

UNIVERSITY of WASHINGTON

FY2020 Annual Review Narrative Response for: **200 - Internal Audit**Programmatic & Academic Vitality Narrative

- 1) Please briefly describe your campus's annual internal budget development process. *Question Type: Free Text, Word Limit: 500, Required For: All Units*

Internal Audit completes an Annual Risk Assessment and Audit Plan for presentation to the Board of Regents and we determine if we have adequate resources to complete the approved plan (Note our audit plan is flexible in that we have no problem identifying additional audit projects beyond our current staffing, but as long as we do not feel that any significant key University or Health System risks cannot be properly audited, we do not request additional resources). Once this step is completed we evaluate our current staffing and follow the University prescribed escalations for salary and benefits to calculate the cost of personnel. This process also includes funding our Student Intern Program (two interns per year). Personnel costs make up over 95% of all our annual costs. Otherwise we have three other key annual expenses

– The University of Washington Fraud Hotline, our Internal Audit Software and our cost to maintain professional credentials (training and travel). In regards to these four main categories of costs, we annually project a normal 2% increase in salaries and benefits, (based on suggested estimated increases in salaries and benefit rates from OPB). We inquire of our providers as to expected annual increases in the licenses for the Hotline and the IA software. We project to have our nineteen professionals take training and travel at about \$4,000 per person annually.

Additionally, we plan to incur two other out of period expenses: Once every three to four years, we conduct audits of the I-Tech Federal Grant program and its operations in sub-Saharan Africa, which increases our travel budgets by approximately \$25k and once every five years we are required by our professional standards to have a Peer Review and budget \$90k.

- 2) What are 3-5 key elements of your campus's current strategic plan? *Question Type: Free Text, Word Limit: 500, Required For: All Units*

Our Strategic Plan is focused on creating an audit unit properly trained and resourced to complete (1) “Planned Audits” in the areas of risk identified in our Annual Plan presented to the Regents, (2) Investigations related to fraud and ethics violations by University employees, (3) audit liaison services to the campus to reduce the impact of third party auditors to our faculty and staff and (4) training on internal controls and the WA State Ethics Act.

Annually we present our Annual Audit Plan to the Board of Regents for approval in November. This sets our audit projects for the coming calendar year and our resources are discussed in the plan. Our overall Strategic Plan is to adjust our resource needs to satisfy the ever changing risks of the University and train our staff to be prepared to audit these developing risks.

- 3) What major obstacles or institutional barriers currently do, or likely will, hinder execution of your strategic plan? What are you doing to address these challenges? *Question Type: Free Text, Word Limit: 500, Required For: All Units*

The ever changing and dynamic nature of the risks faced by the University are always challenging Internal Audit to adjust and stay ahead of the curve. However, the greatest risk to the University from an Internal Audit perspective is the significant investments being made over the next three to five years on implementing and updating a number of key IT systems. Internal Audit should be playing a more active role in these projects, but we currently have three IT auditors and one open position. We are looking to identify additional IT Audit resources but have not been unable to find the appropriate skill sets within our budget in the Seattle market and may be looking at co-sourcing with an audit firm in the near future.

- 4) Over the next year, could any of your planned strategic activities result in material changes to revenues or expenditures, faculty or staff workload, or the student experience within your campus and/or another unit/campus? *Question Type: Free Text, Word Limit: 500, Required For: All Units*

Our audits have the potential to impact revenues and expenditures for all units of the University. We regularly review compliance with Federal Grant funds to ensure the University has adequate controls over grant expenditures – ensuring



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appropriate reimbursement to the University of funds expended. We also complete revenue charge capture audits within the UW Medicine to ensure that all potential billings are captured and billed to maximize the revenue stream in medicine. Many of our other audits have some aspect of cost savings, potential revenue identification or reduction in regulatory risk.

- 5) What is your unit doing to effectively use resources in a way that benefits your campus and/or other units/campuses? *Question Type: Free Text, Word Limit: 500, Required For: UWB, UWT, UWS Administrative Units*

Our audits have the potential to impact revenues and expenditures for all units of the University. When we identify issues or potential cost savings on an audit at one campus, unit, or medical center, we encourage sharing of this information with other similar operations. We regularly provide senior management across the University with updates on how units are progressing on the implementation of agreed upon corrective actions to ensure identified risks are mitigated --- the "Follow-up Report".

Other than our audits which benefit many units. We also assist in trainings provided to campus related to Grant Management, Internal Controls and WA State Ethics.

- 6) What are you doing to improve the experience and outcomes of students on your campus? What could the University do to support your efforts? *Question Type: Free Text, Word Limit: 500, Required For: UWB, UWT, UWS Academic Units, UAA, Graduate School*

Not Applicable