

# ***Internal Audit Division***

Internal Audit is an independent appraisal activity established by the Oregon State Board of Higher Education as a service to the Chancellor's Office and the seven universities comprising the Oregon University System. IAD reports administratively to the Senior Vice Chancellor for Finance and Administration and functionally to the Chancellor and Oregon State Board of Higher Education.

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Internal Audit Division

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Internal Audit Division

# ***Internal Audit Charter***

## **OREGON UNIVERSITY SYSTEM INTERNAL AUDIT CHARTER**

### **Introduction**

Internal auditing is an independent, objective, assurance and consulting activity designed to add value and improve the organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The objectives of internal auditing are to assist members of the organization in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed and by promoting effective control at reasonable cost.

### **Role of the Internal Audit Department**

The Oregon State Board of Higher Education and the Chancellor established the Internal Audit Division and its responsibilities. The responsibilities are defined in this charter, which is approved by the Oregon State Board of Higher Education. The Director of Internal Audit reports administratively to the Chief Operations Officer and functionally to the Chancellor and Finance, Budget, Audit, Personnel, and Real Estate Standing Committee of the State Board of Higher Education.

### **Authorization and Responsibilities**

Authorization is granted for full and complete access to any of the organization's records (either manual or electronic), physical properties, and personnel relevant to a audit engagement. Documents and information given to internal auditors during a periodic review will be handled in a confidential and prudent manner as required by the International Institute of Internal Auditors code of ethics.

Internal auditors have no direct responsibility or any authority over any of the activities or operations that they review. They should not develop and install procedures, prepare records, or engage in activities, which would normally be reviewed by internal auditors.

Recommendations on standards of control to apply to a specific activity may be included in the written report of audit findings and opinions, which is given to the operating management for review and implementation. Copies of final reports will be distributed to university management and the Chief Operations Officer.

### **Definition of Audit Scope**

The scope of internal auditing encompasses the following activities:

- Review the adequacy and effectiveness of internal control systems



- Review established systems, policies and procedures to ensure the organization is in compliance with laws and regulations
- Review means of safeguarding assets
- Appraise efficiency and effectiveness with which resources are deployed
- Coordinate audit efforts with those of the organization's external auditors
- Participate in the design/development of new business and computer systems
- Review the organization's compliance guidelines for ethical business conduct
- Evaluate plans and actions taken to correct reported conditions
- Provide adequate follow-up to ensure corrective action is taken and evaluate its effectiveness
- Periodically report audit findings and status of corrective action to the Chancellor and the Finance, Budget, Audit, Personnel, and Real Estate Standing Committee of the State Board of Higher Education
- Submit annual audit plan, budget, and status to the Chancellor and the Finance, Budget, Audit, Personnel, and Real Estate Standing Committee of the State Board of Higher Education

### **Reporting Accountabilities**

A written report will be prepared and issued by the Director of Internal Audit following the conclusion of each audit and will be distributed as appropriate.

The manager of the activity or department receiving the internal audit report will respond within 30 days. This response will indicate what actions were taken or are planned in regard to the specific findings and recommendations in the internal audit report. If appropriate, a timetable for the anticipated completion of these actions will be included.

The Director of Internal Audit will meet with the Chief Operations Officer and the Chancellor quarterly or more frequently as deemed necessary.

A summary of audit results will be provided to the Chancellor and Finance, Budget, Audit, Personnel, and Real Estate Standing Committee of the State Board of Higher Education semi-annually and more frequently as deemed necessary.

*Board Approved: September 10, 2004.*









**Internal Audit Division**

# ***Oregon State Board of Higher Education Charter***

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## **OREGON UNIVERSITY SYSTEM OREGON STATE BOARD OF HIGHER EDUCATION AUDIT CHARTER**

### **Audit Responsibilities**

The Oregon State Board of Higher Education has oversight responsibility to ensure that Oregon University System (OUS) management is performing their duties of financial reporting, effective and efficient internal controls, and compliance with laws, regulations, and ethics. As part of this oversight responsibility, the Oregon State Board of Higher Education shall have the following responsibilities and powers and shall perform the following functions as it relates to audits.

### **External Audit Duties**

- The Secretary of State Audits Division shall provide the Oregon State Board of Higher Education notice of the external auditors selected to complete the annual financial statement and A-133 audit of the Oregon University System.
- The Oregon State Board of Higher Education shall meet with the external auditors annually to review the scope and nature of the annual audit, and to review the results of the auditing engagement.

### **Internal Audit Duties**

- The Oregon State Board of Higher Education shall approve annually the Internal Audit Division's audit plans and budget.
- The Oregon State Board of Higher Education shall review at least semi-annually the results of Internal Audit recommendations and follow-up procedures. More frequent meetings will be held as deemed necessary.



- The Oregon State Board of Higher Education shall approve, as recommended by the Chancellor, the appointment or removal of the Director of Internal Audit Division.

