



OFFICE OF INTERNAL AUDIT
AUDIT MANUAL



Introduction

The purpose of this manual is to outline the authority and scope of the internal audit function within the University of Louisiana at Lafayette (University) and to provide standards and guidelines and procedures for the Office of Internal Audit. These guidelines aim to provide for consistency, stability, continuity, standards of acceptable performance, and a means of effectively coordinating the efforts of the staff members comprising the Office of Internal Audit. The overall objective of the Office of Internal Audit is to provide all levels of University management and the Board of Supervisors of the University of Louisiana System (Board) with an independent assessment of the quality of the University's internal controls and administrative processes, and provide recommendations and suggestions for continuous improvement. This manual provides guidance; however, individual auditor's judgment is required in applying this information to specific assignments.

Table of Contents

Introduction	1
Policy 1000: Purpose, Authority, and Responsibility.....	1
Policy 1003: University of Louisiana at Lafayette Office of Internal Audit Charter	8
Policy 1100: Independence and Objectivity.....	12
Policy 1102: Objectivity	16
Policy 1200: Proficiency and Due Professional Care.....	19
Policy 1201: Proficiency	19
Policy 1202: Fraud.....	19
Policy 1203: Board Policy on Reporting Illegal Acts.....	21
Louisiana Revised Statute 24:523.....	22
Policy 1204: Due Professional Care	25
Policy 1205: Continuing Professional Education.....	25
Policy 1300: Quality Assurance and Improvement Program.....	27
Policy 2000: Managing the Office of Internal Audit	29
Policy 2100: Nature of Work.....	31
Policy: 2200 Engagement Planning.....	39
Policy 2300: Performing the Engagement	42
Policy 2400: Communicating Results	46
Policy 2500: Monitoring Progress	48
Policy 2600: Resolution of Management's Acceptance of Risks.....	49
<i>Appendix I: Example Auditee Survey</i>	Error! Bookmark not defined.
<i>Appendix II: Example Annual Audit Plan</i>	52
<i>Appendix III: Example Fact Finding (Observation) Form</i>	55



Policy 1000: Purpose, Authority, and Responsibility

The Office of Internal Audit was established in accordance with an Act of the Louisiana Legislature which requires any State agency with an appropriation level of thirty million dollars or more to have an internal auditor. The purpose, authority, and responsibility of the internal auditing function are defined in formal written charters. **The University's charter was approved by the University President and the Board chairman.** The system charter was approved by the Board. The charters (1) establish internal audit's position within the system and University; (2) authorize access to records, personnel, and physical properties relevant to the performance of audits; and (3) define the scope of internal auditing activities. As provided in the audit charters, the Office of Internal Audit has full, free, and unrestricted access to all activities, records, property, and personnel of the University.



Policy 1001: Internal Audit Charter-University of Louisiana System

University of Louisiana System
INTERNAL AUDIT CHARTER

The University of Louisiana System supports a System Director of Internal Audit as a staff function and as a coordinator of a System-wide, independent appraisal function to examine and evaluate the business and administrative activities of the System's colleges and universities. The System supports this staff function as a service to System executive management and the Board of Supervisors. The System Director of Internal Audit reports functionally to the Board of Supervisors and administratively to the System President. In carrying out his/her duties and responsibilities, the System Director of Internal Audit will have full, free, and unrestricted access to all activities, records, property, and personnel of each System institution.

The coordination of the System's internal auditing function is the responsibility of the System Director of Internal Audit. The System Director is appointed by the Board, on recommendation from the System President. The internal auditing function consists of the Campus Offices of Internal Audit, whose Directors report to their respective Presidents and to the Board of Supervisors through the System Director of Internal Audit. The System Director will prepare, for approval by the Board and the System President, a consolidated System-wide audit plan. Such plan will incorporate each campus' proposed audit plan, each of which shall include input from the President and CFO's as to areas of audit concern and areas subject to increased risk. The proposed individual plans will identify the audits to be conducted at each campus during the year. The System-wide audit plan will identify areas of audit concern on a campus-by-campus basis, as well as a System-wide approach. The final plan shall be reviewed and, if necessary, revised by the Audit Committee and then approved by the Board at an open meeting.

The Audit Committee of the Board of Supervisors maintains oversight of the System-wide auditing function.

OBJECTIVE

The primary objective of the System Director of Internal Audit is to coordinate the System-wide internal audit function and to assist members of the System's Executive management and members of the Board of Supervisors in the effective discharge of their responsibilities. To this end, the System Director will compile analyses, recommendations, counsel, and information concerning the activities and records of the campuses resulting from reviews conducted by the University Offices of Internal Audit; and provide such information to management and to the Board on a regular basis.

FUNCTION

Internal auditing is a management control, which functions by measuring and evaluating the effectiveness of other managerial controls. The System Director of Internal Audit ensures that this control is functioning at all campuses.



GUIDELINES

GENERAL OBJECTIVES OF AUDITS AND REVIEWS

The System Director of Internal Audit should ensure that the work of the University Office of Internal Audit includes the following general objectives:

1. Determining that the University's overall system of internal control and the controls in each departmental unit or activities under audit are adequate, effective, efficient, and functioning; audits should be conducted on a periodic basis so that all major systems are reviewed. Such reviews will be coordinated with the Office of the Legislative Auditor to avoid unnecessary duplication of effort.
2. Determining the reliability and adequacy of the accounting, financial, and reporting systems and procedures.
3. Determining, on a test basis, that University activities, including the administration of grants and contracts received or made, are in conformance with the University policies and procedures, State and Federal laws and regulations, contractual obligations, Board RULES, and good business practices.
4. Determining the extent to which University assets are accounted for and safeguarded from losses of all kinds and, as appropriate, verifying, on a test basis, the existence of such assets.
5. Evaluating operational procedures to determine whether results are consistent with established objectives and goals and whether the procedures are being carried out as planned.
6. Evaluating the design of major new electronic data processing systems and major modifications to existing systems prior to their installation to determine whether the system of internal control will be adequate, effective, and efficient.

When internal auditors are evaluating the design of a new or modified system prior to its installation, sufficient information must be provided to them, before installation, regarding the intended internal controls, so they can complete their evaluation and reach conclusions regarding the system of internal control before the system is actually installed.

In addition, the System Director of Internal Audit should ensure that University Offices of Internal Audit conduct investigations as required or directed related to the general objectives stated above.

GENERAL SCOPE OF AUDIT COVERAGE

The general scope of audit coverage is System-wide and no function, activity, or unit of the universities is exempt from audit and review. Nor may any officer, administrator, or staff member prohibit the System Director or the Universities' internal auditors from examining any university record or interviewing any faculty/staff member or student that the auditors deem to be pertinent to their audits and reviews. Additionally, the System Director of Internal Audit has



the authority to audit or cause to be audited the accounts of all organizations required to submit financial statements to the System or any of its Universities.

AUDITING PROCEDURE

The System Director of Internal Audit ensures that University internal auditors conduct audits and reviews according to generally accepted auditing standards using such audit programs, techniques, and procedures as are considered necessary under the circumstances. The operation of the internal audit function is to be carried out consistent with The Code of Ethics, Professional Practices Framework, and Practice Advisories as defined by the Institute of Internal Auditors.

Standards for the performance of the audit function are developed from the following:

- The Standards for the Professional Practice of Internal Auditing (Institute of Internal Auditors)
- Standards for Information Systems Auditing (Information Systems Audit and Control Association)
- Statement on Auditing Standards No. 1 (American Institute of Certified Public Accountants)

LIMITATION OF AUTHORITY AND RESPONSIBILITY

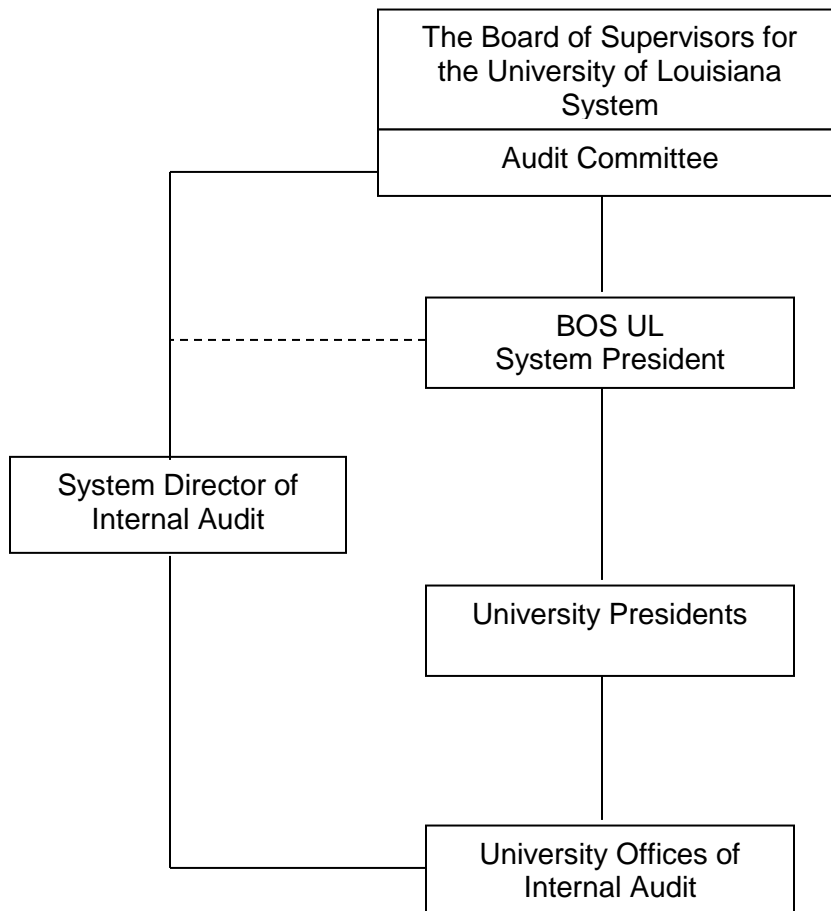
In performing their work, the System Director and University internal auditors have no direct authority over, nor responsibility for, any of the activities reviewed. Internal auditors will not develop and install procedures, prepare records, make management decisions, or engage in any other activity, which could be construed to compromise their independence. Therefore, internal audit reviews and appraisals do not in any way substitute for nor relieve other persons in the universities of the responsibilities assigned to them.

