



INTERNAL AUDIT

UNIVERSITY *of* WASHINGTON

2017 Audit Plan

Finance and Asset Management Committee
Board of Regents

November 2016

Table of Contents

Executive Summary	1
2017 Audit Plan	2
Analysis of Audit Coverage of University Auditable Units.....	3
Analysis of Audit Coverage of University Highest Risks as defined in the ERM Report	4
Planned Audit Projects.....	5
Audit Resources	7
Appendix	
Risk Assessment Methodology/ Development of Annual Plan.....	8

Executive Summary

The 2017 Audit Plan contains key information on our planned audit activity for calendar year 2017. The plan was based on the results of our annual risk assessment process.

Audit Goals

Internal Audit's major goals for 2017 are:

- Complete 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 our student intern program;
- Implementation of Internal Audit Strategic Plan;
- Operate and refine processes regarding the newly implemented University-wide financial fraud and ethics reporting hotline;
- Contribute to the Compliance Support Program through participation as an advisor on the Compliance Coordination Team; and
- Continue to participate on major system implementations as an advisor on oversight committees and complete pre/post implementation reviews.

Audit Plan 2017

The University of Washington Internal Audit Plan for 2017 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;
- Changes impacting the major operating units within the University (Schools, Colleges and Central Administrative units);
- Top risks of the University identified in the Enterprise Risk Management (ERM) report to the Board of Regents;
- Emerging risks within higher education, healthcare and information technology as shared with Internal Audit while attending national conferences throughout 2016;
- Interviews with senior management; 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 2012 - 2017;
- Analysis of Audit Coverage of University Highest Risks;
- Listing of Planned Audit Projects; and
- Allocation of Audit Resources.

2017 Audit Plan

Internal Audit engages in three primary activities – audits, management advisory services, and investigations. Our focus is to actively work with the schools, colleges 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. Additionally, we provide liaison services between the University and external audit parties to assist in the effective conduct of outside auditor’s projects.

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- Complete 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 our student intern program;
- Implementation of Internal Audit Strategic Plan;
- Operate and refine processes regarding the newly implemented University-wide financial fraud and ethics reporting hotline;
- Contribute to the Compliance Support Program through participation as an advisor on the Compliance Coordination Team;
- Continue to participate on major system implementations as an advisor on oversight committees and complete pre/post implementation reviews;
- Continue to strengthen our audit team through focused industry training;
- Participate in roundtables / conferences with peer institutions to discuss emerging risks;
- Provide training on internal controls, WA Ethics Law and other related subjects; and
- Continue to lead the Pacific Northwest Higher Education Internal Audit Conference.

The UW Internal Audit Plan for 2017 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 the Appendix.

To enable us to focus on the appropriate areas, we considered the top risks identified in the annual ERM report to the Board of Regents and the strategic plans and significant initiatives of the University, such as the Be Boundless Campaign, Population Health Initiative, Transforming Administration Program, Human Resources/Payroll system implementation, Finance Transformation, One Capital Plan and the UW Medicine Accountable Care Network. We have also acknowledged increasing external forces (increasing 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.

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 2017 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	2016/2017		2015/2014		2013/2012	
	Rank	Audit Coverage	Rank	Audit Coverage	Rank	Audit Coverage
UW Medicine Clinical Entities	1	IA	1	IA	1	IA
School of Medicine	2	IA	2	IA	2	IA
UW Information Technology	3	IA	4	IA	8	IA
Intercollegiate Athletics	4	IA	5	IA	4	IA
Health Sciences Administration	5	IA	3	IA	3	IA
Capital Planning and Development	6	IA	13	-	21	-
School of Dentistry	7	IA	6	IA	10	IA*
Office of the President/Provost	8	IA	23	IA*	16	IA
Human Resources	9	IA	17	IA	22	-
UW Bothell	10	IA	22	IA	14	IA
School of Public Health	11	IA*	9	IA	7	IA
Office of Planning and Management	12	-	14	IA	23	IA
Finance Management	13	IA	10	IA	24	IA
Research Accounting and Analysis	14	IA*	7	IA	6	IA
Student Financial Aid	15	IA	8	Reg	18	Reg
UW Tacoma	16	IA	24	IA	12	IA
College of the Environment	17	IA	25	IA	25	IA
College of Engineering	18	IA	12	IA	29	IA*
College of Arts and Sciences	19	IA	15	IA	17	IA
Office of Research	20	IA	11	IA	5	IA
CoMotion	21	IA	21	IA	19	IA
School of Nursing	22	IA	16	IA*	15	IA
Continuum College	23	IA	18	IA	13	-
School of Pharmacy	24	IA	27	IA*	36	IA*
University Advancement	25	IA	29	-	27	IA*
Treasury Office	26	Ext	26	Ext	26	Ext
Student Life	27	IA	20	Ext	11	Ext
School of Social Work	28	IA*	34	IA	32	IA*
Housing and Food Services	29	Ext	19	IA	9	IA
Foster School of Business	30	IA*	33	IA*	33	IA
College of Education	31	IA*	31	-	28	IA*
Facilities Services	32	IA	32	-	20	IA
Information School	33	-	35	IA*	30	IA*
School of Law	34	-	28	-	31	IA*
Graduate School	35	-	30	IA*	34	-
College of the Built Environment	36	-	38	IA*	37	IA*
University Libraries	37	-	36	IA*	38	-
Evans School of Public Affairs	38	-	37	IA*	35	-

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

Analysis of Audit Coverage of University Highest Risks as defined in the ERM Report

The chart below links our audit plan with the 26 highest risks identified in the UW Enterprise Risk Management 2013/2014 Annual Report presented to the Board of Regents in January 2015. We identified areas where we have conducted audit procedures in previous years (2014 - 2016) and for those areas we plan on including in the 2017 Audit Plan. Risks for which we have not completed audits within the last four years will be considered for projects in 2018.