## **General Duties and Powers**

- The Oregon State Board of Higher Education shall review any recommendations the external auditors or OUS staff may have for improving internal accounting controls, management systems, or choices of accounting principles.
- Any financial irregularity resulting in losses in excess of \$10,000 or involving a member of senior management shall be brought to the attention of the Chancellor and the Oregon State Board of Higher Education.
- The Oregon State Board of Higher Education shall devote, as necessary, a portion of the audit meetings to an executive session at which only the Director of Internal Audit Division and the external auditors are present with the Board to discuss matters exempt from public disclosure under Oregon Revised Statute Public Records Policy 192.
- The Oregon State Board of Higher Education shall have and exercise all other powers, as it shall deem necessary for the performance of its duties.
- The Oregon State Board of Higher Education has delegated these audit duties to the Finance, Budget, Audit, Personnel, and Real Estate Standing Committee. The Finance, Budget, Audit, Personnel, and Real Estate Standing Committee shall report the results of internal and external audit findings to the full Board at least once a year.

*Board Approved: September 10, 2004.*

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**Internal Audit Division**

## ***Audit Coordination***

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### **Coordination with External Auditors**

The Internal Audit Division (IAD) coordinates with the external auditors to ensure efficient and economical utilization of audit resources. IAD meets with the Secretary of State Audits Division and the external financial auditors twice a year and more frequently as needed. The goal of the meetings is to discuss staffing changes, audit plans, risks, and coordination. IAD attends external auditor entrance conferences and exit conferences.

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**Internal Audit Division*****Audit Process***

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-  [Selection of Audit Area](#)
  -  [Planning & Notification](#)
  -  [Entrance Conference](#)
  -  [Field Work](#)
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  -  [Draft Audit Report & Management Responses](#)
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**Selection of Audit Area**

Areas selected for audit are on an audit plan. The plan is based upon input from university and system administration, State Board of Higher Education, and the Internal Audit staff.

Factors that are considered in selecting units to be audited include:

- Results of the last audit of the area and length of time since last audit
- The size and complexity of the operation
- Potential risk of financial loss
- Major changes in operation, program, systems, or controls
- Highly regulated operations or operations subject to a high level of public scrutiny
- Degree of manual and automated processing
- Confidence in management
- Sensitivity (image, reputation, political)
- Assets
- Profits
- Sales
- Employee turnover
- Risk of loss
- Other

**Planning & Notification**

First, you will receive a letter to inform you of an upcoming audit. The auditor will send you a preliminary checklist. This is a list of documents (e.g. organization charts, financial statements) that will help the auditor learn about your unit before planning the audit. During the planning stages, the auditor will also ask you to identify potential audit objectives that would add value to your organization.



## **Entrance Conference**

At the beginning of each audit, a meeting is scheduled with the unit head and other appropriate personnel to discuss the audit scope and objectives, time schedule, and audit review process. Any concerns raised by the unit personnel are also discussed.

## **Field Work**

After the entrance conference, the auditor will begin fieldwork. Fieldwork involves interviewing staff, reviewing policy and procedures, and performing detailed tests.

The emphasis of the evaluation is to determine if there are adequate control systems and whether the systems are functioning as intended. The controls are measured against System, State, and Federal policies and procedures, as well as, generally accepted accounting principles. Areas of deficiencies and potential recommendations are discussed with the appropriate staff and are documented in the audit work papers. Auditors will also discuss control strengths identified within your unit.

## **Communication**

Throughout the process, the auditor will keep you informed. You will have an opportunity to discuss and confirm the potential problems found and possible solutions.

## **Exit Conference**

A meeting is scheduled with the same individuals who attended the entrance conference. At the exit conference, a rough draft of the audit report is reviewed so that all of the parties understand the nature of the recommendations and agree upon the possible solutions to any problem areas. Any misunderstandings or possible misstatements contained in the report are identified and resolved. Any deficiencies identified during the audit, which were not significant enough to be included in the audit report, but still represent a potential risk, are also discussed.

## **Draft Audit Report & Management Responses**

After the exit conference, a draft of the audit report is finalized. The manager of the activity or department receiving the internal audit report will respond within 30 days. This response will indicate what actions were taken or are planned in regard to the specific findings and recommendations in the internal audit report. If appropriate, a timetable for the anticipated completion of these actions will be included.

## **Final Audit Report**

The unit's responses are added and any noted corrections are made to the audit report. The final audit report is printed and bound in booklet format by Internal Auditing. The report is distributed to the appropriate university officials.



## Follow-up

There will be a follow-up review approximately 6 to 12 months after the audit. The purpose of the follow-up is to verify that you have implemented the agreed-upon corrective actions. The auditor will interview staff, perform tests, or review new procedures. The auditor will issue a follow-up memo indicating whether further actions are necessary. If further corrective action is required, you will need to identify what future corrective action is to be taken. Otherwise, you're all done.

