PURDUE
U N I V E R S I T Y™

INTERNAL AUDIT OFFICE

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To: Members of the Audit and Risk Management Committee

      Tom Spurgeon, Chair
      JoAnn Brouillette
      Vanessa Castagna
      Malcolm DeKryger

Fr: Peg Fish, Senior Director of Audits

Re: Audit Plan for Calendar Year 2020

The projects planned for 2020 cover a wide array of risks and opportunities. The plan is intended to maximize audit resources and provide reasonable coverage that aids the Board of Trustees, leaders, and managers in discharging governance, executive, and management responsibilities.

The University's audit universe consists of a dynamic multitude of objectives and activities, which have been considered accordingly.

The enclosed plan provides a summary of the anticipated use of audit resources. It is based on a staffing level of seven auditors, and it allows for a flexible risk-based approach.

Enclosure

c: Chairman Mike Berghoff
    President Mitch Daniels
    Treasurer Chris Ruhl
    Provost Jay Akridge
    Assistant Treasurer Jim Almond
    Corporate Secretary Janice Indrutz
    Legal Counsel Steve Schultz

The purpose of this report is to communicate the breadth of planned audit activities addressing financial, operational, compliance, and strategic risks to the University.

AUDIT PLAN DEVELOPMENT

The plan includes consideration of major institutional initiatives. It also links enterprise risk management concepts of risk drivers and impact measures.

Risk drivers

- data privacy/cybersecurity
- integration of business and technology
- third-party vendor management
- data integrity and security
- size and complexity of operations
- unauthorized access to data
- ineffective and inefficient data management
- resource, staffing, skills challenges

- emerging technologies
- cloud computing
- major changes in operations, staff, or systems
- potential risk of financial and/or data loss
- increased regulatory impacts
- operations subject to a high-level of public scrutiny
- unexpected operating results
- project and change management

Impact measures

- ☐ Fiscal (incurred cost and lost opportunity)
- ☐ Interruption (in mission critical activities)
- ☐ Reputation
- ☐ Safety (loss of life or injury)
- ☐ Strategic (not aligned with the strategic plan)

The plan is designed with flexibility to facilitate unanticipated strategic or operational initiatives. The scope of the work of the external auditors has been considered in order to provide optimal audit coverage for the institution.

AUDIT RESOURCE PLANNED ALLOCATION

Planned Allocation of Audit Resources		
	Estimated Project Hours	Percent of Total
Audits (Planned)	8,995	73%
Audits (Unplanned)	935	8%
Client Support	705	6%
Non-Client Contact	1,596	13%
Total	12,231	100%

Total audit coverage (planned and unplanned) is estimated at 81% and is based on a budget of seven professional staff. Eight percent (8%) of total projected audit resources have been reserved for unplanned audits. This will allow for flexibility in addressing emerging risks, anonymous allegations, and requests.

Approximately six percent (6%) of staff total resources are budgeted for client support. This category includes estimates for overseeing the anonymous reporting program, external audit support, and enterprise risk management initiatives.

Non-client contact, thirteen percent (13%), consists primarily of office initiatives and professional staff development. It is anticipated that additional training pertaining to data analytics, cybersecurity, and root cause analysis will occur in 2020.

Communications from various organizations including The Institute of Internal Auditors, Association of College and University Auditors, American Institute of Certified Public Accountants, Association of Certified Fraud Examiners, Information Systems Security Association, and Information Systems Audit and Control Association aid staff in gaining knowledge of current trends and issues impacting higher education and the auditing profession.

AUDIT COVERAGE PLANNED

Seventy (70) audits are included in the plan, 60 new and 10 in-process.

Campus Coverage

Planned Percentage, Audit Hours, and Number of Audits by Campus

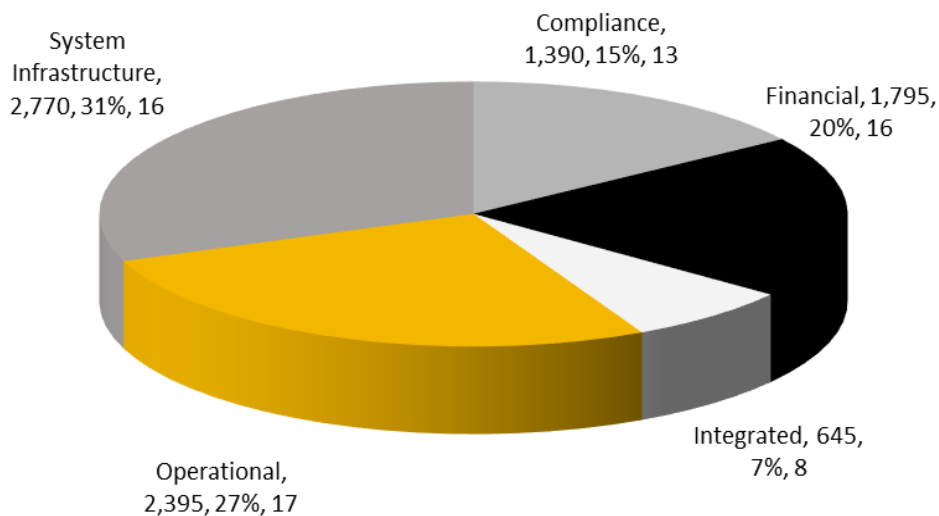|	Audit Hours	Number
Fort Wayne (11%)	980	7
Northwest (10%)	865	6
West Lafayette* (71%)	6,380	53
System wide (8%)	770	4

*Enterprise-wide systems supported at West Lafayette are reflected in that coverage

Primary Audit Classification

Five audit classifications will be used during 2020. These are shown below with a brief definition of each.

- *Compliance*, conformity with internal policies or external regulatory requirements
- *Financial*, financial controls as they relate to reporting
- *Integrated*, considers the relationship between information technology, financial, application, and operational controls in establishing an effective and efficient internal control environment
- *Operational*, review and assessment of business processes
- *System Infrastructure,* security and general controls for the overall infrastructure, network, and systems that are maintained in support of the goals of the University

Audit Classification for 2020
(estimated audit hours, percentage of total, and number of planned audits)

Compliance, 1,390, 15%, 13
Financial, 1,795, 20%, 16
Integrated, 645, 7%, 8
Operational, 2,395, 27%, 17
System Infrastructure, 2,770, 31%, 16

A summary of audits planned is shown below:
- Compliance: contract compliance (3), research (4), regulatory compliance (4), fee remits (1), and scholarships (1)
- Financial: assets (1), athletic ticket sales (2), capital projects reporting (1), cash accounts (1), foundation financial statements (3), gift rewrites (1), investment valuation (1), other unit financials (3), student organizations (1), vendor payments (1), vendor receipts (1)

- Integrated: applications and processes (6) and data integrity validation (2)
- Operational: athletics (3), contract administration (1), departments/clinics (8), personnel activity reporting (1), receivable write-offs (1), recharge rates (1), financial aid (1), revenue accruals (1)
- System Infrastructure: backup and recovery (3), cyber/data security (4), data storage (2), identity and access management (2), interfaces (1), network (3), service level (1)

The COSO (Committee of Sponsoring Organizations of the Treadway Commission) Internal Control - Integrated Framework will continue to be emphasized based on the three categories of objectives:

- Compliance pertains to adherence to laws and regulations.
- Operations pertain to effectiveness and efficiency of operations, including performance goals, and safeguarding assets against loss.
- Reporting encompasses all types of reporting as well as reliability, timeliness, and transparency.

The five COSO components and seventeen principles of internal control will also be considered in each audit.