



INTERNAL AUDIT OFFICE

Audit Plan For Calendar Year 2005

Audit Plan For Calendar Year 2005

Table of Contents

	Page
Section 1	
Audit Planning Process	1
Section 2	
Anticipated Use of Audit Resources	3
Section 3	
Audit Plan	4
Section 4	
Control System	6
Appendix A	
Invitation to Suggest Audit Topics	7

Audit Plan For Calendar Year 2005

Section 1

Audit Planning Process

Planning Process

The audit plan is developed by identifying the audit universe, performing a risk analysis, and obtaining input from management relative to risks, controls, and governance processes. The internal control framework established by management is an integral part of our review. In November 2004, an invitation to suggest audit topics for the 2005 audit plan was issued. *Appendix A* shows the list of individuals invited to participate in the audit planning process. We appreciate the participation and support in the development of the plan.

Risk or control concerns identified by audit staff or external auditors are also evaluated as the plan is developed. Flexibility of the plan is necessary in order to respond to the changing needs of the University.

Audit Universe and Risk Analysis

The audit universe and risk analysis is developed by first identifying the academic and administrative units reporting to the President, Provost, and Executive Vice President and Treasurer. The audit universe is then expanded for centers (farms, remote operations, other activities, etc). Functional activities or key operational processes are then identified. Regulatory compliance is also considered. Planned external audits are also added to the audit universe to reflect the audit coverage provided by the external auditors.

Risks are identified in five basic risk categories:

- Financial risks deal with assets (plant, equipment, human, etc.), budgets, cash, expenses, financial records (accurate, timely, useful information), investments, inventories, operational effectiveness, quality products and services, reserves, revenues, and separation of duties.
- Technical risks deal with access privileges, audit trails, authentication, authorization, backup procedures, business continuation, change management (software and hardware), code (secure code so that data is not compromised), data conversion, data integrity, disaster recovery, infrastructure, information security, interfaces, network security, physical security, reconciliations, standards (policies, procedures, guidelines), and reputation (compromised data).
- Managerial risks deal with alignment with the University mission (mission, vision, and goals), authorization, decision-making, delegation, policies and procedures, project management, oversight and monitoring, roles and responsibilities, reporting (useful, reliable, and timely information for decision making), reputation, and operational efficiency (minimize processing time, etc.).
- Behavioral risks deal with communication and information sharing, human assets (knowledge, experience, and training of staff), managing and leading people, work environment, and public relations.
- Legal risks deal with applicable laws and regulations (release of personal data to unauthorized people, compliance with applicable laws and regulations, etc.).

Audit Plan For Calendar Year 2005

Section 1 (continued)

Audit Planning Process

Audit Universe and Risk Analysis (continued)

Risk factors include:

- Change in key personnel
- Complexity of operations or regulated operations
- Known significant changes in University operations or business processes
- Management accountability and oversight
- Political or adverse publicity
- Quality of internal controls
- Rapid growth
- Risk of financial loss (size of unit or dollars at risk)
- Technology (applications, data integrity, infrastructure, recovery of data, security of data, etc.)
- Time since last audit (results of prior audits)

By combining a review of the audit universe, risk analysis, and management input, the 2005 audit plan is developed. The plan is summarized in *Section 2* of this report and *Section 3* shows the audit title and estimated project budget hours.

Audit Plan For Calendar Year 2005

Section 2 Resources

Anticipated Use of Audit

Types of Audits Summarized

The following shows the percentage of budgeted or estimated project hours by audit type for 2005. The detailed audit plan is shown in *Section 3*.

Type of Audit	Percentage
Compliance	25%
Financial	24%
Operations	33%
External	18%

Information Technology Controls

Information technology audits are not shown as a separate category but are identified on the plan, *Section 3*. Twenty-six audits are scheduled that include a review of business continuity, data security, application controls, and access controls.

Planned Audit Resources per Campus

For 2005, nine audits are planned for the Calumet Campus, five for the Indiana-Purdue Fort Wayne Campus, one for the North Central Campus, and 58 for the West Lafayette Campus. Five system-wide audits are included on the plan. A comparison of planned audit resources to the 2004-05 budget by source of funds is shown below. System-wide hours are split equally for the analysis.

Campus	Budget (in millions)	Percent of Total	Project Budgeted Hours	Percent of Total
Calumet	84.8	6%	1,467.5	13%
Indiana-Purdue Fort Wayne	109.0	7%	1,147.5	10%
North Central	30.4	2%	607.5	6%
West Lafayette	1,302.3	85%	7,721.5	71%

Based on experience, a certain number of planned audits will be replaced with unanticipated audits.