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## Internal Audit Division

***Financial Irregularity Policy***

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**OREGON UNIVERSITY SYSTEM  
POLICY ON FINANCIAL IRREGULARITIES****Applicability**

All Oregon University System Employees

**Policy Statement**

The Oregon University System (OUS) is committed to the highest standards of morality and ethical behavior. All employees of the Oregon University System shall report known or suspected financial irregularities to their department manager, who is responsible for forwarding the report to the institutional designated administrator at the time they become aware of the incident. The institutional designated administrator must report known or suspected financial irregularities to the Oregon University System Internal Audit Division in accordance with institutional policy. All parties involved must handle the reports with confidentiality and objectivity.

It is important that when an employee makes a good faith report of known or suspected financial irregularities, this employee feels safe and protected from retaliation. The Oregon University System shall take steps to protect the reputation and maintain the confidentiality of the employee that is reporting the suspected financial irregularity. The Whistleblowers Protection Law defined in ORS 659.545 protects employees disclosing fraud in good faith. Persons found to be making frivolous claims under this policy will be subject to disciplinary action.

**Definitions**

*Financial Irregularities* are intentional misstatements or omissions of information related to financial transactions that are detrimental to the interests of the campuses or System. These may include violations of relevant Federal, State, OUS or campus laws, rules, and procedures.

These acts include, but are not limited to embezzlement, fraud, and forgery or falsification of reports, documents or computer files to misappropriate assets.

*Suspected Financial Irregularity* is a reasonable belief or actual knowledge that a financial irregularity is occurring or has occurred.

*Department Manager* is the immediate supervisor or individual with administrative responsibility for the unit where the suspected financial irregularity is occurring or has occurred.

*Institutional Designated Administrator* as defined in the OUS institutional financial irregularity policy and procedure.



## Related References

Oregon Revised Statutes Chapter 659.505 to 659.545  
Oregon Whistleblower Law  
OUS Institutional Financial Irregularity Policy and Procedures  
Oregon Revised Statutes Chapter 297  
Investigating Loss of Public Funds or Property 297.120  
Department of Administrative Services Policy Manual  
Number 125-7-203  
Issuing Division- Risk Management Division  
Employee Dishonesty Policy

## Individual Policies

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[PSU](#)

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**Internal Audit Division Organizational Chart**

This page was last updated January 18, 2005.



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Internal Audit Division

## *Resources*

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### Self-Evaluation Internal Control Tools

Cash & Accounts Receivables

[Potential Problems](#)

[Departmental Questions](#)

Purchasing & Procurement Card

[Potential Problems](#)

[Departmental Questions](#)

Fixed Assets & Minor Equipment

[Potential Problems](#)

[Departmental Questions](#)

Payroll & Human Resources

[Potential Problems](#)

[Departmental Questions](#)

### Environmental Self-Assessment

[Environmental Virtual Campus](#) - Massachusetts Institute of Technology

### Presentations

[Surviving an Audit](#) - (PowerPoint Version)

[Surviving an Audit](#) - (PDF Version)

### Informational Links



[OUS Controller's Division](#)

[Eastern Oregon University Business Services Office](#)

[Oregon Institute of Technology Business Affairs Office](#)

[Oregon State University Business Affairs Office](#)

[Portland State University Business Affairs Office](#)

[Southern Oregon University Business Services Office](#)

[University of Oregon Business Affairs Office](#)

[Western Oregon University Business Affairs Office](#)

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## Internal Audit Division

***Cash Receipts & Accounts Receivables*****Potential Problems - Inadequate Safeguarding of Assets**

1. Funds received are not immediately recorded on a mail log, cash receipt slip, cash register, or electronic receivable system.
2. Checks are not restrictively endorsed "FOR DEPOSIT ONLY" immediately upon receipt.
3. Custody of funds is not adequately controlled. Fund transfers between receiver, recorder, verifier, and depositor are not documented.
4. More than one cashier utilizes the same cash drawer or the fund is not balanced between shifts.
5. Voids, errors, or other corrections are not reviewed and approved by a supervisor.
6. Safe access is available to more than three employees (including supervisors), or locks and combinations are not changed when staff with access leave.
7. A second employee does not verify funds deposited.
8. Funds collected are not deposited timely.
9. Outstanding receivables are not adequately monitored (aged so that old receivables are easily identifiable and reviewed by management), and management does not adequately approve A/R write-offs.
10. Duties of cash collections, asset custody, record keeping or recording, authorization, and reconciliation are not adequately segregated or monitored.
11. Management reports are too general or excessively detailed, making review difficult.
12. Account reconciliation is not performed within 30-60 days of period end.
13. A supervisor does not review reconciliation or the review is not documented (initials and date).
14. Complete listings of accounts receivables are not maintained.