AUDIT COMMITTEE OF THE BOARD OF SUPERVISORS FOR THE UNIVERSITY OF LOUISIANA SYSTEM

To maintain oversight of the auditing function, both internal and external, the Audit Committee will review the previous year's System-wide internal audit program and the direction of the System-wide audit program to be followed in the year ahead as well as review annual financial and compliance audits, including any specific issues of concern. As appropriate, background documents related to specific audit issues will be sent to the Committee during the course of each year. The ULS Audit Committee Charter sets forth the duties and responsibilities of the Committee.



ORGANIZATIONAL CHART: THE UL SYSTEM BOS INTERNAL AUDITING FUNCTION



Note: Each campus office of Internal Audit reports functionally to the System and administratively to their respective President. Quarterly, a report of System audit activities will be presented to the Board.



Policy 1002: Audit Committee Charter

University of Louisiana System
AUDIT COMMITTEE CHARTER

PURPOSE

The Audit Committee will serve to ensure:

- the activities of the internal audit function complies with the System Internal Audit Charter and the Institute of Internal Auditors' Standards for Professional Practice of Internal Auditing;
- audit coverage for the University of Louisiana System adequately encompasses all aspects of the System's operations and that coverage is not inhibited or limited by any individual or group;
- audit activities are responsive to executive management's needs and objectives;
- executive management is aware of internal audit activities, results of audits, and progress toward implementation of audit recommendations.

RESPONSIBILITY

Responsibilities of the Audit Committee include:

- ensuring that internal audit goals and objectives, staffing plans, financial budgets, and audit activities provide adequate support of System goals and objectives;
- assessing the performance of the internal audit function;
- ensuring that the audit planning process, including the risk assessment methodology, considers appropriate aspects of the System's operations and executive management's concerns;
- approving the annual audit plan;
- ensuring that internal audit is given the opportunity to attend technical or professional development training to assist in keeping up to date with financial, management, internal control, and other relevant issues;
- reviewing the results of significant audit activities, audit reports, and auditee responses;
- monitoring the adequacy and timeliness of corrective actions taken in response to audit activities;
- monitoring audits performed by external auditors (e.g. Legislative Auditor, Federal auditors, etc.);
- providing reasonable assurance that the universities' business goals and objectives are being achieved in an efficient and economical manner, within an appropriate framework of internal control and risk management;
- reviewing internal audit peer reviews and determining whether the function complies with Standards for the Professional Practice of Internal Auditing;
- reviewing and revising the System's Internal Audit Charter as needed;
- monitoring adherence to ethical standards within the university system related to compliance with laws and regulations, ethics, conflicts of interest, and investigation of misconduct and fraud;



- notifying executive management immediately and reviewing actions taken in the respective universities relative to significant frauds, violations of laws or regulations, and other significant issues raised by University, State, Federal, or other agency auditors;
- appointing the System Director of Internal Audit based on recommendation from the System President.

MEMBERSHIP

The Audit Committee will be composed of five members. One member of the Committee will be appointed as Chair. As a guide, it is desirable that members of the Committee shall possess:

- acumen in business functions and management skills,
- understanding of best practice internal control and risk management,
- knowledge of information systems and emerging technology,
- competency in financial and operational reporting.

Members of the Audit Committee will, at all times in the discharge of their duties and responsibilities, exercise honesty, objectivity, and probity and not engage knowingly in acts or activities that have the potential to bring discredit to the System. Members also must refrain from entering into any activity that may prejudice their ability to carry out their duties and responsibilities objectively and must at all times act in a proper and prudent manner in the use of information acquired in the course of their duties. Members must not use System information for any personal gain for themselves or their immediate families or in any manner that would be contrary to law or detrimental to the welfare and goodwill of the System.

MEETINGS

The Audit Committee will meet as it deems necessary. Committee meetings should be scheduled in advance, members notified, and agenda topics assembled. The Director of Internal Audit will coordinate this activity. Prior to the meeting, the Director of Internal Audit will provide the Committee members with information relating to the status of audit activities. Such information should include, but not be limited to, audit reports, audit follow-up and the implementation of recommendations, management services, external audits, and other relevant information. In addition, annual audit plans, staffing plans, financial and budget reports, and other appropriate information essential for the Committee to fulfill its responsibilities, will be provided and reviewed as necessary.

A majority of members must be present to provide a quorum. Minutes shall be recorded and maintained in the University of Louisiana System Office.



Policy 1003: University of Louisiana at Lafayette Office of Internal Audit Charter

University of Louisiana at Lafayette
Office of Internal Audit Charter

This charter sets forth the purpose, authority, and responsibility of the Office of Internal Audit at the University of Louisiana at Lafayette. The charter establishes the Office of Internal Audit's position within the University; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

Mission and Scope of Work

The mission of Office of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the University's operations. It helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The Office of Internal Audit is guided by a value-driven philosophy of partnering with other departmental units to continuously improve the operations of the University.

The scope of work of the Office 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 and functioning in a manner to ensure the following.

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the University's control process.
- Significant legislative or regulatory issues impacting the University are recognized and addressed properly.

Opportunities for improving management control, profitability, and the University's image may be identified during audits. They will be communicated to the appropriate level of management.

Responsibility

The University's Chief Audit Executive (CAE; Director) and staff of the Office of Internal Audit have responsibility to:

- Develop a flexible annual audit plan and submit that plan to the University President and the University of Louisiana System Board of Supervisors (Board) for approval. The plan is to be developed based on internal audit's assessment of risk with input from management regarding areas of concern and areas of increased risk.



- Implement the annual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by management and the Audit Committee.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter.
- Establish a quality assurance program by which the CAE assures the operations of internal auditing activities.
- Perform consulting services, beyond internal auditing's assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design, training, and advisory services.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- Assist in the investigation of significant suspected fraudulent activities within the University and notify management and the audit committee of the results.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage.
- Submit written and timely reports to the President of the University and appropriate members of management at the conclusion of each engagement to acknowledge satisfactory performance or to set forth observations and/or recommendations for correction or improvement. A copy of each internal audit report and a summarization will be forwarded to the Board's CAE.

As discussed in the Board's Internal Audit Charter, the University's Office of Internal Audit will include the following general objectives:

- Determining that the University's overall system of internal control and the controls in each departmental unit or activities under audit are adequate, effective, efficient, and functioning by conducting audits on a periodic basis so that all major systems are reviewed. Such reviews will be coordinated with the Office of the Louisiana Legislative Auditor to avoid unnecessary duplication of effort.
- Determining the reliability and adequacy of the accounting, financial, and reporting systems and procedures.
- Determining, on a test basis, that University activities, including the administration of grants and contracts received or made, are in conformance with the University policies and procedures, state and federal laws and regulations, contractual obligations, Board Rules, and good business practices.
- Determining the extent to which University assets are accounted for and safeguarded from losses of all kinds and, as appropriate, verifying, on a test basis, the existence of such assets.
- Evaluating operational procedures to determine whether results are consistent with established objectives and goals and whether the procedures are being carried out as planned.
- Evaluating the design of major new electronic data processing systems and major modifications to existing systems prior to their installation to determine whether the



system of internal control will be adequate, effective, and efficient. Prior to its installation, sufficient information must be provided to the Office of Internal Audit regarding the intended internal controls, so they can complete their evaluation and issue recommendations.

- Conduct investigations as required or directed related to the general objectives previously stated.

Authority

The CAE and staff of the Office of Internal Audit are authorized to:

- Have unrestricted access to all functions, records, manual and automated systems, properties, and personnel of the University.
- Audit or review any function, activity, or unit of the University and the accounts of all organizations required to submit financial statements to the University.
- Have direct access to the President of the University and shall present to the President any matter considered to be of sufficient importance to warrant attention or that has been brought to the Office of Internal Audit for review.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the University where they perform audits, as well as other specialized services from within or outside the University.

The CAE and staff of the Office of Internal Audit are not authorized to:

- Perform any operational duties for the University or its affiliates.
- Initiate or approve accounting transactions external to the Office of Internal Audit.
- Direct the activities of any University employee not employed by the Office of Internal Audit, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

Independence and Objectivity

To provide for the independence of the Office of Internal Audit, its personnel report to the University's CAE, who reports functionally to the Board through the Board's CAE and administratively to the President of the University. In performing their work, the CAE and other internal audit staff members have no direct authority over, nor responsibility for, any of the activities reviewed. Internal auditors will not develop and install procedures, prepare or approve records, make management decisions, or engage in any other activity, which could be construed to compromise their independence. Therefore, internal audit reviews and appraisals do not in any way substitute for nor relieve other persons in the University of the responsibilities assigned to them. Staff of the Office of Internal Audit shall be objective and maintain an independent mental attitude in performing engagements.



Accountability

The CAE in the discharge of his/her duties shall be accountable to management to:

- Assess the adequacy and effectiveness of the University's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
- Report significant issues related to the processes for controlling the activities of the University and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Provide information periodically on the status and results of the annual audit plan and the sufficiency of department resources.
- Coordinate with other control and monitoring functions.

Audit Committee for the Board of Supervisors

To maintain oversight of the auditing function, both internal and external, the Audit Committee will review the previous year's System-wide internal audit program and the direction of the System-wide audit program to be followed in the year ahead, and review the annual financial and compliance audits, including any specific issues of concern. As appropriate, any background documents related to specific audit issues will be sent to the Committee during the course of each year.

Standards of Audit Practice

The internal auditing staff shall govern themselves by adherence to the Institute of Internal Auditors' "Code of Ethics." Assurance and consulting services shall be conducted in accordance with the Institute's "Standards for the Professional Practice of Internal Auditing" using such audit programs, techniques, and procedures as are considered necessary under the circumstances. Although not mandatory, internal auditing staff may obtain guidance in particular engagement situations from the Institute of Internal Auditors' "Practice Advisories", the Information Systems Audit and Control Association's "Standards for Information Systems Auditing", the American Institute of Certified Public Accountants "Statements on Auditing Standards", and the United States General Accounting Office's "Government Auditing Standards".



Policy 1100: Independence and Objectivity

Organizational Independence

The Director and staff of the Office of Internal Audit are independent of the activities they audit. The University's Director of Internal Audit reports functionally to the Director of Internal Audit of the Board of Supervisors of the University of Louisiana System and administratively to the President of the University. The System Director of Internal Audit reports functionally to the Board of Supervisors and administratively to the System President. The System Director of Internal Audit has direct communication with the board. The System Director regularly attends and participates in those meetings of the board which relate to its oversight responsibilities for auditing and finance (Audit Committee). The System Director regularly makes written and/or oral reports to the board.

