

ALBANY STATE UNIVERSITY – INTERNAL AUDIT MANUAL

1000: MISSION AND MANAGEMENT CHARTER

01. Overview:

The University System of Georgia Board of Regents shall establish and support an internal audit function to assist the Board, the Chancellor and institutional Presidents in the effective discharge of their responsibilities. The internal audit function shall be governed by an audit charter approved by the Board, which shall describe the purpose of an internal audit, reporting requirements, responsibility, authority and scope of work. Responsibility for approving an annual audit plan and reviewing audit results, reports and recommendations shall be assigned to the Audit Committee of the Board of Regents.

All Directors of Internal Audit at institutions having an auditor or internal audit department shall have a direct reporting relationship to the President of that institution and the Assistant Vice Chancellor for Internal Audit. The President of each institution having an internal auditor shall determine the organizational and operating reporting relationships of the internal auditors at their institution. The Assistant Vice Chancellor for Internal Audit shall have the authority to direct the internal auditors to audit specific functions at their institutions.

The Director of Internal Audit of each System institution with an internal auditor shall meet at least annually with the Assistant Vice Chancellor for Internal Audit to discuss audits, audit findings, audit department independence and a proposed audit schedule.

The Assistant Vice Chancellor for Internal Audits is responsible for internal auditing and the Directors of Internal Audit for the System institutions with an internal auditor. The Assistant Vice Chancellor for Internal Audit shall provide a System wide annual report to the Audit Committee of the Board.

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02. Mission Statement: The mission of Internal Audit is to assist the Board of Regents and University management in the discharge of their oversight, management and operating responsibilities through independent audits and consultations designed to evaluate and promote the system of internal controls, including effective and efficient operations.

03. Management Charter: The Management Charter was developed by the University System of Georgia Board of Regents.

Introduction: Internal auditing is an independent appraisal activity authorized by the Board of Regents to examine, evaluate, and advise components of the University System of Georgia. The objectives of internal auditing are to assist members of the Board, the Chancellor, and institution management in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed and by promoting efficient operations and effective controls.

Role of the Internal audit Function:

Internal audit services for the University System will be provided by the Office of Internal Audit and the institutional internal audit staffs. All Directors of Internal Audit at institutions having an internal audit function shall have a direct reporting relationship to the President of that institution and to the Senior Vice Chancellor of Support Services through the Assistant Vice Chancellor for Internal Audit. The Assistant Vice Chancellor for Internal Audit shall have the authority to direct the institutional internal audit functions to audit specific areas to their institutions as needed to fulfill the system-wide audit plan. The Assistant Vice Chancellor for Internal Audit will report all audit issues directly to the Chair of the Audit Committee, the Chancellor, and the Senior Vice Chancellor of Support Services.

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Organizational Responsibilities:

- 1. The Assistant Vice Chancellor for Internal Audit has the responsibility of developing an annual system-wide audit plan in conjunction with the Audit Committee of the Board and the Senior Vice Chancellor of Support Services, based on a System-wide risk assessment, which encompasses all components of the System. The Assistant Vice Chancellor will present the plan to the Audit Committee and will coordinate the implementation of this plan with the internal auditors at System components, as well as with the Office of the State Auditor.**

- 2. The Assistant Vice Chancellor for Internal Audit is responsible for providing functional coordination and guidance for System-wide internal audit activities that include:**
 - Meeting at least annually with the appropriate component officials to review the status of institution audit work to date, adjust the System audit plan as necessary, and review resources needed for the internal audit function.**

 - Reviewing audit results from all internal campus and State audits and monitoring the implementation of recommendations System-wide. Chief Business Officers will quarterly report the status of all audit recommendations implementation to the Assistant Vice Chancellor.**

 - Periodically prepare a summary of internal audits conducted at each institution for the Chair of the Audit Committee, the Chancellor, and the Senior Vice Chancellor of Support Services, and highlight matters of interest.**