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## Internal Audit Division

***Cash Receipts & Accounts Receivables*****Departmental Questions**

Answer each question with a "Yes" or "No". "No" responses indicate a potential internal control weakness. Consult with your Business Affairs office on possible internal control weaknesses.

1. Do appropriate unit personnel have access and knowledge to all applicable policies and procedures?
2. Are checks endorsed "FOR DEPOSIT ONLY PAYABLE TO UNIVERSITY" immediately upon receipt?
3. Are cash registers used? If so:
  - a. Is cash counted and verified when cashiers receive their cash drawers?
  - b. Is access limited to one individual per cash drawer during a shift?
  - c. Are cash register summary tapes reconciled to cash counts at the end of a shift?
4. Is cash stored in a safe or other secure location and periodically counted by an independent person to verify completeness?
5. Is access to cash receipts restricted to specific individuals?
6. Does the unit perform periodic, unannounced cash counts? If so:
  - a. Are all counts documented?
  - b. Does a supervisor with no custodial responsibilities perform the count?
  - c. Are variances investigated and reviewed by management?
7. Are cash receipts deposited in a timely manner?
8. Does your department prohibit the commingling of cash receipts with petty cash or using cash receipts to replenish a petty cash fund?
9. Are large sums of cash transported to the central business office via AMSA-armored car service?
10. Are all cash receipts recorded in a log, journal, or other system?
11. Are pre-numbered receipts or acknowledgments provided to customers or other senders of cash?
12. Are cash receipt records reconciled to deposit slips and university statements? Are these records reviewed by management for completeness and timeliness of the deposit?
13. Are cash handling, recording, and reconciliation to statements or deposit slips performed by different personnel?
14. Does a second party verify the timeliness and completeness of cash deposits?
15. Does your department maintain a complete record of accounts receivables?



16. Is the recording of additions and reductions to accounts receivable records segregated from the person posting the deposits?
17. Are accounts receivable write-offs verified by someone other than the recorder of A/R or the receiver of cash?

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**Internal Audit Division*****Purchasing & Procurement Cards*****Potential Problems - Unauthorized, Unsupported, or Fraudulent Transactions**

1. Expenditures are not approved in advance as required by policy (travel).
2. Receipt of goods and services is not documented.
3. Expenditures are not processed timely.
4. Expenditures are not within grant guidelines or are processed outside grant terms.
5. Blanket purchase order limits are exceeded.
6. Expenditures are excessive, unauthorized, or unallowable according to policy.
7. Support documentation for expenditures is not maintained.
8. Duties of authorization to purchase, process, and maintain expenditures records, receipt of goods and services, and reconciliation are not segregated.
9. Lack of justification for convention/conference or out-of-state travel.
10. Inadequate support for expenditures (airfare, hotel, etc).
11. Duplicate reimbursement for meals that are provided by conference.
12. Inadequate justification for non-contract rental cars or airfare.
13. Incorrectly computed per diem (especially related to meals included in seminar fees).
14. Inadequately documented trip purpose.
15. Management reports are too general or excessively detailed, making review difficult. Department may use a shadow system and a reconciliation to Banner is not performed.
16. Reports are not prepared timely or do not contain outstanding revenue or expenditures yet to be processed by centralized units.
17. Account reconciliation is not performed within 30-60 days of period end.
18. Account reconciliation does not include balances for both record sources and a list of outstanding items.
19. A supervisor does not review reconciliation of financial transactions or the review is not documented (initials and date).



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**Internal Audit Division*****Purchasing & Procurement Cards*****Departmental Questions**

Answer each question with a "Yes" or "No". "No" responses indicate a potential internal control weakness. Consult with your Business Affairs office on possible control weaknesses.

1. Do the appropriate unit personnel have access to and knowledge of the applicable policies?
2. Do you periodically review the list of your unit's authorized signers and receivers to ensure it is appropriate and adequate?
3. Do you ensure that a purchase order was properly completed, if required?
4. If a transaction warrants a formal contract or agreement instead of or in addition to the purchase order, do you ensure it is completed?
5. Are you aware when competitive bidding is required? If yes, do you follow these procedures for all purchases of goods and services?
6. If a transaction relates to personnel services, are steps taken to determine if the service provider is an independent contractor?
7. Is a sole source justification completed when solicitation of competitive bids is not justified?
8. Are you aware of and do you take measures to ensure requisitions are not split to circumvent the established levels for bidding?
9. Do you review and respond to problem documents forwarded by purchasing in a timely manner?
10. Do unit representatives sign for receipt of goods and services?
11. Do you ensure that an original invoice supports the request for payment and that the invoice is accurate?
12. Are purchase initiations, receipts of goods, and payment authorizations performed by the same individual?
13. Do managers review Banner transaction statements for the department on a monthly basis for appropriateness of purchases?
14. Do unit personnel know they are not to accept gifts from vendors? Do employees turn down gifts offered by vendors?
15. Are you using standard contracts authorized by the purchasing department?
16. Do all cardholders undergo training prior to receiving and using cards?



