

SC State University Office of Internal Audit



Policies and Procedures Manual

**SOUTH CAROLINA STATE UNIVERSITY
OFFICE OF INTERNAL AUDIT
POLICIES AND PROCEDURES MANUAL**

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SOUTH CAROLINA STATE UNIVERSITY

OFFICE OF INTERNAL AUDIT

POLICIES AND PROCEDURES MANUAL

Topic: Introduction

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Definition of Internal Audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an 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 process.

Mission Statement

Our mission is to provide a wide range of quality audit and consulting services to our internal customers in an effort to add value, improve processes and assist the university in reaching its goals and objectives. We will accomplish our mission by:

- Using innovative approaches in performing independent assessments of systems, controls and efficiencies; guided by professional standards
- Supporting our customer's efforts to achieve their objectives
- Promoting the full understanding, acceptance, and utilization of the internal auditing function by all levels of university management
- Rendering assessments and advice for improving activities that will advance the goals and objectives of the university
- Maintaining a dynamic, team-oriented environment, which encourages personal and professional growth, and challenges and rewards audit staff for excelling and reaching their full potential

Reporting Structure

We report functionally to the Executive (audit) Committee of the Board of Trustees and administratively to the president. Our reporting structure and charter allows us to be independent of the functions we audit and gives us the authority needed for full, free and unrestricted access to all operations, records, property and personnel within the University.

Professional Standards and Code of Ethics

The Institute of Internal Auditors issues "Standards for the Professional Practice of Internal Auditing". These standards are commonly referred to as "Red Book". Internal Audit recognizes the benefits of IIA standards and adopts the use thereof.

The United States General Accounting Office issues the "Generally Accepted Government Auditing Standards" (GAGAS), for use by auditors who audit governmental organizations, programs, activities and functions. These standards are commonly referred to as "Yellow Book". Internal Audit recognizes the benefits of GAGAS and adopts the use thereof.

Additionally, Internal Audit staff members have an obligation of self-discipline above and beyond the requirements of laws and regulations. They must uphold and demonstrate qualities of integrity, honesty, loyalty, morality, dignity, and confidentiality consistent with the **"Institute of Internal Auditors Code of Ethics"**.



SOUTH CAROLINA STATE UNIVERSITY

INTERNAL AUDIT CHARTER

Internal Audit, as defined by the Institute of Internal Auditors, is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. This charter defines the mission, authority and responsibilities of ***The Office of Internal Audit*** established by policy of South Carolina State University's Board of Trustees.

MISSION

Internal Audit shall function as an independent appraisal activity within the university to provide a protective and value added service to management and The Board of Trustees in discharging their duties and responsibilities. This mission is achieved by providing objective analyses, assessments, recommendations and commentary concerning activities reviewed. Additionally, Internal Audit will seek opportunities to provide consulting services to its internal customer base in an effort to add value and improve organizational efficiencies and effectiveness.

ACCOUNTABILITY, AUTHORITY & SCOPE

Internal Audit reports administratively to the president and functionally to the Board of Trustees via its Executive Committee. As established by the Bylaws of the SC State Board of Trustees, the Executive Committee shall operate as the audit committee of the board. The audit committee shall consist of all members of the Executive Committee of the SCSU Board of Trustees. The Chairman of the Board, as Chair of the Executive Committee, shall also assume the Chair of the audit committee.

Internal Audit operates under the daily supervision of the president in support of its day to day administrative needs and reports to the Board of Trustees as to its activities and published reports. This reporting relationship promotes independence and objectivity, which assures adequate consideration of audit recommendations and planned corrective actions.

Internal Audit has complete independence with respect to the units under audit and, consequently, is not subject to restriction in the scope of its work by operating unit or staff management. Further, university management does not place any restrictions on the scope of the audits. However, it is acknowledged that university management via the university president and The Executive (audit) Committee provide concurrence as to the scope of work and

the activities to be audited, and may request Internal Audit to carry-out special reviews or audits.

In performing its function, Internal Audit has no direct responsibility or authority over any of the activities it reviews. Internal Audit is authorized full, free and unrestricted access to all areas, activities, records, property, information sources and personnel of the university necessary to carry out its activities. No legitimate source of information is to be closed to Internal Audit. Documents and information provided to Internal Audit's staff during an examination are handled in the same discreet manner as by those employees normally accountable for them. Internal Audit staff is obligated to protect the privacy of confidential and proprietary information accessed during the course of its activities.

Internal Audit shall be free from control or undue influence in the selection and application of audit techniques, procedures and programs. Internal Audit shall be free from control or undue influence in the determination of facts revealed by the examination or in the development of recommendations or opinions as a result of the examination. Internal Audit shall be free from undue influence in the selection of areas, activities, personal relationships and managerial policies to be examined.

The scope of work of Internal Audit is to determine whether the university's network of risk management, control, and governance processes, as designed and represented by management, is adequate. This can include, but is limited to the following methods, activities and tasks:

- Reviewing and appraising the soundness of controls and the reliability and integrity of financial, managerial and operating data.
- Ascertaining compliance with the university's policies and procedures.
- Evaluating the economy and efficiency with which resources are employed.
- Reviewing operations or programs to assess whether they are being carried out as planned and whether results are consistent with the established overall objectives of the university.
- Serving on task forces and project teams that analyze and develop systems of operations.
- Facilitate self-assessments to help departments identify objectives and evaluate business risks and controls as a means of assisting departments with ongoing risk management.
- Performing consulting services where necessary and appropriate.

PROFESSIONAL STANDARDS AND CODE OF ETHICS

The Institute of Internal Auditors, Inc., an international organization dedicated solely to the advancement of the internal auditing profession, has adopted **“Standards for the Professional Practice of Internal Auditing”**. Internal Audit recognizes the benefits of these standards and hereby adopts the “Standards for the Professional Practice of Internal Auditing” as an integral part of its Charter.

The United States General Accounting Office promulgates **“Generally Accepted Government Auditing Standards” (GAGAS)**, for use by auditors who audit governmental organizations, programs, activities and functions. These standards are commonly referred to as “Yellow Book”. Internal Audit recognizes the benefits of GAGAS and adopts the use thereof.

****In the rare circumstance where conflict of standards call for a determination of which standard would be most appropriate Internal Audit will make the determination based on the standard that will allow for the more conservative approach. Additionally, to the extent of any inconsistencies between the standards (red book vs. yellow book), GAGAS, yellow book, should prevail as the controlling (authoritative) source as applicable to governmental organizations such as SC State University.*

Additionally, Internal Audit staff members have an obligation of self-discipline above and beyond the requirements of laws and regulations. They must uphold and demonstrate qualities of integrity, honesty, loyalty, morality, dignity, and confidentiality consistent with the **“Institute of Internal Auditors Code of Ethics”**.

RESPONSIBILITY

At minimum, Internal Audit is charged with the following responsibilities:

- Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to The Executive (audit) Committee for review and approval, as well as periodic updates.
- Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by university management and the Executive (audit) Committee.
- Coordinate and provide support and oversight of all external auditors and regulators. Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the university at a reasonable overall cost.

- Assist in the investigation of suspected irregularities or fraudulent activities impacting the university and provide necessary reporting to university management and to The Executive (audit) Committee.
- Provide reports to The Executive (audit) Committee and to university management to communicate the final results of audits and reviews performed.
- Provide quarterly and annual status reports to The Executive (audit) Committee and to university management summarizing outstanding issues related to audit and review activities.
- Internal Audit has a professional responsibility to conduct reviews with an attitude of professional skepticism. Internal Audit recognizes that the application of internal auditing procedures may produce evidence indicating the possibility of errors, irregularities, or fraud. However, Internal Audit cannot be solely responsible for the detection and prevention of all errors, irregularities or fraud which may occur. This is a responsibility shared by all members of university management.

Signature: _____ Date: _____

Chairman
South Carolina State University, Board of Trustees

Signature: _____ Date: _____

Secretary
South Carolina State University, Board of Trustees

Signature: _____ Date: _____

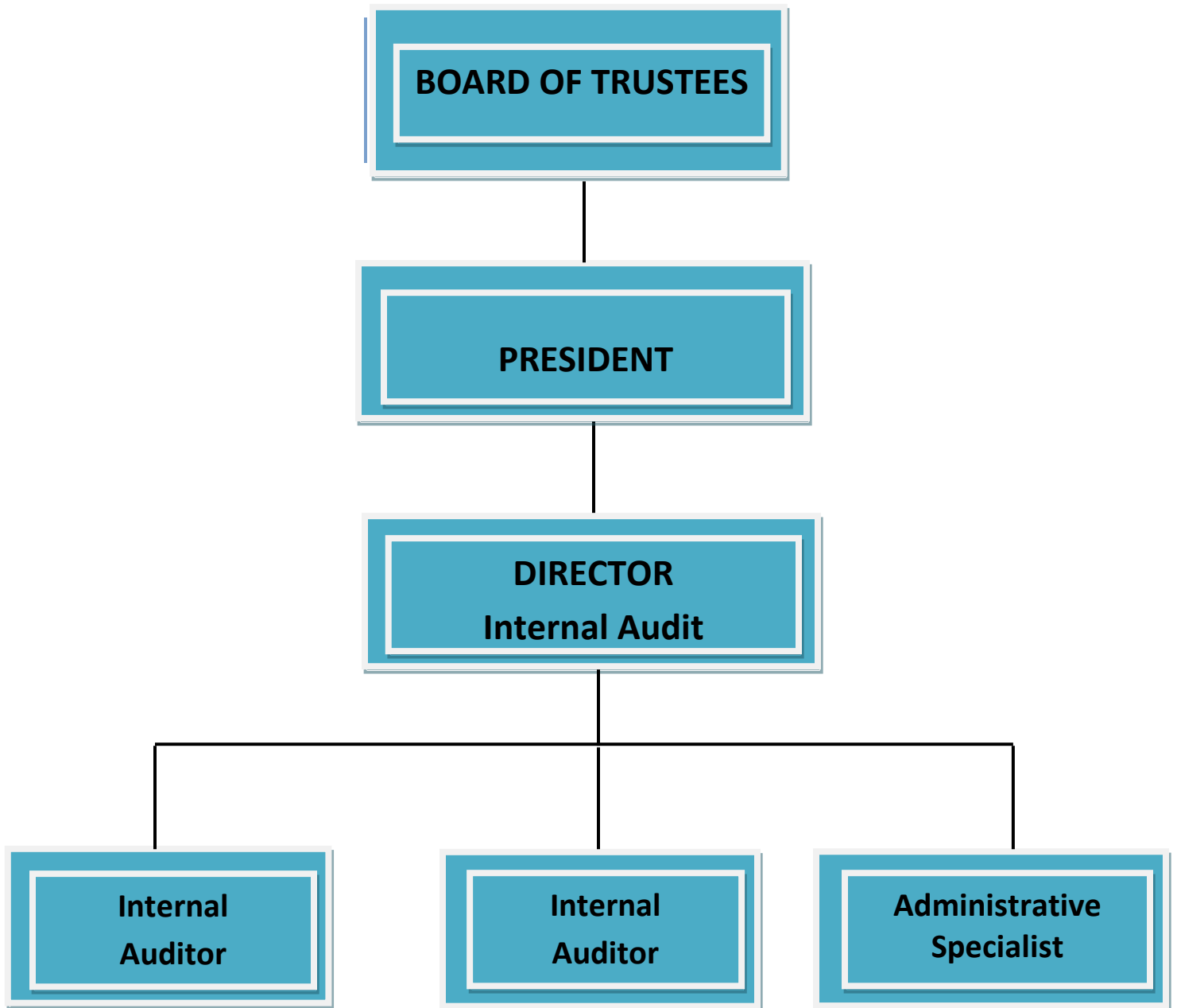
President
South Carolina State University

Signature: _____ Date: _____

Director, Internal Audit
South Carolina State University

**SC STATE UNIVERSITY
OFFICE OF INTERNAL AUDIT**

**ORGANIZATION CHART
2011**





SOUTH CAROLINA STATE UNIVERSITY

**POSITION DESCRIPTION/EMPLOYEE PERFORMANCE EVALUATION FORM
FOR SUPERVISORY STAFF EMPLOYEES
(To be used for Classified Staff and Unclassified Staff who supervise)**

LAST NAME		FIRST NAME		MI	
EMPLOYEE ID		DEPARTMENT	Office of Internal Audit		
POSITION TITLE	Director		POSITION NUMBER		
CLASS CODE/ SLOT	AD15	PERFORMANCE REVIEW DATE	FROM:	TO:	
CURRENT POSITION DATE		STATE EMPLOYMENT DATE			

**I. PLANNING STAGE ACKNOWLEDGMENT
(Sign this section as your Planning Stage)**

RATER/SUPERVISOR SIGNATURE		DATE	
REVIEWING OFFICER SIGNATURE		DATE	
<i>My PD/EPMS Planning Stage has been reviewed with me</i>			
EMPLOYEE SIGNATURE		DATE	

II. REQUIREMENTS AND SUPERVISORY RESPONSIBILITIES

What are the minimum requirements for the position? (Minimum requirements must at least meet the State minimum requirements but may include additional requirements.)
 Masters degree in accounting or business and a minimum of 4 years related experience. Extensive knowledge of practices, principles and theories of accounting and auditing. Ability to analyze and interpret complex accounting and financial audit reports. Ability to communicate both orally and in writing.

What knowledge, skills, and abilities are needed by an employee upon entry to this job, including any special certification or license?
 Certified Public Accountant (CPA) or Certified Internal Auditor (CIA) designation.

Describe the guidelines and supervision an employee receives in order to do this job, including the employee's independence and discretion.
 Good time management and organizational skills. Ability to work in a self-directed mode. Ability to recognize and act when issues need to be elevated to either the President or Board of Trustees. Ability to work cooperatively with outside agencies.

Additional comments regarding this position (e.g., work environment, physical requirements, overnight travel).
 Occasional overnight travel for training and conducting offsite audits.

**POSITION'S SUPERVISORY RESPONSIBILITIES
Please indicate the title and number of positions of the three highest level subordinates.**

	TITLE	#
1	Auditor IV	2
2	Administrative Specialist II	1
3	Work Study Student	1
Number of Employees Directly Supervised		4
Total Number Supervised		4

III. JOB PURPOSE

Manages the internal audit function and department staff. Establishes and executes a comprehensive internal audit plan in accordance with appropriate rules and regulations. Reviews the reliability of financial information and the means to identify, measure, report, and classify this information. Reviews the means of safeguarding assets and the efficiency of controls. Reviews information to ensure compliance with policies, procedures, and laws which could have significant impact on the University. Reviews financial systems, operations, and programs to ascertain whether established objectives and goals are carried out as planned, in a consistent cost effective manner with proper internal controls and audit trails. Conducts additional reviews as requested by the President and Board of Trustees. Evaluates and assists operational units in implementing necessary adjustments in internal control systems and procedures; performs test checks of transactions to ensure validity/compliance; reviews periodic physical counts and tests of supply and fixed asset inventories, identifies factors causing deficient conditions and recommends courses of action for improvement; reviews the adequacy of corrective actions taken or plans to improve deficient conditions and issues reports and/or memoranda. Seek opportunities to provide consulting services to internal customer base in an effort to add value and improve organizational effectiveness and efficiencies.

IV. ESSENTIAL JOB FUNCTIONS OF POSITION DESCRIPTION

Performance Level = P: 4 (SE), 3 (E), 2 (M), 1 (B)

Weighted Level = W: (Total Weighted Points will be 90 – 95)

Essential Job Functions and Success Criteria		P	W
1	<p>Essential Job Function: Management of department staff. Evaluates employee performance and handles departmental personnel matters. Evaluates competencies and training needs of employees and assists in their successful professional development track.</p> <p>Success Criteria: Assures that the Position Description/Employee Performance Evaluation is submitted in an accurate and timely fashion for each employee being supervised; assures that employees are kept abreast of appropriate policies and procedures; and assures that the policies and procedures are followed. Monitor professional development to ensure that staff possess the necessary knowledge, skills and experience needed in the performance of internal auditing services.</p>	—	
2	<p>Essential Job Function: Identify University auditable areas and processes.</p> <p>Success Criteria: A viable audit universe is established using available resources as well as input from management. The universe is periodically updated as additional auditable entities are identified. The audit universe is maintained on file in both the Internal Audit and Board of Trustees Offices. An updated universe is presented to the Audit Committee on an annual basis.</p>	—	
3	<p>Essential Job Function: Conduct a risk assessment of auditable entities. Using this assessment develop an audit plan for the University addressing the most significant areas of inherent risk to the University.</p> <p>Success Criteria: A risk assessment is conducted on all identified auditable entities. Risk assessments are updated annually and as each audit is conducted. An annual audit plan is developed based on the results of the risk assessment. The audit plan is presented to the Board of Trustees for approval on an annual basis. The annual audit plan is maintained on file in both the Internal Audit and Board of Trustees Offices.</p>	—	
4	<p>Essential Job Function: Execute the annual internal audit plan.</p> <p>Success Criteria: The approved internal audit plan is implemented, managed and substantially completed during the calendar year.</p>	—	

IV. ESSENTIAL JOB FUNCTIONS OF POSITION DESCRIPTION (CONT.)

Performance Level = P: 4 (SE), 3 (E), 2 (M), 1 (B)

Weighted Level = W: (Total Weighted Points will be 90 – 95)

Essential Job Functions and Success Criteria		P	W
5	<p>Essential Job Function: Report audit results to management. Elevate significant findings to the President and the Board of Trustees as appropriate.</p> <p>Success Criteria: Audit results are reported to management in a timely and accurate manner. The President and the Board are made aware of significant concerns identified during the conduct of internal audits.</p>	—	
6	<p>Essential Job Function: Interact with external parties and agencies as necessary to further the University’s reputation of having a sound internal audit process and internal control environment. Conduct investigations, as appropriate, to substantiate allegations of fraudulent activity at the University.</p> <p>Success Criteria: Interactions with external parties and agencies are timely and appropriate. Appropriate parties are kept informed of interactions and correspondence. Investigations are conducted timely and with due professional care.</p>	—	
7	<p>Essential Job Function: Coordinate and provide support and oversight of all external auditors and regulators. Supervise and provide leadership and direction to external auditors, providing internal audit services.</p> <p>Success Criteria: Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the University at a reasonable overall cost. Resources are used efficiently and effectively to accomplish the annual internal audit plan</p>	—	
8	<p>Essential Job Function: Develop policy, procedures, goals and objectives for the internal audit function.</p> <p>Success Criteria: Policy and Procedure Manual is reviewed annually to ensure compliance with internal and external policies and regulations. The Internal Audit Charter is reviewed annually to ensure the department’s mission, authority and responsibilities reflect the University’s current strategic goals and mission.</p>	—	
TOTAL WEIGHTED POINTS FOR ESSENTIAL FUNCTIONS <i>(Total Weighted Points will be 90 – 95)</i>			

V. MARGINAL JOB FUNCTION OF POSITION DESCRIPTION

*Performance Level = P: 4 (SE), 3 (E), 2 (M), 1 (B)
Weighted Level = W: (Total Weighted Points will be 5 – 10)*

Marginal Job Function and Success Criteria		P	W
1	<p>Marginal Job Function: Performs other duties as assigned by the President or the Board or as deemed necessary.</p> <p>Success Criteria: Takes the initiative to coordinate and follow-up on tasks as necessary.</p>	—	

TOTAL WEIGHTED POINTS FOR MARGINAL FUNCTION *(Total Weighted Points will be 5 – 10)*

VI. COMPETENCIES/PERFORMANCE CHARACTERISTICS

(This section shall be rated as Acceptable or Unacceptable)

Additional characteristics may be chosen from the list provided in the EPMS Policy

Characteristics/Definition		Rating
1	<p>Characteristic: Promoting Equal Opportunity</p> <p>Definition: Promoting agency affirmative action goals in such areas as hiring, promotion, or placement; level of personal and organizational commitment to equal opportunity; progress toward achieving a fully integrated and representative workforce; and contribution toward minority programs and other social/economic equal opportunity goals.</p>	_____
2	<p>Characteristic: Customer Service</p> <p>Definition: To effectively and efficiently meet the needs of those served by continually assessing performance based on customer feedback.</p>	_____
3	<p>Characteristic: Technical Competence</p> <p>Definition: Possesses necessary knowledge to effectively perform job and able to apply what he/she has learned about his/her job. Acquires new knowledge/skills/abilities as required by the job.</p>	_____
4	<p>Characteristic: Self-Management</p> <p>Definition: Works with minimal supervision, manages own time effectively, maintains control of all current projects/responsibilities. Follows up on all relevant issues. Informs management as appropriate.</p>	_____
5	<p>Characteristic: Quality of Work</p> <p>Definition: The extent to which the employee neatly, thoroughly, and accurately completes job assignments according to established standards of quality. Continuously improves quality of work.</p>	_____
6	<p>Characteristic:</p> <p>Definition:</p>	_____
7	<p>Characteristic:</p> <p>Definition:</p>	_____

VII. SUMMARY AND IMPROVEMENT PLAN

Identify the employee's major accomplishments, areas needing improvement, and steps to improve present and future performance. Attach additional sheets if necessary. Initial and date all attachments.