 - Attend meetings of the Audit Committee and Board as required.**

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- **Ensure that all audits have been thoroughly reviewed and discussed with appropriate institutional officials prior to being released to the Chancellor, the Senior Vice Chancellor of Support Services, or the Chair of the Audit Committee.**
 - **Develop appropriate communication strategies for ensuring that all University System employees have access to auditors for the purpose of reporting wrongdoing.**
- 3. The internal auditing function will perform its duties in accordance with the Standards for the Professional Practice of Internal Auditing, the Code of Ethics, and the Statement of Responsibilities of Internal Auditing, as published by the Institute of Internal Auditors, Inc.**

Definition of Audit Scope:

The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities. It includes:

- 1. Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.**
- 2. Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports and whether the System is in compliance.**
- 3. Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.**
- 4. Reviewing and appraising the economy and efficiency with which resources are employed.**

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5. **Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.**
6. **Conducting special audits at the request of the Chair of the Audit Committee, the Chancellor, the Associate Vice Chancellor of Internal Audits, or institutional Presidents.**
7. **Investigating reported occurrences of fraud, embezzlement, theft, waste, etc., and recommending controls to prevent or detect such occurrences.**

Reporting Procedures:

The President of the institution receiving an internal audit report from the Office of Internal Audit Services and will respond within a timely manner, preferably 30 days. This response will indicate agreement or disagreement, proposed actions, and the dates for completion for each specific finding and recommendation. If a recommendation is not accepted, the reason should be given. A final written report will be prepared and issued by the Assistant Vice Chancellor for Internal Audit Services. A summary report of this activity will be presented to the Audit Committee.

Authorization:

To the extent permitted by law, internal audit has full access to all activities, records, properties, and personnel within the University System of Georgia. Internal Audit is authorized to review and appraise all policies, plans, and procedures. Documents and other materials provided to internal audit will be handled in the same prudent manner as handled by those employees normally accountable for them.

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2000: ROLE OF THE OFFICE OF INTERNAL AUDITS

01. Overview: The University’s Office of Internal Audits is a Department within the Office of the President.

The Office of Internal Audits is responsible for overall management, coordination, administration and development of the Internal Audit Program of the University. The Director of Internal Audits is the Program’s principal representative before the Board of Regents.

Nature of Work: Employees in the Internal Audit Department applies accounting skills in auditing and analyzing accounting systems and procedures, University records, policies, procedures and systems and controls. Work requires the preparation of various working papers, and internal audit reports. Work is performed under the direct supervision of the University’s Internal Auditor.

**Duties of the
Director of
Internal Audit:**

Job Title BO441

- **Oversee the preparation of the annual plan.**
- **Prepare reports for the Board of Regents.**
- **Assess staffing and funding sufficiency.**
- **Conducts operational, financial, and compliance audits through examination of fiscal and operational records, processes, systems, procedure and internal controls.**
- **Analyzes the use and control of University assets.**
- **Performs follow-up reviews to determine adequacy of corrective actions.**
- **Prepares internal audit reports and communicates results to the University’s President, including recommendations for improvement for the safeguard of the University assets.**
- **Performs management advisory services and technical assistance regarding the development and installation of manual and automated accounting or administrative systems.**
- **Performs other duties, special audits and reviews as requested by the University’s President.**

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Staff Auditor:

Job Title BO440

- **Conducts operational, financial, and compliance audits through examination of fiscal and operational records, processes, systems, procedure and internal controls.**
- **Analyzes the use and control of University assets.**
- **Performs follow-ups to determine adequacy of corrective actions.**
- **Prepares internal audit reports and communicates results to the University's Director of Internal Audits, including recommendations for improvement for the safeguard of the University assets.**
- **Performs management advisory services and technical assistance regarding the development and installation of manual and automated accounting or administrative systems.**
- **Performs other duties, special audits and reviews as requested by the University's Director of Internal Audits.**

Administration:

- **Maintain program records including staffing reports issued, Regents reports etc.**
- **Maintain a database of all reports issued and audit programs for common areas.**
- **Prepare analyses to assist in the management of the Program including staffing, compensation, benchmark/best practices, and risk assessment.**
- **Create, and monitor the execution of a strategic plan.**
- **Maintain an awareness of and assess the impact on the Program of developments in the accounting, public accounting, and internal audit professions.**
- **Assess the results of the Quality Assurance Program for impact on needs of the Program.**
- **Evaluate the Program's accomplishment of its objectives and the extent to which The Board of Regents and management's needs and expectations are being satisfied.**