17. Is a log maintained for all procurement card purchases?
18. Is the log reconciled to the monthly statements for accuracy of charges?
19. Do receipts support all charges?
20. Does someone other than the card user and custodian (with departmental oversight and program knowledge) review the records on monthly basis to ensure the appropriateness of the charges?
21. Do all charges to the card adhere to restrictions outlined in the procurement card policy?
22. Is the procurement card agreement that lists all authorized users current?

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**Internal Audit Division**

***Fixed Assets & Minor Equipment***

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**Potential Problems - Inadequate Safeguarding of Assets**

1. Attractive, easily moved inventory items are not adequately secured.
2. Inventory locations are not accurate.
3. Obsolete inventory is not transferred to surplus property.
4. Lost, stolen, or un-locatable inventory is not reported timely.
5. Disassembled inventory is not approved in advance or removed from inventory.
6. A loan agreement is not on file for loaned property. Example of loaned property – industry lends equipment for university use, but maintains ownership.
7. A form is not in place to document off-campus equipment use by department personnel.

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**Internal Audit Division*****Fixed Assets & Minor Equipment***

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**Departmental Questions**

Answer each question with a "Yes" or "No". "No" responses indicate a potential internal control weakness. Consult with your Business Affairs office on possible control weaknesses.

Fixed Assets have a value greater than \$5,000.

Minor Equipment has a value less than \$5,000.

1. Do appropriate unit personnel have access to and knowledge to applicable policies and procedures?
2. Are ownership tags and bar codes used for fixed assets?
3. Are all physical location changes and transfers reported to the Central Business Office?
4. Are inventory counts performed annually?
5. Does an individual with no custodial responsibilities perform the inventory count?
6. Are the variances discovered during the count communicated to the Central Business Office?
7. Are the completed inventory records submitted to the Central Business Office upon completion of the count?
8. Is the Central Business Office notified prior to the disposition of a federally-owned asset?
9. Are all tags and other university indicators removed before disposal?
10. Are high risk capital and minor equipment adequately secured to reduce the risk of property being stolen?
11. Do you go through the appropriate centralized channel to dispose of equipment?
12. Are lost or stolen assets reported?

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# Surviving an Audit

OREGON UNIVERSITY SYSTEM

Internal Audit Division

(541) 737-2193

*Acknowledgements- Originally prepared by Cornell University Audit Office  
for CSREES 2000 Conference*



# Objectives

Learn:

- **What types of audits you may encounter and who will perform the audit.**
- What a typical audit process should entail.
- How to effectively manage the audit.
- Proactive measures to prevent or reduce the impact of an audit.



# Types of Audits

- Compliance
- Financial
- Operational
- Fraud Investigations
- Information Technology





# Compliance Audits

## Who audits

- Governmental Audit Agencies
  - Federal and State
- External Auditors
- Internal Auditors

## Areas of review

- Award terms
- Federal regulations
  - A133, A21, A110, etc
- Regulatory requirements and laws
  - IRS, EPA, OSHA



# Financial Statement Audits

## Who audits

- Governmental Audit Agencies
  - Federal and State
- External Auditors

## Objectives of the review

- Validity
- Completeness
- Authorization
- Accuracy
- Classification
- Accounting
- Cutoff



# Operation Audits

## Who audits

- Internal Auditors

## Objectives of the review

- Economy
- Efficiency
- Effectiveness



# Investigative Audits

## Who audits

- Internal Auditors
- Governmental Audit Agencies
  - Federal and State

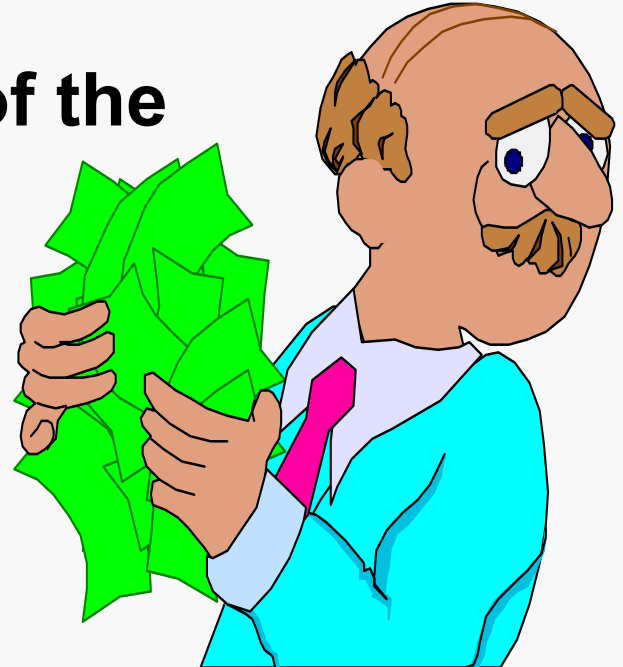
## Objectives of the review

- Verification of facts
- Objectivity
- Confidentiality



# Financial Irregularity

**An intentional misstatement or omission of information related to financial transactions that is detrimental to the interests of the university. Includes embezzlement, fraud or falsification of records to misappropriate assets.**