VIII. APPRAISAL RESULTS

SUBSTANTIALLY EXCEEDS
 EXCEEDS
 MEETS
 BELOW*

**Comprehensive justification/documentation for an overall below performance requirement (BELOW) must be provided below. This is work that fails to meet the success criteria of the job. This rating must be preceded by a "Written Notice of Substandard Performance" as outlined in the EPMS Policy.*

IX. - EVALUATION STAGE ACKNOWLEDGMENT (This section is signed upon completion of the Evaluation)

RATER/SUPERVISOR SIGNATURE		DATE	
REVIEWING OFFICER COMMENTS			
REVIEWING OFFICER SIGNATURE		DATE	
<i>(My signature indicates that I was given the opportunity to discuss the official performance appraisal with my supervisor – not that I necessarily agree.)</i>			
EMPLOYEE SIGNATURE		DATE	
EMPLOYEE COMMENTS			



SOUTH CAROLINA STATE UNIVERSITY

**POSITION DESCRIPTION/EMPLOYEE PERFORMANCE EVALUATION FORM
FOR NONSUPERVISORY STAFF EMPLOYEES
(To be used for Classified Staff and Unclassified Staff who *do not* supervise)**

LAST NAME		FIRST NAME		MI	
EMPLOYEE ID		DEPARTMENT	Office of Internal Audit		
POSITION TITLE	Auditor		POSITION NUMBER		
CLASS CODE/ SLOT		PERFORMANCE REVIEW DATE	FROM:	TO:	
CURRENT POSITION DATE		STATE EMPLOYMENT DATE			
I. PLANNING STAGE ACKNOWLEDGMENT (Sign this section as your Planning Stage)					
RATER/SUPERVISOR SIGNATURE				DATE	
REVIEWING OFFICER SIGNATURE				DATE	
<i>My PD/EPMS Planning Stage has been reviewed with me</i>				DATE	
EMPLOYEE SIGNATURE				DATE	
II. REQUIREMENTS AND SUPERVISORY RESPONSIBILITIES					
<p>What are the minimum requirements for the position? (Minimum requirements must at least meet the State minimum requirements but may include additional requirements.) Bachelor's degree in business or accounting (at least 21 hours of accounting required) and a minimum of 5 years related experience. Extensive knowledge of practices, principles and theories of accounting and auditing. Ability to analyze and interpret complex accounting and financial audit reports. Experience with manipulating financial data using financial reporting systems. Ability to communicate effectively, both orally and in writing.</p>					
<p>What knowledge, skills, and abilities are needed by an employee upon entry to this job, including any special certification or license? Ability to complete the following tasks and responsibilities (<i>not all-inclusive</i>): Review the reliability of financial information and the means to identify, measure, report and classify this information; Review the means of safeguarding assets and the efficiency of controls; Review information to ensure compliance with policies, procedures, and laws which could have significant impact on the University; Review financial systems, operations, and programs to ascertain whether established objectives and goals are carried out as planned, in a consistent cost effective manner with proper internal controls and audit trails; Evaluate and assist operational units in implementing necessary adjustments in internal control systems and procedures; Perform test checks of transactions to ensure validity and compliance; Review periodic physical counts and tests of supply and fixed asset inventories; Identify factors causing deficient conditions and recommend courses of action for improvement; Review the adequacy of corrective actions taken or plans to improve deficient conditions and issue reports and/or memoranda; Assist with the identification of the audit universe, development of the annual internal audit plan and preparation of annual risk assessments; Assist with establishing, documenting and maintaining policies and procedures for the Internal Audit department.</p>					
<p>Describe the guidelines and supervision an employee receives in order to do this job, including the employee's independence and discretion. Must demonstrate excellent time management and organizational skills. Ability to work in a self-directed mode. Ability to recognize and act when issues need to be elevated to the Director. Ability to work cooperatively with all areas throughout the University.</p>					
<p>Additional comments regarding this position (e.g., work environment, physical requirements, overnight travel). Occasional overnight travel for training and conducting offsite audits.</p>					

III. JOB PURPOSE

Under the direction of the Internal Audit Director, conducts financial, operational, and compliance audits from initial entrance conference through final reporting and provides value added consultative services to University departments on an as needed basis.

IV. ESSENTIAL JOB FUNCTIONS OF POSITION DESCRIPTION

Performance Level = P: 4 (SE), 3 (E), 2 (M), 1 (B)
Weighted Level = W: (Total Weighted Points will be 90 – 95)

Essential Job Functions and Success Criteria		P	W
1	<p>Essential Job Function: Conduct financial, operational, and compliance audits as assigned by the Director. Conduct follow-up reviews as assigned by the Director. Provide value-added consultative services as assigned by the Director. Complete other projects as assigned by the Director.</p> <p>Success Criteria: Assignments are thorough, complete, well documented and prepared according to departmental guidelines. Assignments are completed in a timely manner. Completes three to four audits/reviews and one value added consultation service annually.</p>		
2	<p>Essential Job Function: Document process flows for audits using flowcharting software and narrative. Document audit testing and trend analysis.</p> <p>Success Criteria: Demonstrate effective skills in using flowcharting and spreadsheet software (Excel and Microsoft Visio). Demonstrated ability to interpret written procedures, narratives, and interviews and convert to process flows. Ability to write clear and concise narrative detailing processes and other activities of audit areas.</p>		
3	<p>Essential Job Function: Publish and distribute audit reports both in draft and final format.</p> <p>Success Criteria: Reports are error free and distribution is thorough and complete. Report writing is clear and concise and tone is appropriate.</p>		
4	<p>Essential Job Function: Organizes meeting details for entrance/exit conferences and other meetings. Prepare meeting agendas and other handouts.</p> <p>Success Criteria: Successfully schedules and follows up on appointments and meetings. Meeting correspondence is accurate, timely and distribution is complete.</p>		

IV. ESSENTIAL JOB FUNCTIONS OF POSITION DESCRIPTION (CONT.)

Performance Level = P: 4 (SE), 3 (E), 2 (M), 1 (B)

Weighted Level = W: (Total Weighted Points will be 90 – 95)

Essential Job Functions and Success Criteria		P	W
5	<p>Essential Job Function: Provides input as to areas or processes included in the audit universe and conducts risk assessments of auditable entities.</p> <p>Success Criteria: On an ongoing basis identifies adjustments to the audit universe (additions, deletions, combinations, breakouts) and makes recommendations to the Director. Assists with the annual reassessment of the audit universe.</p>		
6	<p>Essential Job Function: Interact with external parties and agencies as necessary to further the University’s reputation of having a sound internal control environment.</p> <p>Success Criteria: Interactions with external parties and agencies are timely and appropriate. The Director is kept informed of interactions and correspondence.</p>		
7	<p>Essential Job Function: Assist with drafting departmental policies and procedures and ensuring policies remain current</p> <p>Success Criteria: Reviews policy manual on an annual basis and uses it in the course of conducting audits. Identifies inaccuracies and opportunities to enhance procedures and makes recommendations to the Director.</p>		
8	<p>Essential Job Function:</p> <p>Success Criteria:</p>		
TOTAL WEIGHTED POINTS FOR ESSENTIAL FUNCTIONS <i>(Total Weighted Points will be 90 – 95)</i>			

V. MARGINAL JOB FUNCTION OF POSITION DESCRIPTION

Performance Level = P: 4 (SE), 3 (E), 2 (M), 1 (B)
Weighted Level = W: (Total Weighted Points will be 5 – 10)

Marginal Job Function and Success Criteria		P	W
1	<p>Marginal Job Function: Performs other duties assigned by the Director or as deemed necessary.</p> <p>Success Criteria: Takes the initiative to coordinate and follow-up on tasks as necessary. Keeps the Director informed as necessary.</p>		
TOTAL WEIGHTED POINTS FOR MARGINAL FUNCTION <i>(Total Weighted Points will be 5 – 10)</i>			

VI. COMPETENCIES/PERFORMANCE CHARACTERISTICS

(This section shall be rated as Acceptable or Unacceptable)

Additional characteristics may be chosen from the list provided in the EPMS Policy

Characteristics/Definition		Rating
1	<p>Characteristic: Customer Service</p> <p>Definition: To effectively and efficiently meet the needs of those served by continually assessing performance based on customer feedback. Effective communication skills possessing appropriate tone and demeanor in all contact with customers.</p>	
2	<p>Characteristic: Technical Competence</p> <p>Definition: Possesses necessary knowledge to effectively perform job and able to apply what he/she has learned about his/her job. Acquires new knowledge/skills/abilities as required by the job.</p>	
3	<p>Characteristic: Self Management</p> <p>Definition: Works with minimal supervision, manages own time effectively, maintains control of all current projects/responsibilities. Follows up on all relevant issues. Informs management as appropriate.</p>	
4	<p>Characteristic: Quality of Work</p> <p>Definition: The extent to which the employee neatly, thoroughly, and accurately completes job assignments according to established standards of quality. Continuously improves quality of work.</p>	
5	<p>Characteristic: Responsibility</p> <p>Definition: Readily accepts responsibility and assignments. Asks for work after completing assignments. Does not make excuses but addresses problems, squarely. Offers action plans to resolve problems.</p>	
6	<p>Characteristic: Quantity of Work</p> <p>Definition: The extent to which the employee produces an acceptable amount of work in order to meet schedules and deadlines.</p>	
7	<p>Characteristic: Problem Analysis</p> <p>Definition: Able to identify problems and relevant issues and breaks problems into components. Sees relationships and alternative solutions and arrives at sound conclusions through logical process.</p>	

VII. SUMMARY AND IMPROVEMENT PLAN

Identify the employee's major accomplishments, areas needing improvement, and steps to improve present and future performance. Attach additional sheets if necessary. Initial and date all attachments.

VIII. APPRAISAL RESULTS

SUBSTANTIALLY EXCEEDS
 EXCEEDS
 MEETS
 BELOW*

**Comprehensive justification/documentation for an overall below performance requirement (BELOW) must be provided below. This is work that fails to meet the success criteria of the job. This rating must be preceded by a "Written Notice of Substandard Performance" as outlined in the EPMS Policy.*

IX. EVALUATION STAGE ACKNOWLEDGMENT (This section is signed upon completion of the Evaluation)

RATER/SUPERVISOR SIGNATURE	DATE	
REVIEWING OFFICER COMMENTS		
REVIEWING OFFICER SIGNATURE	DATE	
<i>(My signature indicates that I was given the opportunity to discuss the official performance appraisal with my supervisor – not that I necessarily agree.)</i>		
EMPLOYEE SIGNATURE	DATE	
EMPLOYEE COMMENTS		



SOUTH CAROLINA STATE UNIVERSITY

**POSITION DESCRIPTION/EMPLOYEE PERFORMANCE EVALUATION FORM
FOR NONSUPERVISORY STAFF EMPLOYEES
(To be used for Classified Staff and Unclassified Staff who *do not* supervise)**

LAST NAME		FIRST NAME		MI	
EMPLOYEE ID		DEPARTMENT	Office of the Internal Audit		
POSITION TITLE	ADMINISTRATIVE SPECIALIST II		POSITION NUMBER		
CLASS CODE/ SLOT		PERFORMANCE REVIEW DATE	FROM:	TO:	
CURRENT POSITION DATE		STATE EMPLOYMENT DATE			
I. PLANNING STAGE ACKNOWLEDGMENT (Sign this section as your Planning Stage)					
RATER/SUPERVISOR SIGNATURE				DATE	
REVIEWING OFFICER SIGNATURE				DATE	
<i>My PD/EPMS Planning Stage has been reviewed with me</i>					
EMPLOYEE SIGNATURE				DATE	
II. REQUIREMENTS AND SUPERVISORY RESPONSIBILITIES					
<p>What are the minimum requirements for the position? (Minimum requirements must at least meet the State minimum requirements but may include additional requirements.) Thorough knowledge of office management techniques; considerable knowledge of the principles and procedures of public and business administration; ability to exercise discretion in interpreting and applying established policies and procedures; ability to coordinate a variety of resources in gathering information and independently answering inquiries; ability to understand and carry out complex oral and written instructions</p>					
<p>What knowledge, skills, and abilities are needed by an employee upon entry to this job, including any special certification or license? High school diploma required; Bachelor's degree and one year responsible administrative experience preferred.</p>					
<p>Describe the guidelines and supervision an employee receives in order to do this job, including the employee's independence and discretion. Employee operates with limited supervision and performs most duties independently and thoroughly, based on the needs and functions related to essential and marginal responsibilities.</p>					
<p>Additional comments regarding this position (e.g., work environment, physical requirements, overnight travel). N/A</p>					

III. JOB PURPOSE

Serves as Administrative Specialist II for the Office of the Internal Auditor at South Carolina State University. Under immediate supervision of the Director, exercises independent judgment in performing a broad scope of complex administrative and secretarial responsibilities in support of a professional staff.

IV. ESSENTIAL JOB FUNCTIONS OF POSITION DESCRIPTION

Performance Level = P: 4 (SE), 3 (E), 2 (M), 1 (B)

Weighted Level = W: (Total Weighted Points will be 90 – 95)

Essential Job Functions and Success Criteria		P	W
1	<p>Essential Job Function: Assist with documenting process flows for audits using flowcharting software and narrative. Assist with documentation of audit testing and trend analyses.</p> <p>Success Criteria: Demonstrate effective skills in using flowcharting and spreadsheet software (Excel and Microsoft Visio). Ability to interpret written procedures and narratives and convert to process flows.</p>		
2	<p>Essential Job Function: : Publish and distribute audit reports both in draft and final format.</p> <p>Success Criteria: Reports are error free and distribution is thorough and complete.</p>		
3	<p>Essential Job Function: Prepare and distribute internal audit materials for Board of Trustees meetings and for Board of Trustee committee meetings. Ensure Internal Audit is included on meeting agendas, as appropriate.</p> <p>Success Criteria: All material is accurate and distributed to appropriate parties to include resource persons. Distribution is within established deadlines. Internal Audit Director receives a copy of materials for all committees in which he/she serves as a resource person, two-three days prior to meetings. Internal Audit is included on all appropriate agendas.</p>		
4	<p>Essential Job Function: Organize meeting details, prepare agendas and handouts. Take minutes for entrance/exit conferences and other meetings. Handle travel arrangements. Prepare and distribute correspondence. Order office supplies and other materials as required. Monitor review and maintain budget. Manage office operations.</p> <p>Success Criteria: Successfully schedules and follows up on appointments, meetings, and travel arrangements. Greets and directs visitors and staff, responds timely to general inquires. Correspondence is accurate with timely and complete distribution. Supplies are available and maintained at an appropriate level within the constraints of the budget.</p>		

IV. ESSENTIAL JOB FUNCTIONS OF POSITION DESCRIPTION (CONT.)

Performance Level = P: 4 (SE), 3 (E), 2 (M), 1 (B)

Weighted Level = W: (Total Weighted Points will be 90 – 95)

Essential Job Functions and Success Criteria		P	W
5	<p>Essential Job Function: Assists with conducting follow-up reviews as assigned by the Director.</p> <p>Success Criteria: Assignments are thorough, complete, well documented and prepared according to departmental guidelines.</p>		
6	<p>Essential Job Function: : Obtain audit resources (software/manuals). Maintain audit library to include ensuring manuals are current. Establish and maintain audit files to include electronic files.</p> <p>Success Criteria: Software and reference materials required to conduct internal audits are available and current. Additional materials requested are acquired within two-three days of request. A reference list of materials is created and maintained.</p>		
7	<p>Essential Job Function: Takes the initiative to coordinate and follow-up on pending tasks that are critical to the department's function.</p> <p>Success Criteria: Assists with maintaining Director's calendar and scheduling meetings. Remains abreast of internal and external activities to disseminate information and establish reminders for all department personnel.</p>		
8	<p>Essential Job Function: Assist with drafting departmental policies and procedures manual. Ensure policies remain current.</p> <p>Success Criteria: Policy manual is reviewed at least annually, updated as necessary and additional copies produced as needed.</p>		
TOTAL WEIGHTED POINTS FOR ESSENTIAL FUNCTIONS <i>(Total Weighted Points will be 90 – 95)</i>			

V. MARGINAL JOB FUNCTION OF POSITION DESCRIPTION

*Performance Level = P: 4 (SE), 3 (E), 2 (M), 1 (B)
Weighted Level = W: (Total Weighted Points will be 5 – 10)*

Marginal Job Function and Success Criteria		P	W
1	<p>Marginal Job Function: Performs other duties as assigned or as deemed necessary.</p> <p>Success Criteria: Responsive to requests for assistance from all department staff. Performs tasks timely and accurately.</p>		

TOTAL WEIGHTED POINTS FOR MARGINAL FUNCTION *(Total Weighted Points will be 5 – 10)*

VI. COMPETENCIES/PERFORMANCE CHARACTERISTICS

(This section shall be rated as Acceptable or Unacceptable)

Additional characteristics may be chosen from the list provided in the EPMS Policy

Characteristics/Definition		Rating
1	<p>Characteristic: Customer Service</p> <p>Definition: To effectively and efficiently meet the needs of those served by continually assessing performance based on customer feedback.</p>	
2	<p>Characteristic: Technical Competence</p> <p>Definition: Possesses necessary knowledge to effectively perform job and able to apply what he/she has learned about his/her job. Acquires new knowledge/skills/abilities as required by the job.</p>	
3	<p>Characteristic: Self-Management</p> <p>Definition: Works with minimal supervision, manages own time effectively, maintains control of all current projects/responsibilities. Follows up on all relevant issues. Informs management as appropriate.</p>	
4	<p>Characteristic: Quality of Work</p> <p>Definition: The extent to which the employee neatly, thoroughly, and accurately completes job assignments according to established standards of quality. Continuously improves quality of work.</p>	
5	<p>Characteristic: Responsibility</p> <p>Definition: Readily accepts responsibility and assignments. Asks for work after completing assignments. Does not make excuses but addresses problems squarely. Offers action plans to resolve problems.</p>	
6	<p>Characteristic:</p> <p>Definition:</p>	
7	<p>Characteristic:</p> <p>Definition:</p>	

VII. SUMMARY AND IMPROVEMENT PLAN

Identify the employee's major accomplishments, areas needing improvement, and steps to improve present and future performance. Attach additional sheets if necessary. Initial and date all attachments.

