

2019-2021 Biennium Internal Budget Proposal Narrative

Division: Institutional

Evaluation Criteria: Proposals will be evaluated on every aspect of this template. It is highly recommended that the narrative portion touch on each area. Proposals forwarded to UPRC by unit leaders will be discussed at UPRC and authors are encouraged to attend so that they may answer questions and provide clarification.

Office of the Internal Auditor Resources

- This is a revised version of a previously submitted budget proposal.
If box is checked please briefly outline any significant changes and/or indicate why it is being resubmitted.

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Statement of Purpose: *(What is the challenge or opportunity being addressed? How does the proposal address this challenge or opportunity? Limit response to 1 page – please link to any existing reports, data, supplemental materials, etc.)*

The purpose of Western Washington University’s (WWU’s) Office of the Internal Auditor (OIA) is to provide independent, objective assurance and consulting services designed to add value and improve WWU’s operations. The OIA reports functionally to the Board of Trustees, Finance, Audit, and Enterprise Risk Management (FARM) Committee and administratively to the president or designee.

Annually, the OIA prepares a risk-based internal audit plan that identifies how the program’s personnel resources will be allocated. The OIA Annual Plan (Plan) is approved by the WWU Board of Trustees. The Plan includes budgeted personnel time for scheduled audits selected from the audit risk assessment and reserves additional time for emergent projects that require immediate attention such as requests to provide consulting and/or investigative services for fraud or ethics complaints.

Several factors such as the current emergent risk environment, additions to OIA responsibilities and changes to state requirements necessitate this request for additional resources for the OIA. The additional staff auditor personnel resource will be assigned primarily to completing scheduled audits allowing for more of these planned audits to be completed while the OIA Director and Senior Auditor focus on the high volume of emergent project requests and additional administrative responsibilities for the OIA.

There is a high demand to complete emergent projects related to fraud and/or ethics complaints. For example, during February 2019, there were three active investigations being conducted by the OIA. The Director was also assisting the Executive Ethics Board with an investigation and assisting the State Auditor’s Office with another investigation. The OIA’s anonymous fraud and ethics hotline also received two complaints. There was also a backlog of three non-immediate

need requests for fraud and ethics complaint related projects. There is no indication that this high demand for OIA services will not continue into the foreseeable future.

In April of 2018, the OIA was assigned additional responsibilities when the Reporting Loss of University Funds or Property Procedure (PRO-U5315.25A) was updated to include OIA as the primary administrator/facilitator of WWU's loss reporting processes. Since April 2018 to date, the OIA has administered the loss reporting process for 20 loss events. Administering the loss reporting process utilizes OIA personnel resources for administration of this function as well as addressing additional emergent issue projects associated with the losses.

In May of 2018, the OIA was also assigned additional responsibilities when the president appointed the OIA Director as the Ethics Officer for the university. Examples of these additional responsibilities include:

- Administering a university-wide ethics program consistent with the Revised Code of Washington Title 42, Chapter 52, and Washington Administrative Code 292, and various existing university policies.
- Answering ethics law questions and advising personnel on acceptable activities related to the Washington State Ethics in Public Service Act. Since May of 2018 to date, the OIA has responded to over 60 requests for advisory services.
- Educating and training university personnel on the state ethics laws promulgated in the act. The OIA provides the quarterly STAR training, Ethics in the Workplace, to WWU supervisors and others as requested.
- Acting as the liaison with the state Executive Ethics Board, coordinating investigations, responding to investigations and, when called upon, performing investigations on behalf of the Executive Ethics Board.

There has also been a change in State requirements that resulted in additional requirements for OIA resources. In July of 2017, the Washington State Office of Financial Management, issued Chapter 22 of the State Administrative and Account manual to provide guidance and identify requirements for state agency offices of internal auditors in accordance with RCW 43.88.020(4). This new State Policy requires that WWU maintain an internal audit program that is compliant with the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing (Internal Audit Standards). Ensuring compliance with this state policy requires that the OIA Director devote additional resources to administering the program compliantly vs. working directly on internal audit projects. Additional administrative projects include performing internal, and coordinating external, assessments of the OIA's compliance with Internal Audit Standards and addressing deficiencies.

The Board FARM Committee Chair and the President suggested that the OIA Director submit this budget proposal to help provide for additional staff resources to help facilitate timely response to emergent requests for investigations of fraud and ethics concerns as well as the completion of scheduled audit projects.

Anticipated Outcome(s):

1. The OIA will have sufficient resources to complete scheduled audits as well as be responsive to requests for audit, consulting, & investigative services.
2. The OIA will be able to establish a best practices university-wide ethics program for WWU.
3. WWU will comply with state requirements for internal audit programs.

Metrics: *(How will outcomes be measured? Please include current data points and goals. If this proposal will have any impact on the [Overall Metrics](#) included in the university's strategic plan, please indicate which specific ones here.)*

1. Available resources vs. resources needed to complete planned and emergent internal audit activities will be monitored to ensure sufficiency, and the results will be communicated to the FARM committee.
2. The OIA will conduct a review of the WWU Ethics Program for compliance with best practices noting opportunities for improvement and reporting the results to the FARM committee.
3. The OIA will undergo a Quality Assurance Review (QAR) conducted by outside auditors. The QAR will provide an assessment report to the board of trustees regarding whether the OIA is compliant with internal audit standards noting opportunities for improvement.

