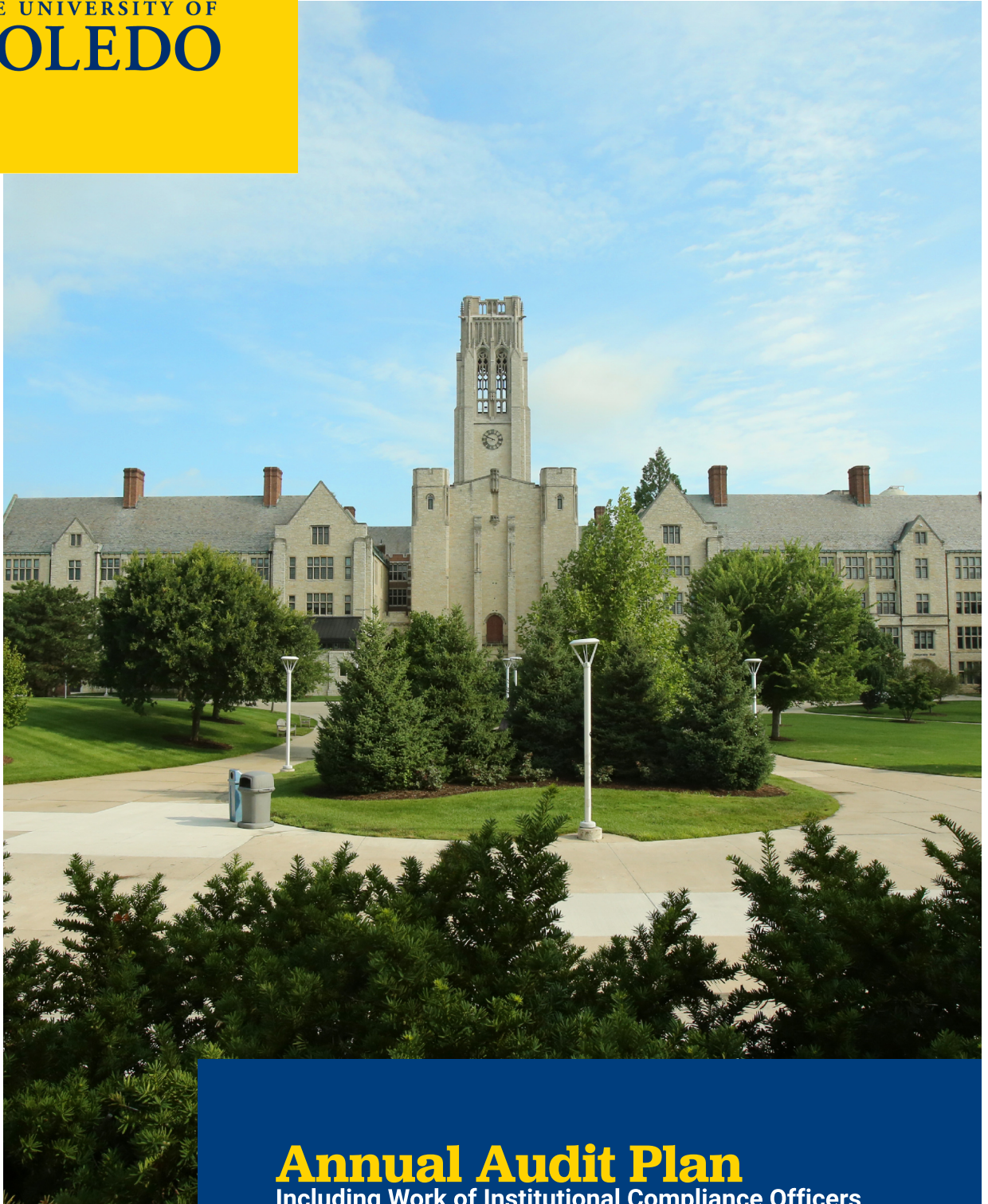




THE UNIVERSITY OF  
**TOLEDO**



## **Annual Audit Plan**

Including Work of Institutional Compliance Officers

**FY 2023**

FUELING **TOMORROWS**

**University of Toledo (UToledo)  
Audit Plan – Fiscal Year 2023 (FY2023)  
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## Welcome

Thank you for taking the time to review the Annual Audit Plan for FY2023, including the work of our Institutional Compliance Officers and partners.

Whether you are a Board member, an employee from another department, or just visiting, we hope you will find this document to be a valuable source of information on the good work the team is performing and some background on the auditing and compliance professions in general.

We in Internal Audit take very seriously the charge that has been given to us by the UToledo Finance and Audit Committee of the Board of Trustees, which reads as follows:

*“The Finance and Audit Committee is charged with oversight and continuous improvement of fiscal and other controls for the University and ensures that the fiduciary responsibility of the Board is carried out. The Committee will ensure that the highest ethical and legal standards are met.”*

The Internal Audit organization is the initial point of contact for executing this charge. For additional detail on our mandate from the Audit Committee please refer to our Internal Audit Charter, our Departmental Vision and Mission, and our Strategic Plan.

Internal Audit is the enterprise-wide resource center for risk, control, and best practices information. To that end, we employ several Objectives and Values that guide the performance of our work. In addition to traditional risk-based audits, we provide advisory and other value-added services.

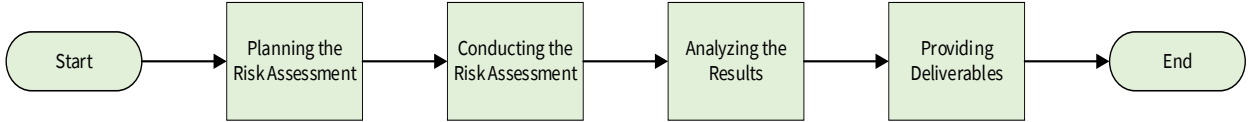
The Internal Audit function reports administratively to the UToledo Chief Risk Officer, and functionally to the Chair of the Finance and Audit Committee of the Board. This helps ensure the independence and objectivity of the function and aligns with best practices as specified in The Institute of Internal Auditors (IIA) professional [Standards](#). Several IIA *Standards* discuss Internal Audit’s relationship with the Board, most notably, Standard 1111, which reads: *“The chief audit executive must communicate and interact directly with the board”*. No organization should be tempted to delegate this responsibility for the sake of convenience or any other reason.

Since Internal Audit reports to a Board Committee that discusses agenda items beyond internal auditing, it must compete with other agenda items for the Board’s attention. This frequently results in Internal Audit items being deferred for discussion or documented as an information item in the Board packet. This puts the institution at risk and separates the internal audit function from its professional standards. To prevent this situation from occurring in the future, the Chief Audit Executive will schedule and meet with the Chief Risk Officer and University President quarterly at a minimum to discuss high-impact projects and findings. In addition, effective FY2023, the Chief Audit Executive will schedule and meet with the Chief Risk Officer and the Chair of the Finance and Audit Committee quarterly (separate from the Committee meeting) to discuss topics of interest to the Board. In the unlikely and unforeseen circumstance where the Chief Risk Officer is party to a high-impact internal control breakdown, the Chief Audit Executive will meet with the Committee Chair unaccompanied.