VIII. APPRAISAL RESULTS

SUBSTANTIALLY EXCEEDS
 EXCEEDS
 MEETS
 BELOW*

**Comprehensive justification/documentation for an overall below performance requirement (BELOW) must be provided below. This is work that fails to meet the success criteria of the job. This rating must be preceded by a "Written Notice of Substandard Performance" as outlined in the EPMS Policy.*

IX. EVALUATION STAGE ACKNOWLEDGMENT (This section is signed upon completion of the Evaluation)

RATER/SUPERVISOR SIGNATURE	DATE	
REVIEWING OFFICER COMMENTS		
REVIEWING OFFICER SIGNATURE	DATE	
<i>(My signature indicates that I was given the opportunity to discuss the official performance appraisal with my supervisor – not that I necessarily agree.)</i>		
EMPLOYEE SIGNATURE	DATE	

EMPLOYEE COMMENTS

**SOUTH CAROLINA STATE UNIVERSITY
OFFICE OF INTERNAL AUDIT
POLICIES AND PROCEDURES MANUAL**

Policy Number: 010

Topic: Institute of Internal Auditors

Original: February 2006

Update/Revision: January 2011

The Institute of Internal Auditors

The Institute of Internal Auditors is an international association dedicated to the continuing professional development of the individual internal auditor and the internal auditing profession. The Institute of Internal Auditors has promulgated a Code of Ethics and Standards for the Professional Practice of Internal Auditing. These standards are a means by which the conduct of any individual auditor and the operations of any internal auditing organization may be evaluated and measured. In the view of the Board of Trustees and Management, these pronouncements represent the practice of internal auditing as it should be.

It is management's intent that the internal audit function at the University be conducted in a manner consistent with these pronouncements. As such, the Code of Ethics and a summary of the Standards for the Professional Practice of Internal Auditing are included on the following pages of this section.

CODE OF ETHICS

Introduction to the Code of Ethics

The purpose of The Institute's Code of Ethics is to promote an ethical culture in the profession of internal auditing.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an 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.

A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about governance, risk management, and control.

The Institute's Code of Ethics extends beyond the Definition of Internal Auditing to include two essential components:

1. Principles that are relevant to the profession and practice of internal auditing.
2. Rules of Conduct that describe behavior norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.

"Internal auditors" refers to Institute members, recipients of or candidates for IIA professional certifications, and those who perform internal audit services within the Definition of Internal Auditing.

Applicability and Enforcement of the Code of Ethics

This Code of Ethics applies to both entities and individuals that perform internal audit services.

For IIA members and recipients of or candidates for IIA professional certifications, breaches of the Code of Ethics will be evaluated and administered according to The Institute's Bylaws and Administrative Directives. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable, and therefore, the member, certification holder, or candidate can be liable for disciplinary action.

Principles of Ethics

Internal auditors are expected to apply and uphold the following principles

1. Integrity

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

2. Objectivity

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments

3. Confidentiality

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

4. Competency

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

Rules of Conduct

1. Integrity

Internal auditors:

- 1.1. Shall perform their work with honesty, diligence, and responsibility.
- 1.2. Shall observe the law and make disclosures expected by the law and the profession.
- 1.3. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.
- 1.4. Shall respect and contribute to the legitimate and ethical objectives of the organization.

2. Objectivity

Internal auditors:

- 2.1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.
- 2.2. Shall not accept anything that may impair or be presumed to impair their professional judgment.
- 2.3. Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3. Confidentiality

Internal auditors:

- 3.1. Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2. Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

4. Competency

Internal auditors:

- 4.1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
- 4.2. Shall perform internal audit services in accordance with the *International Standards for the Professional Practice of Internal Auditing*.
- 4.3. Shall continually improve their proficiency and the effectiveness and quality of their services.

INTERNATIONAL STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING (THE STANDARDS)

Introduction to the International Standards

Internal auditing is conducted in diverse legal and cultural environments; within organizations that vary in purpose, size, complexity, and structure; and by persons within or outside the organization. While differences may affect the practice of internal auditing in each environment, conformance with The IIA's *International Standards for the Professional Practice of Internal Auditing (Standards)* is essential in meeting the responsibilities of internal auditors and the internal audit activity.

If internal auditors or the internal audit activity is prohibited by law or regulation from conformance with certain parts of the *Standards*, conformance with all other parts of the *Standards* and appropriate disclosures are needed.

If the *Standards* are used in conjunction with standards issued by other authoritative bodies, internal audit communications may also cite the use of other standards, as appropriate. In such a case, if inconsistencies exist between the *Standards* and other standards, internal auditors and the internal audit activity must conform with the *Standards*, and may conform with the other standards if they are more restrictive.

The purpose of the *Standards* is to:

1. Delineate basic principles that represent the practice of internal auditing.
2. Provide a framework for performing and promoting a broad range of value-added internal auditing.
3. Establish the basis for the evaluation of internal audit performance.
4. Foster improved organizational processes and operations.

The *Standards* are principles-focused, mandatory requirements consisting of:

- Statements of basic requirements for the professional practice of internal auditing and for evaluating the effectiveness of performance, which are internationally applicable at organizational and individual levels.
- Interpretations, which clarify terms or concepts within the Statements.

The *Standards* employ terms that have been given specific meanings that are included in the Glossary. Specifically, the *Standards* use the word "must" to specify an unconditional requirement and the word "should" where conformance is expected unless, when applying professional judgment, circumstances justify deviation.

It is necessary to consider the Statements and their Interpretations as well as the specific meanings from the Glossary to understand and apply the *Standards* correctly.

The structure of the *Standards* is divided between Attribute and Performance Standards. Attribute Standards address the attributes of organizations and individuals performing internal auditing. The Performance Standards describe the nature of internal auditing and provide quality criteria against which the performance of these services can be measured. The Attribute and Performance Standards are also provided to apply to all internal audit services.

Implementation Standards are also provided to expand upon the Attribute and Performance standards, by providing the requirements applicable to assurance (A) or consulting (C) activities.

Assurance services involve the internal auditor's objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system, or other subject matter. The nature and scope of the assurance engagement are determined by the internal auditor. There are generally three parties involved in assurance services: (1) the person or group directly involved with the entity, operation, function, process, system, or other subject matter — the process owner, (2) the person or group making the assessment — the internal auditor, and (3) the person or group using the assessment — the user.

Consulting services are advisory in nature, and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. Consulting services generally involve two parties: (1) the person or group offering the advice — the internal auditor, and (2) the person or group seeking and receiving the advice — the engagement client. When performing consulting services the internal auditor should maintain objectivity and not assume management responsibility.

The review and development of the *Standards* is an ongoing process. The Internal Audit Standards Board engages in extensive consultation and discussion prior to issuing the *Standards*. This includes worldwide solicitation for public comment through the exposure draft process. All exposure drafts are posted on The IIA's Web site as well as being distributed to all IIA institutes.

THE STANDARDS

Attribute Standards

1000 – Purpose, Authority, and Responsibility

The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the *Standards*. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.

Interpretation:

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization, including the nature of the chief audit executive's functional reporting relationship with the board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the board.

1000.A1 – The nature of assurance services provided to the organization must be defined in the internal audit charter. If assurances are to be provided to parties outside the organization, the nature of these assurances must also be defined in the internal audit charter.

1000.C1 – The nature of consulting services must be defined in the internal audit charter.

1010 – Recognition of the Definition of Internal Auditing, the Code of Ethics, and the Standards in the Internal Audit Charter

The mandatory nature of the Definition of Internal Auditing, the Code of Ethics, and the *Standards* must be recognized in the internal audit charter. The chief audit executive should discuss the Definition of Internal Auditing, the Code of Ethics, and the *Standards* with senior management and the board.

1100 – Independence and Objectivity

The internal audit activity must be independent, and internal auditors must be objective in performing their work.

Interpretation:

Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional, and organizational levels.

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional, and organizational levels.

1110 – Organizational Independence

The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.

Interpretation:

Organizational independence is effectively achieved when the chief audit executive reports functionally to the board. Examples of functional reporting to the board involve the board:

- *Approving the internal audit charter;*
- *Approving the risk based internal audit plan;*
- *Receiving communications from the chief audit executive on the internal audit activity's performance relative to its plan and other matters;*
- *Approving decisions regarding the appointment and removal of the chief audit executive; and*
- *Making appropriate inquiries of management and the chief audit executive to determine whether there are inappropriate scope or resource limitations.*

1110.A1 – The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results.

1111 – Direct Interaction with the Board

The chief audit executive must communicate and interact directly with the board.

1120 – Individual Objectivity

Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

Interpretation:

Conflict of interest is a situation in which an internal auditor, who is in a position of trust, has a competing professional or personal interest. Such competing interests can make it difficult to fulfill his or

her duties impartially. A conflict of interest exists even if no unethical or improper act results. A conflict of interest can create an appearance of impropriety that can undermine confidence in the internal auditor, the internal audit activity, and the profession. A conflict of interest could impair an individual's ability to perform his or her duties and responsibilities objectively.

1130 – Impairment to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

Interpretation:

Impairment to organizational independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations, such as funding.

The determination of appropriate parties to which the details of an impairment to independence or objectivity must be disclosed is dependent upon the expectations of the internal audit activity's and the chief audit executive's responsibilities to senior management and the board as described in the internal audit charter, as well as the nature of the impairment.

1130.A1 – Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.

1130.A2 – Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by a party outside the internal audit activity.

1130.C1 – Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.

1130.C2 – If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement.

1200 – Proficiency and Due Professional Care

Engagements must be performed with proficiency and due professional care.

1210 – Proficiency

Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.

Interpretation:

Knowledge, skills, and other competencies is a collective term that refers to the professional proficiency required of internal auditors to effectively carry out their professional responsibilities. Internal auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications, such as the Certified Internal Auditor designation and other designations offered by The Institute of Internal Auditors and other appropriate professional organizations.

1210.A1 – The chief audit executive must obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

1210.A2 – Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

1210.A3 – Internal auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.

1210.C1 – The chief audit executive must decline the consulting engagement or obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

1220 – Due Professional Care

Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

1220.A1 – Internal auditors must exercise due professional care by considering the:

- Extent of work needed to achieve the engagement's objectives;
- Relative complexity, materiality, or significance of matters to which assurance procedures are applied;
- Adequacy and effectiveness of governance, risk management, and control processes;
- Probability of significant errors, fraud, or noncompliance; and
- Cost of assurance in relation to potential benefits.

1220.A2 – In exercising due professional care internal auditors must consider the use of technology-based audit and other data analysis techniques.

1220.A3 – Internal auditors must be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.

1220.C1 – Internal auditors must exercise due professional care during a consulting engagement by considering the:

- Needs and expectations of clients, including the nature, timing, and communication of engagement results;
- Relative complexity and extent of work needed to achieve the engagement's objectives; and
- Cost of the consulting engagement in relation to potential benefits.

1230 – Continuing Professional Development

Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development.

1300 – Quality Assurance and Improvement Program

The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.

Interpretation:

A quality assurance and improvement program is designed to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

1310 – Requirements of the Quality Assurance and Improvement Program

The quality assurance and improvement program must include both internal and external assessments.

1311 – Internal Assessments

Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic reviews performed through self-assessment or by other persons within the organization with sufficient knowledge of internal audit practices.

Interpretation:

Ongoing monitoring is an integral part of the day-to-day supervision, review, and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools, and information considered necessary to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards.

Periodic reviews are assessments conducted to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards.

Sufficient knowledge of internal audit practices requires at least an understanding of all elements of the International Professional Practices Framework.

1312 – External Assessments

External assessments must be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organization. The chief audit executive must discuss with the board:

- The need for more frequent external assessments; and
- The qualifications and independence of the external reviewer or review team, including any potential conflict of interest.

Interpretation:

A qualified reviewer or review team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organizations of similar size, complexity, sector or industry, and technical issues is more valuable than less relevant experience. In the case of a review team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The chief audit executive uses professional judgment when assessing whether a reviewer or review team demonstrates sufficient competence to be qualified.

An independent reviewer or review team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organization to which the internal audit activity belongs.

1320 – Reporting on the Quality Assurance and Improvement Program

The chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the board.

Interpretation:

The form, content, and frequency of communicating the results of the quality assurance and improvement program is established through discussions with senior management and the board and considers the responsibilities of the internal audit activity and chief audit executive as contained in the internal audit charter. To demonstrate conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards, the results of external and periodic internal assessments are communicated upon completion of such assessments and the results of ongoing monitoring are communicated at least annually. The results include the reviewer’s or review team’s assessment with respect to the degree of conformance.

1321 – Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing”

The chief audit executive may state that the internal audit activity conforms with the *International Standards for the Professional Practice of Internal Auditing* only if the results of the quality assurance

and improvement program support this statement.

Interpretation:

The internal audit activity conforms with the Standards when it achieves the outcomes described in the Definition of Internal Auditing, Code of Ethics, and Standards. The results of the quality assurance and improvement program include the results of both internal and external assessments. All internal audit activities will have the results of internal assessments. Internal audit activities in existence for at least five years will also have the results of external assessments.

1322 – Disclosure of Nonconformance

When nonconformance with the Definition of Internal Auditing, the Code of Ethics, or the *Standards* impacts the overall scope or operation of the internal audit activity, the chief audit executive must disclose the nonconformance and the impact to senior management and the board.

Performance Standards

2000 – Managing the Internal Audit Activity

The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organization.

Interpretation:

The internal audit activity is effectively managed when:

- *The results of the internal audit activity’s work achieve the purpose and responsibility included in the internal audit charter;*
- *The internal audit activity conforms with the Definition of Internal Auditing and the Standards;*
and
- *The individuals who are part of the internal audit activity demonstrate conformance with the Code of Ethics and the Standards.*

The internal audit activity adds value to the organization (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management, and control processes.

2010 – Planning

The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization’s goals.

Interpretation:

The chief audit executive is responsible for developing a risk-based plan. The chief audit executive takes into account the organization’s risk management framework, including using risk appetite levels set by management for the different activities or parts of the organization. If a framework does not exist, the chief audit executive uses his/her own judgment of risks after consultation with senior management and the board.

2010.A1 – The internal audit activity’s plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.

2010.A2 – The chief audit executive must identify and consider the expectations of senior management, the board, and other stakeholders for internal audit opinions and other conclusions.

2010.C1 – The chief audit executive should consider accepting proposed consulting engagements based on the engagement’s potential to improve management of risks, add value,

and improve the organization's operations. Accepted engagements must be included in the plan.

2020 – Communication and Approval

The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.

2030 – Resource Management

The chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

Interpretation:

Appropriate refers to the mix of knowledge, skills, and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimizes the achievement of the approved plan.

2040 – Policies and Procedures

The chief audit executive must establish policies and procedures to guide the internal audit activity.

Interpretation:

The form and content of policies and procedures are dependent upon the size and structure of the internal audit activity and the complexity of its work.

2050 – Coordination

The chief audit executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.

2060 – Reporting to Senior Management and the Board

The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board.

Interpretation:

The frequency and content of reporting are determined in discussion with senior management and the board and depend on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board.

2070 – External Service Provider and Organizational Responsibility for Internal Auditing

When an external service provider serves as the internal audit activity, the provider must make the organization aware that the organization has the responsibility for maintaining an effective internal audit activity.

Interpretation

This responsibility is demonstrated through the quality assurance and improvement program which assesses conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards.

2100 – Nature of Work

The internal audit activity must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach.

2110 – Governance

The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organization;
- Ensuring effective organizational performance management and accountability;
- Communicating risk and control information to appropriate areas of the organization; and
- Coordinating the activities of and communicating information among the board, external and internal auditors, and management.

2110.A1 – The internal audit activity must evaluate the design, implementation, and effectiveness of the organization’s ethics-related objectives, programs, and activities.

2110.A2 – The internal audit activity must assess whether the information technology governance of the organization supports the organization’s strategies and objectives.

2120 – Risk Management

The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.

Interpretation:

Determining whether risk management processes are effective is a judgment resulting from the internal auditor’s assessment that:

- *Organizational objectives support and align with the organization’s mission;*
- *Significant risks are identified and assessed;*
- *Appropriate risk responses are selected that align risks with the organization’s risk appetite; and*
- *Relevant risk information is captured and communicated in a timely manner across the organization, enabling staff, management, and the board to carry out their responsibilities.*

The internal audit activity may gather the information to support this assessment during multiple engagements. The results of these engagements, when viewed together, provide an understanding of the organization’s risk management processes and their effectiveness.

Risk management processes are monitored through ongoing management activities, separate evaluations, or both.

2120.A1 – The internal audit activity must evaluate risk exposures relating to the organization’s governance, operations, and information systems regarding the:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programs;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures, and contracts.

2120.A2 – The internal audit activity must evaluate the potential for the occurrence of fraud and how the organization manages fraud risk.

2120.C1 – During consulting engagements, internal auditors must address risk consistent with the engagement’s objectives and be alert to the existence of other significant risks.

2120.C2 – Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organization’s risk management processes.

2120.C3 – When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks.

2130 – Control

The internal audit activity must assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

2130.A1 – The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organization’s governance, operations, and information systems regarding the:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programs;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures, and contracts.

2130.C1 – Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organization’s control processes.

2200 – Engagement Planning

Internal auditors must develop and document a plan for each engagement, including the engagement’s objectives, scope, timing, and resource allocations.

2201 – Planning Considerations

In planning the engagement, internal auditors must consider:

- The objectives of the activity being reviewed and the means by which the activity controls its performance;
- The significant risks to the activity, its objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level;
- The adequacy and effectiveness of the activity’s risk management and control processes compared to a relevant control framework or model; and
- The opportunities for making significant improvements to the activity’s risk management and control processes.

2201.A1 – When planning an engagement for parties outside the organization, internal auditors must establish a written understanding with them about objectives, scope, respective responsibilities, and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records.

2201.C1 – Internal auditors must establish an understanding with consulting engagement clients about objectives, scope, respective responsibilities, and other client expectations. For significant engagements, this understanding must be documented.

2210 – Engagement Objectives

Objectives must be established for each engagement.

2210.A1 – Internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of this assessment.

2210.A2 – Internal auditors must consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives.

2210.A3 – Adequate criteria are needed to evaluate controls. Internal auditors must ascertain the extent to which management has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must work with management to develop appropriate evaluation criteria.

2210.C1 – Consulting engagement objectives must address governance, risk management, and control processes to the extent agreed upon with the client.

2210.C2 – Consulting engagement objectives must be consistent with the organization's values, strategies, and objectives.

2220 – Engagement Scope

The established scope must be sufficient to satisfy the objectives of the engagement.

2220.A1 – The scope of the engagement must include consideration of relevant systems, records, personnel, and physical properties, including those under the control of third parties.

2220.A2 – If significant consulting opportunities arise during an assurance engagement, a specific written understanding as to the objectives, scope, respective responsibilities, and other expectations should be reached and the results of the consulting engagement communicated in accordance with consulting standards.

2220.C1 – In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement.

2220.C2 – During consulting engagements, internal auditors must address controls consistent with the engagement's objectives and be alert to significant control issues.

2230 – Engagement Resource Allocation

Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources.

2240 – Engagement Work Program

Internal auditors must develop and document work programs that achieve the engagement objectives.

2240.A1 – Work programs must include the procedures for identifying, analyzing, evaluating, and documenting information during the engagement. The work program must be approved prior to its implementation, and any adjustments approved promptly.

2240.C1 – Work programs for consulting engagements may vary in form and content depending upon the nature of the engagement.

2300 – Performing the Engagement

Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.

2310 – Identifying Information

Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives.

Interpretation:

Sufficient information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the organization meet its goals.

2320 – Analysis and Evaluation

Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.

2330 – Documenting Information

Internal auditors must document relevant information to support the conclusions and engagement results.

2330.A1 – The chief audit executive must control access to engagement records. The chief audit executive must obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties, as appropriate.

