



# INTERNAL AUDIT DIVISION YEAR IN REVIEW – FISCAL YEAR 2014

# INTERNAL AUDIT: FY14 YEAR IN REVIEW

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## Chief Audit Officer Message

Emory's Internal Audit Division strives to be a best practice provider of value added internal audit assurance and advisory services to the Audit and Compliance Committee of the Board of Trustees (ACC) and executive leadership.

Fiscal Year 2014 (FY14) was a year with significant changes and accomplishments. A major focus in FY14 was the enhancement of our data analytic capabilities, including the implementation of the Internal Audit Continuous Auditing Program (CAP) in April 2013. Through the data analytics program Internal Audit is able to: proactively identify key risk areas; improve the efficiency of our assurance and investigation services; and provide management with greater insight on the effectiveness of process controls and serve as an early warning system of potential risk areas. These efforts help Internal Audit to automate the oversight of certain financial and compliance risks, and redirect staff resources toward higher value reviews of significant risks that could impact the attainment of Emory's strategic initiatives and goals.

Other positive outcomes of our work this past year included the following:

- Enhanced institutional policies and procedures related to compliance, financial, operational, and information security practices.
- Increased stewardship and accountability for the review and approval of transactions in accordance with policies.
- Sustainable internal controls to strengthen process effectiveness and efficiency.

Our entire Internal Audit team appreciates the support of the ACC, executive leadership, and operational management. We look forward to supporting Emory's leadership in achieving the organization's teaching, research, and patient care objectives in FY15.

# INTERNAL AUDIT: FY14 YEAR IN REVIEW

## **Internal Audit Mission**

- Provide independent, objective assurance services
- Add value and improve the operations of Emory University and Emory Healthcare
- Evaluate and improve the effectiveness of risk management, control, and governance processes
- Strengthen organizational performance and promote the safeguarding and effective use of enterprise assets and resources.

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## FY14 Audit Plan Status

The FY14 audit plan focused on areas of significant institutional risk, including those opportunities to strengthen processes and controls that support governance processes, operational effectiveness, regulatory compliance, and proactive risk identification and mitigation.

During FY14, Internal Audit had a productive year as we performed numerous audits, investigations, and reviews across Emory University and Emory Healthcare.<sup>1</sup> A summary status of our FY14 audit plan is outlined below.

	<b>Complete</b>	<b>Report Drafted</b>	<b>In-Process</b>	<b>Not Started</b>	<b>Total</b>
Emory University Approved Audit Plan	24	2	5	3	34
Emory HealthCare Approved Audit Plan	18	1	5	1	25
Total	42	3	10	4	59
Reviews Added During Year	12	6	9	2	29
FY14 Total	54	9	19	6	88

In addition, Internal Audit staff actively participated on more than 12 Emory teams to support various Emory initiatives, performed audit follow up, and supported the Audit and Compliance Committee.

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<sup>1</sup> A description of the audit lifecycle is provided in Appendix D.

# INTERNAL AUDIT: FY14 YEAR IN REVIEW

## The Emory Continuous Auditing Program – A Best in Class Example



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Internal Audit has designed a data analytics program and implemented a continuous auditing and monitoring infrastructure for a variety of disbursement transaction flows and other management generated metric reports.

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Implemented in April 2013, this best in class approach provides timely and ongoing assurance concerning the operational effectiveness of internal controls. The use of continuous auditing has dramatically transformed internal audit testing from periodic reviews of sample transactions to ongoing, real-time review of entire transaction populations.

By continuously strengthening and investing in this infrastructure, Internal Audit is able to work collaboratively with Emory management to build additional monitoring reports that provide management with business intelligence to address issues more timely and efficiently.

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# FY14 Audit Coverage Highlights

During FY14, Internal Audit served Emory by providing a variety of value-add services, ranging from assurance to advisory, and from investigations to business intelligence/data analytics.<sup>2</sup> Our key projects impacted a variety of institutional risk areas, including the following:

- Research Administration
- Donor Intent
- Study Abroad Programs
- Healthcare Revenue Cycle
- Pharmacy Controlled Substance Procurement
- Clinical Trial Safety
- Segregation of Duties and System Access
- Student Data Privacy
- Data Governance and Integrity
- Key Financial Disbursements (Payroll, P-Card, Corporate Card, Expense Reimbursements)
- Investigations of Potential Misappropriation/Misuse of Emory Funds
- Ongoing Data Analytics and Business Intelligence to Support Management Decision-Making

Highlights of significant valued added results are provided on the following pages.