Thank you for taking the time to review this Annual Audit Plan/Risk Assessment. Please contact [David Cutri](#) (Chief Audit Executive) or visit our [webpage](#) to obtain the most recent news about our team!

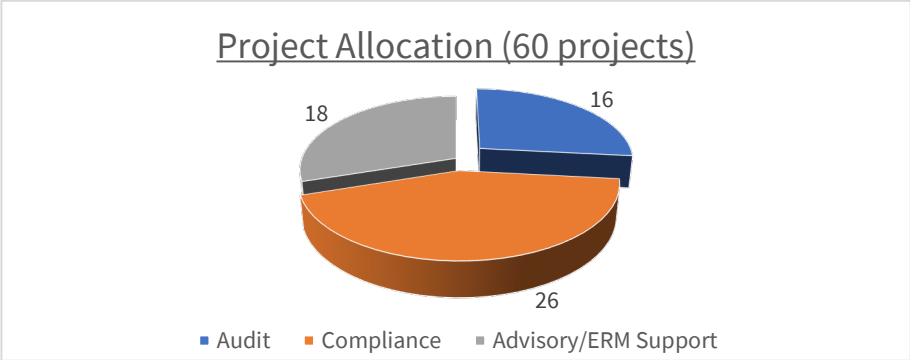
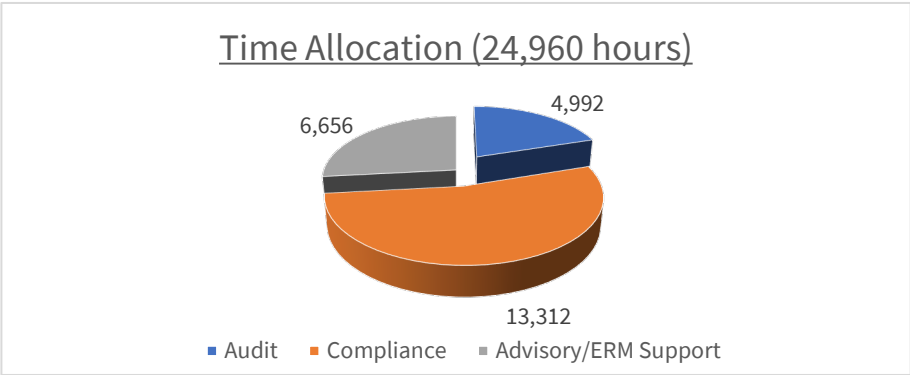
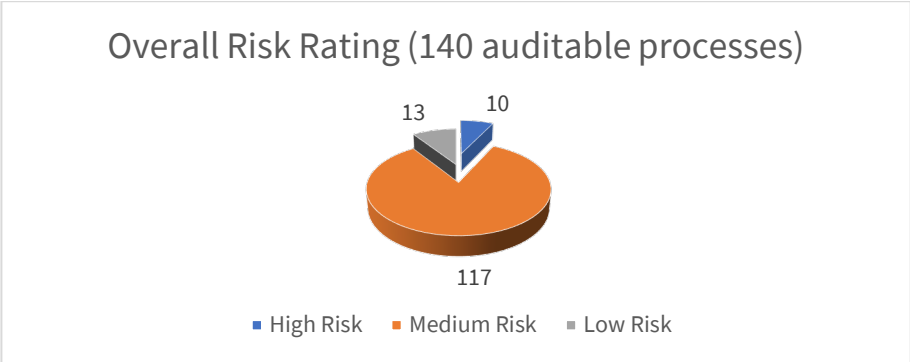
# Executive Summary

The annual audit plan defines specific audit areas intended to be undertaken in the next year. An audit prioritization process consists of the following steps:



- Step 1 - Planning the Risk Assessment:** Perform research to identify audit universe.
- Step 2 - Conducting the Risk Assessment:** Obtain client risk factor information.
- Step 3 - Analyzing the Results:** Assess based on audit universe and risk factors.
- Step 4 - Providing Deliverables:** Discuss audit plan priorities with UToledo Senior Management to obtain consensus. Obtain Finance and Audit Committee approval.

## Risk Assessment Ratings Summary



**Note**  
 The Internal Audit and Compliance Plan has allocated specific time for project-level support of this program (denoted as “Enterprise Risk Management (ERM) Support”). The actual forms of support (i.e., projects performed) are subject to change during Fiscal Year 2023 (FY2023) as the program develops.

## Key Enterprise Risks Identified in Risk Assessment Interviews

### Primary Risks

- 1 **Changing Demographics** (to be addressed in 3 of the 60 planned projects in FY2023)
- 2 **Changing Technology Expectations** (to be addressed in 7 of the 60 planned FY2023 projects)
- 3 **Cybersecurity and Data Breaches** (to be addressed in 7 of the 60 planned projects in FY2023)
- 4 **Enrollment Planning; Modeling for the Future; and Sustainability** (addressed in 3 projects)
- 5 **Facilities** (to be addressed in 1 of the 60 planned projects in FY2023)
- 6 **Inflation** (to be addressed in 1 of the 60 planned projects in FY2023)
- 7 **Program Profitability** (to be addressed in 3 of the 60 planned projects in FY2023)
- 8 **Succession Planning, Key Position Turnover, and Onboarding** (addressed in 1 project)

### Secondary Risks

- 9 **Athletics Compliance, Including Name/Image/Likeness** (to be addressed in 5 projects)
- 10 **Online Learning** (to be addressed in 1 of the 60 planned projects in FY2023)
- 11 **Clinical Trials/Academic Research Compliance** (to be addressed in 4 planned projects)
- 12 **Short-staffed** (both clinical and academic enterprises) (to be addressed in 1 planned project)
- 13 **Implementing EPIC this year** (to be addressed in 1 of the 60 planned projects in FY2023)
- 14 **Opening more inpatient units** (to be addressed in 4 of the 60 planned projects in FY2023)
- 15 **Revenue Cycle/Patient Billing Accuracy** (to be addressed in 6 of the 60 projects in FY2023)
- 16 **Starting a major Level II Trauma program** (to be addressed in 4 of the 60 planned projects)
- 17 **Transitioning to “UTHealth”** (to be addressed in 14 of the 60 planned projects in FY2023)

## Alignment of Strategic Plan Goals to Internal Audit Plan

1. **Foster a Student-Centered Culture that Prioritizes Success, Strengthens Retention, and Offers Transformative Experiences** (to be addressed in 7 of the 60 planned projects in FY2023)
2. **Enhance the Student Recruitment Experience, Increase Educational Access, and Grow Enrollment** (to be addressed in 8 of the 60 planned projects in FY2023)
3. **Establish UToledo as the Employer of Choice through Enhanced Employee Recruitment, Development, Retention, and Reward Practices** (to be addressed in 1 project in FY2023)
4. **Build Strategic Partnerships that Drive Economic Growth and Development, Apply Expert Knowledge, and Promote Experiential Learning** (to be addressed in 7 planned projects)
5. **Ensure Long-Term Institutional Strength through Fiscal Stability and Operational Effectiveness** (to be addressed in 20 of the 60 planned projects in FY2023)
6. **Expand the UToledo Research, Innovation, and Scholarship Enterprise** (3 projects)
7. **Promote and Leverage the University of Toledo Medical Center (UTMC) as an Academic Medical Center and Experiential Learning Resource** (to be addressed 14 of the 60 planned projects in FY2023)