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3000: INTERNAL AUDIT PLANNING AND REPORTING

- 01. Overview:** The following section sets forth the annual processes by which the operating and strategic plans for the Internal Audit Program are developed, monitored for progress and reported to customers.
- 02. Planning:** The University’s Office of Internal Audit undertakes an extensive planning process to establish the operating plans for the Internal Audit Program on an annual basis. These plans guide the Audit Department in its goal of providing the most timely and comprehensive scope of audit and other services possible and in deploying its resources in an effective and efficient manner.
- In addition to the operating plan, a strategic plan for the continuous improvement of the Audit Department is established and maintained on an ongoing basis. While the strategic plan, goals, objectives and initiatives are re-assessed on an annual basis, many elements of the plan may have a multi-year planning perspective.
- 03. Reporting:** Internal Audit monitors activities and progress toward both the annual operating and strategic plans and reports the related information to the Board of Regents and Senior management on a quarterly and annual basis.

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3100: OPERATING PLANS

- 01. Overview:** The Operating Plan is the primary component of the University’s Annual Audit Plan. The plan strives to assure an appropriate balance among the University’s lines of business. The plan also serves as a tool to assist internal audit management in analyzing its mix of customers and services and for measuring and monitoring the risk exposure in the audit universe.
- 02. Audit Planning:** The plan is developed annually through a comprehensive risk assessment and audit planning process. The Board of Regents and the University’s Director of Internal Audits lead a collaborative process to establish the audit universe, identify strategic and business risk and develop the planning guidelines to complete the Annual Audit Planning process.
- 03. Audit Universe:** The audit planning process begins with an understanding of the entity, activity or process to be audited and identification of the auditable elements, or components, of the entity, traditionally referred to as the audit universe. Annually, the planning process involves reconsideration of transaction, events or conditions, which may impact the audit universe such as:
- New activities, organizations and programs
 - Changes within the existing organization or operating units
- 04. Risk Identification:** The Annual Audit Plan is driven by consideration of the institution’s strategic, financial, operational, regulatory and reputation risks at both a system-wide and local level, thus permitting local flexibility and input in determining the allocation of audit resources. The risks identified are organized along the University’s lines of business:
- University-wide Risk – Risks which affect the University’s mission of teaching, research and public service

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Campus Based Risk – Risks that impact the campus generally, such as enrollment growth, capital, operating and research funding

Sources of Information – A variety of sources are utilized to identify risks for the University as a whole. These sources include: regulatory experts, financial experts, The Board of Regents’ Audit Committee, Office of the President Executives, Chancellors, Vice Chancellors, and other audit workgroups.

- 05. Planning Process: The Annual Audit Planning process involves the Risk Assessment Phase and the Audit Plan Preparation Phase.**

The Risk Assessment Phase is performed at the beginning of the planning cycle and is focused on gathering current risk information about the audit universe components and assessing the relative risks necessary to prepare the Annual Audit Plan, all in the context of the institution’s risks previously identified.

The Audit Plan Preparation Phase is performed upon completion of the Risk Assessment Phase and represents an exercise in deploying Internal Audit’s resources in the most effective manner possible prioritizing risks and assuring balance in the Annual Plan.

- 06. Risk Assessment: A comprehensive and thorough risk assessment is the key driver in the development of an effective audit plan. The risk assessment process involves both a high level overview of topical and selected strategic business risk as well as an intense and comprehensive process to assess risk for all items included in the audit universe.**

- 07. Resource Allocation Guidelines:**

General guidelines for the allocation of the percentage of time on an overall campus basis to selected time charge categories are provided below. Each campus may need to vary from these guidelines as dictated by professional judgment.

- 1. In general, it is anticipated that an average of**

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75% of total time available should be budgeted for direct time charges. Consequently, 25% of total time will be budgeted for indirect time charges.