<sup>2</sup> See Appendix C for a description of the services provided by the Internal Audit Division.

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## FY14 Value Added – Emory University (EU)

### **ASSURANCE**

#### ***Research Administration***

- Bayh-Dole Funds – Identified need for, and provided input on, a policy to provide guidance on the management of and appropriate uses for discretionary account funds.
- Effort Reporting (Various Schools/Units) – Improved processes to document and approve effort.

#### ***Donor Intent***

- Provided assurance on a sample basis that donated funds were spent in accordance with the documented donor intent (Various Schools/Units)

#### ***International Programs***

- Study Abroad Program Funds – Strengthened process oversight, documentation requirements, and review and approval controls related to cash advances.

#### ***Information Security and Data Governance/Integrity***

- Identified need for, and provided input on, enhancements to the Critical Financial Reporting Systems Security Policy, and payroll review and approval processes.
- Evaluated student data privacy in support of Family Educational Rights and Privacy Act (FERPA) compliance
- Evaluated the data governance for and integrity of, select reported Integrated Postsecondary Educational Data Systems (IPEDS) elements.

#### ***Finance***

- Monitor the timeliness and completeness of the monthly cash account reconciliation process for EU operating cash accounts.

### **ADVISORY**

#### ***Research Administration***

- Provided input on the design and operating effectiveness of:
  - Research Administration Service Centers' *Standard Operating Procedures*
  - Division of Animal Resources billing, and animal census and tracking processes.
- Supported management's effort reporting initiatives resulting in a decrease in the number of "late" effort reports: a) pending pre-review (75% decrease in late effort reports) and b) pending certification (24% decrease in late effort reports).
- Evaluated data reports developed by Research Administration to monitor the timeliness and completeness of sponsored program billing and collections.

#### ***Finance***

- Worked with management to develop a process to document pay rate changes to meet external audit requirements.
- Supported management efforts to design authorization controls to prevent employee bank direct deposit information from being inappropriately changed.

#### ***Information Security and Data Governance/Integrity***

- Evaluated access to Social Security Numbers in the PeopleSoft Student system.

#### ***Committee Participation***

- Participated on various Emory initiatives and committees, including: Enterprise Risk Management, Financial Attestation, PeopleSoft Upgrade, Data Warehouse/Business Intelligence, Institutional Data Policy, Compliance Committees, Clinical Trials, and Business Officers Forum.



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## FY14 Value Added – Emory Healthcare (EHC)

### ASSURANCE

#### *Pharmacy Procurement of Controlled Substances*

- Strengthened requisitioning, ordering, receiving, and invoice approval controls.

#### *Revenue Cycle*

- Post-implementation analysis of Saint Joseph's Hospital revenue cycle performance.
- Evaluated the effectiveness of surgical supply charge capture processes at Emory University Hospital Midtown.

#### *Clinical Trial Safety Checklist Process*

- Evaluated the design and effectiveness of internal control processes. Provided management with detailed process flows, including risks and controls documentation.

#### *Financial Controls*

- Monitor the timeliness and completeness of the monthly bank reconciliation process for over 30 EHC operating cash accounts.
- Evaluated the effectiveness of user access controls that establish and enforce segregation of duties for significant disbursement systems at The Emory Clinic's Department of Gynecology and Obstetrics.
- Reviewed Executive expense reports for compliance with EHC policy.

### ADVISORY

- Provided analysis and support to management, resulting in a 60% decrease in the number of employees with access to view patients' full social security numbers in HealthQuest, the EHC hospital patient financial services software.
- Developed a template for EHC management to verify the completion of clinical trial safety checklists for all clinical trials submitted for approval to Emory University's Institutional Review Board.
- Contracted with construction audit vendor for the Emory University Hospital J-Wing Parking Deck Construction. Suggestions made to further clarify contract language that will reduce the likelihood of potential future contract billing disputes.
- Developed an Accounts Payable Frequently Asked Questions document for EHC employees to use as a quick reference guide for common travel and entertainment policy questions.