# Internal Audit and Institutional Compliance Teams

## Internal Audit

(Scope: UToledo, UTMC, University of Toledo Physicians (UTP))

1. David Cutri: Executive Director and Chief Audit Executive
2. Susan Edinger: Manager, Internal Audit
3. Bradford King: Information Technology (IT) Auditor
4. Vacant: Senior Auditor

## Institutional Compliance

David Cutri: Executive Director and Chief Compliance Officer

*Institutional Compliance (including Campus Safety, Clery Act, Minors on Campus, Volunteers, etc.)*

Elliott Nickeson: Assistant Director, Institutional Compliance

Christopher Evans: Institutional Compliance Specialist

### Athletics Compliance

Brian Lutz: Senior Associate Athletics Director for Compliance

Kenneth Schank: Associate Athletics Director for Compliance

### UToledo Privacy Office

C'Shalla Parker: UToledo Privacy Officer

Paul Muneio: UTP Privacy Officer (reporting line changed to Institutional Compliance in FY2023)

### Healthcare Compliance

Melissa Coduti: Director of Healthcare Compliance

Nikki Joyner: Clinical Research Compliance Specialist

Kimberly Fenneken: Healthcare Compliance Specialist, Practice Plan (new position in FY2023)

Tammy Ostrowski: UTP Coding Auditor/Compliance Educator (reporting line changed in FY2023)

Jessica Altman: UTP Coding Auditor/Compliance Educator (reporting line changed in FY2023)

Mary Douglas: UTP Coding Auditor/Compliance Educator (reporting line changed in FY2023)

Note: Various other healthcare compliance partners reporting within the UTMC organization also have an accountability relationship (i.e., "dotted-line") to the Director of Healthcare Compliance (example: medical accreditation/Joint Commission)

### Americans with Disabilities Act Compliance

Americans with Disabilities Act Coordinator (vacant)

### Compliance Partners That Do Not Organizationally Report through Institutional Compliance

Include "Title IX", Research Compliance, Human Resources Compliance/Equal Employment Opportunity, Facilities Compliance, etc.

## FY2023 Annual Audit Plan – Project Summary

Category	Process/ Area	Risk Quadrant	IA Service	Description of IA Activity
Academic Support	Management of Departments	I	Advisory/ERM Support	1. Identification and assessment of controls to address the risk that programs may not be developed and evaluated for effectiveness, continued demand, and institutional priorities.
Auxiliary Services	Athletics	II	Audit	2. Perform agreed-upon procedures for intercollegiate athletics revenues and expenses required by the National Collegiate Athletics Association (NCAA).
			Compliance	3. Report of annual activities of the intercollegiate athletics compliance function.
				4. Review procedures and controls pertaining to NCAA football attendance.
				5. Support the recurring program review of the athletics compliance function by the Mid-American Conference (MAC) and implement recommended action items.
6. Monitor NCAA and MAC guidance and student trends pertaining to student-athlete Name, Image, and Likelihood, and ensure continued compliance.				
	Other Cost Recovery Departments	II	Advisory	7. Assess UToledo alignment with the expectations of the State of Ohio's Affordability and Efficiency Task Force.
	Student Housing	II	Audit	8. Assess controls over the ability to access student living areas through the administration of access cards.
Campus Police	Campus Police	II	Compliance	9. Prepare the UToledo annual security and fire safety report, which is required by the Clery Act. Assemble campus crime statistics and communicate trends.
Enrollment Management	Financial Aid	II	Audit	10. Monitor and implementation of recommendations made within the 2020 Department of Education (DOE) program review of Student Financial Aid, and performing retesting as required.
			Advisory	11. Ensure that all previous audit findings pertaining to the National Student Loan Data System have been satisfactorily resolved.
				12. Assess the quality of controls to ensure that financial aid fraud perpetrated by students or staff is prevented, detected, and corrected.
Facilities Management	Construction	II	Audit	13. Assess the quality of procedures for managing construction contracts. Review a sample of recent construction contracts and ensure compliance with all contractual terms, and that change orders are preapproved and well managed.
Finance	Cash Management/Treasury and Investments	II	Audit	14. Key business risk to assess: Theft of cash.
	Travel and Entertainment	III	Audit	15. On an ongoing basis, review expense report submissions of UToledo executives to ensure full compliance with documented travel and entertainment policies and procedures.

Category	Process/ Area	Risk Quadrant	IA Service	Description of IA Activity
Governance	Ethics and Standards of Conduct	I	Audit	16. Audit of notification of the State of Ohio Fraud Reporting Hotline, addressing the risk that institutional policies and procedures may not be current and/or easily assessable and understood by faculty and staff.
	Organizational Structure and Accountability	I	Advisory/ERM Support	17. Identification and assessment of controls to address the risk that organizational goals and objectives may not be developed, communicated, and monitored for achievement.
	Policy Management	I	Advisory/ERM Support	18. Identification and assessment of controls to address the risk that institutional policies and procedures may not be current and/or easily assessable and understood by faculty and staff.
	Compliance Program	II	Compliance	19. Comprehensive report of activities of all compliance functions of UToledo for FY2023.
	Internal Audit	II	Audit	20. Conduct the self-assessment of internal audit activities required by Institute of Internal Auditors (IIA) professional <i>Standards</i> .
Human Resources	Employee Records	III	Audit	21. Ensure that UToledo employee onboarding processes are effective in ensuring and documenting the employee's right to work in the United States on the date of hire.
IT	Business Applications	I	Advisory/ERM Support	22. Identification and assessment of controls to address the risk that data may not be processed as intended in an acceptable period.
	Healthcare Applications	II	Audit	23. System Development Life Cycle audit of the EPIC clinical informatics system.
	Information Security Governance and Operations	II	Advisory	24. Independently assess UToledo cybersecurity governance efforts when compared to industry best/accepted practices.
			Compliance	25. Report of annual activities of the UToledo privacy office.
				26. Support the maintenance of the risk assessment required by various privacy regulations. Monitor management's progress in implementing corrective actions recommended in the risk assessment.
IT Operations	II	Audit	27. Conduct ongoing reviews to ensure that only a patient's provider and staff are accessing the patient's medical record. 28. Key business risk to assess: Lack of a process for ensuring the achievement of performance objectives set for IT processes.	
Instruction	Faculty	I	Advisory/ERM Support	29. Identification and assessment of controls to address the risk that a strong process may not exist for assessing faculty skills and performance.
	Degree Program Development	III	Compliance	30. Report of annual activities of the state authorization of online degree programs and professional licensure disclosure functions.
Legal	Open Records and Records Retention	III	Audit	31. Confirm the full implementation of recommendations made by CliftonLarsonAllen pertaining to management and documentation of public records requests.