# Information Technology Audits

## Who audits

- External Auditors
- Internal Auditors
- Governmental Audit Agencies
  - Federal and State

## Objectives of the review

- Data Integrity
- Data Security
- Business Processing
- Change Controls
- Business Continuity



# Objectives

## Learn:

- What types of audits you may encounter and who will perform the audit.
- **What a typical audit process should entail.**
- How to effectively manage the audit.
- About proactive measures to prevent or reduce the impact of an audit.



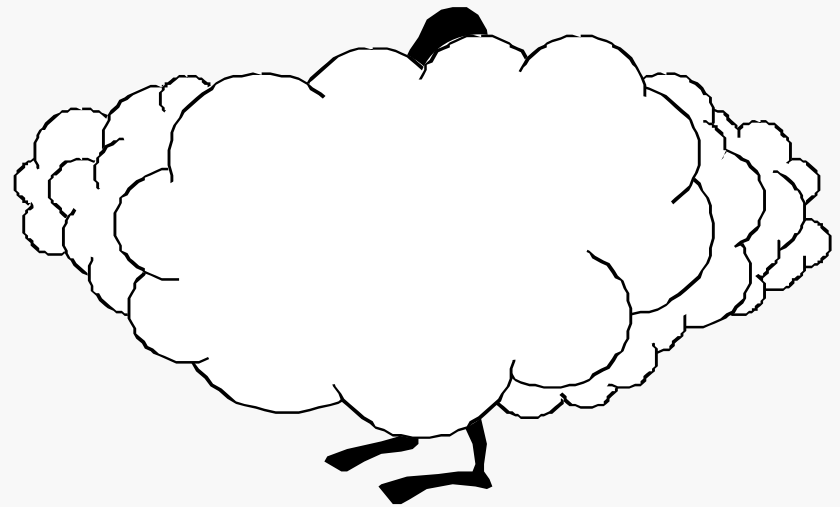
# Audit Process

- Planning
- Fieldwork
- Summarization and Reporting
- Follow up



# Beware of the Audit in Disguise!

- Reviews
- Analysis
- Site visit
- Engagement





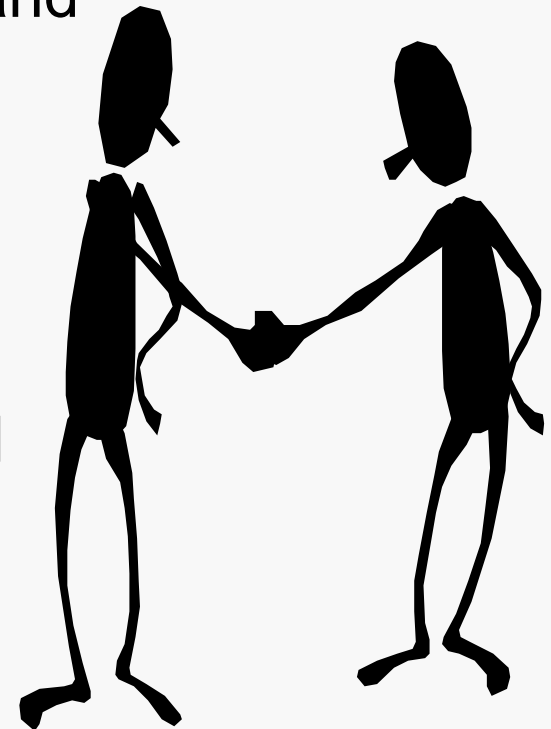
# Planning





# Entrance Conference

- Demonstrate a positive attitude.
- Know objective, areas to be tested, and testing period.
- Identify staffing requirements.
- What are their timelines.
- Know contacts.
- Find out about reporting process and follow up.





# Fieldwork

- Review documentation you are providing in order to anticipate questions.
- Have documents available on their arrival and subsequent requests ASAP.
- They may require full access to your files and original documents. However, unless fraud is noted, they should make copies not maintain original documents.
- Make a list of the records you provided the auditor.



# Summarization and Reporting

- Keep informed of issues through out the audit.
- Ask for time to review findings.
- Ensure exit conference is held
- Find out who gets their report
- Provide management responses
  - Agree or disagree
  - Action plan
  - Target date for implementation

Be prepared for FOLLOW UP!!!



# Objectives

## Learn:

- What types of audits you may encounter and who will perform the audit.
- What a typical audit process should entail.
- **How to effectively manage the audit.**
- About proactive measures to prevent or reduce the impact of an audit.