Employment of the University's Director of Internal Audit requires approval of the Board of Supervisors of the University of Louisiana System. The University's Director of Internal Audit and the President of the University meet routinely, at least annually, with the System Director of Internal Audit. The President and the University's Director of Internal Audit communicate regularly and meet as needed. Meetings may be called by either party. The Director of Internal Audit has direct access at any time to the President of the University and to the Director of Internal Audit for the Board of Supervisors of the University of Louisiana System.

Audits to be performed are determined by the Board of Supervisors, the University President and the Director of Internal Audit. Input is also obtained as to areas of audit concern and areas subject to increased risk from other key employees of the University, such as the Vice Presidents.

Annually, an audit plan is developed by the Internal Audit Department and forwarded to the System Director of Internal Audit. The audit plan is based upon the Internal Audit Department's assessment of risks related to potential auditable areas. From the Universities' audit plans, the System Director of Internal Audit develops a system wide audit approach. The final system wide audit plan is reviewed and revised if necessary by the Finance & Audit Committee of the Board of Supervisors and then approved by the full Board at an open meeting. The Audit Committee of the Board maintains oversight of the auditing function throughout the System.

Annually, the University's financial budget, including the budget for the internal audit department, is submitted to the Board of Supervisors for approval. Any significant interim changes are also submitted to the board for approval.

All internal audit reports and executive summaries are submitted to the University President and the System Director of Internal Audit. The System Director routinely submits status reports to the Audit Committee, System President, and University President.

The purpose, authority, and responsibility of the University's internal auditing function are defined in a formal written charter approved by the University President and the Board of Supervisors. The nature of consulting services is also defined in the University's charter.



The purpose, authority, and responsibility of the University of Louisiana System's internal auditing function are also defined in a formal written charter.

The charters establish internal audit's position within the system and University; authorize access to records, personnel, and physical properties relevant to the performance of audits; and define the scope of internal auditing activities. The Internal Audit Department has full, free, and unrestricted access to all activities, records, property, and personnel of the University. The department is free from interference in determining the scope of internal auditing, performing work, and communicating results.



Policy 1101: Policy on Management Control

University of Louisiana at Lafayette Policy on Management Control

1. Management is charged with the responsibility for establishing a network of processes with the objective of controlling the operations of the University in a manner which provides the Board of Supervisors reasonable assurance that:

- Data and information published either internally or externally is accurate, reliable, and timely.
- The actions of directors, officers, and employees are in compliance with the University's policies, standards, plans and procedures, and all relevant laws and regulations.
- The University's resources are adequately protected.
- Resources are acquired economically and employed profitably and quality business processes and continuous improvement are emphasized.
- The University's plans, programs, goals, and objectives are achieved.

Controlling is a function of management and is an integral part of the overall process of managing operations. As such, it is the responsibility of managers at all levels of the University to:

- Identify and evaluate the exposures to loss which relate to their particular sphere of operations.
- Specify and establish policies, plans, and operating standards, procedures, systems, and other disciplines to be used to minimize, mitigate, and/or limit the risks associated with the exposures identified.
- Establish practical controlling processes that require and encourage employees to carry out their duties and responsibilities in a manner that achieves the five control objectives outlined in the preceding paragraph.
- Maintain the effectiveness of the controlling processes they have established and foster continuous improvement to these processes.

2. The Office of Internal Audit is charged with the responsibility for ascertaining that the ongoing processes for controlling operations throughout the University are adequately designed and are functioning in an effective manner. Internal auditing is also responsible for reporting to management and the audit committee of the Board of Supervisors on the adequacy and effectiveness of the University's systems of internal control, together with ideas, counsel, and recommendations to improve the systems.

3. The audit committee of the Board of Supervisors is responsible for monitoring, overseeing, and evaluating the duties and responsibilities of management, the Office of Internal Audit, and the external auditors as those duties and responsibilities relate to the University's processes for controlling its operations. The audit committee is also responsible for determining that all major issues reported by the Office of Internal Audit, the external



auditor, and other outside advisors have been satisfactorily resolved. Finally, the audit committee is responsible for reporting to the full board all important matters pertaining to the University's controlling processes.



Policy 1102: Objectivity

Objectivity

Internal Audit employees are assigned to engagements so that potential and actual conflicts of interest and bias are avoided. Members of the internal audit department are required to be objective and maintain an independent mental attitude in performing assignments. They must have an impartial, unbiased attitude and avoid conflicts of interest.

Conflict of Interest Procedures

Internal audit staff must report to the Director any situations in which a conflict of interest or bias is present or may reasonably be inferred.

- Internal audit personnel complete a conflict of interest statement concerning potential conflicts of interest.
- If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.
- When any such situations are reported, the director will then reassign the auditor. Independence is addressed in the audit planning memoranda of individual audits to remind internal audit staff of the importance of maintaining an independent mental attitude when conducting audits.

Employees of the Office of Internal Audit are required to refrain from assessing specific operations for which they were previously responsible. Providing assurance services for an activity for which the internal auditor had responsibility within the previous year is not allowed. Assurance engagements for functions over which the chief audit executive has responsibility will be overseen by a party outside the Office of Internal Audit. However, internal audit personnel may provide consulting services relating to operations for which they had previous responsibilities. If internal audit personnel have potential impairments relating to proposed consulting services, disclosure will be made to appropriate personnel prior to acceptance of the project.

As detailed in the audit charters, internal auditors do not assume operating responsibilities. In performing their work, the Chief Audit Executive and other internal audit staff members have no direct authority over, nor responsibility for, any of the activities reviewed. Internal auditors will not develop and install procedures, prepare or approve records, make management decisions, or engage in any other activity, which could be construed to compromise their independence. Therefore, internal audit reviews and appraisals do not in any way substitute for nor relieve other persons in the University of the responsibilities assigned to them. The drafting of procedures for systems is not an audit function. The Director of Internal Audit reviews the results of internal auditing work before the related audit report is released to provide reasonable assurance that the work was performed objectively.

If senior management directs the Internal Audit Department to perform non-audit related work, the Internal Audit Director will inform management that the activity is not audit related, the employees are not functioning as internal auditors; and, therefore, audit-related conclusions should not be drawn.



Example Conflict of Interest Certification

Every employee of the Department of Internal Audit must complete the entire form, noting N/A for sections not applicable. A detailed explanation must be attached for any NO answer.

Supervisors must review and approve the certification in detail. It may be appropriate to review the certification and certification process with staff personnel.

--Continued on following page--



Conflict of Interest Certification	YES	NO
<p>Yes, in relation to my responsibilities as an employee of the Internal Audit Department, there are no impairments to my professional independence as defined by the "Standards for the Professional Practice of Internal Auditing".</p> <p><small>(The employee must attach a full description of the impairment should the employee answer NO. The description should include the acknowledging signature of the employee's immediate supervisor.)</small></p>		
<p>Yes, I am familiar with the "Standards for the Professional Practice of Internal Auditing" applicable to significant disagreements in the application of auditing principles, and I have followed professional standards in this area.</p>		
<p>Yes, I comply with the "Standards for the Professional Practice of Internal Auditing" of due professional care in performance of my assigned duties.</p>		
<p>Yes, I have complied with the Institute of Internal Auditor's Code of Ethics and the code of ethics of the State of Louisiana.</p>		
<p>Yes, I have maintained confidentiality of all client, personnel, audit, and other appropriate information.</p>		

I certify that all answers given to the questions listed above are correct and complete to the best of my knowledge.

Employee Date

Supervisor Date



Policy 1200: Proficiency and Due Professional Care

Policy 1201: Proficiency

The Director of Internal Audit ensures that persons assigned to each engagement collectively possess the necessary knowledge, skills, and disciplines to conduct the audit properly and each auditor possesses the knowledge, skills, and other competencies needed to perform his/her individual responsibilities. Criteria of education and experience has been established for each audit position, giving due consideration to scope of work and level of responsibility. Education and experience criteria are included in employees' job descriptions. Through the use of school transcripts, position descriptions, job announcements, and personal interviews the Internal Audit Department obtains reasonable assurance of prospective auditor's qualifications and proficiency.

The internal audit staff is expected to have sufficient knowledge to identify the indicators of fraud; however, they are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

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

If the internal audit staff does not possess the required expertise to conduct an audit or consulting project, the department has the option of declining the engagement or obtaining the required expertise through training or the use of consultants. If the Director of Internal Audit decides to use and rely on the work of an outside consultant or service provider, the director will assess the competency, independence, and objectivity of the outside service provider.

Policy 1202: Fraud

Internal audit members are not expected to have the expertise of a person whose primary responsibility is fraud detection and investigation. Internal auditors are responsible for assisting in the deterrence of fraud by examining and evaluating the adequacy and the effectiveness of the system of internal control. The internal audit department's responsibilities for fraud *detection* are to:

- Have sufficient knowledge of fraud to be able to identify indicators that fraud may have been committed. However, the auditors are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.
- Be alert to opportunities, such as control weaknesses, that could allow fraud.
- Evaluate the indicators that fraud may have been committed and decide whether any further action is necessary or whether an investigation should be recommended.
- Notify the appropriate authorities within the organization if a determination is made that there are sufficient indicators of the commission of a fraud to recommend an investigation.



The internal audit department may perform extended procedures to determine whether fraud has occurred.

When conducting fraud *investigations*, the internal auditor staff will:

- Assess the probable level and the extent of complicity in the fraud within the University.
- Determine the knowledge, skills, and disciplines needed to effectively carry out the investigation.
- Design procedures to follow in attempting to identify the perpetrators, extent of the fraud, techniques used, and cause of the fraud.
- Coordinate activities with management personnel, legal counsel, and other specialists as appropriate throughout the course of the investigation.
- Be cognizant of the rights of alleged perpetrators and personnel within the scope of the investigation and the reputation of the University itself.

Once a fraud investigation is concluded, internal auditors will assess the facts in order to:

- Determine if controls need to be implemented or strengthened to reduce future vulnerability.
- Design audit tests to help disclose the existence of similar frauds in the future.
- Help meet the internal auditor's responsibility to maintain sufficient knowledge of fraud and thereby be able to identify future indicators of fraud.

When the incidence of significant fraud has been established to a reasonable certainty, senior management and the board will be notified immediately.