#### *Committee Participation*

- Participated on various Emory Healthcare initiatives and committees including: Recovery Audit Contractors, Compliance Council, Finance Committee, Clinical Claims and Reserve Review, and 340B Drug Pricing Program Governance.

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## FY14 Value Added – Emory University and Emory Healthcare

### **BUSINESS INTELLIGENCE/DATA ANALYTICS**

- The Continuous Auditing Program identified \$400,000 in duplicate payments. In most cases management was able to void the duplicate transaction before payments were released.
- Engaged AP Recovery Inc. (APR) to perform historical review of accounts payable transactions. APR identified and recovered \$1.3M in duplicate payments and unapplied vendor credits.
- The Continuous Auditing Program monitors daily payroll, procurement, and other disbursement transactions, and identifies exceptions for management follow-up and resolution.
- In process of developing new data analytics to identify potential unusual/risky transactions in the following areas:
  - Sponsored research: volume of cost transfers, late cost transfers, late effort reports, and unusual spending patterns.
  - Procurement (Emory Express): Unusual spending patterns based on multiple risk factors (no approval; invoice attach purchases; technology purchases; purchase splitting).
  - P-Cards: Purchases without approvals; purchases without receipts.
- Several data analytics were developed and provided to management for use including: students clocking into two or more jobs at same time or during class time; employees enrolled in benefit plans without corresponding payroll withholdings.
- Custom financial/disbursement reports were utilized to support risk identification, audit planning, and investigations.

### **INVESTIGATIONS**

Internal Audit, in support of institutional integrity and ethics, investigates concerns reported directly to management and anonymously via the Trust Line. Highlights of our FY14 investigations include the following:

- 31 investigations; \$521,000 in diverted Emory funds.
- Recovered \$70,000 from former employees.
- Internal control enhancements including:
  - Non-degree program revenue reconciliations.
  - Computer disposal and hard drive wiping process.
  - Segregation of duties and approval authority controls.

# INTERNAL AUDIT: FY14 YEAR IN REVIEW

## **Our People – Skills and Qualifications**

Internal Audit's greatest asset is our people. As such, our office is committed to attracting and retaining the best and the brightest audit professionals. From our management team to our staff auditors, our diverse team is composed of members possessing strong acumen in the following areas:

- Analytical and critical thinking across operational, financial, and compliance arenas
- Communications skills
- Data analysis and mining
- Information systems and security
- General business operations
- Prioritization of risks and recommendations for practical risk mitigation plans

The Internal Audit Division's organizational chart, and leadership biographies are provided in Appendix A and B.

## INTERNAL AUDIT: FY14 YEAR IN REVIEW

**Diversity and Qualifications:** We welcome people from a variety of academic, cultural, and professional backgrounds who are committed to providing the best in class internal audit assurance and advisory services. Our team members' value teamwork and diversity, exhibit leadership and excellence, demonstrate effective communication skills, and possess the motivation to succeed in a complex environment. Highlights of our diverse backgrounds, experiences, and credentials include:

### *Education*

- All team members have a bachelor's degree
- Nine (9) out of 11 team members have a master's degree
  - 5 Masters of Business Administration (MBA)
  - 3 Masters of Accounting
  - 1 Master of Business Information Systems

### *Professional Certifications*

- All team members have at least one (1) professional certification:
  - 6 Certified Internal Auditors (CIA's)
  - 5 Certified Public Accounts (CPA's)
  - 1 Certified Information Systems Auditor (CISA)
  - 1 Certified Fraud Examiner (CFE)
  - 1 Certification in Risk Management Assurance (CRMA)
  - 1 Certified Government Auditing Professional (CGFP)
  - 1 Certified Government Financial Manager (CGFM)

### *Emory Work Experience*

- 7 years per team member (average)
- 74 years collectively

### *Prior Work Experience*

- Big 4/Public Accounting
- Federal Government
- Higher Education
- Healthcare
- Information Security/Technology Consulting
- Healthcare Compliance

