![W INTERNAL AUDIT — UNIVERSITY of WASHINGTON]

2014 Audit Plan

**Finance, Audit and Facilities Committee
Board of Regents**

November 2013

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Executive Summary

The 2014 Audit Plan contains key information on our planned audit activity for calendar year 2014. The plan was based on the results of our annual risk assessment process.

Audit Goals

Internal Audit's major goals for 2014 are:
- Complete audits within fifteen of the highest risk ranked units of the University;
- Provide the University with value added recommendations to improve controls, mitigate identified risks and increase efficiency of operations;
- Complete internal control reviews of departments either as a request of management or due to losses of University resources;
- Continue to develop our student intern program;
- Implement a University-wide fraud, waste & abuse reporting hotline;
- Provide training on internal controls, WA Ethics Law and other related subjects; and
- Continue to lead the Pacific Northwest Higher Education Internal Audit Conference.

Audit Plan 2014

The University of Washington Internal Audit Plan for 2014 is designed to provide audit coverage across the entirety of the University, deploying Internal Audit resources in an effective and efficient manner.

To focus on the appropriate areas, we considered the strategic plans and initiatives the University has articulated over the last two years including Tomorrow's University Today, Sustainable Academic Business Plan, Faculty Recruitment Initiative, Data-Driven Discovery, Interdisciplinary Academic Efforts, and Patients are First. We also considered the top risks to the University that were presented in the annual Enterprise Risk Management (ERM) report to the Board of Regents.

We continue to focus on the highest risk areas as identified in our risk assessment. The Audit Plan was developed through the completion of a risk assessment project which included interviews with senior management, review of strategic, financial and historical information regarding the individual University auditable units as defined by Internal Audit.

The Audit Plan documents presented here include:
- Overview of the Audit Plan;
- Analysis of Audit Coverage by University Auditable Units from 2010 - 2014;
- Heat Map of University Auditable Units;
- Listing of Planned Audit Projects; and
- Allocation of Audit Resources.

2014 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 the UW Medicine clinical entities 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.

Internal Audit's goals for 2014 are:

- Complete audits within fifteen of the highest risk ranked units of the University;
- Provide the University with value added recommendations to improve controls, mitigate identified risks and increase efficiency of operations;
- Complete internal control reviews of departments either as a request of management or due to losses of University resources;
- Strengthen the Internal Audit function by implementing recommendations received as part of our external Quality Assurance Review;
- Continue to develop our student intern program;
- Implement a University-wide fraud, waste & abuse reporting hotline;
- Continue to strengthen our audit team through focused industry training;
- Provide training on internal controls, WA Ethics Law and other related subjects;
- Continue to lead in the Pacific Northwest Higher Education Internal Audit Conference;
- Continue to coordinate with and participate in the further development of the University-wide enterprise risk management framework.

The UW Internal Audit Plan for 2014 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. We have included a heat map representing the results of our risk assessment on page 4.

To enable us to focus on the appropriate areas, we considered the top risks identified in the annual ERM report to the Board and the strategic plans/initiatives the University has articulated over the last two years including Tomorrow's University Today, Sustainable Academic Business Plan, Faculty Recruitment Initiative, Data-Driven Discovery, Interdisciplinary Academic Efforts, and Patients are First. We have also acknowledged the increasing external forces (temporary Federal shutdown, changes in regulations) that could adversely impact the internal controls processes previously developed within the University.

Analysis of Coverage of University Auditable Units

The University auditable units, listed below, are ranked from high to low in terms of the relative risk based on the 2014 risk assessment performed by Internal Audit (IA). Additionally, we have included the relative ranking from previous risk assessments. The previous year columns identify the relative IA risk ranking in those periods and the type of audit work conducted within the respective unit.

| | 2014 | | 2013/2012 | | 20011/2010 | |
| | Rank | Audit Coverage | Rank | Audit Coverage | Rank | Audit Coverage |
AUDITABLE UNIT						
UW Medicine clinical entities	1	IA	1	IA	1	IA
School of Medicine	2	IA	2	IA	2	IA
Health Sciences Administration	3	IA	3	IA	16	Reg
Office of Research	4	IA	5	IA	6	IA
School of Public Health	5		7	IA	13	IA
Research Accounting and Analysis	6		6	IA	10	IA
UW Information Technology	7	IA	8	IA	24	IA
Intercollegiate Athletics	8	IA	4	IA	3	IA
Student Financial Aid	9	IA	18	Reg	5	-
College of Engineering	10	IA	29	IA*	9	IA
School of Dentistry	11		10	IA*	12	IA
UW Bothell	12	IA	14	IA	26	IA
Student Life	13	Ext	11	Ext	35	IA
Center for Commercialization	14		19	IA	17	-
Finance	15	IA	24	IA	8	IA
Professional Continuing Education	16	IA	13	-	15	-
Housing and Food Services	17	Ext	9	IA	14	Ext
School of Nursing	18		15	IA	19	IA
Office of the President/Provost	19		16	IA	37	IA
College of Arts and Sciences	20		17	IA	21	IA
Capital Projects	21		21	-	7	IA
UW Tacoma	22		12	IA	25	IA
College of the Environment	23		25	IA	4	Reg
Treasury Office	24	Ext	26	Ext	11	Ext
University Advancement	25	IA*	27	IA*	23	-
Office of Planning and Budgeting	26		23	IA	20	-
Graduate School	27		34	-	22	IA*
Human Resources	28		22	-	18	IA*
Facilities Services	29		20	IA	29	IA
School of Pharmacy	30		36	IA*	32	IA*
Foster School of Business	31		33	IA	28	IA*
School of Law	32		31	IA*	34	IA*
School of Social Work	33		32	IA*	36	IA
Information School	34		30	IA*	38	IA*
University Libraries	35		38	-	31	-
College of Education	36		28	IA*	30	IA*
Evans School of Public Affairs	37		35	-	33	IA*
College of the Built Environment	38		37	IA*	27	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

