



# Report of Planned Internal Audit Activities 2009



Finance, Audit and Facilities Committee  
Board of Regents

Department of Audits  
University of Washington

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## Table of Contents

Executive Summary .....	1
Audit Focus.....	2
Scheduled Audits.....	4
Planned Audit Hours .....	5
Summary of Audit Coverage .....	6
Appendix	
Risk Assessment Methodology .....	1
Elements of the Audit Planning Process.....	2

## Executive Summary

Internal Audit engages in three primary activities – audits, advisory services, and investigations. Our focus is to actively work with campus schools and colleges, assisting management to address financial risk and exposures. Rather than duplicate the financial and compliance auditing performed by KPMG and the State Auditor’s Office, Internal Audit concentrates on departmental control systems and processes. In this way, audit resources are maximized.

Internal Audit’s goals for 2009 are:

- Complete the top ten highest risk audits
- Refine the Medical Centers risk assessment process
- Implement a University-wide fraud reporting hotline
- Continue to participate in the development of University-wide enterprise risk management framework

The University of Washington Internal Audit Plan for 2009 is designed to provide comprehensive audit coverage, deploying Internal Audit resources in an effective and efficient manner. As in years past, we will continue to focus on the high risk areas as identified by our risk assessment.

## Audit Focus

### **Cash Handling**

Over a billion dollars in cash is received each year at multiple locations throughout the University. We will continue to review controls in high risk cash handling locations to ensure University assets are properly accounted for and adequately protected against misappropriation.

### **Data Security**

The University acquires, generates and maintains significant information to support business operations, education programs and extensive research efforts. In 2009, we plan to review information security controls designed to ensure only authorized persons access University data and information systems. This will include the compliance audit that is required every three years by the Washington Information Services Board (ISB).

### **Departmental Computing and Networking**

University departments often develop and operate specialized computer systems to support their own unique information processing needs. Our focus is to identify critical systems and networks managed at the department level, to evaluate relevant information security and controls and minimize the risk of processing interruptions.

### **Federal Programs**

We anticipate continued federal interest in research and program accountability. The University can be proud of its award-winning grants management program. Internal Audit will continue to identify high risk departments and work with the departmental management to provide reasonable assurance of compliance with applicable regulations.

### **Health Insurance Portability and Accountability Act (HIPAA)**

Compliance with HIPAA is required by federal regulations, and is necessary to ensure the protection of identifiable health information. An established compliance group has oversight responsibilities to ensure adherence to HIPAA requirements throughout the medical centers. We will work with the HIPAA compliance team to evaluate the University's compliance activities to ensure conformance with HIPAA.

### **Hospital and Clinical Billing**

The ability to capture services and bill them in a timely manner is critical to the University's ability to collect revenue from its payers. We will perform a review to evaluate whether controls are sufficient to ensure timely and accurate billing.

## Audit Focus (continued)

### **Internal Control Systems**

The University continues to move its central systems away from pre-approval controls toward post audit controls. Internal Audit provides advisory services and training to ensure departments continue to have a sound basis for establishing and monitoring internal control systems. It is more important than ever that departmental management understand the risks and responsibilities associated with operating in a decentralized post audit control environment. As more versatility is delegated to departments, oversight is required to ensure that controls are in place and serve the intended purpose.

Resource demands on departmental general operating funds force departments to make difficult decisions regarding resource allocations. Resource pressures may result in the elimination of critical systems of controls. Without appropriate checks and balances, departments have a higher exposure to financial irregularities and noncompliance with policies and regulations.

### **Medical Centers Materials Management**

Our audit focus will be on controls that ensure inventory is properly accounted for and safeguarded against theft and loss.

### **Medical Centers Software Change Controls**

Critical information system projects are in progress at the Medical Centers. Considerable software maintenance activities are also performed. Effective software change controls are important to ensure the quality and continued processing accuracy of information systems. We will review the controls in place to minimize risks of processing errors introduced by changes in software.

### **Subrecipient Monitoring**

The monitoring of subrecipients of federal funds continues to be scrutinized by federal and state auditors. When the University is awarded federal funds to perform research or other projects, it may choose to subcontract a portion of the work out to other organizations. The University is responsible for monitoring subrecipients to ensure they comply with federal regulations and achieve program objectives. We will review controls to ensure that subrecipient monitoring is performed in accordance with federal regulations.