Policy 1203: Board Policy on Reporting Illegal Acts

Policy Number: M-(1) a
University of Louisiana System
Title: REPORTING ILLEGAL ACTS
Effective Date: January 1, 2004
Cancellation: May 19, 1995 PPM
Chapter: Miscellaneous

Policy and Procedures Memorandum

The following procedures shall be followed in reporting illegal acts (theft, fraud, etc.) to the System Office, Office of the Legislative Auditor, and/or local law enforcement officials. This procedure is in agreement with Act 1101 of the 2001 Legislative Session, requiring governmental entities and quasi-public entities to notify the Legislative Auditor and the local District Attorney of any misappropriation of public funds or assets.

1. A university president who has actual knowledge of any misappropriation of the public funds or assets of the university shall notify, in writing, the legislative auditor and the district attorney of the parish in which the agency is domiciled of such misappropriation.
2. The System Director of Internal Audit shall also be notified by phone and in writing immediately of the misappropriation. The university shall keep the Director abreast of any ongoing investigations.

Policy References:

Office of the Legislative Auditor

Review Process:

Internal Auditors
Chief Fiscal Officers
University Presidents

Distribution:

Internal Auditors
University Presidents



Louisiana Revised Statute 24:523

Notification of the legislative auditor and district attorney

A. An agency head of an auditee who has actual knowledge of any misappropriation of the public funds or assets of his agency shall immediately notify, in writing, the legislative auditor and the district attorney of the parish in which the agency is domiciled of such misappropriation. The district attorney, or other prosecutorial agency, notified of such misappropriation may request audit assistance from the legislative auditor with respect to the misappropriation.

B. For the purposes of this Section the terms "agency head" and "his agency" shall have the same meanings as provided in R.S. 42:1102.

Acts 2001, No. 1101, §1.



Director of Internal Audit Job Description

POSITION: DIRECTOR OF INTERNAL AUDIT

EEO# PR 1-12

The University of Louisiana at Lafayette is seeking a Director of Internal Audit who will provide independent, objective assurance and consulting services designed to add value and improve the university's operations. Reporting to the university president, the Director of Internal Audit will assist the university through a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. The Director of Internal Audit shall be guided by the philosophy of partnering with other campus departments to improve university operations.

RESPONSIBILITIES: In addition to the above general description of the position, the Director of Internal Audit will be responsible to:

- Develop a flexible annual audit plan for submission to the university president and the University of Louisiana System Board of Supervisors for approval.
- Establish a quality assurance program by which the director assures the operations of internal auditing activities are acceptable.
- Assist management in meeting its objectives by performing consulting services, including facilitation, process design, training, and advisory services.
- Evaluate and assess significant new or changing services, processes, operations, and control processes coincident with their development, implementation and/or expansion.
- Assist in the investigation of suspected fraudulent activities within the university and timely notify the administration of findings.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage.
- Submit timely written reports to the university president and appropriate members of the university administration on a subscribed schedule and at the conclusion of any audit investigation/engagement to acknowledge satisfactory performance or to set forth observations and/or recommendations for correction or improvement. A copy of each internal audit report shall be forwarded to the UL System's Director of Internal Audit.
- Perform other activities as described in the University of Louisiana System Internal Audit Charter [Audit Committee Charter \(B-IV.B.3-1\)](http://www.ulsystem.net/) found at <http://www.ulsystem.net/>.

QUALIFICATIONS & SALARY: Bachelor's Degree in Accounting from a regionally accredited university; completed requirements for the Certified Public Accountant (CPA) or Certified Internal Auditor (CIA) certification; and five (5) years experience in university, government, or commercial auditing or related fields preferred. A combination of education, experience, and training that would produce the required knowledge and abilities may also be acceptable. Salary is commensurate with credentials and experience.



Assistant Internal Auditor - Job Description

DUTIES: Under the supervision of the Director of Internal Audit, the Internal Staff Auditor conducts financial, compliance, and operational audits of university departments and programs to determine the adequacy of internal controls and compliance with university regulations and state and federal laws.

QUALIFICATIONS: Undergraduate degree in accounting or business related discipline plus two years of professional level experience in auditing required.

ADDITIONAL DESIRED QUALIFICATIONS: Possession of a certified public accountant (CPA) or certified internal auditor (CIA) designation. Governmental or higher education auditing experience. Word processing and spreadsheet proficiency. Good verbal, writing, and interpersonal skills.

SALARY: Commensurate with experience and other qualifications; comprehensive benefits included.

EXAMPLES OF WORK:

Under the supervision of the Director of Internal Audit, the Internal Staff Auditor:

- Assists in the development of the annual audit plan.
- Conducts internal audits for the university, including making arrangements for audits, conducting entrance and exit conferences, preparing and maintaining files of work papers, and preparing audit findings and reports.
- Examines journals, ledgers, financial reports, bank reconciliations, movable and consumable inventory,- receipts, invoices, purchase orders, canceled checks, payroll records, and other individual financial transactions to determine the adequacy of internal controls and the validity of the information reported by the university.
- Tests compliance with federal and state laws and university regulations.
- Presents audit findings and provides technical assistance to university departments.
- Function as department head in the absence of the Director.



Policy 1204: Due Professional Care

Members of the Internal Audit Department are required to exercise due professional care in performing audits/assurance services. The auditors are expected to use reasonable audit skill and judgment in performing the audits and consider the following:

- Extent of audit work needed to achieve the audit objectives.
- Relative materiality or significance of matters to which audit procedures are applied.
- Adequacy and effectiveness of risk management, control, and governance processes.
- Audit cost relative to potential benefits.
- Probability of significant errors, irregularities, or noncompliance.
- The use of computer-assisted audit tools and other data analysis techniques.

The auditors are expected to 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.
- Cost of the consulting engagement in relation to potential benefits.

The internal audit staff is required to be alert to the possibility of errors and/or fraud and the significant risks that might affect operations. However, assurance procedures alone do not guarantee that all significant risks will be identified. The members of the internal audit department document their assessment of at-risk areas in the planning memo/preliminary survey and the audit program.

Policy 1205: Continuing Professional Education

Members of the University of Louisiana Lafayette are responsible for continuing their education in order to maintain their professional proficiency. Continuing education is obtained through membership and participation in professional organizations and attendance at conferences, seminars, college courses, and other training programs.

Audit staff is provided with time to take continuing educational courses sufficient to maintain professional certifications. For example, internal auditors who are licensed Certified Public Accountants complete at least 120 hours of continuing professional education every three years to meet the requirements of the Louisiana State Board of Accountancy. Auditors are allowed a reasonable amount of work time to participate in professional organizations. Through membership in organizations such as the American Institute of Certified Public Accountants, Society of Louisiana CPAs, Institute of Internal Auditors, Louisiana Association of College and University Auditors (LACUA) and Association of College and University Auditors (ACUA), auditors keep informed about improvements and current developments in internal auditing standards, procedures, and techniques. Subject to budgetary constraints, the internal audit department pays for the reasonable costs of training.



Each internal audit staff member maintains documentation of his/her continuing education.

Certification

Each auditor is encouraged to obtain professional certification, such as:

- Certified Public Accountant (CPA)
- Certified Internal Auditor (CIA)
- Certified Information Systems Auditor (CISA)
- Certified Fraud Examiner (CFE)
- Certified Management Accountant (CMA)



Policy 1300: Quality Assurance and Improvement Program

Quality Program Assessments

The Director of Internal Audit has implemented and maintains a quality assurance program that covers all aspects of the Office of Internal Audit and continuously monitors its effectiveness. The program includes periodic internal and external quality assessments and ongoing internal monitoring. The process is designed to help the internal auditing activity add value and improve the University's operations and to provide assurance that the Office of Internal Audit is in conformity with applicable standards and the internal audit charter.

Internal Assessments

The audit director provides daily supervision of staff and performs detailed reviews of all working papers completed by staff. The Director of Internal Auditing:

- Ensures that the auditor assigned to the project possesses the requisite knowledge and skills.
- Provides instructions during the planning stages of the audit.
- Prepares or assists in the preparation of the audit programs.
- Establishes or approves the objectives and scope of the engagement.
- Prepares or approves the preliminary survey, audit program, and planning memorandum.
- Ensures that the approved audit program is carried out.
- Reviews the working papers to determine that they adequately support the audit findings, conclusions, and report.
- Ensures that audit reports are accurate, objective, clear, concise, constructive, and timely.
- Ensures that audit reports are cross referenced to the supporting working papers.
- Monitors reasonableness of the time charged to the audit project.
- Ensures that audit objectives are met.
- Provides opportunities for developing internal auditors' knowledge and skills.

Resolution of differences in professional judgment between the director and internal audit staff members over significant issues relating to the audit assignment are to be documented in the working papers. In instances of a difference in professional judgment over an ethical issue, the issue will be referred to those individuals in the University having responsibility over ethical matters, or, if necessary, the Board of Ethics. The director provides additional forms of supervision by approving staff training and development, time and expense reports, and similar administrative areas. Evidence of supervision in the form of review checklists, review notes, and/or initials/dates on working papers are prepared and retained in the working papers.

Due to the small size of the Internal Audit Department and limited resources, the internal review program has been adapted to take into consideration the structure of the department and degree of involvement of the Director in individual audits. Periodically, the department may conduct formal or informal self-assessments using the checklist(s) from the *Quality Assessment Manual*, published by the Institute of Internal Auditors. In addition, the Director of Internal Audit obtains feedback from personal contact with auditees and through the use of questionnaires/surveys to elicit the auditee's perception of the internal auditing department.



These self-assessments can sometimes result in suggestions to make the Internal Audit Department more effective and responsive to management's needs.

External Assessments

External assessments include continuous oversight of the department by the System Director of Internal Audit and the Board and reviews of the internal audit reports and working papers by external auditors. In addition, the internal audit department will have an external assessment (self-assessment with independent validation by an independent reviewer or review team from outside the organization) conducted by January 1, 2007, and at least once every five years thereafter.

Reporting

The results of the external assessments will be communicated to management and the board. If full compliance is not achieved and the noncompliance impacts the overall scope or operation of the Office of Internal Audit, this will be communicated to senior management and the board. The internal audit department will report that their activities are "conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*" only if the assessments of the quality improvement program demonstrate that the Office of Internal Audit is in compliance with the *Standards*.



Policy 2000: Managing the Office of Internal Audit

Audit Plan

Prior to the beginning of each fiscal year, the University's Internal Audit Director meets with the Director of Internal Audit of the University of Louisiana System and the University President to discuss the internal audit plan for the upcoming year.

