ANNUAL AUDIT PLAN
Fiscal Year 2015

May 2014

UNIVERSITY
of ALASKA

Many Traditions One Alaska

Statewide Office of Audit and Consulting Services
University of Alaska

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* Audit Universe is available upon request

I.   INTRODUCTION

The Audit Plan is developed based on risks faced by the University of Alaska. This includes risks that are known by the audit department and risks that are communicated by stakeholders via risk assessments and in response to our annual planning questionnaire. Risks that are not able to be addressed due to audit department resources must be communicated to senior management and the Board of Regents Audit Committee. Planned audits that are not able to be conducted during the current year are communicated to the Audit Committee and reevaluated for consideration in the next year's annual audit plan. This is important since factors that lead to risks are in a constant state of change. For example, a risk that existed during the audit plan development for FY14 may not be relevant during audit plan development for FY15 due to revision of policies and procedures or implementation of other internal controls during FY14.

The 2015 Audit Plan presents coverage of several functions and processes from a system-wide focus. The objective of the plan is to provide the most comprehensive scope of audit coverage to the university using a risk-based approach and within the constraints of available audit resources.

While recognizing that Audit and Consulting Services' primary responsibility is the conduct of a program of audits of university business activities, the plan also recognizes the importance of the department's role in the following areas:

- Education and training of the workforce in concepts of internal control.
- Assisting management in their efforts toward improvement of operating systems and procedures.
- Providing coordination and support to various external audit agencies.
- Conducting investigations of financial or other irregularities.

II. PLAN OVERVIEW

The plan is based on five full-time equivalent (FTE) auditors and one part-time student intern for the year representing 11,440 available hours. The FTE estimate assumes full staffing levels within the department. The audit plan takes into consideration the professional training that is required for staff to enhance existing skills and prepare for new areas of auditing, as well as required university training.

The following table represents the planned use of those hours:

	Hours	%	Per FTE
Direct Audit Hours	8,774	76.70%	1,595
Leave Time	1,580	13.81%	287
Administration & Other	446	3.90%	81
Professional Development	640	5.59%	116
Total	11,440	100.00%	2,080

Leave Time represents 12 holidays, 4 weeks of annual leave, and 1.25 weeks of sick leave as provided for by personnel policies of the university. (Sick leave actually accrues three weeks per year but average usage is just over one week.)

Administration and Other includes primarily the time of the chief audit executive in the overall administration of the department although the chief audit executive devotes substantial time to direct audit activities. This caption also includes time incurred in support of university-wide matters.

Professional Development time is planned to meet or exceed the annual continuing professional education requirements of the various professional organizations of which internal auditors are members and that are required by the Institute of Internal Auditor (IIA) standards. This caption also includes time for enhanced training on the Banner systems, data analysis tools, and required safety training.

III. ALLOCATION OF DIRECT AUDIT RESOURCES

Direct audit effort is planned to be used as follows:

	Hours	%	Per FTE
Planned Audits	4,973	57%	904.18
Special Requests	710	8%	129.09
Audit Subtotal	5,683	65%	1,033.27
Investigations	1,070	12%	194.55
External Audit			
Coordination & Support	752	9%	136.73
Support Activities			
Technology	80	1%	14.55
Audit Planning	100	1%	18.18
QA and PM Activities	775	9%	140.91
Other	314	4%	57.09
Support Subtotal	1,269	14%	230.73
Total	8,774	100.00%	1,595.27

Planned Audits (57%) Approximately 4,973 hours of the total available audit hours are planned to be expended in accordance with the approved audit schedule.

Special Requests (8%) An additional 710 hours are estimated to be expended in conducting audits in response to special requests that arise during the year. Special requests are evaluated in relation to planned audits to establish the priority of projects. Not all special requests can be met. However, the underlying cause of the request often represents information that would have caused the area to be given a higher risk consideration had such information been available during the annual planning process. In those circumstances, re-prioritizing the schedule of planned audits is both reasonable and appropriate. This category also includes consultations that

are lesser in scope than full audits and do not always result in the issuance of formal audit reports.