2330.A2 – The chief audit executive must develop retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the organization's guidelines and any pertinent regulatory or other requirements.

2330.C1 – The chief audit executive must develop policies governing the custody and retention of consulting engagement records, as well as their release to internal and external parties. These policies must be consistent with the organization's guidelines and any pertinent regulatory or other requirements.

2340 – Engagement Supervision

Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.

Interpretation:

The extent of supervision required will depend on the proficiency and experience of internal auditors and the complexity of the engagement. The chief audit executive has overall responsibility for supervising the engagement, whether performed by or for the internal audit activity, but may designate appropriately experienced members of the internal audit activity to perform the review. Appropriate evidence of supervision is documented and retained.

2400 – Communicating Results

Internal auditors must communicate the results of engagements.

2410 – Criteria for Communicating

Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans.

2410.A1 - Final communication of engagement results must, where appropriate, contain the internal auditors' opinion and/or conclusions. When issued, an opinion or conclusion must take account of the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.

Interpretation:

Opinions at the engagement level may be ratings, conclusions, or other descriptions of the results. Such an engagement may be in relation to controls around a specific process, risk, or business unit. The formulation of such opinions requires consideration of the engagement results and their significance.

2410.A2 – Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.

2410.A3 – When releasing engagement results to parties outside the organization, the communication must include limitations on distribution and use of the results.

2410.C1 – Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.

2420 – Quality of Communications

Communications must be accurate, objective, clear, concise, constructive, complete, and timely.

Interpretation:

Accurate communications are free from errors and distortions and are faithful to the underlying facts. Objective communications are fair, impartial, and unbiased and are the result of a fair-minded and balanced assessment of all relevant facts and circumstances. Clear communications are easily understood and logical, avoiding unnecessary technical language and providing all significant and relevant information. Concise communications are to the point and avoid unnecessary elaboration, superfluous detail, redundancy, and wordiness. Constructive communications are helpful to the engagement client and the organization and lead to improvements where needed. Complete communications lack nothing that is essential to the target audience and include all significant and relevant information and observations to support recommendations and conclusions. Timely communications are opportune and expedient, depending on the significance of the issue, allowing management to take appropriate corrective action.

2421 – Errors and Omissions

If a final communication contains a significant error or omission, the chief audit executive must communicate corrected information to all parties who received the original communication.

2430 – Use of “Conducted in Conformance with the *International Standards for the Professional Practice of Internal Auditing*”

Internal auditors may report that their engagements are “conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*”, only if the results of the quality assurance and improvement program support the statement.

2431 – Engagement Disclosure of Nonconformance

When nonconformance with the Definition of Internal Auditing, the Code of Ethics or the *Standards* impacts a specific engagement, communication of the results must disclose the:

- Principle or rule of conduct of the Code of Ethics or *Standard(s)* with which full conformance was not achieved;
- Reason(s) for nonconformance; and
- Impact of nonconformance on the engagement and the communicated engagement results.

2440 – Disseminating Results

The chief audit executive must communicate results to the appropriate parties.

Interpretation:

The chief audit executive or designee reviews and approves the final engagement communication before issuance and decides to whom and how it will be disseminated.

2440.A1 – The chief audit executive is responsible for communicating the final results to parties who can ensure that the results are given due consideration.

2440.A2 – If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the organization the chief audit executive must:

- Assess the potential risk to the organization;
- Consult with senior management and/or legal counsel as appropriate; and
- Control dissemination by restricting the use of the results.

2440.C1 – The chief audit executive is responsible for communicating the final results of consulting engagements to clients.

2440.C2 – During consulting engagements, governance, risk management, and control issues may be identified. Whenever these issues are significant to the organization, they must be communicated to senior management and the board.

2450 – Overall Opinions

When an overall opinion is issued, it must take into account the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.

Interpretation:

The communication will identify:

- *The scope, including the time period to which the opinion pertains;*
- *Scope limitations;*
- *Consideration of all related projects including the reliance on other assurance providers;*
- *The risk or control framework or other criteria used as a basis for the overall opinion; and*
- *The overall opinion, judgment, or conclusion reached.*

The reasons for an unfavorable overall opinion must be stated.

2500 – Monitoring Progress

The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.

2500.A1 – The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

2500.C1 – The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.

2600 – Resolution of Senior Management’s Acceptance of Risks

When the chief audit executive believes that senior management has accepted a level of residual risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with senior management. If the decision regarding residual risk is not resolved, the chief audit executive must report the matter to the board for resolution.

Glossary

Add Value

The internal audit activity adds value to the organization (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management, and control processes.

Adequate Control

Present if management has planned and organized (designed) in a manner that provides reasonable assurance that the organization’s risks have been managed effectively and that the organization’s goals and objectives will be achieved efficiently and economically.

Assurance Services

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.

Board

A board is an organization’s governing body, such as a board of directors, supervisory board, head of an agency or legislative body, board of governors or trustees of a nonprofit organization, or any other

designated body of the organization, including the audit committee to whom the chief audit executive may functionally report.

Charter

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

Chief Audit Executive

Chief audit executive describes a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the Definition of Internal Auditing, the Code of Ethics, and the *Standards*. The chief audit executive or others reporting to the chief audit executive will have appropriate professional certifications and qualifications. The specific job title of the chief audit executive may vary across organizations.

Code of Ethics

The Code of Ethics of The Institute of Internal Auditors (IIA) are Principles relevant to the profession and practice of internal auditing, and Rules of Conduct that describe behavior expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.

Compliance

Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.

Conflict of Interest

Any relationship that is, or appears to be, not in the best interest of the organization. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

Consulting Services

Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.

Control

Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Control Environment

The attitude and actions of the board and management regarding the importance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values.
- Management's philosophy and operating style.
- Organizational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

Control Processes

The policies, procedures, and activities that are part of a control framework, designed to ensure that risks are contained within the risk tolerances established by the risk management process.

Engagement

A specific internal audit assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

Engagement Objectives

Broad statements developed by internal auditors that define intended engagement accomplishments.

Engagement Work Program

A document that lists the procedures to be followed during an engagement, designed to achieve the engagement plan.

External Service Provider

A person or firm outside of the organization that has special knowledge, skill, and experience in a particular discipline.

Fraud

Any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organizations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage.

Governance

The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives.

Impairment

Impairment to organizational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations (funding).

Independence

The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

Information Technology Controls

Controls that support business management and governance as well as provide general and technical controls over information technology infrastructures such as applications, information, infrastructure, and people.

Information Technology Governance

Consists of the leadership, organizational structures, and processes that ensure that the enterprise's information technology supports the organization's strategies and objectives.

Internal Audit Activity

A department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organization's operations. The internal audit activity helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

International Professional Practices Framework

The conceptual framework that organizes the authoritative guidance promulgated by The IIA. Authoritative Guidance is comprised of two categories – (1) mandatory and (2) strongly recommended.

Must

The *Standards* use the word “must” to specify an unconditional requirement.

Objectivity

An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.

Residual Risk

The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.

Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Risk Appetite

The level of risk that an organization is willing to accept.

Risk Management

A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organization’s objectives.

Should

The *Standards* use the word “should” where conformance is expected unless, when applying professional judgment, circumstances justify deviation.

Significance

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance, and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

Standard

A professional pronouncement promulgated by the Internal Audit Standards Board that delineates the requirements for performing a broad range of internal audit activities, and for evaluating internal audit performance.

Technology-based Audit Techniques

Any automated audit tool, such as generalized audit software, test data generators, computerized audit programs, specialized audit utilities, and computer-assisted audit techniques (CAATs).

**SOUTH CAROLINA STATE UNIVERSITY
OFFICE OF INTERNAL AUDIT
POLICIES AND PROCEDURES MANUAL**

Policy Number: 20

Topic: The Audit Process

Original: February 2006

Update/Revision: January 2011

The Audit Process

A. Introduction

The general objective of an audit is to evaluate the adequacy of the internal control structure and general controls established through policies and procedures. Auditing is carried out with reference to federal and state law and other governing regulations, internal policy, and general good business practice and will include the following:

- Assessing compliance with regulations and written policies and procedures
- Verifying the existence of assets and ensuring proper safeguards for their protection
- Investigating reported occurrences of fraud, embezzlement, theft, waste, etc., and recommending controls to prevent or detect such occurrences
- Determining if resources are employed in an economic, efficient, and effective manner

B. Annual Audit Plan

The audit director, by authorization of the president and the Board of Trustees, annually establishes a plan of scheduled audits called the “Annual Audit Plan”. The audits selected can relate to specific departments/areas within the universities, or to processes that are carried out across a number of different departments/areas (for example payroll). In order to maximize the use of Internal Audit resources, a risk-based approach is adopted in drawing up the plan. Major risk factors are identified, using different risk assessment criteria, and areas with the highest perceived risk are given high priority for audit.

The annual audit plan is prepared and submitted to the Board of Trustees each year for review and approval. Upon approval, the plan is executed by Internal Audit during the course of the following fiscal year. Additionally, unannounced audits may be performed at the discretion of the audit director or at the request of the Board of Trustees, the president, or area head.

C. Engagement

An audit starts with the issue of an engagement letter. The head of the department/area to be audited (the ‘auditee’) is contacted by the audit director in writing before the audit is scheduled to start and notified of the audit process.

D. Entrance Conference

An entrance conference is scheduled with area management and key personnel to discuss the purpose, objectives and scope of the audit, and the expected start and completion dates of the field work. Input from the area management is welcomed at this stage, particularly with reference to any known concerns or areas of potential internal control weakness.

E. Preliminary Planning and Audit Program Development

The in-charge auditor researches the audit needs, incorporating any specialist knowledge required, and develops an audit program to be approved by the audit director.

F. Field Work

Field work addresses the objectives of the audit and is carried out by the audit team usually comprising the in-charge auditor and one or two audit staff. Primarily, the work consists of verifying the existence of appropriate internal controls through discussions with key personnel and the testing of specific transactions with supporting documents on a sampling basis. Progress is discussed with area management, usually as individual objectives are finished, and particularly with regard to any audit concerns.

G. Exit Conference

An exit conference is held to discuss the results of the completed audit and any concerns that may have arisen. Those attending the conference usually include the audit director, the in-charge auditor, the area head, and anyone the area head wishes to invite. The exit conference provides an opportunity to resolve any question the audit client may have about the concerns raised and to address any other issues before the audit report is finalized.

H. Audit Report

A draft audit report is prepared by Internal Audit to summarize the audit work done and to provide details of any concerns that have been found. Recommendations for action necessary to address those concerns are included in the draft report. The draft report is addressed to the area head and division vice president.

If audit recommendations are made, a written management response to each recommendation is required. The area head should coordinate the development of these responses with appropriate staff and management. The response should include:

- Agreement with the recommendation
- The plan of action for implementing the recommendation
- The deadline date for implementation to which management commits
- The name and status of the individual primarily responsible for implementing the recommendation

The responses are incorporated into the audit report and sent to the appropriate vice president and the president for final review and concurrence before the report is issued as a final document.

The final audit report is addressed to the Board of Trustees and copied to the president, appropriate vice president, and area head.

In the event that there is disagreement with a specific recommendation that cannot be resolved through discussion with area and senior management, the audit director may schedule the matter for consideration at the next meeting of the Executive Committee of the Board of Trustees.

I. The Follow-Up Review Process

All audits with concerns and recommendations are required to have a follow-up review. The follow-up review is intended to ensure that management has addressed all recommendations included in the audit report. It takes place soon after the agreed implementation deadline to which management has committed in the management response. During the review, Internal Audit tests the effective implementation of each audit recommendation. If recommendations have not been satisfactorily addressed, a second follow-up review is scheduled. This process continues with successive reviews until either the recommendation has been implemented or the circumstances giving rise to the concern have changed.

The results of each follow-up review are summarized in a memorandum that is sent to the Board of Trustees and to the president, appropriate vice president and area head.

J. Summary of Outstanding Recommendations

A report summary of outstanding recommendations is presented by the audit director at each quarterly scheduled meeting of the Executive Committee of the Board of Trustees. This report lists the audit recommendations that have not been fully implemented. The summary report takes the form of a color-coded summary of the outstanding issues, as follows:

Green:

Recommendation is fully implemented

Yellow:

Implementation of the recommendation is in progress and a revised date for completion has been agreed.

Red:

Recommendations are either: a) not in progress, or b) not fully implemented and 'past due' following a second or later follow-up review. To the extent that past due issues give rise to special concern, a progress report to the Executive Committee of the Board of Trustees may be required from the area head.

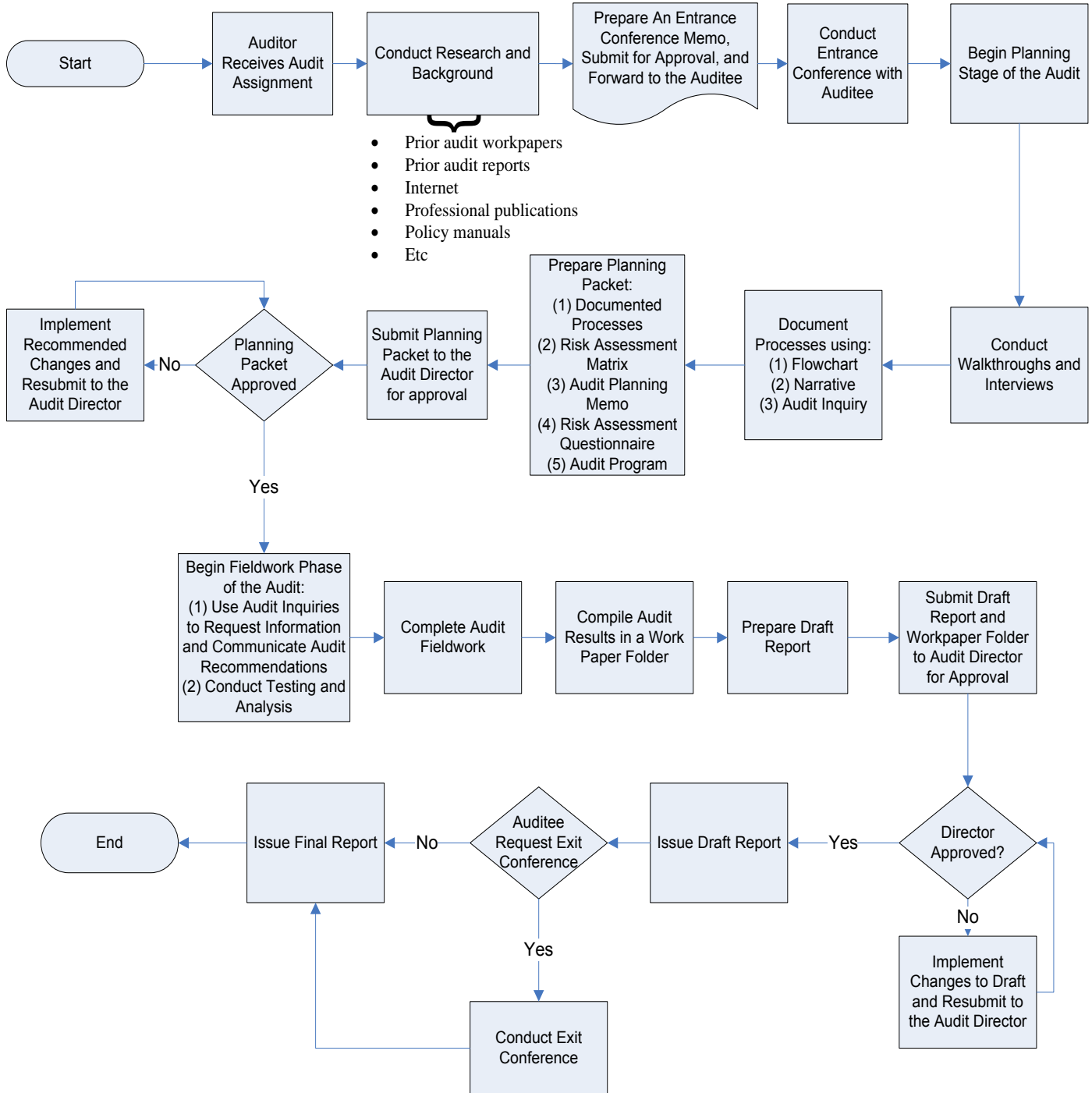
**SOUTH CAROLINA STATE UNIVERSITY
OFFICE OF THE INTERNAL AUDITOR
POLICIES AND PROCEDURES MANUAL**

Topic : Audit Process

Date: January 2007

Policy Number: 020

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**SOUTH CAROLINA STATE UNIVERSITY
OFFICE OF INTERNAL AUDIT
POLICIES AND PROCEDURES MANUAL**

Policy Number: 30

Topic: Audit Recommendations and Resolution Process

Original: January 2009

Update/Revision: January 2011

POLICY:

This policy is intended to provide a process to ensure that agreed management actions to audit recommendations are implemented within an acceptable time frame and/or all outstanding action plans are promptly followed-up. It is proposed that this be achieved by a process whereby agreed actions arising from internal audit recommendations are progressively escalated to the attention of more senior levels of management, and ultimately to the Executive Committee of the Board of Trustees. Reasonable attempts will be made to resolve matters at the area management and president's level prior to escalation to the Executive Committee.

During the course of internal audits, management is required to respond to audit recommendations; providing action plans and implementation dates. Management is accountable to complete those action plans within the agreed-upon time period. Internal Audit will track progress and report to senior management and the Executive Committee on progress in resolving audit recommendations.

When audit recommendations are made, a written management response to each recommendation is required. The division head of the audited area should coordinate the development of these responses with appropriate levels of management or staff. The response should include:

- Agreement (or disagreement) with the recommendation
- The plan of action for implementing the recommendation
- The deadline date for implementation to which management commits
- The name and status of the individual primarily responsible for implementing the recommendation

The responses are incorporated into the audit report by Internal Audit and sent to the appropriate division vice president for final review and concurrence. This is done prior to the report being issued as a final document and forwarded to the Executive Committee.

In the event that there is disagreement with a specific recommendation that cannot be resolved through discussion, the audit director may schedule the matter for discussion with the president and/or for consideration at the next meeting of the Executive Committee of the Board of Trustees.

Procedures:

1. During the audit process, recommendations will first be verbally shared with management to gain consensus on the facts and circumstances. In lieu of initial verbal discussions, Internal Audit may also provide a written recommendation marked "*Draft for Discussion Purposes Only*" on form "Recommendation" (see exhibit "H"). Management will have adequate time to review recommendations and draft action plans or communicate disagreement with the recommendations. Written responses are due within 7 business days of a recommendation being issued. In cases where a fully developed action plan requires further study and analysis, management may indicate this in their action plan. Management personnel to whom audit recommendations have been directed are responsible for ensuring that corrective action is taken. If a plan for action is reported, a date for implementation is to be included.
2. When management declines to respond to a recommendation a written statement to that effect should be provided. This response should be provided to the attention of the audit director and to the responding party's immediate supervisor.
3. Management has the opportunity to review and communicate agreement or disagreement at the closing meeting before the final report is issued; the report will usually be issued within 10 business days of the closing meeting.
4. If area management and Internal Audit do not reach agreement on the recommendations, the unresolved issues will be provided to senior management and/or the Executive Committee for additional discussion and final decision. Unresolved recommendations can only be resolved by senior management and/or the Executive Committee. In this instance a written statement of intent to resolve or acceptance of risk must be documented in the audit file.
5. A final audit report will be prepared and reviewed with the auditee prior to release. The final audit report will be addressed to the Executive Committee of the Board of Trustees. Copies are provided to the president, divisional vice president and department head of the audited area. After the audit report is issued, management is accountable to monitor progress and resolve issues within the timeline agreed upon.
 - Management should notify Internal Audit when action plans are completed. The reporting should be detailed enough to explain what was done to resolve the recommendation.
 - If management is unable to resolve an item within the specified timeframe, it should be communicated in writing. The reasons for the delay and a revised plan should be submitted to Internal Audit staff on a timely basis.
6. Internal Audit will issue inventories of open recommendations quarterly to remind Management of the open items. Management is expected to review the lists and communicate progress on items due/overdue or delays in progress for items not yet due to Internal Audit within 10 days. Internal Audit will maintain an inventory of items reported by management as resolved. Open recommendations (Summary of Outstanding Recommendations) will be reviewed periodically with the president and the Executive Committee.
7. If the quarterly reports indicate management is not making the planned progress, Internal Audit will report this to senior management for follow-up action.