To assist in preparing the annual audit plan and assessing risk, input is obtained or requested from the System Director of Internal Audit, Office of Legislative Auditor, University President, and the University Vice Presidents. Audits required by the Board (i.e., Student Technology Fee), prior external and internal audit findings, Single Audit findings, agreed-upon procedures with the external auditors (such as the observations of inventory and cash counts), and emerging issues determined from discussions with other internal auditors throughout the State are also considered in developing the plan. These engagements usually comprise the majority of or the entire, audit plan and no further risk assessment is necessary.

If additional audit hours are available on the plan, based on the Internal Audit Department's knowledge of the auditable areas and the input previously described, the chief audit executive and staff informally assesses the risks related to the potential audit areas. Risk factors such as the date and results of the last audit, potential financial exposure and potential loss, potential public perception, major changes in operations, and impact of government regulations are considered. Based on the input previously described and assessed risks, the director, with input from the audit staff, prepares a plan to outline the priorities of the Office of Internal Audit for the year. In addition to assurance services, potential consulting engagements may be accepted for inclusion in the plan, based on the engagement's potential to improve management of risks, add value, and improve the University's operations.

The annual audit plan is prepared in the standardized format established by the University of Louisiana System. The audit plan includes the following:

1. Standard hours available based on number of staff.
2. List of individual audits or projects.
3. Estimated hours for each project.
4. Objective of each audit project.
5. Type of Review (Internal Control, Financial, Compliance).
6. Risk Priority (High, Medium, Low) and reason for the priority (For example: Requested by Board President).
7. Budgeted Hours for each project.

Communication and Approval

After the plan is prepared, the chief audit executive obtains the University President's approval of the plan. The plan is then sent, with other Board related items, to the Board for approval and to the System Director of Internal Audit for inclusion in the system-wide audit plan. Significant interim changes in the plan or resource requirements are communicated to the University President and the Board.

Resource Management



The internal auditing department attempts to set measurable goals that are capable of being accomplished within specified operating plans and budgets. The goals are included in the audit plan and are accompanied by targeted hours to complete. To ensure that audit resources are effectively deployed to achieve the approved plan, actual vs. budgeted time summaries are routinely maintained for each audit. Significant variances between actual audit hours and those budgeted are explained. If necessary, the chief audit executive adjusts the audit plan during the year. In most cases any unfinished audits are carried forward to the following years' audit plan.

Annually, the University's financial budget, including the budget for the internal audit department, is submitted to the Board of Supervisors for approval. Any significant interim changes are also submitted to the board for approval.

The director of internal auditing has established the following program for selecting and developing the human resources of the internal auditing department.

1. Written job descriptions have been developed for each level of the staff of the department. Written policy (job descriptions and minimum qualifications) has been developed for selection of qualified and competent individuals.
2. A written policy has been developed and included in the audit manual relative to training and continuing education for members of the Internal Audit Department.

Policies and Procedures

Internal audit policies and procedures have been formalized in the Internal Audit Manual to provide guidance to the employees of the Internal Audit Department. In addition, audit staff are directed and controlled through daily, close supervision and written memoranda. The form and content of the policies and procedures have been adapted to the relative small size and uncomplicated structure of the department and the specialization of its work. Due to the small number of staff (Director & 1 staff auditor) and uncomplicated structure of the department, management is more informal than in a larger audit department.

Coordination

The Internal Audit Department provides copies of their audit/engagement reports to the Office of Legislative Auditor (external auditors) upon request. The external auditors generally review the working papers of the department when performing their audit of the financial statements. To the extent the external auditors and professional and organizational reporting responsibilities allow, the department shares information and coordinates activities with the other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.

1. The Internal Audit Department and the external auditors periodically discuss matters of mutual interest.
2. The external auditors are allowed access to the Internal Audit Department's audit programs, working papers, and reports. The Department of Internal Audit obtains copies of the external auditor's reports and follows up on the findings contained therein. The external auditor (Office of the Legislative Auditor) allows the Internal Audit Department access to selected working papers. Questions regarding significant control weaknesses, errors and irregularities, illegal acts, disagreements with management, and any difficulties encountered in performing the audit are discussed with the external auditors.
3. The internal audit department may agree to perform work for external auditors in connection with their annual audit of the financial statements.

Reporting to Management

All internal audit reports and executive summaries are submitted to the University President and the System Director of Internal Audit. The System Director routinely submits summaries of the reports to the Audit Committee, System President, and University President. In addition, the System Director routinely submits reports on the status of the internal audit plans to those individuals.

Policy 2100: Nature of Work

Nature of Work

As discussed in the University's audit charter, the mission of the Office of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the University's operations. Internal audit helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The Office of Internal Audit is guided by a value-driven philosophy of partnering with other departmental units to continuously improve the operations of the University. The scope of work of the Office 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 and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the University's control process.
- Significant legislative or regulatory issues impacting the University are recognized and addressed properly.

The University's Office of Internal Audit includes the following general objectives:

- Determining that the University's overall system of internal control and the controls in each departmental unit or activities under audit are adequate, effective, efficient, and functioning by conducting audits on a periodic basis so that all major systems are reviewed. Such reviews will be coordinated with the Office of the Louisiana Legislative Auditor to avoid unnecessary duplication of effort.
- Determining the reliability and adequacy of the accounting, financial, and reporting systems and procedures.
- Determining, on a test basis, that University activities, including the administration of grants and contracts received or made, are in conformance with the University policies and procedures, state and federal laws and regulations, contractual obligations, Board Rules, and good business practices.
- Determining the extent to which University assets are accounted for and safeguarded from losses of all kinds and, as appropriate, verifying, on a test basis, the existence of such assets.
- Evaluating operational procedures to determine whether results are consistent with established objectives and goals and whether the procedures are being carried out as planned.
- Evaluating the design of major new electronic data processing systems and major modifications to existing systems prior to their installation to determine whether the system of internal control will be adequate, effective, and efficient. Prior to its installation, sufficient information must be provided to the Office of Internal Audit regarding the intended internal controls, so they can complete their evaluation and issue recommendations.
- Conducting investigations as required or directed related to the general objectives previously stated.

The management process of planning, organizing, and directing is evaluated by internal audit to determine whether reasonable assurance exists that objectives and goals will be achieved. All business systems and processes within the University are subject to evaluation by internal audit.

Risk Management

The State of Louisiana, through the Office of Risk Management, retains risk for property, casualty, and worker's compensation insurance, as well as coverage for all State property, with virtually no upper limits. Auto liability, comprehensive, and collision coverage is provided for the State fleet and other coverage, such as bonds, crime, aviation, and marine insurance, is provided as needed.

The University's risk management process is relatively informal. The Office of Internal Audit assists the University by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems. The key objectives of the University's risk management process are, as follows:

1. Risks arising from business strategies and activities are identified and prioritized.
2. Management and the board have determined the level of risks acceptable to the University, including the acceptance of risks designed to accomplish the University's strategic plans.
3. Risk mitigation activities are designed and implemented to reduce, or otherwise manage, risk at levels that were determined to be acceptable to management and the board.
4. Ongoing monitoring activities are conducted to periodically reassess risk and the effectiveness of controls to manage risk.
5. The board and management receive periodic reports of the results of the risk management processes. The corporate governance processes of the University provide periodic communication of risks, risk strategies, and controls to stakeholders.

Management's expectation of the Office of Internal Audit in relation to the University's risk management process is documented in the internal audit charter. The Office of Internal Audit monitors and evaluates the effectiveness of the University's risk management system. Risk exposures relating to the University's governance, operations, and information systems regarding the reliability and integrity of financial and operational information; effectiveness and efficiency of operations; safeguarding of assets; and compliance with laws, regulations, and contracts are subject to evaluation.

During consulting engagements, the University's internal auditors are expected to address risk consistent with the engagement's objectives and be alert to the existence of other significant risks. Knowledge of risks gained from consulting engagements may be incorporated into the process of identifying and evaluating significant risk exposures.

Internal Control

The Office of Internal Audit assists the University in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. Internal audit evaluates the adequacy and effectiveness of controls encompassing the University's governance, operations, and information systems regarding the reliability and integrity of financial and operational information; effectiveness and efficiency of operations; safeguarding of assets; and compliance with laws, regulations, and contracts. The Office of Internal Audit is responsible for ascertaining the extent to which operating and program goals and objectives have been established and conform to those of the University. Operations and programs are reviewed to ascertain the extent to which results are consistent with established goals and objectives to determine whether operations and programs are being implemented or performed as intended. Internal audit ascertains the extent to which management has established

adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal audit uses such criteria in their evaluation. If inadequate, internal audit works with management to develop appropriate evaluation criteria. During consulting engagements, the internal auditors are expected to address controls consistent with the engagement's objectives and be alert to the existence of any significant control weaknesses. Knowledge of controls gained from consulting engagements is to be incorporated into the process of identifying and evaluating significant risk exposures of the University.

Governance

University employees are required to comply with the Code of Governmental Ethics (L.R.S. 42:1101-1170) of the State of Louisiana. The Code clearly identifies prohibited ethics related activities and conflicts of interest. Louisiana Revised Statute 42:1170 requires each State agency to designate a person to provide employees with information relative to ethics. The statute also requires the agency to provide instruction to educate employees about the particular ethics laws to which they are subject and the procedures by which such laws are enforced. Management communicates its views regarding ethical behavior to employees, as follows:

1. Policies and rules of the Board of Supervisors establish procedures for reporting misappropriations and illegal acts in accordance with Act 1101 of 2001 (Revised Statute 24:523) and conducting investigations of allegations of misconduct or impropriety.
2. The University's Faculty Handbook informs employees that all State officials and employees are governed by the Code of Governmental Ethics and provides that faculty and staff should familiarize themselves with the code. The handbook also requires that university employees properly use and protect university resources (money, equipment, other physical properties, and services of employees).
3. Training on the Code of Governmental Ethics is offered through the ULM Human Resources Department and the Comprehensive Public Training Program (CPTP).
4. A memorandum, dated February 10, 1994, from the Director of Purchasing to all budget unit heads informs employees that there is a mandatory requirement to notify the University Police Department when there is reason to believe that loss of, or damage to, property involves a violation of law.
5. A memorandum, dated May 19, 1995, from the System Director of Internal Audit to campus internal auditors establishes procedures for reporting illegal acts.
6. The university is required to send a semiannual Bond and Crime Exposure Report to the Office of Risk Management.
7. The University has detailed hiring procedures and personnel policies and appropriate conduct for employees is detailed in the various personnel policies.