University Auditable Units - Heat Map

Likelihood \ Impact	Insignificant	Minor	Moderate	Major	Critical
Almost certain				3	1, 2
Likely			13, 15, 11, 18	4, 5, 9, 6	
Possible		28, 27, 30	24, 23, 26, 25	12, 10, 7, 20, 17, 16, 14, 8, 21, 22, 19	
Unlikely		35, 38, 37, 36	29, 32, 31, 34, 33		
Remote					

Ranking of Audit Unit within University

Impact (horizontal axis) — **Likelihood** (vertical axis)

Listing of University Auditable Units

(Numbers in chart below correspond to the chart above)

#	Unit	#	Unit
1	UW Medicine clinical entities	20	College of Arts and Sciences
2	School of Medicine	21	Capital Projects
3	Health Sciences Administration	22	UW Tacoma
4	Office of Research	23	College of the Environment
5	School of Public Health	24	Treasury Office
6	Research Accounting and Analysis	25	University Advancement
7	UW Information Technology	26	Office of Planning and Budgeting
8	Intercollegiate Athletics	27	Graduate School
9	Student Financial Aid	28	Human Resources
10	College of Engineering	29	Facilities Services
11	School of Dentistry	30	School of Pharmacy
12	UW Bothell	31	Foster School of Business
13	Student Life	32	School of Law
14	Center for Commercialization	33	School of Social Work
15	Finance	34	Information School
16	Professional Continuing Education	35	University Libraries
17	Housing and Food Services	36	College of Education
18	School of Nursing	37	Evans School of Public Affairs
19	Office of the President/Provost	38	College of the Built Environment

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 2014. As part of our risk assessment, we continued our focus begun in 2011 to consider 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 below.

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. We expect this process will further refine the projects to be included in our audit plan.

Audit Unit	Audit Focus
UW Medicine clinical entities	Clinic registration, revenue capture, charge master, meaningful use attestations, and additional audit projects
School of Medicine	Federal grants compliance and business operations
Health Sciences Administration	HIPAA compliance and billing controls at clinics
Office of Research	OSP sub-recipient monitoring process
UW Information Technology	Network access controls
Intercollegiate Athletics – 2014	Eligibility, academic performance, amateurism
Student Financial Aid	Federal and State compliance
College of Engineering	Federal grants compliance and business operations
UW Bothell	Recharge of fees
Finance	Banking and operations
Professional Continuing Education	General IT controls
Multiple Audit Units	Use of gifts and compliance with donor intent
Multiple Audit Units	Business operations within University Centers

Audit Resources

The audit plan for calendar year 2014 is based on a professional staffing complement of 14 FTE. Internal Audit plans to add one additional professional staff in mid-2014 to assist with the audit work within the UW Medicine clinical entities, and expects this position to be funded by the UW Medicine clinical entities. We will also 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 both 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.

In selecting specific units/functions for inclusion in the audit plan we placed priority on providing coverage of higher risk units/processes, and areas of interest to University and UW Medicine clinical entities administrative leadership.

We have a number of audit projects from our 2013 Audit Plan which will be carried over to the 2014 Audit Plan as they continue to be considered high risk. Additionally, we will have a number of audit projects begun in 2013 which will carryover for completion in early 2014. 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 2014 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.
- 9% for employee professional development, internal quality improvement projects (LEAN), our Quality Assurance Review and ongoing expansion and maintenance of our electronic work paper system.
- 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.
- 17% 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. This is the first year of our risk assessment process.

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 day-to-day operations of the University.

Compliance Risk — Failure to comply with laws, regulations and internal 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 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 annual Enterprise Risk Management report to the Board of Regents and 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 also reviewed the 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 the last few years.

The above risk factors were then grouped to determine likelihood and impact, and arrive at an overall risk ranking, creating the heat map shown on page 4.

Our proposed audit projects for 2014 were then selected from a number of the highest ranked auditable areas and individual audit units within these groupings. The list of the proposed audit projects is included in the audit plan on page 5.