## Scheduled Audits

Bothell Campus - Chancellor's Office \*

Tacoma Campus - Chancellor's Office

College of Arts & Sciences - Speech & Hearing

School of Dentistry - Billing system

School of Medicine

- Comparative Medicine - Recharge center
- Laboratory Medicine - Grants management and self sustaining activities \*
- Metabolism and Endocrinology
- Pathology - Purchasing system

School of Nursing - Grants management and data security \*

School of Public Health - International Training and Education Center on HIV - Grants management \*

Medical Centers

- HIPAA - Compliance
- Laboratory Medicine - Charge capture \*
- Information Technology Services - Change management
- Materials Management

Cash Handling

Educational Outreach \*

Facilities - Purchasing and inventory

Grants and Contracts - Subrecipient monitoring \*

Intercollegiate Athletics - NCAA compliance and payroll

Student Database - Data security and privacy \*

Student Publications \*

Systems Development Reviews - Various systems

UW Technology

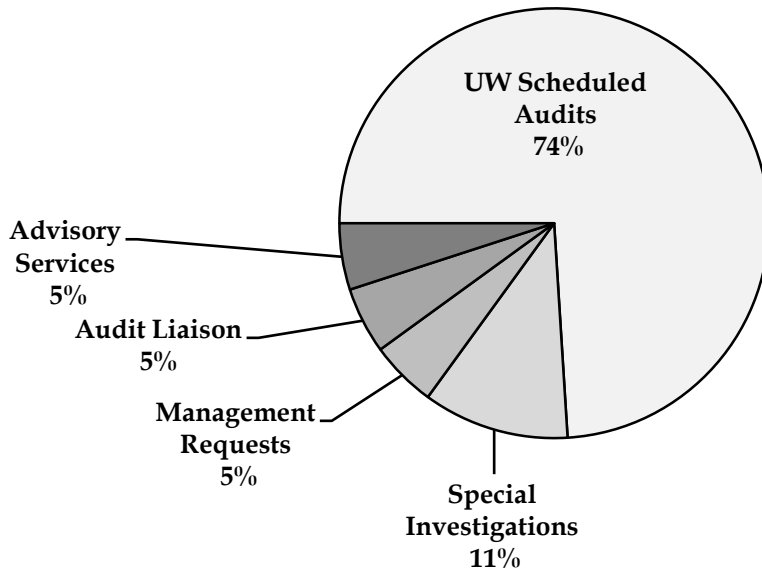
- Business/Administration
- Nebula - Data security
- UW Net ID / ASTRA - Data security
- Required compliance review - Washington Information Services Board

Various Departments - Follow-ups

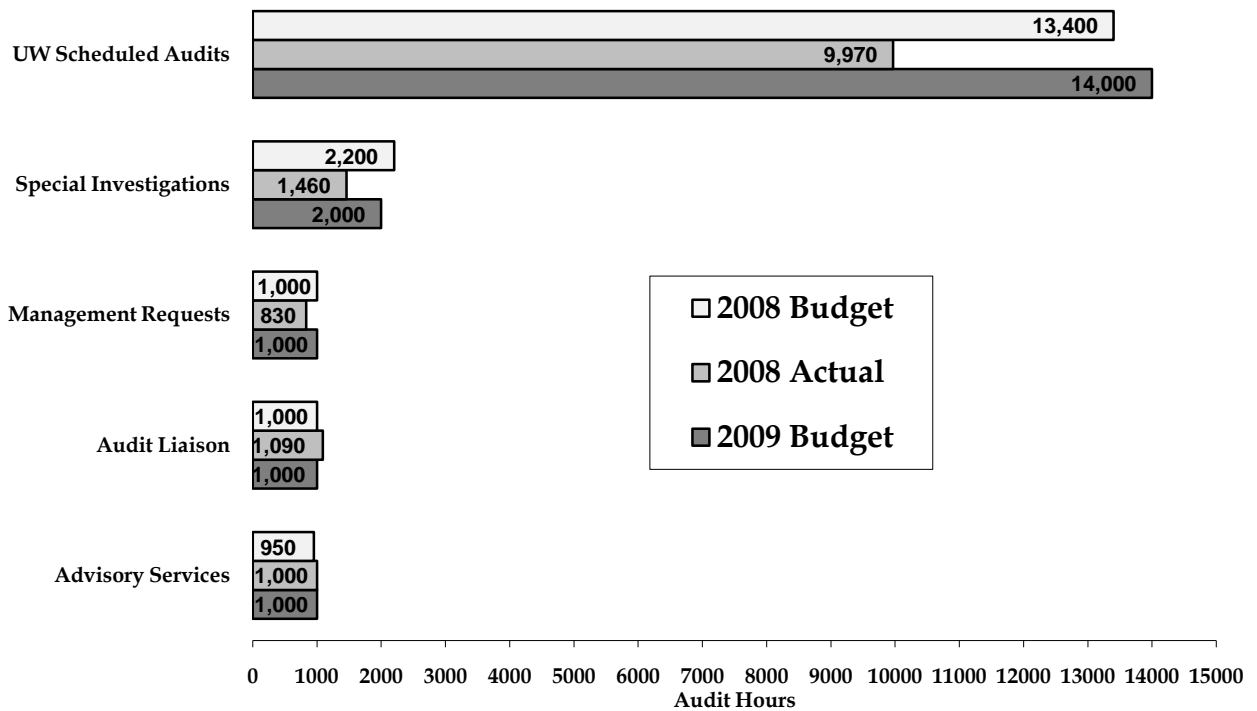
\* In progress

## Planned Audit Hours

### By Category



### Compared to Prior Year



### 2009

Budget for scheduled audits increased in anticipation of a fully staffed audit department.