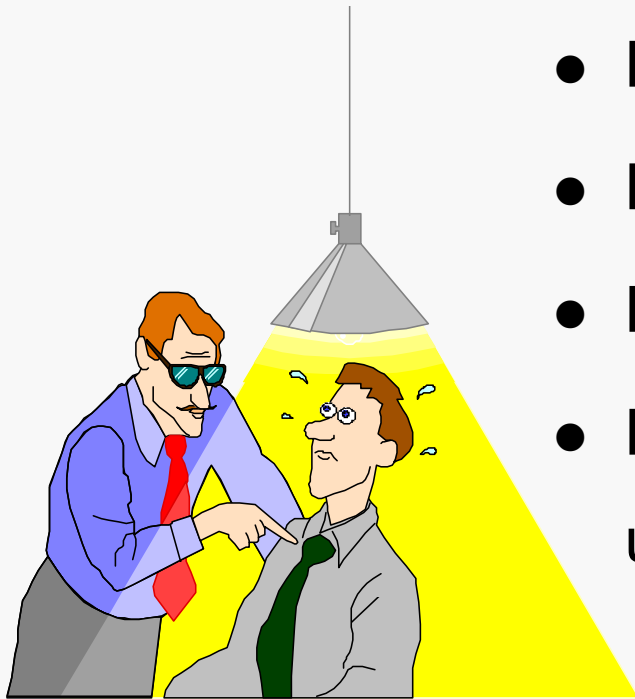
# Tips on Interacting with Auditors

- Be positive, professional, and confident.
- Listen carefully to questions and understand question before answering.
- Only answer question - Keep answer simple and direct
- Be honest.





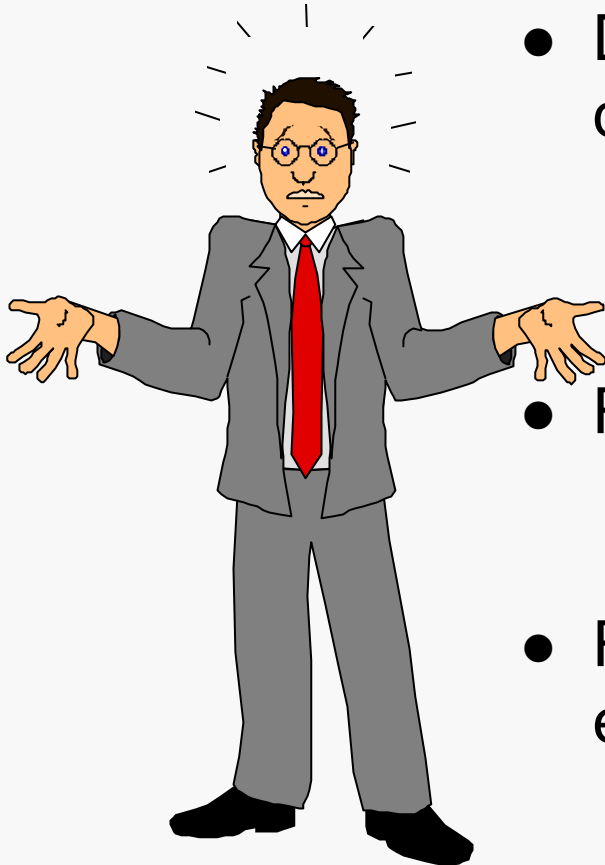
# More Tips for Interacting with Auditors



- Do not react to threats
- Do not answer hypothetical questions
- Do not agree or disagree with opinions
- Do not sign anything on behalf of the university



# Even More Tips for Interacting with Auditors



- Do not get offended by WHY questions.

*Why isn't - you're doing this wrong. It is for the most part asking help me understand.*

- Recognize they may be experts.

*They may have worked in the specialty area prior to becoming an auditor.*

- Realize they may not be subject experts.

*This may be their first audit- so be patient.*



# Objectives

## Learn:

- What types of audits you may encounter and who will perform the audit.
- What a typical audit process should entail.
- How to effectively manage the audit.
- **About proactive measures to prevent or reduce the impact of an audit.**



# Proactive Measures to Ensure Good Audit Results

- Review your internal controls
- Perform a self audit





# **How to Prevent Disastrous Audit Results? Internal Controls**

- **If internal controls are functioning properly, the risk of financial irregularities, non-compliance issues, misstated financial statements and ineffective and inefficient operations are reduced.**
- **You as a manager are responsible for the internal controls in your operation. The internal Audit function at your university is in a sense your doctor providing a health check of internal controls.**