Category	Process/ Area	Risk Quadrant	IA Service	Description of IA Activity
Medical Training	Academic Administration	I	Audit	32. Ensure compliance with the academic affiliation agreement between the College of Medicine and Life Sciences and ProMedica, including receipt of all agreed-upon funds, and appropriate accounting for the receipts.
	Compliance Program	III	Compliance	33. Report of annual activities of the UTMC compliance function.
				34. Report of annual activities of the medical accreditation team.
				35. Report of annual compliance of the UTMC mental health/Psychiatry team.
Patient Care Operations	Physician and Staffing Management	II	Audit	36. Assess the quality of internal controls associated with the credentialing of medical providers (i.e., physicians and medical staff), consistent with the approvals granted by the appropriate governing bodies.
	Quality	II	Compliance	37. Assess the quality of internal controls pertaining to services provided in the UTMC outpatient departments that are clinically integrated, which allows for higher quality and seamless coordinated care (i.e., "provider-based clinics").
				38. Conduct field reviews of UTP ambulatory clinics to ensure a consistent level of quality and conformance to Centers for Medicare and Medicaid Services regulatory guidance.
				39. Conduct field reviews of UTMC ambulatory clinics to ensure a consistent level of quality and conformance to Joint Commission regulatory guidance.
				40. Review procedures and controls pertaining to administration of the Ryan White Program, to ensure that oversight of this highly visible Federal grant program is sufficient to maximize financial accountability, in terms of operating expenses and time and effort reporting.
Public Services	Community/ Extended Education Centers	I	Advisory/ ERM Support	41. Identification and assessment of controls to address the risk that financial decision making for the center may not be coordinated with the main campus.
	Economic Development	I	Advisory/ ERM Support	42. Identification and assessment of controls to address the risk that UToledo data, intellectual property, resources may be misused by economic development partners.
	Service Learning	I	Advisory/ ERM Support	43. Identification and assessment of controls to address the risk that students volunteering with a community partner may be unfamiliar with expected roles and responsibilities as representatives of UToledo.
Purchasing	General - Purchasing/ Supply Chain	II	Audit	44. Assess the quality of procedures regarding accounting for and verifying materials and supplies inventories across campus.

Category	Process/ Area	Risk Quadrant	IA Service	Description of IA Activity
Research	Animal Research Program	I	Advisory/ERM Support	44. Identification and assessment of controls to address the risk of improper conduct of animal research or inappropriate use of animal subjects.
	General - Research	I	Advisory/ERM Support	45. Identification and assessment of controls to address the risk of the inability to create strategic collaborations with industry, entrepreneurs and venture partners to help faculty translate research into new products and services and increase the number of patents and contracts produced.
	Clinical Trials	III	Compliance	46. Report of annual activities of the clinical research compliance function.
Revenue Cycle for Medical Services	Billing	II	Compliance	47. Monitor the status of corrective actions taken in response to prior audits of the Endocrinology department, retesting transactions as necessary.
	Collections	II	Compliance	48. Report of annual activities of the regulatory compliance function within Patient Financial Services.
	Coding	III	Compliance	49. Assess billing accuracy across UTMC inpatient specialties. Ensure that physician documentation is enough to support billed amounts.
				50. Assess billing accuracy across UTMC outpatient specialties.
				51. Assess billing accuracy across UTP specialties. Ensure that physician documentation is enough to support billed amounts.
Health Information Management (Medical Records)	III	Compliance	52. Report of annual activities of the medical records compliance team in Health Information Management.	
Risk Management	Emergency Preparedness	III	Advisory	53. Support the University's efforts to upgrade/improve its various processes related to protecting minors on UToledo campuses.
Student Services	Disability and Counseling Services	II	Compliance	54. Report of annual activities of the Americans Disabilities Act compliance function.
		55. Prepare the University's biannual review of drug and alcohol education and remediation efforts.		
	Judicial Affairs	IV	Advisory	56. Support the University's efforts to upgrade its policies and procedures pertaining to sexual misconduct/Title IX, including training of/advocacy for students, faculty, and staff.
University Development	Gifts and Endowments	II	Compliance	57. Ensure financial transparency through required reporting of contracts with and gifts from a foreign source that, alone or combined, are valued at \$250,000 or more in a calendar year.
University Relations	Alumni Programs	I	Advisory/ERM Support	58. Identification and assessment of controls to address the risk that policies and procedures regarding employee contact with the media may be inadequate or may not be properly communicated to all employees.
	Government Affairs	I	Advisory/ERM Support	59. Identification and assessment of controls to address the risk that legislative interests may not be satisfactorily addressed.
	Public Affairs	I	Advisory/ERM Support	60. Identification and assessment of controls to address the risk that policies and procedures regarding employee contact with the media may be inadequate or may not be properly communicated to all employees.

## Estimated Quarterly Engagement Schedule – FY2023

<b>Engagement</b>		<b>Level of IA Effort</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
1.	<b>Academic Support: Management of Departments</b>	Small				X
2.	<b>NCAA Agreed-Upon Procedures</b>	Medium	X	X		
3.	<b>Athletics Compliance Annual Report</b>	Large	X	X	X	X
4.	<b>NCAA Football Attendance</b>	Small	X	X		
5.	<b>Athletics Compliance Program Review</b>	Small	X			
6.	<b>Student-Athlete Name, Image, and Likeness</b>	Small - Medium	X	X	X	X
7.	<b>Auxiliary Services: Other Cost Recovery Departments</b>	Small - Medium		X		
8.	<b>Auxiliary Services: Student Housing</b>	Small	X			
9.	<b>Campus Police: Campus Police</b>	Large	X	X		
10.	<b>Financial Aid</b>	Medium		X	X	
11.	<b>National Student Loan Data System</b>	Small	X	X		
12.	<b>Financial Audit Fraud Remediation Processes</b>	Small - Medium		X	X	
13.	<b>Facilities Management: Construction</b>	Small - Medium		X	X	
14.	<b>Finance: Cash Management and Investments</b>	Small - Medium		X	X	
15.	<b>Finance: Travel and Entertainment</b>	Medium	X	X	X	X
16.	<b>Governance: Ethics and Standards of Conduct</b>	Small	X	X		
17.	<b>Governance: Organizational Structure and Accountability</b>	Small				X
18.	<b>Governance: Policy Management</b>	Small				X
19.	<b>Governance: Compliance Program</b>	Large	X	X	X	X
20.	<b>Governance: Internal Audit (QAIP)</b>	Small - Medium				X
21.	<b>Human Resources: Employee Records</b>	Medium	X	X		
22.	<b>Information Technology: Business Applications</b>	Small				X
23.	<b>Information Technology: Healthcare Applications</b>	Medium	X			
24.	<b>Cybersecurity Assessment</b>	Medium		X	X	X
25.	<b>Privacy Office Annual Report</b>	Large	X	X	X	X
26.	<b>Information Security Risk Assessment</b>	Medium		X	X	
27.	<b>HIPAA Patient Medical Records Reviews</b>	Medium	X	X	X	X
28.	<b>Information Technology: Information Technology Operations</b>	Medium		X	X	
29.	<b>Instruction: Faculty</b>	Small				X
30.	<b>Instruction: Degree Program Development</b>	Large	X	X	X	X

