W INTERNAL AUDIT

UNIVERSITY *of* WASHINGTON

2015 Audit Plan

Finance and Asset Management Committee
Board of Regents

November 2014

Table of Contents

Executive Summary

The 2015 Audit Plan contains key information on our planned audit activity for calendar year 2015. The plan was based on the results of our annual risk assessment process.

Audit Goals

Internal Audit's major goals for 2015 are:
- Complete audits focused on areas identified within both Internal Audit's Risk Assessment and the University's Enterprise Risk Management process;
- Provide the University with value added recommendations to improve controls, mitigate identified risks and increase efficiency of operations;
- 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;
- Continue to coordinate with and participate in the further development of the University-wide enterprise risk management framework.

Audit Plan 2015

The University of Washington Internal Audit Plan for 2015 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 of the University. We identified the major operating units within the University (Schools, Colleges and Central Administrative units) and changes impacting each of these units. We then considered the top risks of the University identified in the annual Enterprise Risk Management (ERM) report to the Board of Regents. We also reviewed emerging risks within Higher Education, Healthcare and Information Technology as shared with UW Internal Audit while attending national conferences in September 2014.

We continue to focus our audit plan and related projects on the highest risk areas identified in our IA risk assessment. The Audit Plan was developed through the completion of a risk assessment project which included interviews with senior management, and review of strategic, 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 2010 – 2015;
- Analysis of Audit Coverage of University Highest Risks;
- Listing of Planned Audit Projects; and
- Allocation of Audit Resources.

2015 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 2015 are:

- Complete audits focused on areas identified within both Internal Audit's Risk Assessment and the University's Enterprise Risk Management process;
- Provide the University with value added recommendations to improve controls, mitigate identified risks and increase efficiency of operations;
- 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 2015 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 HR/P implementation, One Capital Plan and Accountable Care Network. We have also acknowledged increasing external forces (creation of the Combined Audit Circular, increased Federal OIG audits, significant data breaches within the US, 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 relative risk based on the 2015 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.