Investigations (12%) This is the most difficult category to predict and the one that most frequently causes disruption to the program of planned audits. It is estimated on the basis of historical experience and known open investigations at the time the plan is established. Investigations are usually conducted at the request of legal counsel and executive management and typically involve assisting in fraud and theft assessment and in administration of the procedures for reporting allegations of improper activities.

External Audit Coordination and Support (9%) Audit and Consulting Services (A&CS) is designated as the focal point for coordination of work by any third party audit agency, including regulatory bodies as well as the Board of Regents' external audit firm. A&CS is contractually committed to provide a minimum of 320 hours of assistance to the external audit firm annually. A&CS works with the external auditing firm as well as other audit agencies as requested to facilitate their efforts.

Support Activities (14%) This category includes a variety of matters to which A&CS resources are allocated to fulfill our additional roles and support our own processes and initiatives including:

- Technology (1%) - Representing time incurred in the development and maintenance of electronic audit capabilities ranging from the use of local area networks to data extraction and analysis capabilities and the development of computer assisted audit techniques.

- Audit Planning (1%) - Representing the time spent in the design and modification of the audit planning tool and preparation of annual audit plans.

- Quality Assurance and Project Management (9%) - Representing our continued efforts to improve the audit function of the university by conforming to the IIA standards for the conduct of audits, investigations, and consultations.

- Other (4%) - Representing such matters as reporting to the Audit Committee, preparation of the executive travel and compensation report and assisting with risk assessments.

IV.   FISCAL YEAR 2015 PROPOSED AUDIT SCHEDULE

<u>External Audit Support</u>
(Budgeted 752 hours; 9% of Direct Audit Hours)

Payroll	Tuition and Fees
Journal Entries	Wires
Cash Disbursements	Procurement Card
Cash	Search for Unrecorded Liabilities

Includes time spent assisting and acting as liaison for external audit agencies

<u>Special Requests and Investigations:</u>
(Budgeted 1,780 hours; 20% of Direct Audit Hours)

Special Requests   Investigations

<u>Audits and Projects:</u>
(Budgeted 4,973 hours; 57% of Direct Audit Hours)

Function and System Reviews*:
1. Student Enrollment
2. Payroll and Human Resources
3. Travel and Travel Card
4. Accounts Receivable

<u>Legend:</u>

* Specific departments/areas to be determined during planning for specified audit or project. These will be selected from any of the universities or system offices.

**Carried forward from FY14

Information Systems Reviews:
1. Mobile Technology Security**
2. Records Management and Data Disposal**
3. New Systems Governance

Ongoing Audits:
1. Follow-up Auditing
2. Continuous Controls Auditing

V.   RISK ASSESSMENT AND PLAN DEVELOPMENT

The Audit Plan is developed each year based on results from the audit universe risk assessment. The risk assessment takes into consideration the following internal and external factors.

Internal: Institutional Factors

a. Risks and concerns communicated by management in response to the annual stakeholder survey.

b. Risk assessment results from the the Statewide Office of Risk Services Annual Risk Register. This report is communicated to the Board of Regents in September, so the stakeholder survey includes questions that permit the updating of the risks reported in the Risk Register.

c. Internal concerns communicated by management and staff throughout the year.

Internal: Audit Department Factors

d. Risks that were discovered while conducting audits but not included in the review because they were outside the audit scope.

e. Audits that were planned for the current year but will not be completed due to time or staffing.

f. Functions and processes of which the university benefits from routine review, such as cash receipts and procurement card usage.

g. The last date the unit, function or process was audited.

h. Auditor knowledge of risks based on maintaining relationships with professional organizations and peers and attending audit topic seminars.

i. Current trends that have an expected impact on higher education organizations (i.e.: opportunities for cost reduction/saving, areas of concern with recent Office of Inspector General audits at other higher education institutions, information from NACUBO, ACUA, AICPA, IIA, ISACA and other professional organizations).

External Factors:

j. Concerns communicated by annual financial auditors, federal agency auditors, and legislative auditors during the course of external audit activities.

k. Functions and processes that are required to be audited per the Institute of Internal Auditors International Professional Practices Framework standards, for example:

Standard 2110.A2 - The internal audit activity must assess whether the information technology governance of the organization supports the organization's strategies and objectives.