<b>Engagement</b>		<b>Level of IA Effort</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
31.	Public Records Review	Small	X	X		
32.	Academic Affiliation Agreement	Medium	X	X		
33.	UTHealth Compliance Annual Report	Large	X	X	X	X
34.	Medical Accreditation Annual Report	Small - Medium				X
35.	Mental Health Compliance Annual Report (Psychiatry)	Small - Medium				X
36.	Physician and Medical Provider Credentialing Process	Small - Medium	X	X		
37.	Provider-Based Clinics	Medium		X	X	
38.	UTP Ambulatory Clinic Risk Assessments	Large	X	X	X	X
39.	UTMC Ambulatory Clinic Risk Assessments	Medium	X	X	X	X
40.	Ryan White Program	Medium	X	X		
41.	Community/Extended Education Centers (ERM)	Small				X
42.	Public Services: Economic Development (ERM)	Small				X
43.	Public Services: Service Learning (ERM)	Small				X
44.	Purchasing/Supply Chain/Inventory Management Processes	Small - Medium		X	X	
45.	Research: Animal Research Program (ERM)	Small				X
46.	Research: General - Research (ERM)	Small				X
47.	Clinical Research Compliance Annual Report	Large	X	X	X	X
48.	Billing (Endocrinology)	Medium	X	X		
49.	Patient Financial Services Compliance Annual Report	Small - Medium				X
50.	Coding/Billing/Education -- UTMC Inpatient	Large	X	X	X	X
51.	Coding/Billing/Education -- UTMC Outpatient	Large	X	X	X	X
52.	Coding/Billing/Education -- UTP	Large	X	X	X	X
53.	Medical Records Compliance Annual Report	Small - Medium				X
54.	Americans with Disabilities Act Compliance Annual Report	Large	X	X	X	X
55.	Biannual Review (Drug and Alcohol)	Medium	X	X		
56.	Title IX/Student Conduct/Minors and Volunteers on Campus	Small - Medium	X	X	X	X
57.	Foreign Gifts and Contracts	Medium	X		X	
58.	UToledo Relations: Alumni Programs (ERM)	Small				X
59.	UToledo Relations: Government Affairs (ERM)	Small				X
60.	UToledo Relations: Public Affairs (ERM)	Small				X

# 1. Introduction, Mission, Purpose & Requirements

## Introduction

The annual audit plan is risk-oriented and defines specific audit areas intended to be undertaken in the next year. Our risk-based audit methodology is explained in Section 3 of this document.

The objectives for the compilation of an effective annual audit plan are:

- Scheduling of activities identified in the annual audit plan must be realistic.
- Completion of planned activities must be achievable.
- Audit cycle for each activity must be completed.

This Audit Plan contains key information on expected audit activity for FY2023. The plan is based on the results of the annual risk assessment process.

## Mission

The UToledo Internal Audit Department will provide independent, objective assurance and consulting activities designed to improve management practices, identify operational improvement, and reduce the risk exposure of UToledo.

## Purpose

Internal Audit's audit plan focuses on the following objectives:

- Develop an Internal Audit Annual Plan based upon risk.
- Focus on areas of higher risk, strategic importance, or UToledo audit priority.
- Provide UToledo with value added recommendations to improve controls, mitigate identified risks, and increase efficiency within operations.

The scope of work of Internal Audit is to determine whether the UToledo framework of risk management, control, and governance processes, as designed and represented by Board and management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with various governance groups occurs as needed.
- Significant financial, managerial, operating information is accurate, reliable, and timely.
- Employees' actions are following policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in control processes.
- Significant legislative or regulatory issues impacting the fiscal operations of UToledo are recognized and addressed appropriately.
- Adequate controls are incorporated within new systems and processes.

## Requirements

The IIA's *International Standards for the Professional Practice of Internal Auditing (the Standards)* govern the framework to be followed by the Internal Audit activities of UToledo. When developing the annual Internal Audit plan the following IIA guidance must be considered:

**Standard 2010 – Planning:** The Chief Audit Executive (CAE) must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.

**Standard 2010.A1:** The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.

### **IIA Practice Advisory 2010-1: Linking the Audit Plan to Risk and Exposures:**

- *“In developing the internal audit activity's audit plan...first develop or update the audit universe. The audit universe is a list of all the possible audits that could be performed. The CAE may obtain input on the audit universe from senior management and the board.”*
- *“The CAE prepares the internal audit activity's audit plan based on the audit universe, input from senior management and the board, and an assessment of risk and exposures affecting the organization.”*
- *“Audit work schedules are based on, among other factors, an assessment of risk and exposures. Prioritizing is needed to make decisions for applying resources.”*

UToledo Internal Audit activities must also align to audit planning requirements identified within the Internal Audit Charter, specifically:

- *“Conduct an annual risk assessment and produce a flexible risk-based audit plan...based upon risks and control concerns identified by the Executive Director of Internal Audit and Chief Compliance Officer (Executive Director), Board Members, management...and will periodically be updated.”*
- *“The Finance and Audit Committee retains the right to approve the annual audit plan presented by the Executive Director. The Executive Director shall periodically inform the Finance and Audit Committee of the status of the audit plan and any changes needed.”*
- *“The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next FY.”*
- *“The Executive Director will implement the approved audit plan and any plan amendments, special tasks or projects requested by management or the Finance and Audit Committee and agreed to by the Executive Director.”*
- *“The Executive Director may occasionally need to obtain expertise of persons outside of the Internal Audit Department. This expertise may be obtained within the organization through appropriate arrangements with management. Expertise may also be obtained from outside UToledo through contracts. The Finance and Audit Committee should be informed about the use of all external consultants obtained.”*

Internal Audit's Operations Manual requires the Executive Director to develop a risk-based plan. The methodology for the completion of the annual audit plan shall consider the following:

- Organization's risk management framework or an alternative approach if a framework does not exist.
- Organization's identification and management of its strategic objectives and whether strategic risks and new initiatives are managed to an acceptable level.
- Input from key stakeholders (Board members, UToledo executive leadership, department directors) on audit priorities that may impact students, patients, external stakeholders, or UToledo.
- Determine staffing resource availability and capability.
- To minimize duplication of effort and to maximize the amount of coverage achieved, consider audits planned by the external auditor and other assurance providers.
- Consider emerging issues resulting from the continuous update of UToledo risk profile.
- Include engagements that focus on revenue enhancement or economy of operations for certain UToledo processes (sources may include financial statements, annual budget).
- Identify areas potentially subject to continuous auditing, leveraging any UToledo risk management framework.
- Accept consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the operations of UToledo.
- Consider common risk area profiles which could result in an enterprise audit across UToledo departments with similar risk factors.