AUDITABLE UNIT	2015/2014 Rank	2015/2014 Audit Coverage	2013/2012 Rank	2013/2012 Audit Coverage	20011/2010 Rank	20011/2010 Audit Coverage
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
UW Information Technology	4	IA	8	IA	24	IA
Intercollegiate Athletics	5	IA	4	IA	3	IA
School of Dentistry	6	IA	10	IA*	12	IA
Research Accounting and Analysis	7	IA	6	IA	10	IA
Student Financial Aid	8	IA	18	Reg	5	-
School of Public Health	9	IA	7	IA	13	IA
Finance	10	IA	24	IA	8	IA
Office of Research	11	IA	5	IA	6	IA
College of Engineering	12	IA	29	IA*	9	IA
Capital Projects	13	IA	21	-	7	IA
Office of Planning and Budgeting	14	IA	23	IA	20	-
College of Arts and Sciences	15	IA	17	IA	21	IA
School of Nursing	16		15	IA	19	IA
Human Resources	17	IA	22	-	18	IA*
Professional Continuing Education	18	IA	13	-	15	-
Housing and Food Services	19	IA	9	IA	14	Ext
Student Life	20	Ext	11	Ext	35	IA
Center for Commercialization	21	IA	19	IA	17	-
UW Bothell	22	IA	14	IA	26	IA
Office of the President/Provost	23	IA*	16	IA	37	IA
UW Tacoma	24	IA	12	IA	25	IA
College of the Environment	25	IA	25	IA	4	Reg
Treasury Office	26	Ext	26	Ext	11	Ext
School of Pharmacy	27	IA*	36	IA*	32	IA*
School of Law	28	IA*	31	IA*	34	IA*
University Advancement	29	IA*	27	IA*	23	-
Graduate School	30	IA*	34	-	22	IA*
College of Education	31	IA*	28	IA*	30	IA*
Facilities Services	32	IA*	20	IA	29	IA
Foster School of Business	33	IA*	33	IA	28	IA*
School of Social Work	34	IA	32	IA*	36	IA
Information School	35		30	IA*	38	IA*
University Libraries	36	IA*	38	-	31	-
Evans School of Public Affairs	37	IA*	35	-	33	IA*
College of the Built Environment	38	IA*	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
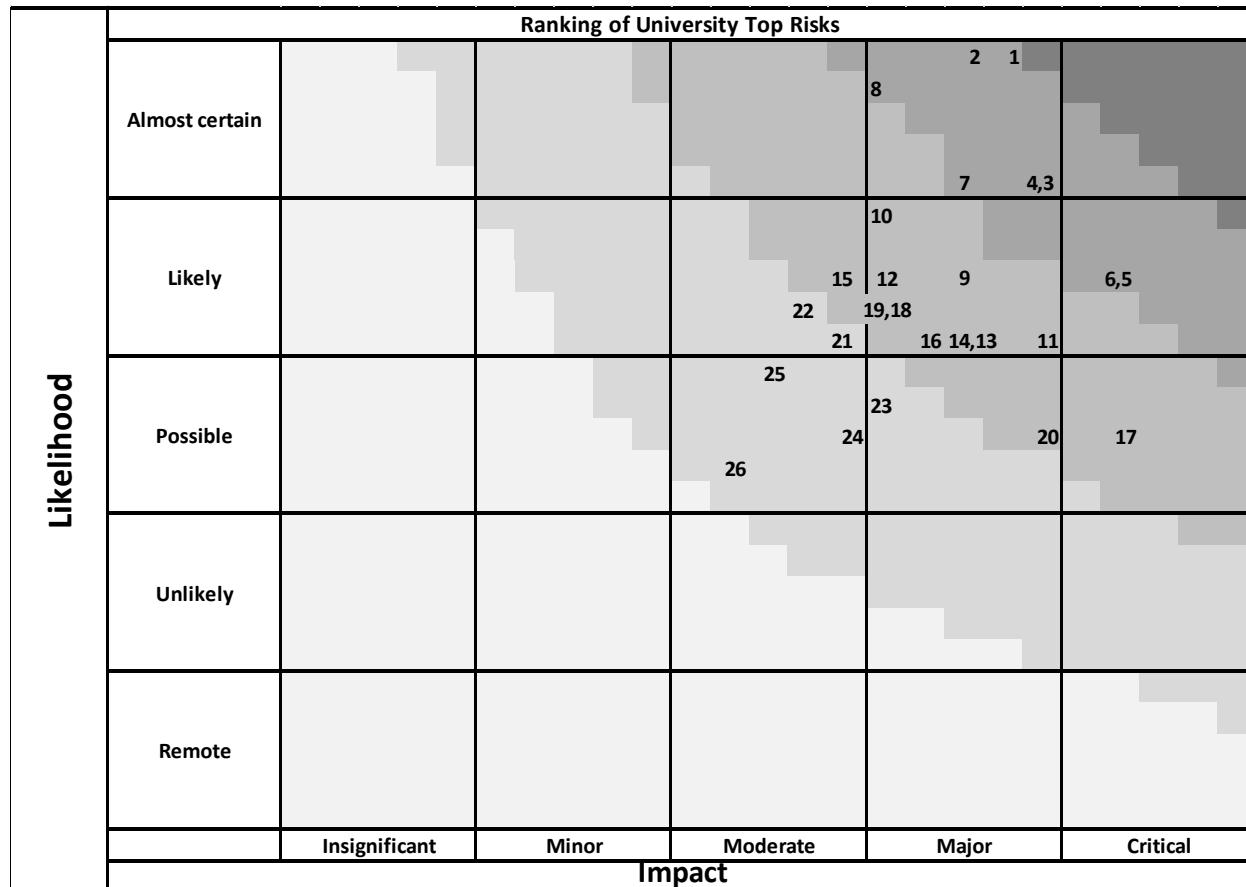Reg – Audited by regulatory agencies, including State Auditor's Office

Analysis of Audit Coverage of University Highest Risks
as defined in the ERM Report for 2013/2014

In the chart below, we linked our audit plans with the 26 highest risks from the 2013/2014 ERM Report presented to the Board of Regents. We identified those risks where we have conducted audit procedures in previous years (2013 – 2014) and for those areas we plan on including in the 2015 Audit Plan. Risks for which we have not completed audits within the last three years will be considered more heavily for projects in 2016.