Other Audit Resources

In addition to audit activity, audit resources will continue to be used in support of advisory services, client research, training, and special assignments. Estimates by category follow:

Total 2005 Planned Activity by Category

Category	Planned Activity
Audits	69%
Advisory Services	1%
Client Research, Training, and Special Assignments	7%
Office Projects, Internal Research, and Professional Staff Development	23%

Audit Plan For Calendar Year 2005

Section 3 Plan

Audit

The following shows the audits planned by category, title, and estimated project budget hours.

Compliance Audits

Title	Project Budget	Title	Project Budget
Calumet Campus Skills Assessment ¹	150	Calumet Campus Upward Bound Program ¹	200
Cooperative Extension Ohio County	50	Effort Reporting and Costs	200
Criminal Conviction Check Procedures	75	Exempt/Non-exempt Classification	200
Fort Wayne Campus Intercollegiate Athletics Compliance*	180	Gramm Leach Bliley Act, Financial Aid Office Compliance ^{1,2}	160
Hall of Music Follow-up Review	100	HIPAA Risk Assessment ²	150
Independent Contractors	100	Indiana Higher Education Telecommunication System Contracts	120
Intercollegiate Athletics Concession Agreement ¹	150	NCAA Football Attendance Regulatory Requirement*	14
Purdue Memorial Union Contract Compliance Freshens	80	Purdue Memorial Union Contract Compliance Villa Pizza	80
Purdue-pay Server ^{*,2}	40	Retirement Plans	75
Signature Delegation	75	Sponsored Program Services-Specific Computer Science Grants ¹	150
Travel Reimbursements under \$500	75	University Business Leaves	100
University Collections Office Compliance with Gramm Leach Bliley Act ²	60	Vending Contract	150
Total Compliance Audit Project Hours			2,734

Financial Audits

Title	Project Budget	Title	Project Budget
Calumet Campus FACTS Data Exchange ²	80	Calumet Campus International Family Therapy Association	75
Calumet Campus Marriage and Family Therapy	150	Cbord-Food Service Management Information System ²	200
Endowment Management*	200	General Bank Reconciliation*	80
Glacier Payroll Interface ²	150	Henry Strong Educational Foundation*	50
Housing and Food Services Disbursement Validation	75	Housing and Food Services Revenue Testing ²	125
Indiana-Purdue Foundation at Fort Wayne*	90	Intercollegiate Athletics Basketball Ticket Sales*	120
Intercollegiate Athletics Football Ticket Sales*	130	Investment of Funds*	250
Office of the Bursar Bank Account Reconciliation*	100	Procurement Cards ²	200
Purdue Foundation*	150	Purdue University Press	150
Ross-Ade Foundation*	100	University Residences Revenue Testing-Housing System Controls ^{1,2}	200
Total Financial Audit Project Hours			2,675

Audit Plan For Calendar Year 2005

Section 3 (continued) Plan

Audit

Operations Audits

Title	Project Budget	Title	Project Budget
Active Directory Security Configuration ²	180	Business Continuity ²	60
Calumet Campus Financial Aid Office Compliance with Gramm Leach Bliley Act ²	80	Calumet Campus Residency Policies for In-State and Out-of-State Students	150
Calumet Campus Student Organization Receipt and Disbursement Procedures ¹	100	Construction Financial Procedures	250
Contract Approval Procedures	150	Control Evaluation for ERP Implementation (System-wide) ²	150
Cooperative Extension	150	E-Commerce and Credit Card Reconciliation Controls ²	80
E-Commerce Firewalls ²	80	Fort Wayne Campus Continuing Studies	125
Fort Wayne Campus Housing	150	Hall of Music Box Office Operations	100
Intercollegiate Athletics Ticketing System Controls ²	120	Investment Office System Audit ²	60
Micros System in Cash Operations in University Residences ²	150	North Central Campus Financial Aid Operational Review	175
Office for Continuing Education and Conferences Credit Courses and PREMIS ²	150	Password Authentication Procedures ²	50
Payroll Analysis of Pay Scales ²	150	Printing Services ²	150
Purdue Memorial Union Billing and Upload Procedures	150	Remote Site Connectivity Security ²	200
Revolving Fund Procedures	50	University Development Office Gift Processing Controls ^{1,2}	175
Veterinary Teaching Hospital Pharmacy Operations	150	Wireless Infrastructure (PAL) ²	100
Total Operations Audit Project Hours			3,635