# Definition of Internal Controls

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring



# **Managers Should Do Three Things to Maintain Effective Internal Controls**

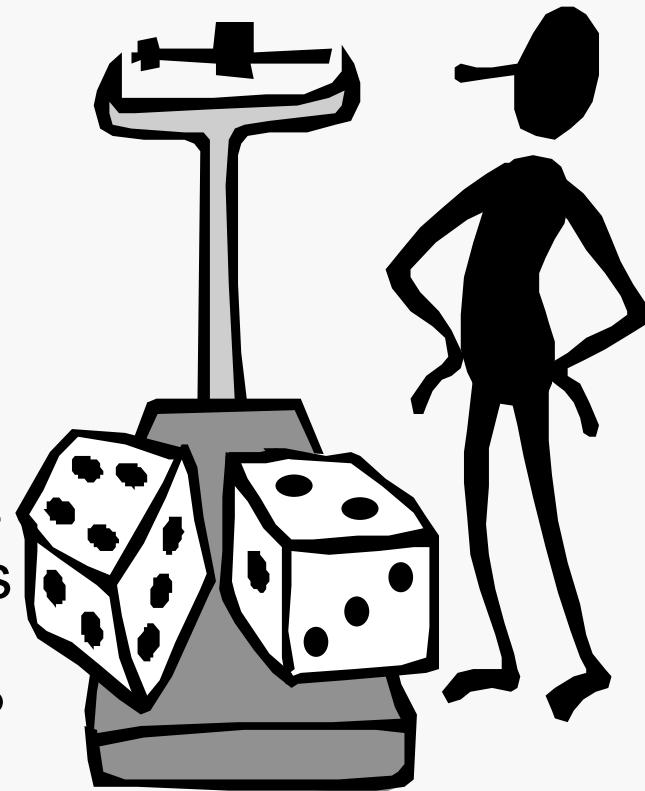
- Maintain adequate policy and procedures
- Communicate these policies and procedures
- Monitor compliance with policies and practices



# Maintaining Policy and Procedure

Ensure there are policies and procedures around the risks in the unit.

**Risk**- can be financial, compliance, economy and efficiency and investigative in nature. Do people know how to do their job and what is expected of them? Where can things go wrong? Do I have procedures in place to prevent this from occurring?

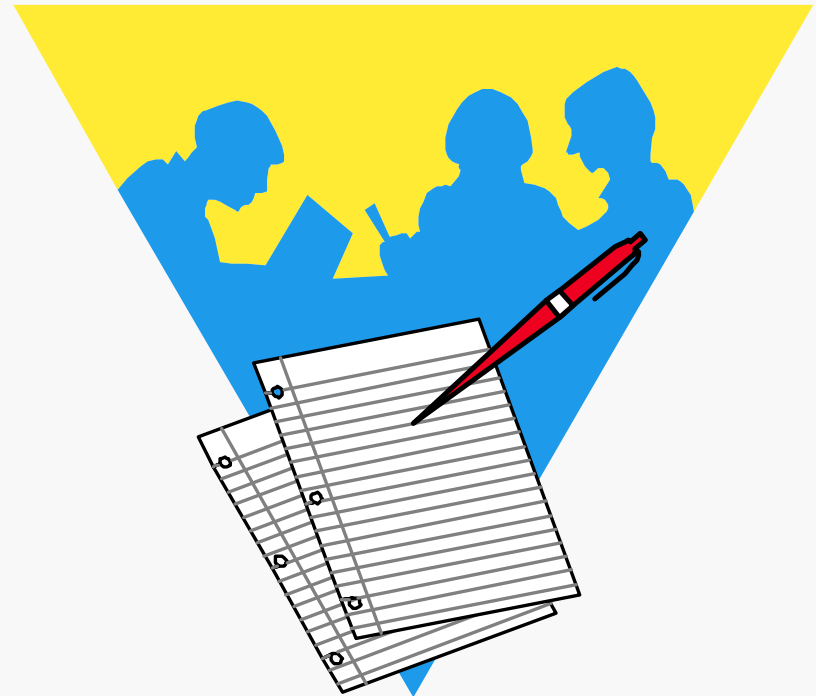




# Communicating Policy & Procedure

Communicate these policies and procedures to your personnel:

- Use the appropriate channel- face to face, email, newsletters, meetings, etc.
- Continual communication is needed





# Monitor Compliance



Monitor the high risk areas or compliance with policies and practices to make sure everything is going as planned.



# Self Audit

- Control Self Assessment Guides
  - Discuss with Business Affairs & Internal Audit

<http://www.ous.edu/iad/resources.htm>

- Oregon State Department of Administrative Services Internal Control checklist

[http://scd.das.state.or.us/internal\\_control/oregon\\_internal\\_control\\_checklis.htm](http://scd.das.state.or.us/internal_control/oregon_internal_control_checklis.htm)



# Conclusion

- People fear audits because they don't know what to expect or what the auditors are doing.
- Hopefully you are better armed with knowledge about auditing which will in turn help you to be prepared for the next audit.





**Good Luck!!**