Risk Ranking	Risk Title	Risk Area	Internal Audit Coverage			
			2017	2016	2015	2014
1	Information systems assurance	Compliance	X	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	X
6	Changing revenue streams	Financial	X	X	X	X
7	Federal grant regulations	Compliance	X	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	X
12	Academic, scientific misconduct, research integrity, and conflict of interest	Compliance	X			X
13	Student wellness	Operations			X	
14	Healthcare regulations	Compliance	X	X	X	X
15	Investments in capital reduce financial flexibility for other initiatives	Strategic	X	X		
16	Enrollment and yield rates	Financial	X		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	X
21	Online learning capabilities	Strategic				X
22	Human resource regulations	Compliance	X	X	X	
23	International student regulations	Compliance				
24	NCAA compliance	Compliance	X	X	X	X
25	Alliances, affiliations, industry consolidations	Strategic	X	X	X	X
26	Recruit and retain top graduate students	Strategic	X			

Analysis of Audit Coverage of University Highest Risks as defined in the ERM Report (continued)

Heat Map

		Ranking of University Top Risks									
		Insignificant		Minor		Moderate		Major		Critical	
Likelihood	Almost certain					8		2 1			
	Likely					10		7 4,3			
	Possible					15 12 9		6,5			
	Unlikely					22 21		19,18 16 14,13 11			
	Remote					25 24		23 20		17	
		Insignificant		Minor		Moderate		Major		Critical	
		Impact									

Planned Audit Projects

We will continue to focus on the high risk areas as identified in the UW Enterprise Risk Management 2013/2014 Annual Report and in our risk assessment. We identified both audit units and university-wide processes within which to focus our audit activities during 2017. 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 on the following page.

Our risk assessment process will be further refined for the UW Medicine clinical entities to include a more in-depth identification of audit units and possible audit projects within the system. 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.

Planned Audit Projects (continued)

Audit Unit	Audit Focus	ERM Risks
UW Medicine clinical entities (10)	Drug diversion, payroll, charge capture (multiple units), supply chain - procurement, charity care, IT and additional audit projects.	1, 6, 11, 14, 20, 25
School of Medicine	Federal grant compliance and business operations	7
Intercollegiate Athletics - 2016	Compliance with NCAA Standards	18, 24
Health Sciences Administration	Center on Human Development & Disability	7
Capital Planning and Development	Review of Capital Planning Oversight	15
Human Resources	HRP Post Implementation	1, 22
UW Bothell	School of Business - Executive Education	6, 25
School of Public Health	Federal Grant Compliance - Health Services	7
UW Tacoma	Course Fees	6
College of the Environment	Federal Grant Compliance - Atmospheric Sciences	7
College of the Engineering	IT General Controls Review	1, 11
Office of Research	Office of Sponsored Programs	5, 6, 7, 12
CoMotion	Oversight of Support Outside Organizations	6, 25
School of Nursing	Federal Grant Compliance & Business Ops	7
Continuum College	Registration	6, 16
School of Pharmacy	HIPAA	11, 14
Advancement	Travel & Entertainment Expenditures	6
College of Education	Business Operations - Centers	7, 25
Facilities Services	IT Electronic Media Disposal	1, 11
Multiple Unit Audit	Title IX	2, 26

The following projects were identified as higher risk by Internal Audit and management but not significant enough to be included in the 2017 planned audits due to current resource constraints. We will include certain of these audits in our 2017 audit projects as staffing permits.

Audit Unit	Audit Focus	ERM Risks
UW Medicine clinical entities	Valley Epic User Access, ALNW, UW Medicine ITS Network Security	1, 11
UW Information Technology	Audit Logs	1, 11
Intercollegiate Athletics	IT General Controls	1, 11
Health Sciences Administration	IACUC	7, 19
Office of Planning & Management	User Fees / Deficit Policy	6
Advancement	KUOW	25
Student Life	Student Technology Fee - Selection & Reporting	6, 13
Multiple Unit Audit	Miscellaneous Revenue	6

Audit Resources

The audit plan for calendar year 2017 is based on a professional staffing complement of 18 FTE, which includes the addition of one professional staff in late 2016/ early 2017 to assist with the IT audit work. This position is funded by the UW and part of an overall growth process to bring UW Internal Audit to a full complement of staff at 21 FTE over the next four years. We will also augment our staff by continuing our IA Internship Program in which we currently employ two UW students and look for ways to expand this program.

Approximately 52% 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 2016 which will carryover for completion in early 2017. 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 2017 audit resources is allocated as follows:

- 18% 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.
- 10% 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.
- 14% has been further allocated for internal administrative functions, including employee performance evaluations, interviews of Internal Audit candidates and manager/staff meetings.

Appendix

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. 2017 is the second year of the current two year cycle. 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 reviewed the top risks to the University that were identified in the UW Enterprise Risk Management 2013/2014 Annual Report to the Board of Regents, 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 2017 Risk Assessment, we continued to link the risks identified in the Universities ERM process to our audit coverage over the last three years on page 4. Our proposed audit projects for 2017 were selected from a number of the highest ranked auditable units on page 3 and the risks included in the ERM report. The list of the proposed audit projects is included in the audit plan on page 6.