This document describes the systematic process used by internal audit to develop its risk assessment and annual audit plan process. Risk assessment is inherently subjective; as such, quantitative analysis is supplemented with Internal Audit judgment and management input.

Internal Audit's risk assessment is solely for the purpose of developing the IA plan and focuses on auditable entities, not the entire universe of risks facing UToledo. Also, the assessment does not seek to determine or evaluate management's risk tolerance or risk appetite. Risk appetite is the level of risk that an organization is willing to accept while pursuing its objectives, and before any action is determined to be necessary to reduce the risk.

The annual audit plan will be reviewed every three months to determine:

- Any significant variations to the original plan arising from the under or over assessment of the time required for audit projects.
- Effects of unforeseen events that significantly impacted the timetabling of audit projects.
- Rescheduling because of staff changes.
- Percentage of Internal Audit effort devoted to assurance and consulting engagements.
- Other metrics developed in coordination with the Finance and Audit Committee.
- Amendments to the annual audit plan arising because of the quarterly review shall be presented by the Executive Director to the UToledo Finance and Audit Committee.

## 2 Audit Prioritization Process

The FY2023 Internal Audit Plan is designed to provide audit coverage across the entire organization by deploying Internal Audit resources in an effective and efficient manner.

The following approach was taken in creating the risk assessment and Audit Plan:



### 2.1 Information Gathering and Scoping

- A. Understand industry trends/risks via discussions with industry and audit professionals, reading publications, attending relevant training.
- B. Understand UToledo strategic objectives and new initiatives by reviewing the strategic plan, annual financial statements, quarterly operations reports and annual budgets.
- C. Develop and update Internal Audit’s risk assessment and audit planning methodology.
- D. Use prior audit plan as starting point of auditable risk areas/ audit universe.

### 2.2 Information Analysis

- A. Update audit universe and preliminary risk assessments based on research and review of UToledo operations and higher education.
- B. Interview UToledo leadership to gain understanding and input on audit universe, ratings and input on internal audit priorities/ value add opportunities.
- C. Develop proposed Audit Plan based on interviews, risk assessment, resource availability, budget, third party assurance coordination, and coverage by risk and department.

### 2.3 Develop Internal Audit Strategy and Plan

- A. Present UToledo leadership with:
  - Risk assessment results.
  - Planned Internal Audit’s audit and consulting projects.
- B. Submit preliminary Internal Audit plan to Finance and Audit Committee for review

The Appendix contains a detailed listing of the Audit Universe – Including Risk Scores, Control Scores, and Internal Audit “Quadrant” (i.e., priority to audit)



## 3 Risk Based Audit Methodology

Organizations implement risk management processes to identify risks that threaten their capability of achieving their objectives and successful execution of their business strategies. Through an integrated risk management approach, senior management determines how much risk they are willing to accept (e.g., level of acceptable risk). Senior management's approach to risk management must be undertaken as a continuous process of:

- Establishing risk management objectives, tolerances & limits for the significant risks of UToledo.
- Assessing risks within the context of established tolerances.
- Developing cost-effective risk management strategies and processes consistent with the overall goals and objectives of UToledo.
- Implementing risk management processes.
- Monitoring and reporting on the performance of risk management processes.
- Improving risk management processes continuously.
- Ensuring adequate communication and information for decision making.

The continuous improvement cycle for risk management illustrates the need for UToledo management to define, be aware of and manage their inherent and control risks.

Internal Audit should assess whether risk management processes are effective by determining:

- Organizational objectives support and align with the mission of UToledo.
- Significant risks are identified and assessed.
- Appropriate risk responses are selected that align risk with the risk appetite of UToledo.
- Relevant risk information is captured and communicated in a timely manner across UToledo, enabling management to carry out their responsibilities.

### 3.1 Risk Methodology Framework

The risk methodology framework and strategy can directly impact risk assessments and planning within the internal audit function. Internal Audit will utilize the methodology as one factor while developing its strategic and annual plans. The process will help ensure higher risk areas are identified and prioritized in the conduct of the audit plan and assignment of Internal Audit resources. A risk assessment methodology applies across an entire organization. Each department is responsible for the application of the methodology in their respective areas and aligning to the organizational strategic risk management approach.

## 3.2 Identification of Audit Universe

The audit universe is reviewed annually as part of the planning process. The audit universe is risk-based and Internal Audit leverages management and Finance and Audit Committee input, as well as Internal Audit knowledge of operations, financial statements, budgets, professional judgment, comparative higher education risks, and brainstorming techniques to identify potential risks. The following factors are considered when developing the audit universe and priorities for annual plan consideration:



NOTE: FY2023's plan involved extensive independent research, coordination with other assurance service providers, and management's involvement in identifying audit priorities throughout the year, involving approximately 60 senior and mid-level leaders. Interviewees vary from year to year, to ensure diversity in thought, perspective, and viewpoint. The UToledo Chief Risk Officer is involved in these meetings when available/appropriate and as the program becomes more established will provide added input on risk.

Internal Audit evaluates the auditable areas and makes modifications throughout the year based upon changes to the UToledo risk profile. Internal Audit also participates in the UToledo strategic planning process and aligns Internal Audit's plan with appropriate assurance and consulting activities.

### 3.3 Risk Factors and Weighting (Updated for FY2023)

In prioritizing the risks identified, consideration is given to the likelihood of occurrence and consequence, or impact, in the event of occurrence. In weighting risk factors, Internal Audit utilizes risk factors from IIA guidance, historical knowledge of academic affairs, and internal auditing best practices. The overall goal of the risk scoring approach is to ensure that audits of high and moderate risk areas receive the largest concentration of audit effort over multiple years.

Once various risk factors are rated, they are weighted to arrive at a composite risk score and control score for each area. The risk score is intended to estimate the inherent risk of the process to UToledo, without consideration to the internal controls that be in effect. The control score is intended to estimate the strength of the internal controls within the process, based on process owner assessments and prior Internal Audit results. Risk and control factors and assigned weighting are as follows:

Risk Factors	Weight	Description
A. Impact to Students, Patients, Stakeholders, Members of the Public, Reputation	40%	Impact to UToledo constituents; management or other stakeholder concerns can influence the priority of an auditable area; consider reputational impact to UToledo by failure of a sensitive process
B. Dollar Materiality/Operational Impact	30%	Financial statement impact, relative importance, or sensitivity to ongoing operations
C. Impact of Fraud, Waste, or Data Loss	30%	Impact of illegal acts, wasteful spending, or sensitive data loss can result in a heightened consequence regardless of the dollar amount

Control Factors	Weight	Description
D. Control Design and Effectiveness	40%	Assessed reliability of internal controls are important in judging the likelihood of errors in the system; consider known problems/prior audit results
E. Changes in Organization, Programs, and Operations	30%	A dynamic change to systems/processes/people, increases probability of efficiencies as well as errors
F. Complexity of Activities, Operations, and/or Systems	30%	Degree of process complexity or perceived impact of IT controls

#### A. Impact to Students, Patients, Stakeholders, and Public Reputation

Management or other stakeholder concerns can influence the priority of an auditable area and could take priority over other risk factors in some cases. The reputation of UToledo can be impacted by failures in certain sensitive processes. Amount of impact the audit area has on UToledo constituents include: (1) concern for public perception, (2) concern about adverse publicity, (3) laws and regulations, (4) customer demands, and (5) political exposure.

