February 13, 2017

To: Members of the Audit and Insurance Committee
   Tom Spurgeon, Chair
   JoAnn Brouillette
   Malcolm DeKryger

Fr: Peg Fish, Director of Audits
Re: Audit Plan for Calendar Year 2017

The projects planned for 2017 cover a wide array of risks and opportunities, but with a focus on institutional transformation. 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 during 2017. It is aligned with the University's objectives and is designed, utilizing a flexible approach, to allow for adjustments based on the University's continual state of change.

Enclosure

c: Chairman Mike Berghoff
   President Mitch Daniels
   Treasurer Bill Sullivan
   Provost Deba Dutta
   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, strategic, and reputational risks to the University.

AUDIT PLAN DEVELOPMENT
The plan includes consideration of major institutional initiatives including regional campus redesign, business transformation, and reshaping the technology infrastructure. It also links enterprise risk management (risk centric model), associated impact measures and risk drivers, as well as budget initiatives (objective centric model).

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

Risk drivers
- new technologies
- data integrity and security
- size and complexity of operations
- unauthorized access to data
- ineffective and inefficient data management
- 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

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

<table>
<thead>
<tr>
<th>Planned Allocation of Audit Resources</th>
<th>Estimated Project Hours</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audits (Planned)</td>
<td>12,025</td>
<td>81%</td>
</tr>
<tr>
<td>Audits (Unplanned)</td>
<td>1,475</td>
<td>10%</td>
</tr>
<tr>
<td>Client Research</td>
<td>400</td>
<td>3%</td>
</tr>
<tr>
<td>Non-Client Contact</td>
<td>890</td>
<td>6%</td>
</tr>
<tr>
<td>Total</td>
<td>14,790</td>
<td>100%</td>
</tr>
</tbody>
</table>

Total audit coverage (planned and unplanned) is estimated at 91% and is based on eight professional staff. Ten percent (10%) of total projected audit resources have been reserved for unplanned audits. This will allow for flexibility in addressing emerging risks, anonymous allegations, and requests by governance bodies, management, and others.

Approximately three percent (3%) of staff total resources are budgeted for client research. This category includes providing risk or control input to various University areas, determining the impact of regulations or standards, researching specific information at management’s request, support for external audit groups, and overseeing the anonymous reporting program.

Non-client contact, six percent (6%), consists of office support, compliance with the Institute of Internal Auditor’s International Standards for the Professional Practice of Internal Auditing (Standards), business continuity planning, and meeting professional development expectations. Communications from various organizations including the Association of College and University Auditors, the American Institute of Certified Public Accountants, the Association of Certified Fraud Examiners, and the 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-five (75) audits are included in the plan, 65 new and 10 in-process. These audits were categorized into primary risks, as well as by budget categories, with this comparison shown.
Risk Centric Model

Objective Centric Model by Budget Categories

Campus Plan

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

<table>
<thead>
<tr>
<th>Campus</th>
<th>Audit Hours</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fort Wayne (11%)</td>
<td>1,325</td>
<td>8</td>
</tr>
<tr>
<td>Northwest (18%)</td>
<td>2,130</td>
<td>14</td>
</tr>
<tr>
<td>Northwest follow-up</td>
<td>30</td>
<td>1</td>
</tr>
<tr>
<td>West Lafayette (71%)</td>
<td>8,305</td>
<td>53</td>
</tr>
<tr>
<td>West Lafayette follow-up</td>
<td>235</td>
<td>12</td>
</tr>
</tbody>
</table>

Fort Wayne Planned Audit Coverage
- Academic Support: foundation financial statements
- Administrative/Infrastructure: entity accounting, web applications, and data backup
- Gift Income: gift operations
- Service/Retail Income: child care operations
Student Aid: scholarship processes
Student Support: campus safety compliance

**Northwest Planned Audit Coverage**
- Academic Support: student information system financial aid application (2) and grant review
- Administrative/Infrastructure: account structure and information system infrastructure controls (change management, data backup, physical security, restricted data controls, active directory, and web applications)
- Service/Retail Income: child care operations
- Student Fees: tuition revenue
- Student Support: campus safety compliance and admissions system controls

**West Lafayette Planned Audit Coverage**
- Academic Support: conflict of commitment (2), research (2), foundations (2)
- Administrative/Infrastructure: transformation projects (13), information technology infrastructure (telecommunications, institutional data analytics, security logging and monitoring, data backup, data centers, networks, firewalls, production operation, storage (2), configuration management, emergency communications, and vulnerability management)
- Athletics: ticket sales (2) and ticketing system
- Colleges: cooperative extension, assets, departmental revenue, information technology infrastructure
- Grants/Contracts: contract administration (2), grants management (2)
- Investment/Endowment: investment valuation and cash
- Other Income: sales operation
- Room and Board: room/board fees
- Service/Retail Income: operational audits (3)
- Student Aid: refunds and foundation
- Student Support: Bursar operations

**INITIATIVES, GOALS, AND PRIORITIES**
Initiatives for 2017 include continued alignment with risk oversight, orientation with institutional objectives, facilitating the University’s enterprise risk management program, monitoring of the anonymous reporting program, and synchronizing with the University’s external audits to maximize audit coverage.