IA	10	IA	22	IA
UW Tacoma	11	IA	16	IA	24	IA
College of Engineering	12	-	18	IA	12	IA
Office of the Controller	13	IA	14	IA*	7	IA
School of Public Health	14	IA	11	IA*	9	IA
College of the Environment	15	-	17	IA	25	IA
Office of Planning and Budgeting	16	IA	12	-	14	IA
Enrollment Management	17	Reg	15	IA	8	Reg
Human Resources	18	-	9	IA	17	IA
Information School	19	IA	32	-	34	IA*
College of Arts and Sciences	20	IA	19	IA	15	IA
Office of Research	21	IA	20	IA	11	IA
CoMotion	22	IA	21	-	21	IA
Housing and Food Services	23	IA	29	Ext	19	IA
Treasury Office	24	Ext	26	Ext	26	Ext
University Advancement	25	-	25	IA	29	-
Continuum College	26	-	23	IA	18	IA
School of Law	27	IA	33	IA*	28	-
School of Pharmacy	28	-	24	IA	27	IA*
School of Social Work	29	-	28	IA*	33	IA
School of Nursing	30	IA	22	-	16	IA*
Student Life	31	IA	27	IA	20	Ext
Evans School of Public Policy & Governance	32	-	37	-	36	IA*
Graduate School	33	-	34	-	30	IA*
University Libraries	34	-	36	-	35	IA*
College of Education	35	-	31	IA*	31	-
Foster School of Business	36	-	30	IA*	32	IA*
College of the Built Environment	37	IA	35	-	37	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 2019. 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 2019 is the second year of the current two-year risk assessment cycle which includes a smaller set of interviews with University Leadership. High risk auditable units not selected for review in 2018 were considered for selection in 2019, with the goal of covering all high risk units within the two-year period, if still applicable.

Audit Unit	Audit Focus
UW Medicine Clinical Enterprise (10)	Financial Stability Plan, Opioid Program Review, Patient Financial Services, Clinical Transformation (IT), VMC Business Continuity Planning (IT) and additional audit projects
School of Medicine (3)	Federal Compliance & Business Operations Reviews (2), Scholarships
School of Dentistry	Fiscal and Governance Audit of the Faculty Practice Plan
UW Information Technology	Identify Access Management (IT Controls)
Enterprise Services (2)	Financial Transformation Project (IT), ISC Controls
Intercollegiate Athletics - 2019	Compliance with NCAA Standards & Contracts
Health Sciences Administration	Environmental Health & Safety Review
Office of the President/Provost	Global Affairs Travel Safety
UW Bothell	Student Recreation Center (ARC)
UW Tacoma	Business Operations - Milgard School of Business
Office of the Controller	Evaluation of Internal Controls over Financial Reporting
School of Public Health	Federal Compliance & Business Operations Review I-Tech & UW Kenya
Office of Planning & Budgeting	Deficit Policy
Information School	Federal Compliance & Business Operations Review
College of Arts & Sciences	Multi-Unit Business Operations Audit
Office of Research	Export Controls

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 2019 planned audits due to current resource constraints. We will include certain of these audits in our 2019 audit projects as staffing permits.

Audit Unit	Audit Focus
UW Medicine Clinical Enterprise	ALNW, Charge Capture
School of Medicine	Clinical Research Billing, Willed Body Program
School of Dentistry	Revenue Cycle Operations
UW Information Technology	Vendor Management
UW Facilities	Business Operations, Lease Management, Capital Spending, Construction Audit
Health Sciences Administration	Center on Human Development and Disability
College of Engineering	Grant Audit
College of the Environment	Friday Harbor Labs, Oceanography - Grant Audit
College of Arts & Sciences	Jackson School Business Operations
Office of Research	Conflict of Interest Management Plan Monitoring
Housing & Food Services	Cash Management
Treasury Office	Semi-Annual Borrower Reports (SABRe)
Student Life	Circle Program, FIUTS Cost Allocations
Graduate School	Electronic Application System (IT)
University Libraries	Business Operations
Foster School of Business	Executive MBA Program
Multiple Unit Audits	Financial Stability Plans
Multiple Unit IT Audits	IT Security Plans, IT Security Controls GLBA/FRPA

Audit Resources

The audit plan for calendar year 2019 is based on a professional staffing complement of 18 FTE, which is consistent with our 2018 Audit Plan. Note that the last two years of stabilization were expected as part of our overall plan to grow 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 50% 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 2018 which will carryover for completion in early 2019. 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 2019 audit resources is allocated as follows:

- 17% 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; to address reports received via the University-wide Financial Fraud and Ethics Hotline.
- 12% 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 will be instituting a new formal Quality Assurance Improvement Program as required by the Institute of Internal Auditors and the State of Washington. 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. 2019 is the second year of the current two-year cycle which includes Internal Audit undertaking an abbreviated set of interviews with selected 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.

In completing the 2018 and 2019 Risk Assessments, 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 by the University. Our proposed audit projects for 2019 will be selected from a number of the highest ranked auditable units. We will also revisit our plan and consider areas identified by Compliance & Risk Services once they reinstate the Institutional Resilience/ERM processes.