## Summary of Audit Coverage

The University departments listed below are ranked from high to low in terms of the relative risk they represented based on the two year risk assessment performed by Internal Audit. The columns to the right identify the areas audited in 2008 or to be audited in 2009 by each respective audit entity.

Risk/ Rank	Organization	Internal Audit	State Auditor' s Office	KMPG	Peterson Sullivan	Other Auditors
1.	School of Medicine	•	•			○
2.	Harborview Medical Center	•	•	•		
3.	University Medical Center	•	•	•		
4.	College of Arts & Sciences	•				○
5.	UW Technology	•	•	•		
6.	Educational Outreach	•				
7.	Health Sciences	○				○
8.	School of Dentistry	•	•			
9.	School of Public Health & Community Medicine	•				
10.	Intercollegiate Athletics	•	•	•		
11.	Office of Development & Alumni Relations			•		
12.	Facilities Services	•		•		
13.	Bothell Campus	•				
14.	Capital Projects		•	•		
15.	Tacoma Campus	•				
16.	School of Nursing	•				
17.	Purchasing		•	•		
18.	College of Engineering					○
19.	School of Business Administration					
20.	College of Ocean & Fishery Sciences					○
21.	Payables Operations		•	•		
22.	Grant & Contract Accounting		•	•		○
23.	University Police		•			
24.	School of Pharmacy					
25.	Human Resources					
26.	University Libraries					
27.	Payroll		•	•		
28.	UW Tech Transfer					
29.	Office of Sponsored Programs		•			

• Plan to audit in 2009    ○ Audited in 2008

## Summary of Audit Coverage (continued)

The University departments listed below are ranked from high to low in terms of the relative risk they represented based on the two year risk assessment performed by Internal Audit. The columns to the right identify the areas audited in 2008 or to be audited in 2009 by each respective audit entity.

Risk/ Rank	Organization	Internal Audit	State Auditor' s Office	KMPG	Peterson Sullivan	Other Auditors
30.	Student Publications	•			•	
31.	School of Law					
32.	School of Social Work					
33.	College of Forest Resources	○				○
34.	Student Fiscal Services		•	•		
35.	Treasury Office			•		
36.	Housing & Food Services		•		•	
37.	Graduate School					
38.	Financial Accounting		•	•		
39.	Real Estate/Metropolitan Tract Office				•	
40.	Office of Research		•			
41.	Office of Information Management					
42.	Minority Affairs					○
43.	Undergraduate Education	○				
44.	College of Built Environment					
45.	Daniel J. Evans School of Public Affairs					
46.	Transportation			•		
47.	Enrollment Services (Admissions & Registrar)	•	•			
48.	Student Financial Aid		•			
49.	College of Education					
50.	Equipment Inventory			•		○
51.	External Affairs					
52.	Provost					○
53.	Planning & Budgeting					
54.	Risk Management			•		
55.	Information School					
56.	Student Life					
57.	ASUW/GPSS				•	
58.	Student Activities and Union Facilities				•	

• Plan to audit in 2009    ○ Audited in 2008

## Risk Assessment Methodology

We use a risk assessment model to prioritize audit coverage and ensure timely reviews of high exposure areas. We define risk to include:

- Loss, unauthorized use and misappropriation of University assets
- Violation of laws and regulations
- Adverse publicity involving the University

The risk assessment process includes gathering and evaluating information from senior management and college and department administrators, and utilizing the University's data warehouse for financial information. We use the following risk factors to help identify high risk areas.

- Business Exposure
- Compliance Requirements
- Control Environment Stability
- Audit Coverage
- Financial Impact
- Information Systems Complexity
- Management's Interest
- Auditor's Interest

We review risk assessment models used by peer institutions and utilize their experience and knowledge of university operations to ensure our risk assessment model includes factors relevant to the University of Washington.

We develop our two year audit plan based on the results of the risk assessment survey, management input, planned external audit coverage and issue currently affecting universities nationwide.

## Elements of the Audit Planning Process

- Interviews of senior University management for key concerns
- University-wide assessment of risk
- Consideration of the changing environment and identification of issues that could affect the University
- Evaluation of issues of concern to other universities

### *Universities contacted:*

University of Arizona  
University of California – Berkeley  
University of California – San Diego  
University of California System  
Colorado State University System  
Cornell University  
University of Florida  
University of Georgia  
Georgia Institute of Technology  
University of Georgia System  
University of Illinois – Urbana-Champaign  
Johns Hopkins University  
Massachusetts Institute of Technology  
University of Michigan  
University of Minnesota  
University of New Mexico  
University of North Carolina – Chapel Hill  
Ohio State University  
Oregon University System  
University of Pennsylvania  
Stanford University  
Texas A&M University Systems  
University of Texas System  
University of Utah  
University of Wisconsin – Madison

- Integrated planning with external auditors
- Assessment of cyclical audit coverage for high-risk organizational units identified in our risk assessment.