8. Internal Audit will verify that items reported as resolved are actually implemented during the Follow-Up Review process. Internal Audit will issue individual, follow-up reports on the verification of implemented recommendations. If a significant number of the items reported as resolved are not resolved, this will be communicated to senior management for follow-up action.

The following weighting system is designed to assist in assessing the gravity of a recommendation and the associated response time and escalation of each.

PRIORITY LEVEL	DESCRIPTION	RESPONSE TIME FRAME	ESCALATION TIME FRAME
HIGH	Action that is considered imperative to ensure that the organization is not exposed to high risks	7 Business Days (unless otherwise stated on face of Recommendation)	Immediate (Provided to the president after presentation to and discussion with area management; elevated to Executive Committee given lack of appropriate response from the president)
MEDIUM	Action that is considered necessary to avoid exposure to considerable risks	7 Business Days	In draft and final report stages (Provided to area senior management and the president as a draft report for discussion and to the Executive Committee as a final report)
LOW	Action that is considered desirable or best practice and would result in enhanced control or better value	7 Business Days	In draft and final report stages (Provided to area senior management and the president as a draft report for discussion and to the Executive Committee as a final report)

**SOUTH CAROLINA STATE UNIVERSITY
OFFICE OF INTERNAL AUDIT
POLICIES AND PROCEDURES MANUAL**

Policy Number: 40

Topic: Audit Inquiries & Documentation Requests

Original: January 2009

Update/Revision: January 2011

POLICY:

This policy is intended to provide a process to ensure that audit requests are provided within an acceptable timeframe so that the overall timing objective for an audit can be met. During the course of internal audit projects, management is required to respond to audit inquiries and requests for supporting documentation. These requests are necessary to fulfill audit fieldwork standards related to audit documentation and evidence.

7.66 The field work standard related to audit documentation for performance audits performed in accordance with GAGAS is:

Auditors should prepare and maintain audit documentation. Audit documentation related to planning, conducting, and reporting on the audit should contain sufficient information to enable an experienced auditor, who has had no previous connection with the audit, to ascertain from the audit documentation the evidence that supports the auditors' significant judgments and conclusions. Audit documentation should contain support for findings, conclusions, and recommendations before auditors issue their report.

7.48 The field work standard related to evidence for performance audits performed in accordance with GAGAS is:

Sufficient, competent, and relevant evidence is to be obtained to provide a reasonable basis for the auditors' findings and conclusions.

When audit inquiries are made, a written management response to each is required. When requests for supporting documentation are made management is required to provide the documentation or inform audit staff that the documentation is non-existent, in development or otherwise. The division head of the audited area should coordinate the development of these responses with appropriate levels of management or staff.

All response and documentation provided is incorporated into the permanent audit file as appropriate per internal auditing documentation standards.

Procedures:

1. During the audit project, audit inquiries will be requested using form "Audit Inquiry" (see exhibit "F"). Requests for documentation will be made using form "Items Needed" (see exhibit "G").
2. Management will have adequate time to assemble documentation and respond. Responses to audit inquiries and documentation requests are due within 5 business days (unless otherwise noted).

3. Management personnel to whom audit inquiries and documentation requests have been directed are responsible for ensuring responses are timely. If management requires a longer response time it should be confirmed with audit staff. The adjusted response date should be specified in writing along with a justification for the delay.
4. When management declines to respond to an audit inquiry or request for documentation a written statement to that effect should be provided; along with justification for the non-response.
5. Lack of timely response and non-response to audit inquiries and documentation requests will be progressively escalated to the attention of more senior levels of management after three unsuccessful attempts to secure a response has been made.

**SOUTH CAROLINA STATE UNIVERSITY
OFFICE OF INTERNAL AUDIT
POLICIES AND PROCEDURES MANUAL**

Policy Number: 50

Topic: Audit Assignments

Original: February 2006

Update/Revision: January 2011

Policy:

An audit risk model will be used to quantify the risk rating of each audit unit. Audits will be scheduled by priority, taking into account risk ranking and special requests. Audits are assigned to auditors by the audit director based upon experience, availability, and capability.

Procedures:

1. Audits will be assigned to one or more auditors based upon the magnitude, special knowledge required, and/or time constraints. In the case of multiple auditors assigned, one will be designated as the auditor in charge. The individual is responsible for overseeing all aspects of the audit, and ensuring the completion of the assignment in a timely manner. The auditor in charge is responsible for keeping the audit director informed of significant opportunities for improvement and any expected delays in the completion of the assignment.
2. The auditor(s) should review any prior audit work papers and final report as one way of researching background information on the audit unit. The auditor should also utilize other sources of information that may be helpful to the review, such as, other audit staff with relevant experience, the internet, reference library, university manuals, industry and professional publications, etc. Depending upon any changes to the auditable unit, audit recommendations from the final report of the prior audit should be noted and included in the development of the audit program for the current review.
3. Once sufficient background information has been reviewed, the scope, goals and objectives for the audit should be established and documented. The information gathered during this phase will also be useful in the planning phase of the audit.
4. The auditor in charge should coordinate with area management and audit management to schedule a time and date for the entrance conference. An entrance conference memo should be prepared submitted to the audit director for approval (see exhibit "A"). Once the audit director initials the memo, copies should be made for appropriate distribution and to retain in the work papers.
5. The auditor(s) and at least one member of audit management should attend the entrance conference with area management. The in-charge auditor should present the scope, goals and objectives of the review to the attendees. In most cases, this should be done through the use of a written, single-page document that the auditor distributes to attendees and discusses.

6. In the entrance conference, the auditor should clarify the notification process that will be used during the review. The contact person and to whom audit inquiries should be addressed and copied should be agreed upon with management. Before closing the meeting, the auditor should solicit management's input on problem areas or issues that they wish to have included in the review.
7. Based on the entrance conference, the auditor should make any necessary adjustments to the scope of the review and continue to the planning phase of the audit.

**SOUTH CAROLINA STATE UNIVERSITY
OFFICE OF INTERNAL AUDIT
POLICIES AND PROCEDURES MANUAL**

Policy Number: 60

Topic: Audit Planning

Original: February 2006

Update/Revision: January 2011

Policy:

Internal auditors should document a plan for each audit assignment. (Reference IIA Performance Standard 2200 – 2240)

Description:

This first step of an audit assignment begins when the assignment is received. The research of background information helps establish the scope and objectives discussed in the entrance conference. This phase is central to the success of any audit assignment. When properly completed, the planning phase establishes feasibility of the assignment and direction of the review, and helps define the extent of fieldwork necessary to complete review objectives. Proper planning also helps to ensure the department's compliance with IIA standards and the review performed is of the highest possible quality. Depending upon the information previously gathered to this point, some of the procedures may be completed prior to the entrance conference.

Procedures:

1. **The Risk Assessment Questionnaire (RAQ)** – The RAQ is a method of quantifying the level of risk associated with a particular area/function. In 2005, the audit staff completed preliminary RAQs for each auditable unit of the University. The auditable units make up the audit universe. A binder containing the RAQs is available in the Internal Audit office. The auditor should locate the binder and look up the review assignment to see if a RAQ has been completed for it. If the review was not included in the audit universe, a pre-engagement RAQ will need to be completed at this time.
 - a. The RAQ contains twelve risk factors approved for use. An electronic copy is available with instructions.
 - b. The auditor should use the comments section provided just below each risk factor to describe why they selected a particular level for that factor. This information will help future RAQ users to interpret the reasoning behind your ranking of the area/function.
 - c. The scores from all of the factors are added up and compared to a 'risk score frequency table'. This comparison is used to help determine the frequency of the future reviews of the area/function.

2. **Risk Assessment Matrix (RAM)** – The RAM is a method of identifying and documenting each risk, or control objective, associated with a particular part of a review; and the mitigating controls in place to address those risks. The RAM also documents the corresponding audit step to ensure that each risk is adequately addressed (see exhibit "B")

Use the prior work papers, and information from management to help identify risks. List each risk in its own block in the first column. Then identify any mitigating controls in place to help limit those risks and list them in the corresponding block of the second column. This information can be obtained from familiarity with the area, observations, walkthrough, and interviews with the staff in the area. The third column should reflect the number of the audit step that will review each risk and corresponding control(s). The auditor will not be able to document the audit step until the audit program has been developed.

3. **Flowcharting** – This step includes the creation of a visual representation of the area/function process flow (see exhibit “C”). Using the Visio software the auditor should create a flow chart of the process. If the area/function already has a flow chart of their process, start with that and make any necessary changes. The auditor should use his or her own discretion to determine the most useful and efficient level of detail reflected in the flow chart. In some instances, it may not be beneficial to complete a flow chart. The decision not to flow chart a process or function may involve a number of factors, including the amount of time required, the number of business units involved in the process, or the technical nature of the process. In any case, the auditor should discuss their flowcharting concerns with the audit director. Taking the auditor’s concerns into consideration, the audit director will decide whether or not a flow chart should be completed.

4. **Audit Planning Memo** – The planning memo summarizes the information gathered through the planning process and summarizes the direction of the review (see exhibit “D”). The memo is broken down by following headings:

“**Review of Prior Audits**” the auditor should note the date of the last review, any significant issues from prior reviews, and the current status of the issues identified in the prior review.

“**Review of Management Audit Requests**” the auditor should note any requests made by management, along with the names and titles of those members of management.

“**Significant Changes to the Subject Area**” the auditor should note any changes to the area’s/function process, i.e., procedure changes, system changes, staffing changes, etc.

“**Pre-Audit Observations**” the auditor should note specific issues that may require more research. These would be issues that were either told to the auditor or the auditor learned through the research conducted during the planning stage.

“**Adjustments to Scope**” the auditor should document any changes in the audit scope, based on information learned during the planning stage and any requests from management.

“**Quality Assurance**” The auditor should use this section to document who the internal and external customers are for the review, customer’s expectations, and the methodology or tests planned to ensure the customer’s expectations are met.

5. **Audit Program** – Using all of the information gathered and reviewed up to this point, the auditor should prepare an audit program (see exhibit “E”). The audit program documents the specific steps that will be taken to complete the review. If a review of the area/function was previously performed, the auditor can start with the program from the prior review and make changes, as necessary, to document the requirements of the current review.

6. Upon completion of the RAQ, RAM, flowchart, planning memo, and audit program, the auditor should print out a copy of each and submit this planning packet to the audit director for review and approval. The approved, planning packet should be kept with the work papers.
7. The fieldwork phase of the audit begins after the approval of the planning packet.

**SOUTH CAROLINA STATE UNIVERSITY
OFFICE OF INTERNAL AUDIT
POLICIES AND PROCEDURES MANUAL**

Policy Number: 70

Topic: The Audit Program

Original: February 2006

Update/Revision: January 2011

Policy:

An audit program must be prepared for all audits, and should be approved by the audit director before the start of the fieldwork. Any substantial adjustments should be promptly approved. (Reference IIA Performance Standard 2240)

Description:

An audit program is the list of procedures, or steps, to be performed during the fieldwork phase of the review. The procedures in the audit program should be sufficiently comprehensive to ensure that the audit objectives are met. However, the program should not be so rigid as to prohibit flexibility when unanticipated events arise.

Procedures:

For each segment of the audit, the program should include:

- (1) A statement of the objectives;
- (2) The work steps required to test the effectiveness of the existing controls or make a recommendation to require management to establish and implement controls where needed.
- (3) A space for referencing the related audit work papers and the initials of the auditor performing the work step.

The audit program should be completed and approved at the end of the planning phase and before the start of any fieldwork (see exhibit "E"). Any adjustments made to the program should be approved by the audit director, prior to implementation.

An approved hardcopy of the program should be maintained with the work papers.

**SOUTH CAROLINA STATE UNIVERSITY
OFFICE OF INTERNAL AUDIT
POLICIES AND PROCEDURES MANUAL**

Policy Number: 80

Topic: Audit Fieldwork and Analysis

Original: February 2006

Update/Revision: January 2011

Policy:

The internal auditor should collect, analyze, interpret, and document information to support audit conclusions and recommendations (Reference IIA Performance Standard 2310-2320).

Description:

Once the audit program has been approved, the auditor begins executing the audit steps. This usually includes testing, reviewing, analyzing, and interviewing pertinent personnel. Each audit will have unique aspects, and therefore, the audit fieldwork and analysis performed on each audit assignment should be customized for that particular assignment.

Procedures:

1. Determine the most efficient and effective approach to review the audit area. If the audit step involves testing a sample of items, the auditor should first determine the population. Then, from the population, a sample should be selected to test. The auditor should ensure that the sample is representative of the population. If the sample is comprised of items from more than one area, the auditor should ensure that each functional area is fairly represented.
2. In performing tests on sample items, the auditor should ensure that the same tests are performed on all sample items. Documenting the sample and test results should be done either electronically, when possible (using Excel for example).
3. If the most efficient and effective methods involves walking through the process or interviewing, the auditor should set up appointments to meet with the necessary people. When arranging a time to meet, the auditor should accommodate the individual's schedule as much as possible, and keep interruption of the area/function to a minimum. It may be appropriate to schedule a conference room for the meeting to help limit interruptions and distractions. The auditor should take sufficient notes during the walk-through or interview, and should type up those notes as soon as possible, upon return to the audit department, while the information is still fresh in their mind.
4. Any questions or issues noted as a result of fieldwork and analysis should be conveyed to the designated contact person using an Audit Inquiry. (see exhibit "F") The "respond by" date on the audit inquiry should be reasonable, but should not be so prolonged as to hold up the audit. If the response is not received in a timely manner, the auditor should follow-up with the contact person to determine the reason for the delay. If further, unnecessary delay occurs, a second audit inquiry, stamped "Second Request", should be sent to the contact person and their supervisor. Non-response should be elevated to senior management for further resolution.

5. The auditor should follow-up, as necessary, to clarify audit inquiry responses received.
6. If during the course of the audit fieldwork and analysis, a concern is identified that is not properly addressed in the scope of the audit program, the auditor should discuss the concern with the audit director. The auditor and the audit director should decide how to best address the concern. If the concern is material in nature, it may be addressed either in the current audit by expanding the scope and developing a new step in the program, or in a completely separate audit.
7. After completing audit fieldwork and analysis for any section of the program, the auditor should inform the client area management of any material issues noted in that section. Both positive successes and opportunities for improvement should be discussed. This should be done through the use of an Audit Inquiry. A face-to-face meeting may also be appropriate.
8. All documentation that supports the auditor's work and conclusions throughout the review should be maintained. Once the auditor completes the audit fieldwork, the documentation should be organized, indexed, and maintained in an audit binder.

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Policy Number: 90

Topic: Audit Workpapers

Original: February 2006

Update/Revision: January 2011

Policy:

All relevant information will be documented and maintained in a file that will be reviewed and approved by the appropriate audit management (Reference IIA Performance Standard 2300 – 2340).

All workpapers, including schedules, analyses, documents, flow charts, and narratives should be filed in a standard department binder.

Description:

Complete – Workpapers must be able to “stand alone.” This means that all questions must be answered, all points raised by the reviewer must be cleared, and a logical, well-thought-out conclusion must be reached for each audit segment.

Concise – Workpapers must be confined to those that serve a useful purpose.

Uniform – All workpapers should be of uniform size and appearance. Smaller papers should be fastened to standard workpapers, and larger papers should be folded to conform to size restrictions of the binder.

Neat – Workpapers should not be crowded. Allow for enough space on each schedule so that all pertinent information can be included in a logical and orderly manner. At the same time, keep workpapers economical. Forms and procedures should be included only when relevant to the audit or to an audit recommendation. Also, try to avoid unnecessary listings and scheduling. All schedules should have a purpose, which relates to the audit procedures or recommendations.

Retention – Workpapers will be retained for seven years from the date of the audit report. The most recent set of workpapers for each project will be maintained in Internal Audit’s files. All prior workpapers are to be filed in banker’s boxes and maintained at the university’s warehouse facilities.

Procedures:

Workpaper Techniques

Descriptive Headings/Footers

All workpapers should include the university name, the area/function being audited and the title or brief description of the workpaper in the page heading. In the bottom right corner of the page, next to the index reference number, the auditor should also include their initials, the date the workpaper was completed, and a space for audit management’s approval.

Tickmarks

The auditor makes frequent use of a variety of symbols to indicate work that has been done. These symbols are commonly referred to as tickmarks. As these tickmarks have no special or uniform meaning by themselves, an explanation of each tickmark should be made on the schedule on which it appears. If necessary, a separate tickmark sheet can be prepared and attached to the applicable schedule.

Cross-referencing

Cross-referencing within workpapers should be complete and accurate.

Indexing

Workpaper indexing should coincide with the audit program.

Carry Forward

The auditor should make full use of the workpapers developed in the prior audit. Flowcharts, system descriptions, and other data may still be valid. Those papers, which remain useful, should be made a part of the current workpapers. They should be updated with current information, renumbered, referenced, and initialed and dated by the current auditor.

Workpaper Documentation

Schedules and Analyses

Schedules and analyses are useful for identifying statistical trends, verifying the accuracy of data, developing projections or estimations, and determining if tasks or records have been properly completed.

Documents

Copies or actual samples of various documents can be used as examples, for clarification, and as physical evidence to support a conclusion or prove the existence of a problem. These documents can be memos, reports, computer printouts procedures, forms, invoices, flow charts, contracts, or any of numerous other items. Any copied document should serve a useful audit purpose. Copy and insert only that portion of the document that is needed for purposes of explanation or as documentation of a potential finding. Do not include the entire document in the workpapers unless absolutely necessary.

Process Write-ups and Flowcharts

In many audits, it is necessary to describe systems or process followed by the audit customer. Describe such procedures or processes through the use of write-ups or flowchart or some combination of the two. The choice of which methods to use will depend on the relative efficiency of the method in relation to the complexities of the system being described.

Interviews

Most verbal information is obtained through formal interviews conducted either in person or by telephone. Formal interviews are most desirable because the interviews or even

casual discussions can often provide important information. Any verbal information, which is likely to support a conclusion in the audit workpapers, should be documented. Interviews are useful in identifying problem areas, obtaining general knowledge of the audit subject, collecting data not in a documented form, and documenting the audit customer's opinions, assessments, or rationale for actions. Interview notes should contain only the facts presented by the person interviewed, and not include any of the auditor's opinion.

Audit Inquiries and Requests for Documentation

Audit inquiries are used to request verbal or preferably written response to a written question provided on the audit inquiry form (see exhibit "F"). Requests for specific documents should be made on the items needed form (see exhibit "G").

Exceptions

Exceptions should be noted and all supporting documentation should be copied and attached to the workpaper. Each exception should be numbered and reference the exception explanation.

Workpaper Organization

All workpapers should be placed into an expandable type binder. The sequence of workpapers should be as follows:

In the first segment, left-hand side, place the following in order:

1. Executive summary
2. Final audit report
3. Draft audit report
4. Audit inquiries and document requests with management responses
5. Survey and management response

In the first segment, right-hand side, place the planning packet, displaying the audit program on top of the packet.

Use the remainder of the folder for the audit workpapers.