# INTERNAL AUDIT: FY14 YEAR IN REVIEW

## Contact Information

Website: <http://www.iad.emory.edu>

Phone: 404-727-6146

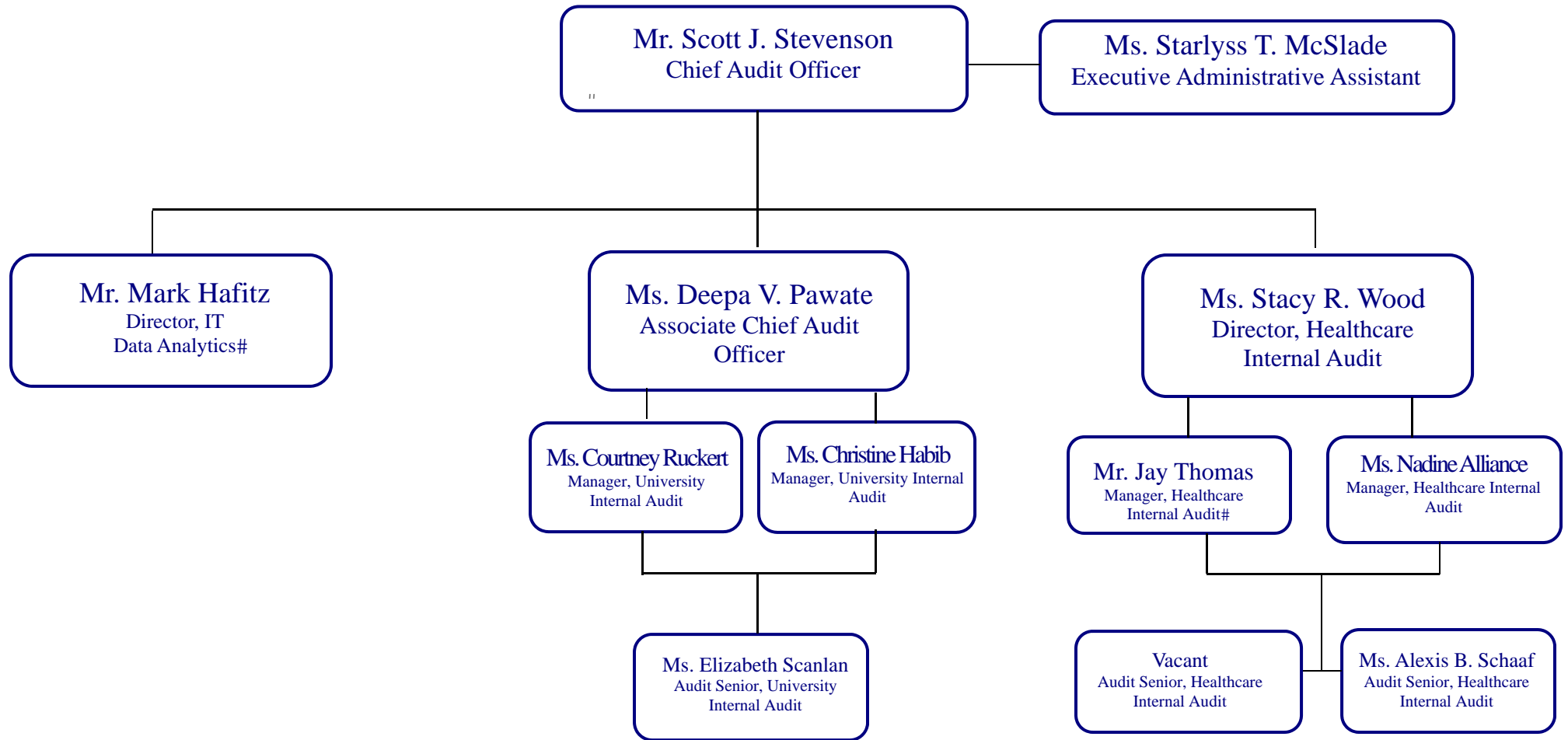
Email: [audit@emory.edu](mailto:audit@emory.edu)

Confidential Reporting to the Trust Line:

