2016 Audit Plan

Finance and Asset Management Committee
Board of Regents

November 2015

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Executive Summary

The 2016 Audit Plan contains key information on our planned audit activity for calendar year 2016. The plan was based on the results of our annual risk assessment process.

Audit Goals

Internal Audit's major goals for 2016 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 our student intern program;
- Create a long-term strategic plan for Internal Audit;
- Implement a University-wide fraud, waste & abuse 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 2016

The University of Washington Internal Audit Plan for 2016 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 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 Internal Audit while attending national conferences in 2015.

We continue to focus our audit plan and related projects on the highest risk areas identified in our Internal Audit 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 2012 – 2016;
- Analysis of Audit Coverage of University Highest Risks;
- Listing of Planned Audit Projects; and
- Allocation of Audit Resources.

2016 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 2016 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 our student intern program;
- Create a long-term strategic plan for Internal Audit;
- Implement a University-wide fraud, waste & abuse reporting hotline;
- 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;
- Provide training on internal controls, WA Ethics Law and other related subjects;
- Contribute to the Compliance Support Program through participation as an advisor on the Compliance Coordination Team; and
- Continue to lead the Pacific Northwest Higher Education Internal Audit Conference.

The UW Internal Audit Plan for 2016 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 Human Resources/Payroll system implementation, Financial Business Transformation, One Capital Plan and the UW Medicine Accountable Care Network. We have also acknowledged increasing external forces (creation of the Uniform Guidance, 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 2016 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.

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

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

Risk Ranking	Risk Title	Risk Area	Internal Audit Coverage		
			2016	2015	2014
1	Information systems assurance	Compliance	X	X	X
2	Safety of students, faculty, staff, visitors	Operations	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
6	Changing revenue streams	Financial	X	X	X
7	Federal grant regulations	Compliance	X	X	X
8	Crime on or near campus	Operations	X		
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	
14	Healthcare regulations	Compliance	X	X	X
15	Investments in capital reduce financial flexibility for other initiatives	Strategic	X		
16	Enrollment and yield rates	Financial		X	X
17	Emergency and disaster preparedness	Mega/External	X		
18	Student athlete code of conduct	Compliance	X	X	
19	Animal research regulations	Compliance	X		
20	Patient safety	Operations	X	X	X
21	Online learning capabilities	Strategic			X
22	Human resource regulations	Compliance	X	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 (continued)

Heat Map

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

Likelihood (vertical axis label)

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 2016. 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 (10)	Accountable Care Network, drug diversion, NWH payroll, professional fee billing, retail pharmacy, revenue capture, supply chain management and additional audit projects	1, 2, 5, 6, 14, 20, 25
School of Medicine (2)	Federal grants compliance and physician incentive compensation	5, 7
Intercollegiate Athletics – 2016	Recruiting, Code of Conduct and Contract Management	6,18, 24
Capital Planning and Development	Project management	Other oper.
Health Sciences Administration (2)	Primate Center – Federal grants compliance and business operations, Center on Human Development and Disability – HIPAA compliance	7, 11, 14, 19
UW Information Technology	Enterprise Data Warehouse	1, 11
Office of the President/Provost	Investments	15
UW Bothell	Student Activities Center	2
Student Financial Aid	Compliance with Federal regulations	7
College of Arts & Sciences	Psychology - Federal grants compliance and business operations, HIPAA compliance	7, 11, 14
Human Resources	Implementation of new HRP system	3, 22
College of Engineering	Federal grants compliance and business operations	7
Student Life	Cleary Act compliance	2, 7, 8
Multiple Audit Units	Business continuity planning (IT)	1, 17
Multiple Audit Units	IT Security Plan (IT)	1, 11
Multiple Audit Units	Procard	7
Multiple Audit Units	Procurement	7

The following projects were identified as higher risk by Internal Audit and management but not significant enough to be included in the 2016 planned audits due to current resources. We will include these in our 2016 audit projects as staffing permits.

Audit Unit	Audit Focus	ERM Risks
UW Medicine clinical entities	Epic implementation, Pharmacy, mobile device security	1, 14, 20
UW Information Technology	Intrusion detection	1, 11
Finance Management	Student Fiscal Services	6
School of Pharmacy	Federal grants compliance and bus. oper.	7
University Advancement	IT general controls	1, 11, 17
Multiple Audit Units	Governance of stand-alone centers	7
Multiple Audit Units	Restricted Grant Funding	7
Multiple Audit Units	Discretionary Budget Expenditures	Other oper.

Audit Resources

The audit plan for calendar year 2016 is based on a professional staffing complement of 17 FTE. Internal Audit plans to add one additional professional staff in mid-2016 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 two UW students and look for ways to expand this program.

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 2015 which will carryover for completion in early 2016. Additionally, we continue to refine our planning process and quarterly reporting 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 2016 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; especially as we expect to initiate a University wide Fraud, Waste and Abuse Reporting Hotline in the Spring of 2016.
- 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. 2016 is our first 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 2016 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 2016 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.