Internal audit evaluates the design and effectiveness of the organization's ethics-related activities. Internal audit assesses and makes recommendations for improving the governance process in its accomplishment of promoting appropriate ethics and values within the organization, ensuring effective organizational performance management and accountability, effectively communicating risk and control information to appropriate areas of the organization, and effectively coordinating the activities of and communicating information among the board, external and internal auditors, and management. In addition, the Office of Internal Audit assesses the state of the ethical climate of the University and investigates allegations of misconduct and fraud. Assurance and consulting engagement objectives are expected to be consistent with the overall values and goals of the organization.

Legal Considerations

During the course of an engagement, as situations are encountered requiring specific details relating to laws or regulations the auditors review the revised statutes, Attorney General's Opinions, and other laws and regulations available on-line. In addition, information or opinions may also be obtained from the legal counsel of the Board of Supervisors.

Information Security

Internal audit assesses the University's information security practices. General and application control reviews may be performed. Reviews of disaster recovery, business continuity plans, and electronic funds transfers may also be conducted. In most cases, such assessments are integrated into other engagements conducted as part of the approved audit plan. However, separate stand-alone engagements may be conducted.

When conducting field work, the auditors are alert for the key information technology risks and controls. Use of available technology-based audit techniques are considered in performing assigned work. The use of data extraction software by the internal auditors is not considered cost beneficial due to the small size of the University's Office of Internal Audit and the related costs of training and software updates. If the internal audit staff lacks the knowledge, skills, or other competencies needed to perform information technology tests the chief audit executive obtains competent advice and assistance. Information technology personnel in the computing center are often used to extract data through use of FOCUS, E-print, and other programs and reports. If E-Commerce processes are audited, the overall audit objective will be to ensure that all processes have effective internal controls.

Environmental Risks

The University has an Office of Environmental Health and Safety. The State of Louisiana Office of Risk Management routinely conducts audits of the Environmental Health and Safety Program. The University's internal audit department has a close working relationship with the ORM audit staff. The University's internal audit department sometimes performs follow-ups on the risk management audits to determine that appropriate corrective actions have been implemented to correct any findings.

Privacy Risks

Privacy can encompass personal privacy (physical and psychological); privacy of space (freedom from surveillance); privacy of communication (freedom from monitoring); and privacy of information (collection, use, and disclosure of personal information by others). When evaluating the University's privacy framework, employees of the internal audit department are

expected to consider applicable laws and regulations relating to privacy. During the course of an engagement, as situations are encountered requiring specific details relating to privacy laws or regulations, the auditors may review the revised statutes, Attorney General's Opinions, and other laws available on-line. In addition, information or opinions may also be obtained from the legal counsel of the Board of Supervisors. Information may also be obtained from the University's information technology specialists.

Risk Management Processes

The internal audit department could be asked to act in a consulting role to assist the University in identifying, evaluating, and implementing risk management methodologies and controls. The University has an informal risk management program that is appropriate given the nature of the University's activities and its relatively small size.

Business Continuity

Business interruption can have significant financial and operational ramifications. With the assistance of an outside consultant, the University has developed a comprehensive disaster recovery and business continuity plan. The University's internal auditors and external auditors perform periodic assessments of the adequacy of the plan to ensure that senior management is aware of the state of disaster preparedness and ready to deal with business interruptions.

Scope of Work

The scope of the work of the Department of Internal Audit includes evaluations of the adequacy and effectiveness of the University's system of internal control and the quality of performance in carrying out assigned responsibilities. The Department of Internal Audit is responsible for reviewing the processes to determine the following:

1. The reliability and integrity of information.
2. Compliance with policies, plans, procedures, laws, regulations, and contracts.
3. The safeguarding of assets.
4. The economical and efficient use of resources.
5. The accomplishment of established objectives and goals for operations or programs.

The purpose of the reviews is, as follows:

1. Reviews of the adequacy of the system of internal control are conducted to ascertain whether the system established provides reasonable assurance that the university's objectives and goals will be met efficiently and economically. Reviews of the effectiveness of the system of internal control are conducted to ascertain whether the system is functioning as intended.
2. Reviews of the quality of performance are conducted to determine whether the university's objectives and goals have been achieved.

Since these evaluations are performed at specific points in time, the auditors are expected to be alert to actual or potential changes in conditions which affect the ability to provide assurance.

Reliability and Integrity of Information

University management is responsible for establishing systems to ensure reliability and integrity of information. The Department of Internal Audit is responsible for reviewing the processes to determine whether financial and operating records and reports contain accurate and useful information. Internal Audit is also responsible for determining whether controls over record keeping and reporting are adequate and effective. These audits may include the following:

- Determining if transactions have been properly reviewed and approved.
- Determining if information systems produced data that was useful, accurate, complete, timely, and relevant.
- Identifying and documenting key controls designed to ensure the reliability and integrity of information.
- Testing key controls.

Compliance with Laws and Regulations

University management is responsible for establishing systems to ensure compliance with policies, plans, procedures, laws, regulations, and contracts. The Department of Internal Audit is responsible for reviewing the systems to determine whether the University is in compliance with the policies, plans, procedures, laws, regulations, and contracts. These audits may include the following:

- Obtaining background information to identify and interpret the relevant policies, plans, procedures, laws, regulations, and other items that could have a significant impact on operations.
- Identifying key controls designed to ensure compliance with policies, plans, procedures, laws, regulations, and contracts.
- Testing key controls.
- Determining if the auditee is compliance with the relevant policies, plans, procedures, laws, regulations, and contracts.

Safeguarding of Assets

University management is responsible for safeguarding the university's assets. The Department of Internal Audit is responsible for performing audits to test the means used by management to safeguard assets from various types of losses such as theft, fire, improper or illegal activities, and exposure to elements. These audits may include the following:

- Determining the adequacy of the separation of duties.
- Testing the rotation of sensitive duties among employees.
- Ascertaining that reconciliation procedures are timely, thorough, and appropriately reviewed.
- Verifying the adequacy of management's periodic surprise reviews.
- Testing the review and approval of transactions by authorized individuals.
- Determining the adequacy of the physical protection of assets and records.
- Identifying key controls designed to prevent or detect errors and fraud.
- Testing key controls.
- Verifying the physical existence of university assets.

Economical and Efficient Use of Resources

University management is responsible for setting operating standards to measure an activity's economical and efficient use of resources. The Department of Internal Audit may perform economy and efficiency audits to determine whether:

- Operating standards have been established for measuring economy and efficiency.
- Established operating standards are understood and are being met.
- Deviations from operating standards are identified, analyzed, and communicated to those responsible for corrective action.
- Corrective action has been taken.

These audits may include the following:

- Identifying the operating standards.
- Determining whether the standards are appropriate in keeping with the auditee's goals and objectives.
- Determining if the information used by management to measure its success is accurate, current and relevant.
- Ascertaining whether management has procedures to ensure that they met their standards.
- Determining whether management identified and analyzed deviations from the standards.
- Determining whether management discussed deviations with the appropriate individuals.
- Identifying any inefficient or uneconomic use of resources.
- Identifying key controls designed to ensure compliance with the auditee's goals, measures, or targets.
- Testing key controls designed to ensure compliance with the auditee's goals, measures, or targets.

Accomplishment of Established Objectives and Goals for Operations or Programs

Management is responsible for establishing operating or program objectives and goals, developing and implementing control procedures, and accomplishing the desired operating or program results. The Department of Internal Audit is responsible for the following:

- Ascertaining if management identified relevant objectives and goals and developed a system for measuring their accomplishment.
- Appraising whether management established criteria for evaluating their program's effectiveness.
- Assessing whether management determined if their objectives and goals were met.
- Determining if the techniques and data used by management to measure effectiveness is appropriate.
- Reviewing for evidence that the auditee was looking for cost effective ways to accomplish objectives and goals.
- Determining whether management has estimated the costs and benefits of not meeting goals.

The Department of Internal Audit reviews operations (purchasing, human resources, finance, governmental assistance, etc.) or programs (fund-raising campaigns, capital expenditures, etc.) to determine whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned. These audits may include the following:

- Identifying key controls designed to ensure compliance with established objectives and goals.
- Testing the effectiveness of the key controls.

Policy: 2200 Engagement Planning

Planning the Engagement

Each engagement will be properly planned and the objectives, scope, timing, and resource allocations will be documented in the plan. In planning the engagement, the internal audit staff are expected to consider such things as 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 systems compared to a relevant control framework or model; and the opportunities for making significant improvements to the activity's risk management and control systems.

If an engagement for parties outside the organization is accepted, the Internal Audit Department will establish a written understanding with them about objectives, scope, respective responsibilities, restrictions on distribution of the results of the engagement, and access to engagement records.

Internal audit will also establish an understanding with consulting engagement clients about the objectives, scope, respective responsibilities, and other client expectations.

Objectives and Scope of Work

Based on requests from administrators or others and the auditors' perception of the work needed, the Office of Internal Audit will determine the objectives of the engagement (i.e., intended accomplishments). Objectives will be in enough detail to guide the audit program development and reflect the results of the preliminary risk assessment of the engagement area. The established scope will include consideration of relevant systems, records, and personnel and must be sufficient to satisfy the objectives of the engagement. The probability of significant errors, irregularities, noncompliance, and other exposures will be considered when developing the engagement objectives. The objectives and scope must be approved by the Director.

Objectives of consulting engagements will be agreed upon with those requesting the engagement. If a consulting engagement or an engagement for parties outside the organization is planned, the Office of Internal Audit will establish an understanding with the appropriate parties about objectives, scope, distribution of the results of the engagement, and access to engagement records. The scope of consulting engagements will be sufficient to address the agreed-upon objectives and will address risks, controls, and governance processes to the extent agreed upon with the client. During the consulting engagement, any reservations about the scope shall be discussed with the client to determine whether to continue with the engagement.

Entrance Conference

Every audit should include an entrance conference with appropriate personnel. This may consist of a face-to-face meeting but may take the form of correspondence or a telephone call (notification of audit). The form is a matter of professional judgment and the desires of management. The following may be included in the entrance:

1. Planned audit objectives.
2. Scope of audit work.

3. Timing of audit work.
4. Personnel assigned to the audit.
5. The process of communicating throughout the audit
 - a. Methods.
 - b. Time frames.
 - c. Individuals who will be responsible.
6. Concerns or any requests or management.