VI.   RISK ASSESSMENT RESULTS

The chart below displays the results of the risk assessment, taking into consideration the internal audit staffing and experience. It also demonstrates the disposition of audits that were on the FY14 Audit Plan but not completed.

Yellow Highlighted Rows = Represent audit topics that were selected for the FY15 Audit Plan.

Non-Highlighted Rows = Represent audit topics that were considered for FY15, but because of the reasons shown by the column headers, were omitted due to one or more of the following: recent or upcoming inclusion in a planned internal or external audit, internal audit staffing level, skill set or experience.

Planned Audits	Routinely Audited	May Result in Savings (efficiency, cost)	Based on Last Date Audited	Originally Planned for FY14	Based on BOR Concerns, Internal Audit Concerns, External Auditor Concerns, or Management Concerns from FY14	Based on Management Concerns from FY15 Planning Questionnaire
Follow-up Auditing	X				BOR, 2500.A1	
Continuous Controls Auditing	X					
Function and System Reviews						
Student Enrollment	X	X	2001 (UAF)	X	MC	X, X, X, X, X
Payroll and HR (include pension plan)	X	X	1998		IA, EA, MC	X, X, X
Travel and Travel Card	X	X	2010		IA, EA, MC	X
Accounts Receivable	X	X	2009		EA, IA	
Sponsored Programs Effort Certification	X	X	2013		IA, MC	X
Contract Authorization and Administration	X	X		X	IA, MC	X
Compliance Systems and Processes	X				MC	X, X, X, X
Financial Aid	X	X	1999		EA	
Export Controls	X				MC	
Clery Act	X				IA, MC	

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Governance	X	X			IA, MC, 2110	X, X, X
Third Party Risks	X				IA	
Grants and Contracts Administration	X		2004		BOR, EA, MC	X
Business Continuity/Emergency Preparedness	X		2014		EA, IA, MC	x, x
Risk Management/Claims Processes	X			X	IA, MC	X
Protection of Minors	X				MC	X
Budget	X			X		
Department QAR	X		2011		IA	
Information Systems Reviews						
Mobile Technology Security	X			X	MC	X, X, X
Records Management and Data Disposal	X			X	MC, 2400	X, X
New Systems Governance				X	IA, MC, 2110.A2	X, X
Data Breach						X, X
Server Management						X
Authentication						X
Desktop Management						X
UAF						
Cash Receipts	X	X	2013		MC	X, X, X
Lab Safety					IA, MC	X
Student	X			X		
Athletics	X		2013	X	EA	
Deferred Maintenance					MC	X
Power Plant					MC (ERM Level 4)	X, X, X, X

Planned Audits	Routinely Audited	May Result in Savings (efficiency, cost)	Based on Last Date Audited	Originally Planned for FY14	Based on BOR Concerns, Internal Audit Concerns, External Auditor Concerns, or Management Concerns from FY14	Based on Management Concerns from FY15 Planning Questionnaire
Federal Funding					MC (ERM Level 4)	X
Declining State Revenue					MC (ERM Level 4)	X
UAA						
Accounts Receivable *(covered in the functions and systems audit)*	X	X	X		EA, IA, MC	
Departmental					MC	
ICR for Non Credit Programs		X			MC	
Subcontract Monitoring	X			X		
IT Infrastructure					MC (ERM Level 3)	
Campus Emergencies					MC (ERM Level 3)	
Unsustainable Funding					MC (ERM Level 3)	
UAS						
Reduced Federal Spending					MC (ERM Level 3)	
Reduced State Spending					MC (ERM Level 3)	
Enrollment Risks *(covered in the functions and systems audit)*					MC (ERM Level 3)	
Statewide						
Land Management	X	X	1996			X
Training		X		X		
Infrastructure Issues (FY14 and FY15)					MC (ERM Level 3)	X, X, X
External Fiscal Issues					MC (ERM Level 3)	X, X, X
Internal Fiscal Issues					MC (ERM Level 3)	X