- Phone: 1-888-550-8850
- Online: <http://www.mycompliancereport.com/report.asp>

# INTERNAL AUDIT: FY14 YEAR IN REVIEW

## Appendix A – Internal Audit Organizational Chart





## Appendix B - Internal Audit Leadership Biographies



### Scott Stevenson – Chief Audit Officer

Scott J. Stevenson is the Chief Audit Officer for Emory University and Emory Healthcare. Scott is responsible for the assessment of enterprise and entity-level risk, and the development and execution of the work plans focused on enhancing internal controls and compliance infrastructures that support and advance Emory's core missions of education, research, and patient care. The Chief Audit Officer reports to the Board of Trustees Audit and Compliance Committee and the Executive Vice President of Business and Administration.

Scott is also responsible for overseeing the four functional teams of the Internal Audit Division.

Before joining Emory in 2005, Scott served as a Director at Bon Secours Health System and as a senior auditor with Ernst & Young and PricewaterhouseCoopers. He spent a year in Savannah as the Chief Audit Officer for the Memorial Health System. A member of the Institute of Internal Auditors, and the HealthCare Financial Management Association, Scott has over 25 years of accounting and audit experience. He is a Certified Public Accountant, a Certified Internal Auditor, and holds a Bachelor of Science degree in Accounting from Wake Forest University and an MBA from Averett University.

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### **Deepa Pawate – Associate Chief Audit Officer**

Deepa Pawate is the Associate Chief Audit Officer for Emory University. She is responsible for the audit activities at the University's colleges, centers, and business units, as well as overseeing a coordinated information technology audit program for Emory. Prior to joining Emory in 2005, Deepa was a consultant with the Northrop Grumman Corporation, supporting the U.S. Centers for Disease Control and Prevention in information security and systems analyses. Additionally, she was a consultant with Arthur Andersen, performing internal audits, information technology and project risk management reviews, and other consulting engagements in various industries. She is a Certified Information Systems Auditor (CISA) and a member of the Information Systems Audit and Control Association and the Institute of Internal Auditors.

Deepa received her Bachelor of Arts degree in Computer Science from Emory College, where she was an Emory Scholar, and her Executive MBA with Beta Gamma Sigma honors from the Goizueta Business School of Emory University.

### ***University Internal Audit Team Members***

<b>Courtney Ruckert</b> <i>Manager, University Internal Audit</i>	<b>Christine Habib</b> <i>Manager, University Internal Audit</i>
<b>Elizabeth Scanlan</b> <i>Senior Auditor, University Internal Audit</i>	<b>Vacant</b> <i>Senior Auditor, University Internal Audit</i>

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### **Stacy Wood - Director of Healthcare Internal Audit**

Stacy Wood is the Director of Healthcare Internal Audit for Emory University. She is responsible for the audit activities at Emory Healthcare and its various entities. Prior to joining Emory in 2007, Stacy was the Director for Corporate Compliance and the Privacy Officer at Saint Joseph's Health System. A Certified Internal Auditor, she served as a Director for the Catholic Healthcare Audit Network, a Manager with Ernst & Young, and a Senior Consultant with Arthur Andersen. Stacy is a member of the Institute of Internal Auditors and the Association of Healthcare Internal Auditors with more than 20 years of business experience.

Stacy holds a Bachelor of Business Administration degree from James Madison University and a Masters of Business Administration from the University of North Carolina at Charlotte.

### ***Healthcare Internal Audit Team Members***

<b>Nadine Alliance</b> <i>Manager, Healthcare Internal Audit</i>	<b>Jay Thomas</b> <i>Manager, Healthcare Internal Audit</i>
<b>Alexis Schaaf</b> <i>Senior Auditor, Healthcare Internal Audit</i>	<b>Vacant</b> <i>Senior Auditor, Healthcare Internal Audit</i>

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### **Mark Hafitz – Director of Information Technology Special Projects**

As well as being an Emory alumnus, Mark has worked for Emory University for over 20 years. His career at Emory started in the Information Technology Division working as a Programmer/Analyst supporting financial applications. Several years later he began working in the Human Resources Division as the Assistant Director, Information Systems. He managed the daily operations of the Human Resources Information Systems area and oversaw the development and maintenance of all Human Resources systems. For the last 15 years he has worked in the Finance Division managing and overseeing the completion of the division wide financial systems projects as the Director of Financial Projects. Prior to Emory, Mark spent several years as a Programmer/Analyst working with the Information Systems group at Kimberly-Clark Corporation.