Documentation of the conference will be prepared and retained in the audit working papers.

Preliminary Survey

Every audit will include a preliminary survey to gather information on the activity being examined and assess risks. The focus of the survey will vary depending upon the nature of the engagement. A survey may involve use of the following procedures:

- Discussions with the client.
- Interviews with individuals affected by the activity, e.g., users of the activity's output.
- On-site observations.
- Review of management reports and studies.
- Analytical auditing procedures.
- Flowcharting.
- Functional "walk-thru" (tests of specific work activities from beginning to end). This may include tracing a transaction or two through the system to obtain an understanding of how the system operates and how transactions and documents are processed through the internal control system and whether or not these controls are operating as prescribed by management.
- Documenting key control activities and weaknesses.
- Consideration of the probability of significant errors, irregularities, noncompliance, and other exposures.
- Assessing risks relevant to the activity under review.

As part of the preliminary survey, the Internal Audit Department will obtain background information for the activity to be audited. This may include reviewing and documenting such items as the following:

- Mission, objectives, and goals of the audited activity.
- Policies, plans, procedures, laws, regulations, and contracts which could have a significant impact on operations and reports.
- Organizational information, e.g., services provided, number and names of employees, key employees, job descriptions, and details about recent changes in the organization, including major system changes.
- Budget information, operating results, and financial data of the activity to be audited.
- Prior audit working papers.
- Results of other audits, including the work of external auditors, completed or in process.
- Correspondence files to determine potential significant audit issues.

- Authoritative and technical literature appropriate to the activity.
- Nature of any federal/state compliance auditing requirements.

Staffing/Engagement Resources

As much as feasible, staffing is based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources. The knowledge, skills, and other competencies of the internal audit staff is considered in assigning staff to the engagement. The value of on the job training for staff is also considered. Appropriate resources are allocated to achieve the engagement objectives.

Engagement Work Program

A properly developed work program, detailing each of the engagement steps to be performed during the course of the review, will be completed for each assignment. Work programs may vary in form and content depending upon the nature of the engagement. The work programs will establish the procedures for identifying, analyzing, evaluating, and recording information during the engagement. The Director of Internal Audit must approve the work program prior to implementation and upon amendment.

Each of the steps in the program will be cross-referenced to the corresponding work paper which shows evidence of the work performed. The work program is a key document and should be located at WP6 (in most cases) of the work paper binders.

Upon completion of each step, the auditor should initial the work program in the appropriate box indicating its completeness. In some cases (when not readily apparent), the reason for the step should be included in the program.

The Internal Audit Department may consult the Association of College and University Auditors (ACUA), Louisiana Association of College and University Auditors (LACUA), other universities, U.S. Department of Education (Student Financial Aid Programs), NACUBO - Federal Auditing Information Service for Higher Education, Practitioners Publishing Company, and OMB Compliance Supplement for example work programs; however, these programs will be amended to suit the circumstances of our particular engagement.

Personal Information

When conducting engagements, the internal audit staff will comply with applicable laws regarding protection of personal privacy and information.

Policy 2300: Performing the Engagement

Examining & Evaluating Information

When performing engagements, the internal audit staff will analyze sufficient, reliable, relevant, and useful information to achieve the engagement's objectives. Conclusions and engagement results will be based on appropriate analyses and evaluations and documented in the working papers. The procedures performed during most engagements may include reviewing applicable laws, regulations, policies and procedures; interviewing selected employees and others; examining selected documents and records; comparing relationships among financial and non-financial information; and performing observations.

Working Papers

Working papers (Audit Evidence) are the connecting link between the objectives and the auditor's report. All pertinent information obtained by internal audit must be documented. Engagement working papers serve the following purposes:

- Provide a systematic record of work performed;
- Provide a record of the information and evidence obtained and developed to support findings, conclusions, and recommendations;
- Provide information to the Audit Director to enable him to supervise and manage assignments and to evaluate auditor performance; and
- Provide a record of information for future use in planning and carrying out subsequent assignments.

The working papers document various aspects of the engagement process to include planning, risk assessment, evaluation of the system of internal control, engagement procedures performed, information obtained, conclusions reached, supervisory review, communication of results, and follow-up

Working papers must be neat, competent, relevant, useful, and accurate. Anyone using the working papers should be able to readily determine their source, purpose, procedures performed, findings, conclusions and the auditor's recommendations. To the extent possible, all working papers will contain the following data:

At the top-left of the working paper, a heading will indicate:

- ULM - Internal Audit Department
- Name of the engagement area (department, center, system, etc.)
- Name of working paper (e.g., test of expenditures, cash count)
- Audit period.

At the top right section of the working paper, the auditor completing the work will initial and date the working paper. The reviewer will initial and date, directly beneath the auditor's initials on the working paper, indicating that the working paper has been reviewed.

Below the heading, the following will be documented on each working paper or referenced to the working paper where documented:

- The **source** of the documents utilized to conduct the procedures outlined in the working paper. Document the individuals contacted and their title.

- The **purpose** of working paper will be recorded. Unless one can clearly define exactly why one is gathering data, one cannot prepare meaningful papers containing relevant matter.
- **Procedures** performed will be sufficient to fulfill the audit scope and objectives. Procedures should be prepared in a logical and sequential manner, directly related to the purpose of the working paper.
- Relevant **findings** from testing. This should be a short summary of the finding or a reference to the exit conference where the finding will be discussed. Finding forms will be completed for each finding. The finding forms will include the condition, criteria, cause, effect, and recommendation.
- **Conclusions and recommendations** should relate to the purpose. Working papers should be complete and include support for the conclusions reached. Recommendations should relate to the nature of the findings and work performed.

Relative to the body of the working paper, the following should be considered:

- Keep the working paper neat and legible.
- Keep in mind that the working paper is being prepared for someone other than you. Assume they know nothing about the subject matter and write accordingly.
- Whenever you refer to data appearing elsewhere in the working papers, cross-reference both working papers.
- If a working paper or a set of working papers contains tick marks, the first page of a set of papers should also contain a legend explaining the tick marks.
- Working papers should be prepared after completing each audit step. Pertinent oral conversations should also be recorded promptly.

The working paper will be indexed (numbered) at either the bottom or the top right-hand section of the working paper.

Permanent Files

This file will contain information necessary to gain an understanding of (a) the function of the department/area to be audited; (b) its organization and resources; (c) how it relates to other departments; (d) internal control adequacy and effectiveness; and (e) general information about relevant policies and procedures. The file generally contains the following types of information:

- Organizational charts.
- Applicable statutes, regulations, policies, and procedures
- Fraud letter.
- Copy of audit plan.
- Monitoring reports.
- Contracts.
- Description of the accounting records, management reports, department budget, and FRS Screens.
- Departmental mission statement.
- Background/history on the department and/or area to be examined.
- Important permanent correspondence (other than that pertaining to the current audit).

Data contained in the permanent file should be updated whenever a new engagement of the department or area is started. An index should be maintained of the data/material contained in the permanent file.

Engagement Supervision

As detailed in other sections of this manual, the audit director provides daily supervision of staff and performs detailed reviews of all working papers performed by staff. Evidence of supervision in the form of review checklists, review notes, and/or initials/dates on working papers are prepared and retained in the working papers

Communicating & Disseminating Engagement Results

At the completion of each project, the Director of Internal Audit will issue a written report, addressed to the University President, to communicate the engagement's results. Every attempt will be made to make the report accurate, objective, clear, concise, constructive, timely, and complete. The report will include the engagement objectives and scope as well as applicable conclusions, recommendations, and responses and corrective action plans. In general, the layout for assurance related reports will be as follows:

1. Cover page
2. Executive summary
3. Background information
4. Objective (Purpose): Explanation of why the audit was performed.
5. Scope and methodology: The audit scope is a description of the depth and coverage of work conducted (period and number of locations covered). The audit methodology is an explanation of the nature and extent of the evidence gathering and analysis techniques used to meet the objectives.
6. Noteworthy accomplishments
7. Overall opinion, results, or conclusions
8. Specific observations (findings) and recommendations
9. General section: Acknowledge appreciation and includes limitations on use of the results.
10. Responses and corrective action plans

When appropriate, satisfactory performance will also be communicated in the report.

When noncompliance with the auditing standards impacts a specific engagement, communication of the results will disclose the following:

- Standard(s) with which full compliance was not achieved,
- Reason(s) for noncompliance, and
- Impact of noncompliance on the engagement.

The general section of engagement reports provide that the report is intended solely for the information and use of management of the university and is not intended to be used by others. The reports by the Internal Audit Department are considered public records; therefore, the distribution and use of the results cannot be restricted. The CAE will obtain permission from senior management prior to distribution to members of the public. Copies of completed audit reports and working papers are provided to the Office of Legislative Auditor during the conduct of the external audit.

A copy of the final report, including an executive summary, will be submitted to the responsible personnel of the engagement area, members of University management, and the Chief Audit Executive of the University of Louisiana System. These parties can ensure that the results are given due consideration. The System's CAE presents a summary of the results to the audit committee of the Board of Supervisors at their routine meetings.

Policy 2400: Communicating Results

Communication of the results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client. The chief audit executive is responsible for communicating the final results of consulting engagements to clients. If significant risk management, control, or governance issues are identified during a consulting engagement, the issues will be communicated to senior management and the board.

Prior to issuing the final report, the Department of Internal Audit may utilize interim reports to communicate information which requires immediate attention, communicate a change in audit scope for the activity under review, or to keep management informed of audit progress when audits extend over a long period.

If the University CAE discovers that a final report contains a significant error or omission, the CAE will communicate corrected information to all parties who received the original communication.

Fact Finding Form

A Fact Finding (Observation) Form will be generated for each potential finding to ensure the weakness is factual, unbiased, and free from distortion. The auditor will document the following (five elements of a finding) on the Fact Finding Form and the Director of Internal Audit will approve the finding:

1. Condition: The problem that the internal auditor found in the course of the review (what does exist/what is wrong).
2. Criteria: The standards, measures, or expectations used in making an evaluation and/or verification (what should exist or what is required).
3. Cause: The reason for the difference between the expected and actual conditions.
4. Effect: The risk or exposure encountered because of the condition.
5. Recommendation: The actions which the auditor feels would correct the problem areas and to improve operations.