#### B. Dollar Materiality/Operational Impact

Materiality focuses on the organizational impact due to financial statement materiality, relative importance, and/or sensitivity to negative public exposure of a process or system.

### **C. Impact of Fraud, Waste, or Data Loss**

Risk is inherent in a process or system that employees (including management) individually, or in collusion with others, commit fraud, resulting in financial loss or unauthorized use of financial instruments, physical assets and/or confidential information. For IT systems, also consider the level and type of security threat(s) present (e.g., a firewall has a higher level of security threat associated with it than an internal file server).

The composite risk rating system is a point in time assessment and ratings may vary based on an individual's perspective or recent event history. Ratings are designed to evaluate UToledo risk exposures related to governance, operations, and information systems regarding achievement of their strategic objectives; reliability of financial information; effectiveness and efficiency of operations; safeguarding of assets; and compliance with laws, regulations, and contracts.

### **D. Control Design and Effectiveness**

The assessed reliability of the internal control system is important in judging the likelihood of errors in the system. The quality of internal controls considers the adequacy of written procedures and whether controls have been previously tested.

### **E. Changes in Organization, Programs and Operation**

A dynamic environmental change, in terms of systems/processes/people, increases the probability of efficiencies as well as errors occurring. Changes in operations can impact the efficiency and effectiveness of the organization's performance. Criteria include changes in staff size, processing changes (manual to computerized), systems (input and/or output), as well as staff turnover. This area includes concerns of rapid growth in personnel size or additional programs added to an operational area.

Changes in operation to meet statutory, regulatory, and legal requirements, and/or to address organizational restructuring include modifications to manual or automated procedures such as increased use of technology. Changes in operations since this area was last audited may have a significant impact on accuracy and timeliness of work completed, efficiency and effectiveness of operation, and the reliability of work products and records.

## **F. Complexity of Activities, Operations, or Systems**

Complexity includes amount of time, number of steps, techniques or procedures, degree of difficulty, training necessary, and interaction with other organizations/divisions necessary to complete a work task or process a transaction. Complexity can increase both the probability of error and the effort required to monitor the system. Includes complexity of federal and state laws, rules and regulations governing a program.

Computer applications affect the accuracy and timeliness of completed work tasks, as well as the productivities of the staff. Information systems should process information in a secure, reliable, and accurate manner.

Age, condition, efficiency and effectiveness of the data processing system specific to this audit area, and the perceived impact of general IT controls related to: consistent use of an acceptable systems development methodology (including programmer and user documentation and testing procedures), consistent use of an acceptable project management system, effective computer maintenance change controls (to assure application program changes are properly authorized, managed, and recorded), and effective logical access security to guard against unwarranted access and unauthorized changes to computer programs or data.

After the risk and control scores are derived for each area in the process universe, each process is placed in one of the four quadrants below, which are intended to assess prioritization in the annual audit plan:

- Quadrant I: High Risk Score, Low Control Score
- Quadrant II: High Risk Score, High Control Score
- Quadrant III: Low Risk Score, Low Control Score
- Quadrant IV: Low Risk Score, High Control Score

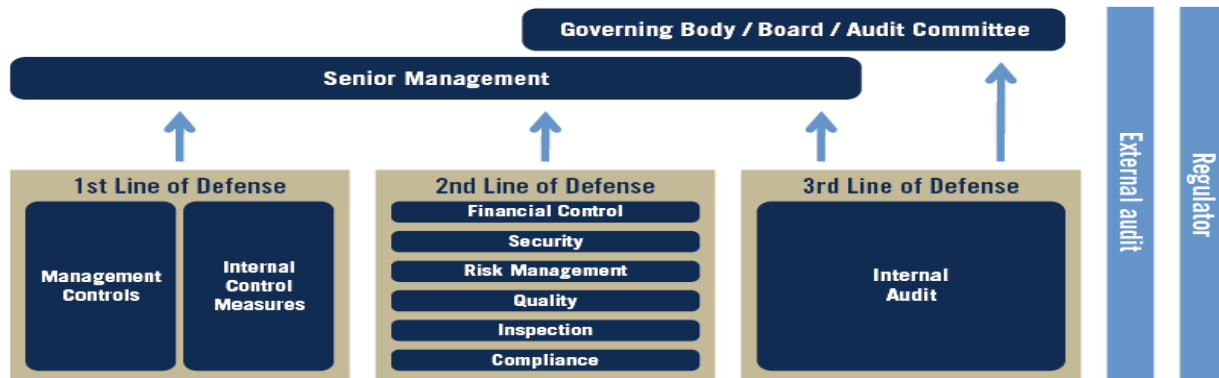
For FY2023 planning purposes, a Risk Score of 10 or greater was considered high, and a Control Score of 12 or greater was considered high. The quadrant of the process is then used to determine areas to prioritize in the annual audit plan. In concept, a Quadrant I process should receive a higher audit priority than the other quadrants, and so on.

To minimize the potential for duplication of effort and to maximize the amount of coverage achieved, the Executive Director will consider other assurance providers (both internal and external) and their scope and intended reliance by Internal Audit.

### 3.4 Coordinated Audit Coverage

After assessing risk-ratings against the audit universe, an evaluation of third-party assurance activities was conducted to maximize audit coordination efforts and coverage.

#### The Three Lines of Defense Model



Adapted from ECIIA/FERMA *Guidance on the 8th EU Company Law Directive, article 41*

Note: Internal Audit’s plan incorporates audit coverage from external audit; 3<sup>rd</sup>-party external reviews within Executive, Academic Affairs, Clinical Affairs, Finance and Administration; and 2<sup>nd</sup> Line of Defense activities (i.e., UToledo monitoring within compliance, accounting, and IT security). Internal Audit's review of selected auditable units is not intended to offer a complete opinion on every aspect of the category. Rather, Internal Audit judgmentally evaluates the auditable unit and focuses its scope and objectives on key risks and controls to evaluate and report the results to the Committee. UToledo is not "relying" on the work of the external auditors, rather avoiding duplication of efforts by not allocating Internal Audit hours to these areas.