**SOUTH CAROLINA STATE UNIVERSITY
OFFICE OF INTERNAL AUDIT
POLICIES AND PROCEDURES MANUAL**

Policy Number: 100

Topic: Audit Reports

Original: February 2006

Update/Revision: January 2011

Policy:

The internal auditor should communicate their audit results promptly, in an objective, clear, concise and constructive manner (Reference IIA Performance Standards 2400 -2440)

Description:

The internal audit report is the culmination of the auditor's research, analysis, and conclusion. It may be subject to review by parties internal or external to the university, including external auditors, peer reviewers, oversight agencies, etc. The document itself informs the reader of the extent of the auditor's analysis, and the conclusions or results of that analysis. For many readers, this document will be the only point of contact made on the audit. Therefore, it is essential that the audit report sets the proper tone and that the content is clear, concise and accurate.

Procedures:

1. All issues should be communicated to the customer through the use of audit inquiry (see exhibit "F") prior to the issuance of the draft report. Once all steps of the audit program and the related analysis are completed, and the papers have been organized, the auditor should begin work on the audit draft report (see exhibit "I"). Properly prepared audit recommendation completed throughout the course of the audit can be cut and paste, saving time in compiling the draft. Timely completion of the draft report is crucial and helps to ensure that the information it contains is still pertinent to the audit client.

2. The draft should be formatted into sections, as follows:
 - I. **SCOPE**
The first section will be the scope section. The scope should state the area/function that was reviewed, the type of review performed (i.e. operational, functional, financial), and the primary objectives of the review. The objectives should be written as bullet-statements.

 - II. **BACKGROUND**
The second section of the draft will be the background section. The background section provides the reader with information about the area/function being reviewed. This is done in order to enhance the reader's understanding and appreciation of the responsibilities of the area/function, and to make the report more user-friendly for the reader. There may be occasions when the background section is not necessary in the draft. Audit management has discretion on this.

 - III. **SUCCESSSES**
The third section of the draft will be the success section. Here, the auditor will recognize successes achieved by the audited area. In order to present a positive

tone, efforts should always be taken to recognize any areas that management addressed/improved during the course of the audit.

IV. ISSUES AND RECOMMENATIONS

The fourth section is the issues and recommendations section. This section may be used by the auditor for observations, concerns, issues and resulting recommendations.

V. CONCLUSION

The fifth and last section of the audit report is the conclusion. This section of the audit report is used to express any overall matters for management consideration. Additionally, this section should always express Internal Audit's gratitude to the client area management and staff for their involvement and support of the audit process.

VI. SIGNATURE

Each audit report will end with a place for the audit director's signature. It should be right justified and placed directly under the conclusion section. Audit staff assigned to the audit will be listed on the cover page and below the audit director's signature at the end of the report.

3. The draft report will contain the following marking, preferably in the header top right corner on each page:

**DRAFT DOCUMENT
INTERNAL AUDIT OFFICE
(FOR DISCUSSION ONLY)**

4. Along with the page number, the footer on each page of the draft report will contain the following statement:

**Information in this report is confidential and proprietary.
Use or disclosure of data is subject to the approval of the Internal Auditor and the
General Counsel of SC State University**

5. The draft report should be cross-referenced to the workpapers and submitted, along with the workpapers, to the audit director for review. The audit director will review the report to ensure that it is accurate and that there is adequate documentation in the workpapers to support the opportunities and recommendations of the report. The audit director will also review the report for appearance, tone, grammar and other standard reporting requirements.
6. The auditor should also prepare a distribution list at this time. The distribution list should include the area management, person(s) that the area reports to directly. The audit director should review the list and make any additions or deletion necessary. This list will be used to prepare the cover letters discussed in step 8 below.
7. The audit director will return the draft and discuss any changes with the auditor within one week. Once the necessary changes are made, the auditor will resubmit the draft for review. Once the audit director has completed this second review, and sees no further changes necessary, the draft is ready for distribution.

8. The auditor should prepare a cover memo for the area's vice president (see exhibit "J") and acknowledgements for the area's vice president to sign. These acknowledgements provide documentation that they reviewed the draft prior to the distribution of the final report (see exhibit "K"). A cover memo will also be issued to area management, requesting any changes to responses in the report, and stating a due date for the responses and a due date for the client to request an exit conference (see exhibit "L"). This cover memo will also indicate that if no response is received, the final report will be with the responses detailed in the draft report.
9. Once the responses to the draft report are received, they should be date stamped, and given to the audit director. The audit director will review and forward back to the auditor. Both should review the responses to ensure that it is appropriate for the recommendation. If there appears to be a misunderstanding by the client on the content of the report or the recommendation, the auditor should contact the client (preferably in writing) and try to properly communicate the intent of the report/recommendation. If necessary, the auditor should ask for a new response.
10. The auditor should follow up with any areas that have not responded by the due date stated in the draft. This follow up should be done in writing, either through email or an inter-office memo. Non-response should be reported to senior management for further resolution.
11. The responses should be incorporated into the final report, placed just below the corresponding recommendation. If this final report includes recommendations to multiple areas, the auditor should specify the area from which the response was received. It may be necessary to include an "auditor's comment" following the response if the auditor feels that further clarification is needed. The auditor should not, however, use an auditor's comment as a forum to rebut any response. The final report should contain footer with the same wording used in the draft report, along with the date and page number. No header is included in the final report.
12. An executive summary should be prepared and addressed to the Board of Trustees. (see exhibit "K")
13. Both the final report and the executive summary should be submitted to the audit director for review/approval. If no changes are needed, the audit director will review both documents and sign them.
14. Follow-up reviews will be scheduled by the audit director during the annual audit plan preparation process. The audit director will develop the most effective method to perform follow-up reviews.

**SOUTH CAROLINA STATE UNIVERSITY
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Policy Number: 110

Topic: External Auditors

Original: February 2006

Update/Revision: January 2011

Policy:

Internal Audit should coordinate activities with external auditors, consultants, and providers of assurance services (collectively referred to as externals for the remainder of this policy) so as to ensure proper coverage, limit duplication of efforts, and achieve fee containment. (Reference IIA Performance Standard 2050)

Procedures:

The audit director will be in charge of all the overall coordination and scheduling of internal and external audit efforts. The audit director will determine the level of direct and indirect assistance required and available. Once the level of assistance to be provided is determined, the audit director will designate an auditor to assist with the coordination. The auditor's duties when assisting with the coordination effort will include, as necessary:

1. Making arrangements for the date, time, place and list of attendees for an entrance conference, and communicating this information to all who may need to know.
2. Making the necessary arrangements for adequate working space for the externals.
3. Any requests for information or documentation should be communicated to management in writing, preferably through the use of an Audit Inquiry. A file should be maintained of all information requested, the date requested, and the date submitted to the externals. Any original documents to be returned to management should be closely monitored by the auditor.
4. When pre-audit information is requested by externals prior to their visit on-site, the auditor should, whenever possible, make and retain a copy of all documents and materials before they are mailed.
5. At the entrance conference, the auditor should:
 - Perform introductions between externals and the other management representatives in attendance.
 - Distribute a sign-in sheet, to include name, department, and extension.
 - Inform externals and others in attendance where the workspace for the externals is located.
 - Discuss, or invite externals to discuss, the reason for the audit, the objectives and scope of the audit, the timeframe covered by the audit, and the expected duration of the audit.
6. The auditor may be asked to perform portions of the externals' audit programs. If so, the auditor should complete the assignment with the same level of objectivity as they would on all assignments, and will still report to the audit director during this period. The audit director will discuss with the auditor, the guidelines of the assignment, including the level of

assistance that the auditor is expected to provide. The auditor should ensure that the work they perform throughout the assignment falls within those guidelines for audit assistance. The auditor should confer with the audit director when a question about acceptability arises.

7. At the conclusion of the review, the auditor should ensure that supplies and original documents are returned to the proper department/location.

**SOUTH CAROLINA STATE UNIVERSITY
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Policy Number: 120

Topic: Training

Original: February 2006

Update/Revision: January 2011

Policy:

Internal Auditors should enhance their skills through continuing professional development (Reference IIA Attribute Standards 1230)

Description:

Each auditor is responsible for managing his or her own professional development. The university encourages auditors to pursue certification. Internal Audit strives to encourage each auditor to participate in training to continue their professional development during their annual performance review process. Training is available to the auditor in a number of ways, which are discussed below:

- **Local Professional Organizations**

The university will pay for membership in the Institute of Internal Auditors (IIA), Association of College and University Auditors (ACUA) and the Association of Certified Fraud Examiners (ACFE). Auditors should be cost conscious, and take full advantage of the CPE hours available through the local IIA chapters (the Palmetto Chapter, the Coastal Carolina Chapter, and the Western Carolina Chapter). These hours include monthly meetings throughout the chapter year, September through May, as well as periodic seminars held locally. By taking advantage of these local opportunities, the auditor can gain quality development hours at a discount rate. Similar opportunities exist through the Association of Certified Fraud Examiners (CFE), the Institute of Management Accountants, (IMA), and Information Systems Audit and Control Association (ISACA), as well as other local professional organization chapters.
- **Professional Training Companies/Organizations**

Various companies and organizations offer training opportunities to auditors, through conferences, seminars and workshops. When the auditor finds a course that they feel will provide beneficial development, they should submit a request to attend to the audit director. The request can be informal, but should include a copy of the course description. Examples of these training companies include MIS Training Institute, CanAudit, Inc. and IIA.
- **Required Industry Training**

On occasion, the audit director may request that the audit staff attend a specific seminar or conference. These may be cases where the training is required or recommended for a particular project.
- **In-House Training**

The university may offer several in-house training opportunities. The opportunities may include industry training, offered through the Human Resource

Training Department. The auditor should coordinate with the audit director for training of this type.

Procedure:

- Training Registration Process:
Approval from the audit director must be obtained prior to registering for any conference, seminar, or workshop, whether it is held locally or otherwise.

**SOUTH CAROLINA STATE UNIVERSITY
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Policy Number: 130

Topic: Consulting

Original: February 2006

Update/Revision: January 2011

Policy:

Internal auditors should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organization's operations (Reference IIA Definition of Internal Auditing and IIA Performance Standard 2010.C1).

Description:

All levels of corporate management are encouraged to utilize Internal Audit's expertise on risk-management, controls, and governance, through the use of consulting services. Internal Audit provides consulting services such as:

- Advisory services, such as developing solutions to control problems
- Facilitation services, such as control self-assessments
- Process design, such as business-process improvement projects, and other types of "front-end" advice
- Internal controls education or training
- Collaboration as a contributing team member on organizational initiatives.

Procedures:

1. University management usually initiates a consulting request by contacting the audit director.
2. The audit director will assign an internal auditor to handle the request based on auditor experience and availability, and the nature and complexity of the client's request.
3. Together with the audit director, the auditor will establish an understanding with the consulting client concerning the objectives, scope, respective responsibilities, and other expectations. Based on the significance of the engagement this information should be documented. The auditor should confer with the audit director when making the decision whether or not to document and to what extent the documentation is necessary.
4. Communication of the progress and results of engagements will vary in the form and content, depending on the nature of the engagement and the needs of the client should be updated in a timely manner, during the engagement, on all materials issues, so as to limit future exposure and add value. This will also provide the opportunity to review and adjust the scope of the engagement, as needed.
5. The auditor should document all issues, based on materiality, noted during the consulting engagement, much the same as with any other audit assignment. There should be supporting documentation for issues, concerns, and opportunities for

improvements. Because this is a consulting engagement, and not an audit, this documentation may consist of items such as transcripts from interviews and walk-throughs, rather than results from substantive tests.

6. Whenever possible, the auditor should attempt to meet with the client management for a wrap-up discussion prior to preparing a report. This gives the auditor a face-to-face chance to highlight successes noted during the engagement, and to discuss and seek client buy-in on opportunities noted. The client should be allowed sufficient time to consider the engagement results, and to document an action plan that can be included in the consulting report.
7. The auditor should prepare a consulting report at the completion of the project. The report should follow the basic audit report format, with sections for the background, objective(s), scope, and conclusion/opportunities for improvement, but in a much more summarized form. The background, objective, and scope sections should be kept short, providing enough information to communicate the context of the engagement without bogging down the reader with extensive historical data. Use bulleted statements where appropriate.
8. The conclusion/opportunities section should include any action plans that the client has provided and/or the auditor should include any recommendations on improvements that have not been addressed.
9. The audit director will provide direction on disseminating results on the engagement, concerning what level of management will be included in the distribution of a report.
10. To the extent agreed upon with the client, the auditor should monitor the disposition of results of the engagement by performing a follow-up process.

**SOUTH CAROLINA STATE UNIVERSITY
OFFICE OF INTERNAL AUDIT
POLICIES AND PROCEDURES MANUAL**

Policy Number: 140

Topic: Follow-Up Review

Original: February 2006

Update/Revision: January 2011

Performance Standard 2500 – Monitoring Progress

Standards for the Professional Practice of Internal Auditing require the chief audit executive (audit director) to establish and maintain a system to monitor the disposition of results communicated to management. Implementation Standard 2500.A1 requires a follow-up process to monitor and ensure that management actions have been effectively implemented or that management has accepted the risk of not taking action

Performance Standard 2600 – Management’s Acceptance of Risk

When the chief audit executive believes that senior management has accepted a level of residual risk that is unacceptable to the organization, the chief audit executive should discuss the matter with senior management. If the decision regarding residual risk is not resolved, the chief audit executive and senior management should report the matter to the Board of Trustees for further resolution.

Internal Audit’s Procedures

To comply with the aforementioned Standards of Professional Practice, Internal Audit will utilize the following procedures for follow-up reviews:

A. Scheduling Follow-up Activities

The audit director is responsible for scheduling follow-up activities as part of the annual audit plan and the current audit schedule. The budget hours allocated to follow-up will be estimated and included in the audit planning process.

B. Definition and Objective of Follow-up Review

Follow-up is defined as a process by which internal auditors determine the adequacy, effectiveness and timeliness of actions taken by management on reported findings. Internal Audit will determine if corrective action taken is achieving the desired results, or that management has assumed the risk of not taking corrective action on reported findings.

C. Planning and Scheduling a Follow-up Review

The following steps should be taken in planning and scheduling a follow-up review:

1. The “Status of Audit Recommendations” spreadsheet from the original audit should be used as the basis for planning the follow-up review. The auditor should note the recommendations and corresponding management responses from the original audit.
2. A follow-up review engagement letter (see exhibit “L”) should be sent to management, to (a) explain the objective of the review, (b) schedule a time for follow-up fieldwork, as applicable and (c) request a report, or appropriate document outlining the current status of the actions agreed upon in response to the original audit report recommendations (along with supporting documentation). It is advisable to correspond with the auditee/management by phone prior to sending the letter
3. Follow-up reviews will not include an opening and closing conference, and the scope should be limited to the findings included in the original audit report and any non-reportable conditions resulting from the original audit (see item G below).

D. Management Responsibility

Management is responsible for deciding the appropriate action to be taken in response to reported audit findings. Management has an ethical responsibility to address the recommendations agreed upon in the management response section of the original audit report. Internal Audit is responsible for assessing management action for timely resolution of the issues reported.

E. Management’s Acceptance of Risk

Management may decide to assume the risk of not correcting the reported condition because of cost, or some other factors. The follow-up report or memo will reflect management’s decision. See Performance Standard 2600 above for additional guidelines.

F. Factors that should be considered

Factors which should be considered in determining appropriate follow-up include, but may not be limited to:

1. The significance and overall impact of the reported condition.
2. The degree of effort and resources needed to correct the reported condition.
3. The risk that may occur should the corrective action fail.
4. The complexity of the corrective action and the time needed for implementation.

G. The Extent of Follow-up Testing

The scope of the follow-up review should be based on the nature of the audit issues, the complexity of the corrective action and the level of confidence needed to verify management’s commitment to implementing corrective action. Unless extenuating circumstances are present, the review should be limited to evaluation of the specific actions taken on the audit recommendations reported in the initial report. The following provides general guidelines for the scope of follow-up activity:

1. Informal Follow-up Review

This is the most basic form of follow-up and may be satisfied by examining the status report, reviewing auditee/management's procedures, or with an informal telephone conversation or memo correspondence. This type of follow-up is usually applicable to the less critical conditions.

2. Limited Follow-up Review

Limited follow-up typically involves more interaction with the auditee. This may involve actually verifying procedures or transactions, and in most cases is not accomplished merely through memos or telephone conversations with management.

3. Detailed Follow-up Review

Detailed follow-up is usually more time-consuming and can include substantial involvement with the auditee. Verifying procedures and audit trails, as well as substantiating balances, records, etc. are examples. More critical audit conditions may require detailed follow-up.

H. Follow-up Report

A formal follow-up report or memorandum will be issued in draft form (see exhibit "O") and distributed to the original audit report recipients, as applicable. The status of corrective action or management's waiver of resolution (and the corresponding acceptance of risk) will be included in the report. Once the draft report, or memorandum is issued, procedures outlined at Policy Number 080 for issuing audit reports should be followed.

I. Non-reportable Matters (Observations)

During the follow-up, the auditor will also perform procedures to determine if any non-reportable items that existed during the original audit have been satisfactorily resolved. If these matters have not been resolved, a reportable condition may be included in the follow-up audit report.

J. Conditions Still Exist

If the conditions still exist as a result of the follow-up review, the audit director will elevate the concerns to president and/or the Board of Trustees, as applicable. See Performance Standard 2600 above for additional guidelines.

EXHIBIT A Sample – Audit Engagement Letter



SOUTH CAROLINA STATE UNIVERSITY OFFICE OF THE INTERNAL AUDITOR

MEMORANDUM

Date: July 24, 2006
To: Dr. James Myers
From: Christine Glover, Director of Internal Audit
Subject: Review of University Computing and Information Technology Services

As part of the Internal Audit Office's annual audit plan, a review of the University Computing and Information Technology Services has been scheduled.

I have scheduled an entrance conference for August 8, at 9:30 A.M. in Belcher Hall, Room 206. If this time is not convenient for you, please contact me by July 28, so that we may reschedule.