Mark received his Master of Business Information Systems degree from Georgia State University, and a Bachelor of Arts degree in English Literature from Emory University.

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## Appendix C - Description of Audit Services

### Assurance

- Conduct reviews to provide the Board of Trustees and Executive Management with comfort that controls are operating effectively to promote attainment of Emory's strategic goals and objectives.
- Assurance reviews are selected based on Emory's Enterprise Risk Management (ERM) process and management input.
- Primary purpose is to evaluate the design and effectiveness of business processes and controls to meet objectives.
- Provide advice on risk and risk mitigation.

### Investigations

- Support management's efforts to establish a culture that embraces ethics, honesty, and integrity in accordance with Emory's Statement of Guiding Ethical Principles.
- Investigative audits identify the facts and circumstances of possible financial fraud or misappropriation of the organization's assets.
- Evaluate internal controls used to detect or mitigate fraud.

### Business Intelligence/Data Analytics

- The continuous auditing program provides for a daily, technology-enabled, detective audit of transactions. Transaction and master file data from multiple information systems are passed daily to the audit data analytics server. Logical scripts are run against the transactional data to identify potential policy violations, control failures, or fraud.
- Historical data is retained in the data analytics server, enabling Internal Audit to perform ad hoc analysis and provide valuable operational insight to management.

### Advisory and Consultative

- As requested by executive leadership, we will facilitate risk assessments, business process design analysis, data analysis or information technology assessments. These engagements are intended to provide insight into the operations, develop opportunities for consideration and assess the value of potential changes to objectives, processes or systems.
- These engagements generally do not result in the distribution of an audit report. Instead, a summary of observations and recommendations is provided to a limited distribution group.
- Examples: interpreting policies and procedures, participating on standing committees, analyzing risk and control of new processes and related system implementations, providing internal control and fraud awareness training and education, and facilitating information exchange across the enterprise.

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## Appendix D - The Audit Lifecycle

Each year, Internal Audit develops a risk-based audit plan. The audit lifecycle is designed to be an iterative and dynamic process, whereby Internal Audit continuously builds expertise in, and delivers value towards, Emory's governance, risk management, and control processes within the institution.



	Key Inputs	Key Outputs
<b>Risk Assessment and Annual Audit Plan</b>	<ul style="list-style-type: none"> <li>Enterprise Risk Management</li> <li>Emory Strategic Plan</li> <li>Board and Management Input</li> <li>Internal Audit's Institutional Knowledge</li> </ul>	<ul style="list-style-type: none"> <li>Risk Assessment (Key Risks/Processes/Schools &amp; Units)</li> <li>Annual Audit Plan Presented for Approval by the Audit and Compliance Committee</li> </ul>
<b>Audit Planning</b>	<ul style="list-style-type: none"> <li>Results of Risk Assessment</li> <li>Discussion with Operational Management</li> <li>Process Walkthroughs of Risk and Controls</li> </ul>	<ul style="list-style-type: none"> <li>Audit Objective, Scope, Approach and Timeframe</li> <li>Process Flow Documentation</li> <li>Risk and Control Matrices, and Prioritization of Risks/Controls</li> </ul>
<b>Audit Execution - Testing Strategy and Fieldwork</b>	<ul style="list-style-type: none"> <li>Risk and Control Matrices</li> <li>Process Flow Documentation</li> <li>Testing Methodologies</li> </ul>	<ul style="list-style-type: none"> <li>Internal Audit's Analysis and Evaluation</li> </ul>
<b>Communication of Audit Results</b>	<ul style="list-style-type: none"> <li>Internal Audit's Analysis and Evaluation</li> <li>Management Action Plans</li> <li>Status Updates on Management Action Plans</li> </ul>	<ul style="list-style-type: none"> <li>Audit Reports with Management Action Plans, and Status Updates on Management Action Plans, Reported to the Audit and Compliance Committee</li> <li>Ongoing Risk Assessment Updates</li> </ul>