# Appendix

## **Risk Rating - Highest to Low**

## Appendix

<u>Category</u>	<u>Area</u>	<u>Risk Score</u>	<u>Control Score</u>	<u>IA Quadrant</u>
Academic Support	Management of Departments	12	23	I
Governance	Ethics and Standards of Conduct	12	25	I
Governance	Organizational Structure and Accountability	13	26	I
Governance	Policy Management	12	25	I
IT	Business Applications	12	12	I
Instruction	Faculty	13	25	I
Medical Training	Academic Administration	12	26	I
Public Services	Community/Extended Education Centers	18	26	I
Public Services	Economic Development	15	19	I
Public Services	Service Learning	14	21	I
Research	Animal Research Program	16	27	I
Research	General - Research	19	19	I
UToledo Relations	Alumni Programs	13	25	I
UToledo Relations	Government Affairs	14	26	I
UToledo Relations	Public Affairs	11	23	I
Academic Support	Student Retention and Graduation	18	33	II
Auxiliary Services	Athletics	35	191	II
Auxiliary Services	Bookstore	19	84	II
Auxiliary Services	Food Service	14	59	II
Auxiliary Services	General - Auxiliary Services	22	101	II
Auxiliary Services	Other Cost Recovery Departments	10	37	II
Auxiliary Services	Recreation Centers	12	39	II
Auxiliary Services	Special Events	10	48	II
Auxiliary Services	Student Housing	24	93	II
Campus Police	Campus Police	21	76	II
Enrollment Management	Admissions	22	74	II
Enrollment Management	Enrollment and Registration	15	67	II
Enrollment Management	Financial Aid	28	104	II
Facilities Management	Construction	26	99	II
Facilities Management	Maintenance	18	67	II
Facilities Management	Planning and Design	10	36	II
Finance	Accounts Payable/Disbursements	20	80	II
Finance	Accounts Receivable	12	49	II
Finance	Asset depreciation	21	109	II
Finance	Budgeting /Decision Support	28	131	II
Finance	Cash Management/Treasury and Investments	62	227	II
Finance	Debt Service	16	56	II
Finance	Financial Reporting	14	33	II
Finance	Grants and Contracts	51	170	II
Finance	Payroll	22	80	II
Finance	Tuition and Fees Management	25	84	II
Governance	Compliance Program	15	50	II
Governance	Internal Audit	10	28	II
Governance	Strategic Planning and Metrics	18	58	II
Human Resources	General - Human Resources	44	95	II
IT	Academic Computing/Applications	41	121	II
IT	Healthcare Applications	26	71	II
IT	Information Security Governance and Operations	53	71	II
IT	IT Infrastructure	35	115	II
IT	IT Leadership & Governance	45	108	II
IT	IT Operations	47	139	II



## Appendix (continued)

<u>Category</u>	<u>Area</u>	<u>Risk Score</u>	<u>Control Score</u>	<u>IA Quadrant</u>
IT	Research Computing/Applications	50	143	II
Instruction	International Programs	11	35	II
Legal	General - Legal	16	73	II
Patient Care Operations	General - Patient Care Operations	15	40	II
Patient Care Operations	Laboratory	24	54	II
Patient Care Operations	Medical Procedures	21	50	II
Patient Care Operations	Patient Safety	25	63	II
Patient Care Operations	Physician and staffing management	12	33	II
Patient Care Operations	Quality	21	50	II
Property Management	Fixed Asset/Capital Management	25	78	II
Purchasing	Bidding	13	32	II
Purchasing	Contracting	13	32	II
Purchasing	General - Purchasing/Supply Chain	17	36	II
Purchasing	Materials Management	20	108	II
Purchasing	Receiving & Warehousing	20	108	II
Research	Biosafety	22	46	II
Research	Partnerships	13	34	II
Research	Publications and Intellectual Property	16	37	II
Research	Research Administration	91	217	II
Research	Research Compliance	77	172	II
Revenue Cycle for Medical Services	Billing	21	61	II
Revenue Cycle for Medical Services	Charge Capture	20	59	II
Revenue Cycle for Medical Services	Collections	19	68	II
Risk Management	Environmental Health and Safety	16	29	II
Student Services	Academic Advising	14	32	II
Student Services	Disability and Counseling Services	13	40	II
Student Services	Healthcare	18	61	II
Student Services	Recreation and Activities	10	40	II
UToledo Development	Capital Campaigns	14	35	II
UToledo Development	Gifts and Endowments	28	59	II
UToledo Development	Stewardship Activities	23	46	II
Academic Support	General - Academic Support	2	2	III
Academic Support	Library Services	1	1	III
Auxiliary Services	Child Development Center	4	5	III
Auxiliary Services	Mail	1	1	III
Auxiliary Services	Parking Office	3	3	III
Enrollment Management	General - Enrollment Management	3	4	III
Enrollment Management	Orientation	1	2	III
Enrollment Management	Recruitment	4	8	III
Enrollment Management	Student Records - Registrar	7	24	III
Facilities Management	Utilities	3	6	III
Finance	General - Finance	6	6	III
Finance	Travel and Entertainment	2	5	III
Governance	Business Continuity	7	12	III
Governance	Joint Ventures	4	4	III
Human Resources	Benefits	4	4	III
Human Resources	Compensation	2	2	III
Human Resources	Employee Records	1	1	III
Human Resources	Employee Relations	3	3	III
Human Resources	Employee Retention & Succession Planning	1	1	III
Human Resources	International Affairs – Visas/Immigration	3	3	III
Human Resources	Recruiting	1	1	III

**Appendix (continued)**

<b><u>Category</u></b>	<b><u>Area</u></b>	<b><u>Risk Score</u></b>	<b><u>Control Score</u></b>	<b><u>IA Quadrant</u></b>
Human Resources	Training	1	1	III
Instruction	Accreditation	3	4	III
Instruction	Course Scheduling	4	5	III
Instruction	Curriculum Development	5	8	III
Instruction	Degree Program Development	2	3	III
Instruction	Grading Practices	2	3	III
Legal	Contract Oversight	1	4	III
Legal	Open Records and Records Retention	1	1	III
Medical Training	Compliance	8	27	III
Medical Training	Graduate Education	4	8	III
Patient Care Operations	Risk Management	8	24	III
Practice Plan	Bylaws	5	7	III
Practice Plan	General - Practice Plan	2	6	III
Practice Plan	Physician Relations	2	4	III
Property Management	General - Property Management	1	2	III
Property Management	Leasing Property	1	1	III
Public Services	General - Public Services	9	11	III
Purchasing	Agreements	1	1	III
Purchasing	HUB Initiatives	3	3	III
Purchasing	Leases	2	2	III
Research	Clinical Trials	6	18	III
Research	Human Subjects Research Program	9	21	III
Research	Medical Centers and Programs	6	18	III
Revenue Cycle for Medical Services	Coding	7	15	III
Revenue Cycle for Medical Services	Health Information Management (Medical Records)	9	20	III
Risk Management	Emergency Preparedness	8	13	III
Risk Management	Insurance	1	1	III
Student Services	Career Centers	1	4	III
Student Services	General - Student Services	5	8	III
Student Services	Student Organizations	4	7	III
UToledo Development	General - UToledo Development	6	8	III
UToledo Relations	General - UToledo Relations	1	1	III
UToledo Relations	Marketing and Communications	5	5	III
Facilities Management	Custodial Services	8	31	IV
Facilities Management	Landscape and Grounds	8	28	IV
Property Management	Motor Pool	9	29	IV
Student Services	Judicial Affairs	8	34	IV