To facilitate preliminary planning, I will need copies of the following:

- Policies, procedures and standards as they relate to your area
- A list of University application systems
- A listing of reports either generated or used by your area
- A functional organization chart
- Job descriptions for employees in your area
- Completed IT Risk Assessment Survey (attached)
- Any concerns of your own that you would like addressed during this review

I would like to thank you in advance for your cooperation and for this opportunity to serve you.

cc: Mr. John Smalls

EXHIBIT B - Sample - Risk Assessment Matrix

South Carolina State University Office of Internal Audit Risk Assessment Matrix

Cashier's Office November 2005

Risk	Mitigating Controls	Audit Program Step and Issues
Receipts are used out of sequence.	Bulk supply of boxes are numbered and used in sequence.	V.A-D
Receipts are issued without being entered into system.	Documented procedures require receipts are entered into system. Issued receipts are tracked via monthly reporting. May be corrected with Banner.	V.A-D
Receipts are issued and funds are misappropriated.	Customer complaints. Independent bank reconciliation process.	V, VI, VII
Unused receipts are lost, stolen or misplaced.	Boxes of receipts are stored in the Cashier's office.	IV
Cash is lost, stolen, misplaced.	Each cashier has sole control of cash. Cash is stored in safe overnight. Campus police escorts employee who makes bank deposit. Campus police escorts employee who retrieves items from Felton drop box.	I.E
Payments are posted to incorrect accounts.	Each cashier has a list of codes to use for processing transactions.	VIII
Checks accepted are uncollectible.	TIGERTRANZ is used to obtain authorization for checks. Current address, phone number and driver's license numbers are recorded for each check accepted.	IV.E
Cash/checks are misappropriated from Felton Drop Box	Locked drop box is used for payments. Payments obtained from the box are verified by two employees. Campus Police escorts employee retrieving payments from drop box.	I.E
Checks are lost, stolen or misplaced.	A specific cashier is designated to handle the various check types. Checks are monitored by these cashiers. Checks are stored in safe during non-business hours. Customer complaints.	I.E
Payments received via mail are lost, stolen, misplaced.	Payments picked up by a designated employee who logs them in and distributes to cashier for processing. Copies of checks are maintained.	I.E

EXHIBIT C Sample – Process Flowchart

SOUTH CAROLINA STATE UNIVERSITY Cashier's Office - Check Handling Nov-05

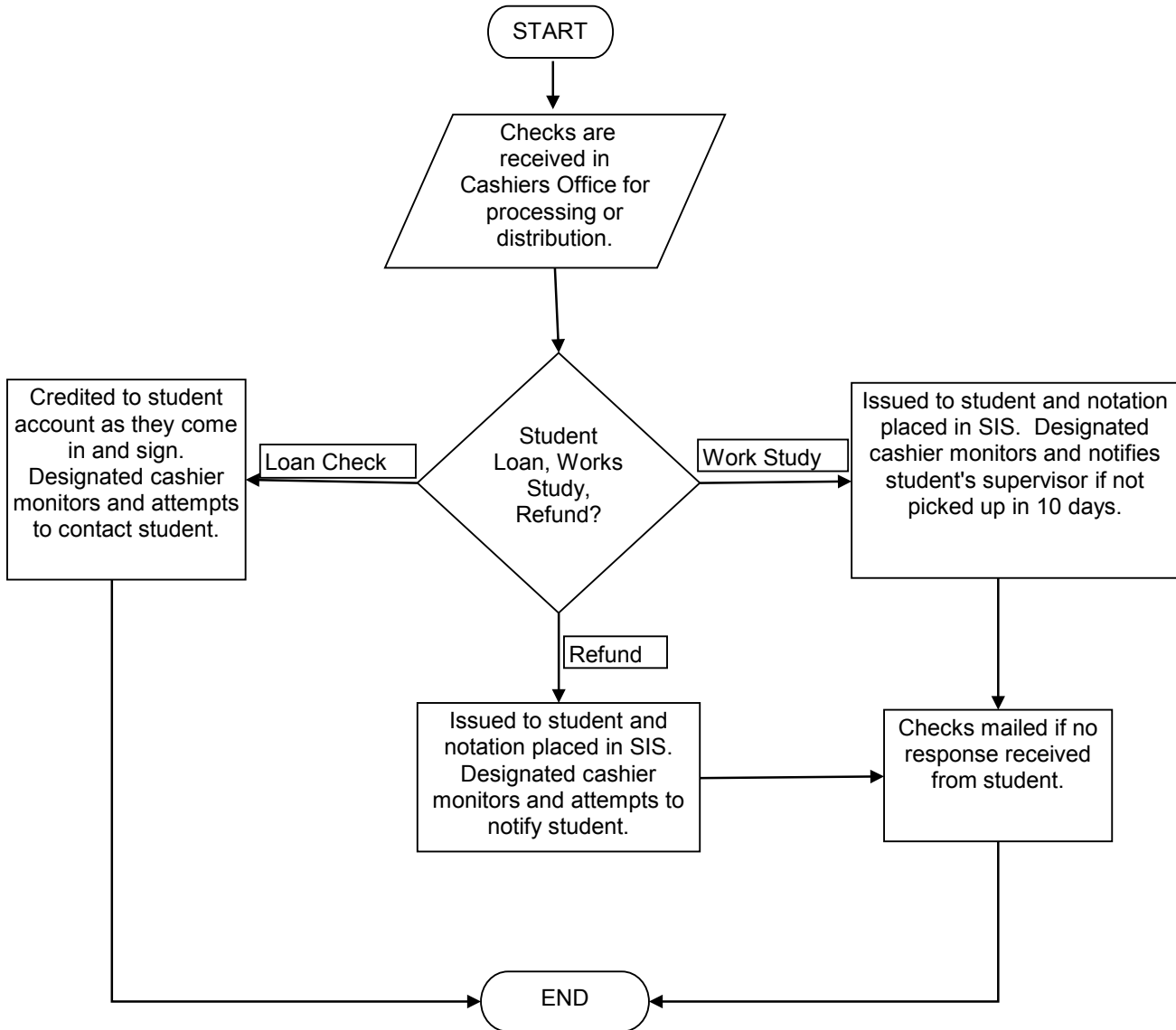


EXHIBIT D Sample – Audit Planning Memo



SOUTH CAROLINA STATE UNIVERSITY OFFICE OF THE INTERNAL AUDITOR AUDIT PLANNING MEMO

AUDIT TITLE: Cashier's Office

DATE: November 2005

Review of Prior Audits:

No previous internal audit of the Cashier's Office has been conducted. However, the annual review conducted by the external auditors for FY-04 noted a finding in this area. Preliminary information indicates that this is a repeat finding for FY-05. The finding is detailed below.

Statement of Condition: The University does not have procedures in place to control the numerical sequence of receipts issued by the Cashier's Office. Two of the five initial receipts that we pulled were reported to be unused by the Cashier's Office. University personnel could not explain why gaps existed in the range of receipt numbers or what happened to the missing receipts.

Also, the systems allows a receipt to be keyed and printed out without ever being entered into the system which means that a receipt could be produced and the amount not show up on the system produced reports. Our audit disclosed one receipt that did not appear to be entered into the system. Also, our audit disclosed two receipts that appeared to be entered into the University's system twice.

Criteria: Good internal controls require that all receipts be accounted for and reconciled to the amount recorded in the University's general ledger.

Effect of Condition: Receipts could be issued and the funds could be misappropriated.

Cause of Condition: Failure to account for the numerical sequence of all receipts:

Recommendation: We recommend that a system be put in place for the numerical sequence of all receipts. Receipts should be used in numerical sequence and any voided receipts should be retained. A programming change should be made to ensure that a receipt cannot be printed until it is entered into the system.

Management Response: The University uses pre-numbered receipts. Due to transporting unopened boxes of receipts to the "Registration" site, the higher numbered receipts were used out of order. Cashiers then used the receipts that had previously been opened in the office. Once those receipts were used, the receipts remaining from registration were pulled and used, disregarding the sequential order of receipts. Procedures have been implemented to ensure that receipts are used in sequential order. The unopened boxes are numbered in "red" to prevent using them out of sequence. We have implemented balancing procedures that would provide security to prevent duplication of receipts. The cashier's are currently taking extra care in keying receipt numbers to

prevent duplication of “receipt numbers”. If the cashier fails to press the enter key after a receipt is printed, an “out of balance” situation occurs and is corrected by reviewing all system entries at the end of the work day to locate the difference and a correction is made and noted in the records.

Review of Management Audit Requests:

No requests received from management.

Review with Auditee Management:

Management expressed the following concerns:

- When making deposits, know the correct account and account number
The deposit will be made into.
- Deposits should be made between the hours of 9am – 12noon.
- Have access available to view accounts on the FRS System.

Significant Changes to Subject Area:

None at this time. Changes are expected with Banner conversion.

Pre-Audit Observations:

Management and personnel appear to be interested in doing a good job and are open and receptive to audit process.

Adjustments to Scope:

No adjustments at this time.

QUALITY ASSURANCE

1. **External Customers:**

- Parents and guardians of University students
- Parents and guardians of Felton Laboratory School
- Bank handling University deposits
- Comptroller General

2. **Requirements of External Customers:**

- Transactions are processed timely and accurately
- Established policies and procedures are adhered to

3. **Internal Customers:**

- Students
- University departments
- Cashier Office management

4. **Requirements of Internal Customers:**

- Transactions are processed timely and accurately
- Established policies and procedures are adhered to
- University funds are safeguarded

5. **Substantive Tests Included to Ensure Customers Needs Are Met:**

See Audit Program

6. **Audit Steps or Control Objectives Eliminated Due to No Customer Requirements:**

None

7. **Low or Moderate Risk Areas Excluded from Testing:**

None excluded since no previous internal audit conducted.

8. **High Risk Areas Included in Audit Testing:**

See Audit Program

EXHIBIT E Sample – Audit Program



**SOUTH CAROLINA STATE UNIVERSITY
OFFICE OF INTERNAL AUDIT
CASHIER'S OFFICE
AUDIT PROGRAM
NOVEMBER 2005**

		W.P. Ref	Done By
I.	<u>Preliminary</u>		
	Objective: To gain a general understanding of the area being audited.		
	A. Obtain and review a copy of last audit report.	200.1-200.4	C.G.
	B. Review workpapers from prior audit.	N/A	C.G.
	C. Conduct entrance conference with appropriate management and distribute list of audit objectives. Address any of management's concerns.	200.5 – 200.10	C.G.
	D. Request copies of policies, procedures, standards, organizational charts, job descriptions, and a listing of all reports used or generated by the department.	200.11 – 200.65	C.G.
	E. Conduct walkthroughs, interviews etc. and document the processes.	100.1 – 100.7	C.G.
	F. Finalize planning packet		
	1. Audit Planning Memo	100.8 – 100.9a	C.G.
	2. Risk Assessment Matrix	100.10	C.G.
	3. Risk Assessment Questionnaire	100.11 – 100.25	C.G.
	4. Audit Program		C.G.
II.	<u>General</u>		
	Objective: To ascertain compliance with general University policies.		

	A. Obtain a list of all Cashier Office employees listed on the payroll and verify existence of the noted employees.	300.1 – 300.2	C.G.
	B. Contact Human Resources and verify that performance reviews are current for all employees within the Cashier’s Office.	N/A	C.G.
	C. Ensure that a business continuity plan exists for the Cashier’s Office.	Audit Inquiry 7	C.G.
	D. Ensure that a back-up and disaster recovery plan is in place for any critical data stored on computers within the Cashier’s Office.	Stored in “My Documents” which is backed up by UCITS.	C.G.
	F. Verify that only appropriate and licensed software is loaded on University computers.	N/A	C.G.
	G. Follow-up on findings from any previous audits.	Audit Inquiry 3, Audit Inquiry 9, 100.7,	C.G.
	H. Verify that employees are bonded.	Audit Inquiry 16	C.G.
III.	<u>Trend Analyses</u>		
	Objective: To ascertain trends in key data and investigate any negative trends.		
	A. Prepare trend analyses of key data related to cashier functions		
	1. Number of transactions processed	400.1 – 400.3	C.G.
	2. Number times out of balance	400.1 – 400.3	C.G.
	3. Total dollar outage	400.1 – 400.3	C.G.
	4. Total monthly deposit	400.4 – 400.13	C.G.
	5. Deposit out of balances	400.4 – 400.13	C.G.
	B. Investigate negative trends.	400.1 – 400.13	C.G.
IV.	<u>Controls Over Cash</u>		
	Objective: To ensure proper control over University assets.		
	A. Observe/evaluate controls over individual cash and cash stored in the safe.	100.1 – 100.5 Audit Inquiry 2	C.G.

	B. Observe/evaluate bank deposit procedures.	500.1, Audit Inquiry 8	C.G.
	C. Observe/evaluate drop box procedures	100.3, Audit Inquiry 5	C.G.
	D. Review documentation of surprise cash counts and verify that they are being performed per documented procedures.	500.2, Audit Inquiry 10	C.G.
	E. Conduct surprise cash count of one cashier.		
	1. Verify that checks are stamped for deposit	500.3 – 500.5	C.G.
	2. Authorization and other required data recorded on checks.	500.3 – 500.5	C.G.
	3. Evaluate cash balance is excessive.	500.3 – 500.5	C.G.
	F. Select a sample of balancing sheets for the period under review.		
	1. Ensure that cashiers are balancing daily and that supporting documentation is maintained.	500.6	C.G.
	G. Verify that Cashier Office employees are bonded.	500.7, Audit Inquiry 16	C.G.
V.	<u>Controls Over Receipts</u>		
	Objective: To ensure adequate controls exists over receipts.		
	A. Ascertain the steps in place to ensure receipts are used in sequence.	100.10	C.G.
	B. Determine that appropriate controls are place to ensure that receipts are not lost, stolen, misplaced or issued while funds are misappropriated.	Audit Inquiry 3 Audit Inquiry 9	C.G.
	C. Prepare a list of receipts issued during the audit period and account for any missing/voided receipts.	600.1 – 600.6, Audit Inquiry 9	C.G.
	D. Select a sample of issued receipts and verify transaction posted per the receipt information.	600.7 – 600.24	C.G.
VI.	<u>Payment Processing</u>		
	Objective: To ensure payments are posted both accurately and timely.		
	A. Using the sample selected in V.D, verify that the appropriate accounts were used to post transactions.	600.7 – 600.24	C.G.

VII.	<u>Reconciliation</u>		
	Objective: To ascertain the reconciliations are completed both timely and accurately and are reviewed by management.		
	A. Reconciliations indicate who prepared it, and that it was reviewed by management.	700.1 – 700.11, Audit Inquiry 4	C.G.
	B. Reconciliations are prepared in a timely manner.	700.1 – 700.6, Audit Inquiry 4	C.G.
	C. Reconciliations general ledger balance agrees with monthly transaction summary.	700.1 – 700.11	C.G.
	D. Reconciling items are cleared in a timely manner.	700.1 – 700.11	C.G.
	E. Reconciliation's subsidiary balance agrees with supporting documentation.	700.1 – 700.11	C.G.
	F. Reconciliation foots and crossfoots	700.1 – 700.11	C.G.
	G. Reconciling items are valid.	700.1 – 700.11, Audit Inquiry 17	C.G.

EXHIBIT F Sample – Audit Inquiry



**SOUTH CAROLINA STATE UNIVERSITY
OFFICE OF THE INTERNAL AUDITOR**

AUDIT INQUIRY

TO:	AUDIT AREA:
FROM	SUBJECT:
DATE:	PLEASE RESPOND BY:

Audit Inquiry # ABC-123	W/P Ref. #
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EXHIBIT H Sample - Recommendation

SOUTH CAROLINA STATE UNIVERSITY OFFICE OF THE INTERNAL AUDITOR

RECOMMENDATION

Internal Audit provides recommendations to Management in an effort to add value and to improve the University's governance, risk management, and control processes.
Ultimately, it is Management's final decision on any actions taken or to accept risks of inaction.

TO:	AUDIT AREA:
FROM:	SUBJECT:
DATE:	PLEASE RESPOND BY:

Statement of Condition:

Criteria / Standard:

Cause of Condition:

Effect of Condition:

Recommendation:

<u>Recommendation No.</u>	<u>W/P Ref.</u>	<u>Auditor's Signature</u>	<u>Director's Approval</u>	<u>Priority</u>
XXX-XXX				XXXXXX

EXHIBIT I Sample - Audit Report

I. SCOPE

An audit of the Cashier's Office was conducted for the period January 1, 2005 through December 31, 2005. The objectives of the audit were to examine and evaluate the following:

- Adequacy and effectiveness of departmental controls
- Compliance with University policies and procedures
- Reliability and integrity of reported information
- Safeguarding of assets
- Economical and efficient use of resources

II. BACKGROUND

Payments are received in the Cashier's Office for tuition and various student fees and are posted to the SIS and FRS accounting systems. The Cashier's Office also receipts payments through FRS for University departments receiving revenues and ensures proper allocation to the accounting systems. Payments are received via mail, phone and delivered in person to cashier windows. Forms of payments are currency, cashier check, money order, business check, personal check and credit card.

In reviewing the internal control process over the cashier functions, we identified successes as well as opportunities for improvements. The most significant of these are detailed below.

III. SUCCESSES

The Cashier's Office has taken great effort to establish an effective internal control process over receipts. The process has been designed to ensure the security and accountability of unused receipts as well as to ensure that receipts are used in sequence.

To ensure employee safety as well as the security of University funds, departmental procedures require Campus Police escort when employees are transporting bank deposits as well as when transporting funds from the Felton lock boxes.

Departmental procedures are written and are updated on a monthly basis. Changes to departmental processes are communicated immediately and documented procedures are available, in the work area, for employee reference.

IV. ISSUES AND RECOMMENDATION

A. Cash Security

Statement of Condition: Dual control is not maintained over the safe where cash is stored, when not in the cashier station. Locks on individual cashier drawers, within the safe, are not secure.

Criteria: Good internal control requires that dual control is maintained over cash stored in the safe and that sole control is maintained over individual cash drawers at all times.

Effect of Condition: Cash could be inappropriately accessed and stolen. Poor controls result in an inability to maintain accountability for cash.

Cause of Condition: The safe is secured by a four-number combination. At least three individuals have the entire combination which compromises dual control. Further, locks on the individual cashier drawers within the safe are worn and can easily be accessed with another key or device.

Recommendation: The safe combination should be changed and the combination split among the various employees within the Cashier's Office. The locks on individual cashier drawers within the safe should be replaced.

Management Response: We are in the process of changing out the locks on the security drawers in the safe. Upon completion, only the individual assigned the drawer will have access to the contents when the safe is open. The completion of this task will eliminate the need for dual control of opening the safe. Effective immediately, a log record has been implemented to be signed by individual opening the safe, reflecting the time of opening and closing.

This procedure will be sufficient in lieu of splitting the combination between employees, which would eliminate a hindrance to the daily operations of the office due to unanticipated absence of one or more employees.

B. Daily Balancing

Statement of Condition: During peak periods or during the absence of one of the three primary cashiers, the Head Cashier opens a cashier window. The Head Cashier uses the same cashier number as the cashier whose window she is operating. However, she does use a personal log-on and her personally assigned cash drawer. When balancing the head cashier adds her totals to the total of the cashier whose window she is operating.

Criteria: Accountability of funds should be separate for each cashier operating a cashier window.

Effect of Condition: Condition results in a poor audit trail, research difficulty and inaccurate reports.

Cause of Condition: Due to lack of training in Excel, staff is unfamiliar with how to make changes in the Excel reporting that would allow a column to be added for a fourth cashier. The current method is used due to ease of maintaining receipt accountability.

Recommendation: Staff should be provided training in Excel. Management should assess whether a more appropriate method of accounting for operations of a fourth cashier should be used.

Management Response: Accountability of receipt of funds is identified under individual operator numbers through the computer network resulting in daily totals and printouts for each cashier. During peak periods as cashiers break for lunch, head cashier signs on the system at vacant workstation under her operator number, issuing receipts in numerical order at the station and initials office copies for auditing purposes. The current spreadsheet being used in Excel is locked and password protected. I do not have access to make any changes as I do not have the password which was implemented by someone who no longer is on the University staff. I have set up another spreadsheet with needed updates, but have not had the time to insert the formulas. If the spreadsheet is solely relied upon for information, the "Effect of Condition" is the result; as this is not the case, only minor confusion may exist as separate operator numbers are utilized along with individual cash drawers and balance sheets. A request has been made for an additional printer to accommodate a fourth cashier which would eliminate poor audit trail. Problem is noted and procedures in process to correct situation. Excel training is welcome and needed.

C. Excel Proficiency

Statement of Condition: Microsoft Excel is the primary software used in the Cashier's Office for capturing data and reporting. Lack of expertise in the use of Excel inhibits proficiency in these processes.

Criteria: Personnel should be properly trained in order to perform their jobs efficiently and effectively.

Effect of Condition: Lack of training can lead to errors and employee frustration.

Cause of Condition: Failure to train personnel in the use of software needed to perform their job efficiently and effectively.

Recommendation: It is recommended that the Head Cashier and at least one other employee in the Cashier's Office receive Excel Training.

Management Response: Agree wholeheartedly; based on high volume of activity at this time such training cannot be successfully implemented unless it takes place after office hours. If there is a schedule of formal training that we can take advantage of, we are certainly willing to participate. My desire is that all personnel in Cashier's Office and Accounts Receivable receive Excel training.

D. Bank Deposits

Statement of Condition: In preparing the bank deposits each individual check is handwritten on the deposit slip. This process is manual and time-consuming. A review of the check volume revealed that during the month of January 2005, 1000 checks were deposited and approximately 700 checks were deposited, during the month of September 2005. This volume is expected to increase as a result of enrollment growth projected in the University Strategic Plan.