How does this proposal align with your departmental/divisional strategic priorities? *(Please reference specific items from the recently completed departmental/divisional strategic plan and attach a copy.)*

This proposal supports the purpose and responsibilities of the OIA. Details of the purpose and responsibilities of the OIA are included in the Board of Trustees-approved, [Office of the Internal Auditor Charter](#). In summary, the purpose of Western Washington University's (WWU's) Office of the Internal Auditor (OIA) is to provide independent, objective assurance and consulting services designed to add value and improve WWU's operations. The mission of the OIA is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The OIA helps WWU accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. The additional staff resources requested by this proposal help to ensure that the OIA purpose, mission, and responsibilities are accomplished.

How does this proposal support the University Mission and Strategic Objectives? *(Please refer to the [2018-2025 Strategic Plan](#) and indicate which core theme(s) this proposal will help achieve.)*

The OIA supports the university mission and strategic objectives by providing risk-based and objective assurance, advice, and insight.

The OIA primarily supports the university mission and strategic objectives through engagements that provide assurance that university personnel are performing their duties consistent with the university value: Integrity, responsibility, and accountability in all our work.

Depending on the OIA engagement topic selected, any one or multiples of the four university goals and supporting objectives could be supported by the engagements results. For example, engagements related to:

- Reviews of support and infrastructure of scholarships and research (1.c.), or reviewing aspects of budgeting and capital planning (1.f) could support [Goal #1: Western will provide a transformational education grounded in the liberal arts and sciences and based on innovative scholarship, research, and creative activity.](#)
- Reviews of economic dimensions of sustainability (2.e) could support [Goal #2: Western will advance a deeper understanding of and engagement with place.](#)
- Reviews of programs that support physical health and wellness, mental health and disability resources (3.b) as well as reviews of climate and working conditions (3.d) could support [Goal #3: Western will foster a caring and supportive environment where all members are respected and treated fairly.](#)
- Supporting practices of self-examination and continuous improvement (4.b), increased affordability (4.e), expanding professional development opportunities (4.g), and ensuring just actions (4.i) support [Goal #4: Western will pursue justice and equity in its policies, practices, and impacts.](#)

What are the consequences of not funding this proposal?

The primary consequence of not funding this proposal is that without adequate staff resources for the Office of the Internal Auditor review of critical emergent issues, and known risk areas may be delayed or prevented from occurring which could put the university at substantial financial reputational and/or other risks. Not funding this proposal could also hinder the successful implementation of the WWU Ethics Program and compliance with state requirements for internal audit programs.

What alternatives were explored?

The OIA has started utilizing shared administrative staff personnel to perform audit tasks at a higher percentage than allocated. The OIA is also reviewing opportunities to outsource planned and emergent audit engagements to external audit service providers.

Which units (departments, colleges, etc.) will be involved?

The OIA is an institutional university-wide service function. Assurance, consulting, and investigative engagements, as well as other services, could be provided to any or all departments, colleges, etc..

Equipment needed:

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For major (>\$25k) purchases, please provide the following information.

Item:

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Purpose:

Click here to enter text

Cost:

Click here to enter text

Anticipated Useful Life:

Click here to enter text

Replacement Cost if any:

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Human Resources *(Complete the table below adding additional rows if necessary):*

<i>Position Title</i>	<i>Total Headcount</i>	<i>Total FTE</i>	<i>Salary and Benefits per FTE</i>	<i>Total Cost</i>
<i>Staff Internal Auditor</i>	<i>1</i>	<i>1</i>	<i>\$79,857</i>	<i>\$79,857</i>

Table above should match data on budget spreadsheets submitted with this proposal. Complete the spreadsheet to get salary, benefit, and total cost amounts. Contact your division budget officer with questions.

Operating & Maintenance Costs (include service contracts, installation costs, etc.):

General Operating Expenses (direct recurring): \$7,700, estimated for training, and associated travel, membership and certification costs, as well as, costs for specialized administrative, analytical & forensic software tools and associated subscriptions.

There will be a one time estimated cost of approximately \$15,000, for recruitment, office space build-out, office furniture, and computer equipment.

Space Requirements:

What type of space is needed for this proposal? (e.g., private office, lab space, group work/study space, etc.)

Administrative office space will be required – private office. The OIA Director will work with space administration to include this new staff office space requirement into then current plans for new OIA office space in Old Main.

What features must this space have? (e.g., fume hoods, plumbing, 3-phase power, etc.)

There are plans to move the entire Office of the Internal Auditor to a new space in Old Main. This additional office space (for one new staff person) needs to be in the same area as the other relocated Office of the Internal Auditor personnel in Old Main.

What needs can be accommodated within your existing space?

The Director of OIA will work with the space manager to determine what needs can be met in OIA’s current space if the relocation of the OIA is not complete by the time the new staff person is hired.

How much new space will be required?

One additional office space, preferably a private office with a door.