Description of Reportable Conditions

Reportable Conditions or Comments: Matters coming to the auditor's attention that, in his judgment, represent significant or material deficiencies in the system of internal control or noncompliance with applicable laws and regulations. Comments and/or recommendations designed to enhance University operations may also be reported to management.

Non-reportable or Discussion Only Comments: Matters the auditor chooses to communicate, verbally or in writing, for the benefit of management or others that do not represent significant or material deficiencies in the system of internal control or noncompliance with applicable laws and regulations. These are normally communicated in a correspondence separate from the internal audit report. Sometimes insignificant items may be verbally discussed and documented in the auditor's working papers.

Policy 2500: Monitoring Progress

A system has been established and is maintained to monitor the disposition of engagement results communicated to management. As requested by the audit committee of the Board of Supervisors, approximately six months after an internal audit report is issued and presented to the audit committee, the Department of Internal Audit follows up on the reported findings. The purpose of the follow up is to ascertain that corrective action has been taken and is achieving the desired results, or that senior management or the board has assumed the risk of not taking corrective action on the reported findings.

The department considers the following factors in determining the procedures to be employed in the follow-up:

- a. The significance of the reported finding.
- b. The degree of effort and cost needed to correct the reported condition.
- c. The risks that may occur should the corrective action fail.
- d. The complexity of the corrective action.
- e. The time period involved.

The chief audit executive conducts the following functions relating to following up:

- a. A time frame within which management's response to the audit findings is required.
- b. An evaluation of management's response.
- c. A verification of the response (if appropriate).
- d. A follow-up audit (if appropriate).
- e. A reporting procedure that escalates unsatisfactory responses/actions, including the assumption of risk, to the appropriate levels of management.

The disposition of the results of any consulting engagements conducted will be monitored to the extent agreed upon with the client.

Policy 2600: Resolution of Management's Acceptance of Risks

If management's response indicates they will not take corrective action, the chief audit executive will determine if the level of risk is acceptable. If 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 will discuss the matter with senior management and obtain an explanation. If the decision regarding residual risk is not resolved, the chief audit executive and senior management should report the matter to the Board of Supervisors for resolution

Appendices

- - - Page Intentionally Blank - -

Appendix I: Example Auditee Survey

TO: (Name of Dept. Head of Audited Activity)
 FROM: Jeremy J. Guillory, CIA
 Director of Internal Audit
 SUBJECT: Auditee Survey

Recently, an internal audit (*Title of Audit Report*) was completed in your area. To assist me in evaluating the effectiveness of the internal audit function, I would appreciate your candid response to the attached survey. Your response will help us maintain a high level of service to the campus. Please complete the questionnaire by **(date)**, and return it directly to me. Your response will be viewed only by me, as part of my "self-assessment" of the Internal Audit Department. I would appreciate if you would please explain any "NO" answers. Thank you for your constructive comments. If you have any questions or concerns regarding this survey, please telephone me at extension 2-5337.

NAME OF RESPONDENT: _____ DATE: _____

	YES	NO
Was the audit scheduled at a reasonable time?		
Did the auditor(s) exhibit a professional and helpful attitude?		
Was the auditor(s) tactful and courteous in dealing with you and your staff?		
Were the audit findings clearly communicated?		
Were the auditor's recommendations practical and cost effective?		
Was the audit report easy to understand?		
Did the audit report address only significant findings?		
Was the audit report positive in nature and tone?		
Was the audit report issued timely?		

What aspects of the audit did you especially like?

What aspects of the audit did you especially dislike?

Please respond directly to:

Jeremy J. Guillory, CIA
 Director of Internal Audit
 University of Louisiana at Lafayette
 P.O. Box 44548
 134 Martin Hall
 Lafayette, LA 70504-4548
 Telephone: (337) 482-5337

Appendix II: Example Annual Audit Plan

University of Louisiana System
University of Louisiana at Lafayette
Audit Hours Available and Allocable
20XX-20XX

Audit Hours Available

Standard hours available (2,080 hrs./auditor) x 2 auditors		4,160
Less: Vacation Time	160	
Paid Holidays	224	
Sick Leave	<u>80</u>	<u>-464</u>
Available Audit Hours		<u>3,696</u>

Allocation of Audit Hours

Grade Change Audit		300
Follow-up on Single Audit Findings		280
Follow-up on Legislative Auditor's Findings		280
Student Technology Fees		280
Cash Collection Points		300
Athletics		200
Financial Aid		340
Contract Compliance		240
Auxiliary Enterprise Profit/Loss		200
GASB 39		120
Quarterly Certifications		140
Management Advisory & Special Projects		450
Supervision		166
General Administration & Planning		200
CPE & Other Training		<u>200</u>
Total Allocable Hours		<u>3,696</u>

Example Annual Audit Plan (Cont'd)

<p>1. PROJECT - GRADE CHANGE AUDIT Objectives: To obtain assurance that internal control over grade changes is adequate and grade changes are made in accordance with University policy. Type of Review: Internal Control and Compliance Priority: High (Requested by Board President) Budget Hours: 300</p>
<p>2. PROJECT - FOLLOW-UP ON SINGLE AUDIT FINDINGS Objectives: To determine that the University of Louisiana at Lafayette is satisfactorily fulfilling the internal control and compliance requirements detailed in the Single Audit findings, for the year ended June 30, 2002, related to other universities. Type of Review: Internal Control and Compliance Priority: High (Requested by Board of Supervisors) Budget Hours: 280</p>
<p>3. PROJECT - FOLLOW-UP ON LEGISLATIVE AUDITOR FINDINGS Objectives: To determine that the findings and recommendations contained in the previous three audits of the University of Louisiana at Lafayette have been corrected/implemented. Type of Review: Internal Control and Compliance Priority: High (Requested by University President) Budget Hours: 280</p>
<p>4. PROJECT - STUDENT TECHNOLOGY FEE ACCOUNT Objectives: To determine the fairness of presentation of the Statement of Changes in Fund Balance and compliance with Louisiana Revised Statute 17:335.1, PPM number FB-IV.V.-1, the University's technology plan, and applicable purchasing and property control regulations. Type of Review: Financial and Compliance Priority: High (Required by Board of Supervisors) Budget Hours: 280</p>
<p>5. PROJECT - CASH COLLECTION POINTS Objectives: To determine the adequacy of internal control over cash collections. Type of Review: Internal Control Priority: High (Requested by Board of Supervisors) Budget Hours: 300</p>
<p>6. PROJECT - ATHLETICS Objectives: To determine the adequacy of internal control over outside income of athletic coaches and propriety of allocations of salaries of athletic personnel to other funds. Type of Review: Internal Control and Compliance Priority: High (Requested by Board of Supervisors/Office of Legislative Auditor) Budget Hours: 200</p>
<p>7. PROJECT - FINANCIAL AID Objectives: For selected functions of the Financial Aid Office, test the financial aid process to determine compliance with applicable regulations. Type of Review: Compliance Priority: High (Requested by ULS Office) Budget Hours: 340</p>
<p>8. PROJECT - CONTRACT COMPLIANCE Objectives: For outsourced auxiliary operations, determine compliance with the contract terms. Type of Review: Compliance Priority: High (Requested by ULS Office) Budget Hours: 240</p>

<p>9. PROJECT - AUXILIARY ENTERPRISE PROFIT/LOSS Objectives: Determine profit/loss pattern of auxiliary operations. Type of Review: Financial Priority: High (Requested by Office of Legislative Auditor) Budget Hours: 200</p>
<p>10. PROJECT - GASB 39 Objectives: Provide advisory services and determine the University's readiness for implementation of GASB 39 - Affiliated Organizations. Type of Review: Financial Priority: High (Requested by Office of Legislative Auditor) Budget Hours: 120</p>
<p>11. PROJECT - QUARTERLY CERTIFICATIONS Objectives: Determine compliance with selected laws and regulations that are listed in the Quarterly Certifications sent by the University to the Board of Supervisors. Type of Review: Compliance Priority: High (Requested by ULS Office) Budget Hours: 140</p>
<p>12. PROJECT - CONFIRMATION OF BANK ACCOUNTS Objective: Confirm with the area banks all accounts which contain the name of the University or any variations of the name and any accounts using the university's tax identification number to determine that the accounts are accounted for in the university's records. Type of Review: Internal Control and Compliance Priority: Low (Very Few Unauthorized Accounts Located in the Past) Budget Hours: 60</p>
<p>13. PROJECT - MANAGEMENT ADVISORY & SPECIAL PROJECTS Objective: At the request of the Vice President for Business and other personnel, conduct research regarding accounting and auditing standards, internal accounting controls, and compliance with laws and regulations. Investigate reports of thefts, fraud, etc. and complete other projects as requested. Type of Review: Depends upon the nature of request. Priority: Low to High - Depends upon the nature of request. Budget Hours: 450</p>
<p>14. PROJECT - SUPERVISION AND WORKING PAPER REVIEW Objective: Provide supervision of staff as required by generally accepted auditing standards. Type of Review: N/A Priority: High (Required by generally accepted auditing standards) Budget Hours: 166</p>
<p>15. PROJECT - ADMINISTRATION AND PLANNING Objective: Attend quarterly Council of Internal Auditor's meetings, prepare the annual audit plan, report on projects completed. Type of Review: N/A Priority: High (Board and ULS Office Requirements) Budget Hours: 200</p>
<p>16. CPE & OTHER TRAINING Objective: Obtain required continuing professional education. Type of Review: N/A Priority: High (Required by generally accepted auditing standards) Budget Hours: 200</p>

Appendix III: Example Fact Finding (Observation) Form

Example Fact Finding (Observation) Form

ISSUE (One sentence statement of condition/What is wrong):

NATURE OF THE EVIDENCE (Dollar amount of errors, number of errors, per cent errors in the sample and universe):

QUANTITATIVE AND QUALITATIVE IMPACT (\$ amount of errors occurring, \$ amt. of sample, \$ amt. of universe)

CONDITION (What is Wrong, expand on the Issue):

CRITERIA: (What the Law, Regulation, Internal Control requires)

CAUSE (What caused the Condition to occur):

EFFECT (What is the result of the Condition)

RECOMMENDATION (What should be done to correct the Condition):

MANAGEMENT'S RESPONSE (Attach as necessary.):

For Auditor's Use:

=====

Reportable	Yes	No
Non-Reportable/Discussion Only (If yes, Explain)	Yes	No