External Audits (does not include external auditor hours)

Title	Project Budget	Title	Project Budget
Federal Awards Audit FY 2003-04 ^{*,1}	600	Federal Awards Audit FY 2004-05 [*]	550
Financial Statement Audit [*]	280	Intercollegiate Athletics NCAA Financial Agreed Upon Procedures Fort Wayne Campus [*]	170
Intercollegiate Athletics NCAA Financial Agreed Upon Procedures West Lafayette [*]	200	WBAA Radio Station – FY 2004-05 [*]	100
Total External Audit Project Hours (internal audit staff only)			1,900

Total Internal Audit Office Project Budget Hours

10,944

*=annual, ¹=in-process as of December 31, 2004, ²=information technology audit

Audit Plan For Calendar Year 2005

Section 4 System

Control

We recognize that the internal control framework established by management is an integral part of our review. Internal control is a process, effected by the trustees, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the categories of effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.¹

COSO Internal Control Integrated Framework

Compliance, Financial Reporting, Operations

Control Environment
Risk Assessment
Control Activities
Information and Communication
Monitoring

Primary Objectives of an Internal Control System

- ▶ Compliance with laws and regulations
- ▶ Financial reporting accuracy
- ▶ Operations efficiency and effectiveness

Essential Components of a Control System

Control Environment

- Sets the tone of the organization.
- Factors include integrity, ethical values, competence, authority, and responsibility.
- Foundation for all other components of control.

Control Activities

- Policies and procedures that ensure management directives are carried out.
- Types of controls include approvals, authorizations, verifications, reconciliations, asset security, and segregation of duties.

Information and Communication

- Information identified, captured, and communicated in a timely manner for people to

Risk Assessment

- The identification and analysis of relevant risks to achieving objectives.
- The basis for determining control activities.

Monitoring

- Assessment of a control system's performance over time.
- Combination of ongoing and separate evaluations.
- Management and supervisory activities.
- Internal audit activities.

carry out their duties.

- Flow of information allowing for successful control actions.
- Effective communication flows down, across, and up.

¹Treadway Commission: The popular name for the National Commission on Fraudulent Financial Reporting named after its first chairman, former SEC Commissioner James C. Treadway.

6

Audit Plan For Calendar Year 2005

Appendix A Topics

Invitation to Suggest Audit

Martin C. Jischke, President
Morgan R. Olsen, Executive Vice President and Treasurer
Sally Frost Mason, Provost

James S. Almond, Vice President for Business Services
G. William Back, Vice Chancellor for Administration
Joseph L. Bennett, Vice President for University Relations
Murray M. Blackwelder, Senior Vice President for Advancement
James R. Bottum, Vice President for Information Technology
Walter J. Branson, Vice Chancellor-Financial Affairs
Morgan J. Burke, Director, Intercollegiate Athletics
Howard S. Cohen, Chancellor
Richard A. Cosier, Dean, Krannert Graduate School of Management and School of Management
Dennis R. Depew, Dean, School of Technology
James B. Dworkin, Chancellor
Kevin P. Green, Director of State Relations
George W. Hynd, Dean, School of Education
Linda P. B. Katehi, Dean, Schools of Engineering
Wayne W. Kjonaas, Vice President for Physical Facilities
Michael J. Kull, Assistant Vice Chancellor for Administration Services
Victor L. Lechtenberg, Vice Provost for Engagement
James L. Mullins, Dean of Libraries
Keith S. Murray, Director, SMAS
Riall W. Nolan, Dean, International Programs
Toby L. Parcel, Dean, School of Liberal Arts
John M. Pezzuto, Dean, Schools of Pharmacy, Nursing & Health Sciences
Alan H. Rebar, Dean, School of Veterinary Medicine
Thomas B. Robinson, Vice President for Student Services
Alysa C. Rollock, Vice President for Human Relations
Charles O. Rutledge, Interim Vice Provost for Research
John A. Sautter, Vice President for Housing & Food Services
Dennis A. Savaiano, Dean, School of Consumer & Family Sciences
Glenn F. Tompkins, Senior Associate Athletic Director-Business
Jeffrey S. Vitter, Dean, School of Science
Michael A. Wartell, Chancellor
William R. Woodson, Dean, School of Agriculture