Risk Ranking	Risk Title	Risk Area	Internal Audit Coverage		
			2015	2014	2013
1	Information systems assurance	Compliance	X	X	X
2	Safety of students, faculty, staff, visitors	Operations	X		
3	Age of IT systems	Operations			
4	Age of facilities	Operations			
5	Recruit and retain top faculty, and maintain research competitiveness	Strategic	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			
9	Minors on campus	Operations	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		X
14	Healthcare regulations	Compliance	X	X	X
15	Investments in capital reduce financial flexibility for other initiatives	Strategic			
16	Enrollment and yield rates	Financial		X	
17	Emergency and disaster preparedness	Mega/External			
18	Student athlete code of conduct	Compliance	X		
19	Animal research regulations	Compliance			
20	Patient safety	Operations	X	X	X
21	Online learning capabilities	Strategic		X	
22	Human resource regulations	Compliance	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			

Analysis of Audit Coverage of University Highest Risks as defined in the ERM Report for 2013/2014 (continued)

Heat Map

Likelihood	Ranking of University Top Risks				
	Insignificant	Minor	Moderate	Major	Critical
Almost certain				8, 2, 1, 7	4,3
Likely			15, 22, 21	10, 12, 19,18, 9, 16 14,13, 11	6,5
Possible			25, 26	23, 24, 20	17
Unlikely					
Remote					

Impact

Planned Audit Projects

We will continue to focus on the high risk areas as identified in the 2013/2014 ERM Report and in our risk assessment. We identified both audit units and university-wide processes within which to focus our audit activities during 2015. 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 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. We expect this process will further refine the projects to be included in our audit plan.

Planned Audit Projects (continued)

Audit Unit	Audit Focus	ERM Risks
UW Medicine clinical entities	Accountable Care Network; HIPAA Security (IT); payroll; pharmacy; physician contracts; physician payer credentialing; revenue capture; supply chain management and additional audit projects (11)	1, 5, 6, 14, 20, 25
School of Medicine	Federal grants compliance and business operations (2)	7
Health Sciences Administration	Environmental Health and Safety compliance program	2, 10
UW Information Technology	Intrusion detection/prevention; Enterprise Data Warehouse	1, 11
Intercollegiate Athletics – 2015	Financial aid, camps/clinics, student employment, code of conduct	7, 9, 18, 24
School of Dentistry	Business office operations	6,
School of Public Health	UW Kenya / I-Tech	7, 25
Finance	Student Fiscal Services business operations	6
Capital Projects	Project management	Other oper.
Office of Planning and Budgeting	Real Estate Office business operations (Metro Tract)	6
College of Arts & Sciences	Federal grants compliance and business operations	7
Human Resources	Regulatory compliance	22
UW Tacoma	Healthcare services	13, 25
Multiple Audit Units	Business continuity planning (IT)	11
Multiple Audit Units	Use of gifts and compliance with donor intent	6
Multiple Audit Units	Minors on campus	7, 9
Multiple Audit Units	Payment Card Industry (PCI) compliance	Other comp.

The following projects were identified as higher risk by Internal Audit and management but not significant enough to be included in the 2015 planned audits due to current resources. We will include these in our 2015 audit projects as staffing permits.

Audit Unit	Audit Focus	ERM Risks
UW Medicine clinical entities	Case management; Medical devices security; NWH Epic billing implementation; Professional fee billing	1, 6, 11, 14
Research Accounting & Analysis	Grant and Contract Certification Reports	7
Student Life	Cleary Act compliance	2, 7, 8
School of Pharmacy	Federal grants compliance and bus. oper.	7
Law School	Business operations	Other Fin
Graduate School	Federal grants compliance and bus. oper.	7
Multiple Audit Units	ProCard /Corporate Travel Acct compliance	7

Audit Resources

The audit plan for calendar year 2015 is based on a professional staffing complement of 17 FTE. Internal Audit plans to add one additional professional staff in mid-2015 to assist with the audit work and expects this position to be funded by the UW and be 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 three 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 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 audit projects for inclusion in the audit plan we placed priority on providing coverage of University "Top Risks", higher risk units, significant initiatives and areas of interest to University and UW Medicine clinical entities administrative leadership.

We will have a number of audit projects begun in 2014 which will carryover for completion in early 2015. 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 2015 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.
- 9% for employee professional development, internal quality improvement projects (LEAN) 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.
- 15% 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. 2015 is our second year. 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 annual Enterprise Risk Management 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 2015 Risk Assessment, we linked 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 2015 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.