Criteria: Work performed should be conducted both effectively and efficiently. Efficiency refers to the economical use of University resources.

Effect of Condition: Resources are not used efficiently in accomplishing University objectives.

Cause of Condition: Failure to evaluate the requirement for listing individual checks on the deposit slip and assess whether the objective to be obtained, by manually listing the checks, can be obtained in a more efficient manner.

Recommendation: Management should evaluate the established procedures to determine whether the work can be conducted more efficiently. Identified efficiencies should be implemented.

Management Response: Management is looking into the option of purchasing a scanner for the purpose of recording all checks deposited; because of system changes to "Banner", we will continue to list items individually on the deposit slip until a final decision is made regarding change of procedures.

E. Surprise Cash Counts

Statement of Condition: Departmental procedures require that monthly surprise cash counts are conducted for each cashier. At the time of the audit, no surprise cash count had been completed on a cashier who had been employed since September 2005. Additionally, during the months of August and November 2005, surprise cash counts were not performed, on any cashier. Further, during the month of January 2005, a surprise cash count was not performed for one cashier.

Criteria: Good internal control requires that surprise cash counts are performed periodically for all employees conducting cash handling functions.

Effect of Condition: Indicates a weakness in the established internal control process.

Cause of Condition: Failure to comply with established departmental procedures.

Recommendation: It is recommended that surprise cash counts should be performed on each cashier, at least quarterly. The established monthly cash count appears to be cumbersome; especially during peak periods. Therefore, management should consider

reducing the frequency to quarterly and ensure that all cashiers are covered in the quarterly process. Quarterly audits should be conducted randomly throughout the quarter. If management chooses to maintain the established policy of monthly cash counts, then they should adhere to their policy.

Management Response: Exceptions noted. No surprise cash count had been conducted on Penney Chandler because I felt it was not necessary because of working so closely with her during her training period. It can be a problem getting surprise audits done during peak periods. Because each day I verify all funds receipt anyway, if University audit staff

agrees, I will continue to attempt to do monthly surprise cash audits on funds held in each cashier till only. This keeps everyone honest and takes less than 5 minutes.

F. Control Over Receipts

Statement of Condition: A review of the "Fiscal Year Receipt #'s Printed" reported noted four questionable breaks in the numerical sequence of issued receipts. Further research noted that three of the instances were typographical errors made in preparing the report. Personnel could not explain the fourth numerical sequence change and are still researching it. The receipts unaccounted for are 639947-640051. A similar finding was noted in the audit report completed by our external auditors for fiscal year 2004.

Criteria: Good internal control requires that all receipts be accounted for and reconciled to the amount recorded in the University's general ledger.

Effect of Condition: Receipts could be issued while funds are misappropriated.

Cause of Condition: Failure to account for the numerical sequence of receipts.

Recommendation: Measures have been put in place to ensure receipts are used sequentially and to account for receipts. It is recommended that management review the "Fiscal Year Receipt #'s Printed" report on a monthly basis, in order to detect errors and to document and substantiate anomalies. Management's review should be documented.

Management Response: Management continues to research this item and has not provided a response at the time of this report.

G. Privacy

Statement of Condition: In processing customer transactions, cashiers routinely ask customers for their social security numbers. Customers are required to recite their social security number often in the hearing of other individuals who are either waiting for or receiving service.

Criteria: Given today's increased incidents of identity theft, issues of privacy should be paramount in all University transactions.

Effect of Condition: Increased opportunity for individual personal information to be captured or stolen.

Cause of Condition: Failure to provide training and incorporate privacy issues into departmental policies and procedures.

Recommendation: Management should evaluate and establish effective methods of dealing with the issue of privacy in cashier transactions. Suggestions include either requesting the student ID or ID number to locate the appropriate account in SIS or providing a notepad so that the social security number can be written down and provided to the cashier, if necessary. Upon completion of the transaction the note would have to be either returned to the customer or destroyed.

Management Response: We do request the student ID card and require presentation of the card in order to pick up a work study/refund check or sign a loan check but do not require a student to present the card in order to transact business such as making a payment or account inquiry as a convenience to the student/parent/payer. We do provide a “note” to those who do not want to give their number verbally. The majority of the students know their student ID number, particularly those who are uncomfortable about stating their SSN. Using a note pad would substantially slow down the work flow and add the additional responsibility of shredding the note. We have requested reconstruction of the counter area in order to provide better communication between the customer and employee or installation of individual intercom systems for each window.

H. Business Continuity Planning

Statement of Condition: A formal, written, business continuity or contingency plan has not been developed for the Cashier’s Office.

Criteria: The cashier function is integral to University operations and a plan should be in place to continue operations in the event access to the designated Cashier’s Office or systems is interrupted. This interruption could be caused by a range of threats to include communication disruptions, application problems, and unexpected peaks in customer traffic, to full-scale disasters.

Effect of Condition: Inability to effectively manage an incident could result in bad publicity, poor customer service, loss of revenues, and loss of consumer confidence.

Cause of Condition: Failure to establish a formal, written contingency plan for the noted business function.

Recommendation: An assessment of critical functions in the Cashier’s Office should be conducted and a business continuity plan developed to address how processing will be handled on a contingency basis.

Management Response: The first phase in developing a contingency plan for the Cashier’s function will begin January 2006, with a projected completion date of six (6) months for the first phase. The projected completion and implementation date of the contingency plan is December 31, 2006.

Auditor Observation: Lack of business continuity planning is not expected to be unique to the Cashier’s Office; but expected to be of University-wide concern. A disaster recovery plan is in place, at the University, but it is a contingency plan for University Computing and Information Technology Services. However, it includes the back-up of files stored in the user’s “My Documents” section of network computers University-wide. Each department is responsible for developing disaster recovery and business continuity plans for their area.

I. Departmental FRS Access

Statement of Condition: Various departments within the University rely on the Cashiers Office to provide them information regarding balances and transactions on their FRS accounts. These inquiries are time-consuming and are a distracter from routine cashier functions.

Criteria: Individuals responsible for maintaining and/or managing accounts or budgets, should have routine access to available data in order to perform their duties effectively.

Effect of Condition: Functioning of Cashiers Office is disrupted by the handling of inquiries. Departmental employees are unable to perform appropriate monitoring functions.

Cause of Condition: Failure to provide system access and training to departmental personnel in order to make available the necessary tools and data to properly perform their assigned responsibilities.

Recommendation: It is recommended that appropriate departmental personnel, within each University department, be provided with system access to view their accounts or be provided periodic reports to assist with performing their duties. If these tools are available and departmental employees are properly trained, the Cashier's Office should no longer provide this service.

Management Response: The Cashier's Office is not responsible for providing various University departments with FRS balances and/or transaction, this process was being conducted by the staff more as a service at their choosing rather than a responsibility. Effective immediately, this service will no longer be provided by the Cashier's Office. The departments affected have been notified.

J. Reconciliation of Bank 18

Statement of Condition: A review of reconciliations completed for Bank 18 for the period January - September 2005 noted the following:

1. There is no indication of management review of the completed reconciliations.
2. Reconciliations are not always completed timely (January - April).
3. One instance was noted (August) where there is no indication of the preparer.

Criteria: Good internal control requires that reconciliations are completed timely in order to timely detect anomalies. Reconciliations should indicate who prepared them and that they have been reviewed by a member of management.

Effect of Condition: Errors or discrepancies may go undetected for an extended period of time. The effectiveness of reconciliations as an internal control is reduced.

Cause of Condition: Failure to implement policies and procedures requiring management review of reconciliations and completion of reconciliations within an established guideline.

Recommendation: Establishment of departmental procedures requiring timely completion of reconciliations (within 60 days is suggested) and review of reconciliations by a member of management.

Accounting Management Response: The Controller' Office was undergoing new staffing and creating new procedures during this period of January through April 2005. The staff was very focused to catch up on past reconciliations and in the process did not have the reconciliations completed timely. The procedures for timely reconciliations are currently in place and operating effectively. The Controller's Office will implement a procedure that ensures a review by an appropriate University official that will initial denoting his/her review.

K. Petty Cash

Statement of Condition: A review of the reconciliations completed for Bank 18, for the period, January – September 2005 noted a reconciling item of \$3600 for petty cash, for the months May-September. When questioned regarding this item, the Accounting Department staff stated that the Cashier's Office maintained the petty cash. Conversations with the Cashier's Office noted that the \$3600 petty cash in question is not maintained in the Cashier's Office. Further discussion with management has indicated that the petty cash may have previously existed in the Book Store which is currently outsourced. It appears that the petty cash may not actually exist, which indicates either an unexplained out of balance condition in the reconciliation or improper identification of the reconciling item.

Criteria: Good internal control requires that reconciliations are completed and that reconciling items are valid and cleared in a timely manner.

Effect of Condition: An unexplained out of balance condition exists in the bank account or the reconciling item is improperly identified.

Cause of Condition: Failure to verify validity of reconciling items and to ensure they are cleared in a timely manner.

Recommendation: This item should be researched and steps should be made for correction as well as steps taken to ensure future reconciling items are valid and cleared in timely. Reconciliations should be reviewed by a member of management.

Accounting Management Response: The reconciling item of \$3,600.00 for petty cash was an adjusting journal entry (ba14b) dating to June 30, 2004 which was never reversed. It was carried as a reconciling item and as a difference in the opening balance of bank 18. We have reversed the adjusting entry and it will no longer appear on the reconciliation. Thank you for bringing this to our attention.

V. CONCLUSION

We would like to express our sincere appreciation to the staff of the Cashier's Office, Treasurer's Office, and the Controller's Office for their responsiveness and assistance provided during this review.

Christine Glover, MBA, CIA, CFE
Internal Audit Director

EXHIBIT J Sample - Draft Report Transmission Memo



SOUTH CAROLINA STATE UNIVERSITY OFFICE OF THE INTERNAL AUDITOR

MEMORANDUM

January 30, 2006

To: John Smalls, Senior Vice President
Financial Affairs and MIS

From: Christine Glover, Internal Audit Director

Subject: AUDIT OF THE CASHIER'S OFFICE

Attached is a draft of the report we plan to issue based on our recent audit of the Cashier's Office. Please return the attached statement acknowledging receipt and review of the report.

Your cooperation will be appreciated.

CG/cg
Attachment

EXHIBIT K Sample - Report Acknowledgement Memo



**SOUTH CAROLINA STATE UNIVERSITY
OFFICE OF THE INTERNAL AUDITOR**

**I ACKNOWLEDGE THAT I HAVE RECEIVED AND REVIEWED THE DRAFT
REPORT OF THE AUDIT OF THE CASHIER'S OFFICE ISSUED ON JANUARY 30, 2006.**

Date:

Mr. John Smalls, Senior Vice President
Financial Affairs and MIS

EXHIBIT L Sample - Exit Conference Memo



SOUTH CAROLINA STATE UNIVERSITY OFFICE OF THE INTERNAL AUDITOR

MEMORANDUM

To: Charlene Johnson, Edwin Givens, Joe Pearman, Robert Chatman,
Ann Haigler, Sandra Davis, Ann Belton, Sandra Davis, Ann Belton
Ernie Torres

From: Christine Glover, Director

Subject: Audit of the Athletics Department

Attached is a draft of the report we plan to issue based on our concerns with the recent audit of the Athletics Department. The draft is issued in order to provide you the opportunity to suggest any changes prior to issuance of the final report.

If you would like to schedule an exit conference to discuss the contents of the draft prior to distribution of the final report, please notify me. Otherwise, please provide a written response by May 10, 2006. The response should take the form of specific action taken with respect to each finding and recommendation. If a response is not received, the final report will be issued with the management responses detailed in the draft report.

A copy of the draft report is being forwarded to the applicable vice president requesting acknowledgement and review of the report.

CG/lg
Attachment

EXHIBIT M Sample - Executive Summary



SOUTH CAROLINA STATE UNIVERSITY OFFICE OF THE INTRNAL AUDITOR

MEMORANDUM

To: Board of Trustees
Dr. Andrew Hugine, President
Cabinet Members, as applicable

From: Christine Glover, Director

Date: October 18, 2006

Subject: Audit of the Payroll Department - Executive Summary

We have completed our audit of the Payroll Department. The audit was conducted for the period January 1, 2005 through June 30, 2006 and included tests and reviews of internal controls and compliance with University policies and procedures, and Federal and State reporting guidelines. We also reviewed the overall efficiency of the payroll reporting and timekeeping systems. We conducted a payroll pay-off test to ensure that employees on the University's payroll are legitimate.

We noted that management has taken great effort to establish an effective internal control process for payroll processing. Specifically, there are adequate segregation of duties between the Payroll Department and Office of Human Resources Management. The Payroll Department has made great efforts to encourage uniformity for time reporting

Areas for improvement identified during our audit are:

- Management should implement corrective actions for recommendations cited in previous internal and external audit reports to ensure that reconciliations are reviewed and approved by the Accounting Manager.
- Policies and procedures should be established for the reconciliation process to ensure that the reconciliations are performed timely and accurately to increase internal controls over financial reporting.
- Personnel Action form, P-17, should be submitted in a timely manner when there is a change in an employee's status.

- Management should submit proper documentation that adequately supports the employee's paid sabbatical for academic years 2005-2006 and 2006-2007. The approval on file specifically supports academic year 2004-2005, but does not adequately support academic years 2005-2006 and 2006-2007. If the policy in the Faculty Handbook is incorrect, the policy should be updated to reflect current practices.
- Management should take corrective action to properly allocate an employee's salary to the appropriate department code.
- An electronic time keeping system should be adopted to streamline the process and ensure the accuracy of hours reported for hourly employees.
- Procedures should be implemented that require all data reported to internal and external agencies have adequate supporting documentation so that a prudent person can verify accuracy for review and testing purposes.
- A written business continuity agreement should be established with another institution or business with the same processing capabilities to ensure continuous operations in case of a disaster or uncontrollable event.
- Employees' payroll records and data should be adequately secured at all times.
- Established policies and procedures should be documented to cover all aspects of the Payroll Department responsibilities.
- Budget Office management should assess reporting needs and terminate any unnecessary manual reporting.
- A retention schedule should be established in accordance with the General Records Retention Schedule for State Colleges and Universities.

EXHIBIT N Sample - Follow-Up Review Memo



SOUTH CAROLINA STATE UNIVERSITY OFFICE OF THE INTERNAL AUDITOR

MEMORANDUM

Date: February 5, 2007

To: Sandra M. Langdale-Heirs
Evelyn M. Lee

From: Christine Glover, Director of Internal Audit

Subject: Follow-up Review of the Cashier's Audit

To comply with Internal Auditing standards that require monitoring of audit recommendations communicated to management, a follow-up review of the Cashier's audit conducted in 2006, has been scheduled.

Our objective in a follow-up review is to ensure that corrective actions on the audit recommendations have been effectively implemented by management, or that management has accepted the risk of not taking action. Based on the audit issues and the complexity of the corrective action, the scope of this follow-up review should be limited, and only involve evaluation of the specific actions taken on the audit recommendations reported in the initial report.

During the follow-up review, we may also perform procedures to determine if any non-reportable matters (observations) that existed during the original audit have been satisfactorily resolved. If these issues have not been resolved, a reportable comment may be included in the follow-up report.

Lena Grant, from our office will contact you by February 12, 2007 to make arrangements for providing documents and any other information to begin our follow-up review.

Our goal is to conduct an effective and efficient follow-up review, and to add value to your operations. To that end, we would like to thank you in advance for your assistance and cooperation. Should you have any questions or concerns, please do not hesitate to call me at x. 33736.

CG/klw

Cc: John E. Smalls
Joe E. Pearman

EXHIBIT O Sample - Follow-Up Review Report



SOUTH CAROLINA STATE UNIVERSITY OFFICE OF THE INTERNAL AUDITOR MEMORANDUM

DATE: APRIL 11, 2007

TO: Joe Pearman
Evelyn Lee
Ernie Torres
Bill Ellis
Sandra Langdale-Heirs

FROM: Christine Glover, Director

Subject: **CASHIER'S OFFICE - FOLLOW-UP REVIEW**

We have completed our follow-up review of the 2006 Cashier's Office audit. The objective of our follow-up review was to ascertain that management's action plans have been implemented and adequately address the audit recommendations. While management has effectively implemented corrective action in many instances, the following are areas of continued concern:

1. Management has not implemented efficiencies in the preparation of bank deposits. As a result, individual checks continue to be handwritten on bank deposit slips. During peak months, the total number of checks written on the deposit slips range from 700-1000 checks. This volume is expected to increase as a result of enrollment growth projected in the University Strategic Plan. During the audit, management stated the purchase of a scanner was being considered as a means of improving efficiency. The scanner has not been purchased and no other corrective action has been taken.

Management Response: In my opinion as supervisor of the office, the scanning of the checks will add an additional step to the completion of the deposit. As a precautionary process, the listing of all items on the deposit slip will continue in that this will benefit the Cashier's office and be an added convenience for the bank. Should an item be lost in the banking process, if that item is not listed on the deposit, the particular item would be written up as a difference. Additionally, the bank scans all items and provides images of all dishonored checks and any items damaged in transit. It appears that this is a duplication of efforts. Consequently, there is no necessary corrective action required. However, to be in compliance with the Audit's Office finding, Management has made several attempts to purchase the scanner. In going through the University IT and Procurement processes and factoring in Banner, a scanner has now been identified that is Banner compatible and on State Contract. The scanner will be ordered this week to be delivered and installed by the end of the month (April 2007).

2. Quarterly surprise cash counts are not being effectively used as an internal control. The following concerns are noted:

- No surprise cash counts were conducted on any cashier during the second and third quarter of 2006.
- One cashier hasn't had a surprise cash count since January 2006.
- The element of surprise of the cash count is compromised, since all cashiers are counted on the same day, when surprise cash counts are performed.

Management Response: The audits were conducted; however, proper documentation was not maintained. The audits may be verified by each cashier. The element of surprise has not been compromised as the audit is conducted either before or right after business hours. One cashier has been temporarily reassigned to another area within the Office the Treasurer; therefore, her audits have not been performed as regularly as the other cashiers. In conducting future audits, proper documentation will be maintained.

3. Management is in the process of developing a business continuity plan that includes the cashier functions. However, the plan is incomplete.

Management Response: The Finance Business Continuity Team has completed a draft of the Division's Business Continuity Plan and submitted March 2007 to the Office of the Executive Director of Institutional Effectiveness. Meanwhile, a receipt book has been secured in the safe in the Cashier's Office should there be an occurrence where system access is unavailable. This would allow the office to collect funds in an official manner on a temporary basis.

Auditor's Comment: While a book of receipts in the safe would perhaps suffice in the event system access is lost, it would not suffice if access to the building or office is lost. Our review of the business continuity plan in question noted that additional work is needed in order to ensure the plan adequately addresses the needs of the cashier function. For example, the plan lists critical resources and states that all the resources are maintained in Wilkinson Hall. Yet, the plan does not address actions to be taken in the event access to Wilkinson Hall is completely lost (i.e. fire destroys building) and these resources are no longer accessible. A comprehensive business continuity plan should be developed for this critical University function.

4. Account reconciliation of Bank 18 continues to be a problem in that management was unable to provide reconciliations for review for April - June 2006. Further, reconciliations have not been completed for fiscal year 2007, due to Banner feed problems.

Management Response: To be in compliance with the University's policies and procedures and any audit standards and/or guidelines, the reconciliation of Bank 18 is a function of the Controller's Office and not the Cashier's Office.

Auditor's Comment: No response was provided by the Controller's Office.

cc: Board of Trustees
Dr. Andrew Hugine, Jr., President
John Smalls, SVP
Cabinet Members (as applicable)