- 2. Planned Audits are expected to utilize 50% to 60% of total direct hours.**
- 3. Follow-up Audits are expected to utilize 0% to 5% of total direct hours.**
- 4. Supplemental Audits are expected to utilize 0% to 15% of total direct hours.**
- 5. Carry Forward Audits are expected to utilize 0% to 5% of total direct hours.**
- 6. A maximum of 15% of total direct hours should be budgeted for audit advisory services consisting of consultations, special projects, and systems reengineering.**
- 7. A maximum of 10% of overall total direct hours should be budgeted on a system-wide basis for investigations. Individual offices reporting should base their estimates for investigation hours on past experience, which may be more or less than 10%.**
- 8. An expectation of an overall average of 5% has been established for those Internal Audit functions that perform external audit liaison activities. It is anticipated that less than 1% would need to be expended in this category, in those cases where the office reporting is not responsible for external audit coordination.**
- 9. An expectation of 5% to 7% has been established for audit support activities including audit planning, audit committee support, system wide audit support, computer support and quality assurance.**

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- 08. Audit Plan Approval:** Upon completion, the Annual Audit Plan is subject to review and approval as follows:
- By the Director of Internal Audits
 - By the University's President
 - By the Board of Regents
- 09. Audit Plan Changes:** Revisions to the audit plans may be necessary in some circumstances. The required procedures for revising audit plans depend upon the nature and extent of the change.
- Minor Changes –** Relatively minor changes to priorities and the contents of the plan should be submitted for information to the University's President. If the above guidelines cannot be met, the Director of Internal Audit should consult with local management and the Assistant Vice Chancellor for Internal Audit.
- Significant Changes –** Significant modifications to the plan should be addressed with the University's President and the Assistant Vice Chancellor for Internal Audit. For example, all topics which are identified as high risk which are included in the annual audit plan and which are subsequently likely to be cancelled or postponed, should be reported to and discussed with the University's President and the Assistant Vice Chancellor for Internal Audit.
- 10. Request for Assistance:** Any campus which does not expect to accomplish at least 50 percent of Planned Audits (line items) listed in the annual audit plan as amended should confer with the University's President and the Assistant Vice Chancellor for Internal Audit to determine a mutually acceptable method of obtaining additional resources and/or implementing an alternative method to provide greater breath of coverage.

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3200: OPERATING PLANS

01. Quarterly Reports: The Director of Internal Audits prepares quarterly reports within a target of the second Friday after the end of each calendar quarter for dissemination to the Assistant Vice Chancellor for Internal Audit, the University’s President and the Board of Regents Audit Committee. The quarterly reports include the following sections:

- Listing of all audit engagements
- Report rating classification for each audit engagement
- Listing of all audit findings for each audit engagement
- Report rating classification for each audit finding
- Listing and classification of each audit finding status

The Quarterly Report is consolidated from more detailed reports submitted by the Office of Internal Audits and other auditing entities. A standard report format and instructions are included as an exhibit to this section. The Assistant Vice Chancellor for Internal Audits establishes the quarterly report due date, which may vary from time to time, but absent other instructions is established as the second Friday of the month following a calendar quarter. Therefore, reports are due in October, January, April and July.

02. Time Reporting in Quarterly Reports:

Standard Time Reporting Categories and Definitions – Standard time categories and definitions have been adopted by all the Office of Internal Audits. Standard categories and definitions are included as an exhibit to this section. The standard definitions are provided in the interest of consistency and to facilitate consolidation of individual audit plans. Some categories may not be used by certain Audit Directors. Deviations from the standard categories and definitions must be discussed with the Director of Internal Audits.

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4000: ROLES and RESPONSIBILITIES

01. Policy **The roles and responsibilities required to efficiently and effectively perform the University’s internal audit function are clearly defined and communicated.**

02. Roles and Responsibilities: **The Director of Internal Audits reports jointly to the Board of Regents and the University’s President. The audit function assists the Board of Regents and University management in the discharge of their oversight, management, and operating responsibilities using independent audits and consultations designed to evaluate and promote the internal controls system. In carrying out this responsibility, the Director of Internal Audit performs the following:**

- **Makes revisions to the ASU Internal Audit Program**
- **Revises and updates the audit process**
- **Increases communications regarding audits between the Board of Regents and the University**
- **Reengineers performance standards**
- **Revamps the investigations and external audit review processes**

The Director of Internal Audit works closely with the Assistant Vice Chancellor for Audits, the University’s President, external auditors, the President’s Cabinet and various Business and Finance department heads.

Director – The Director of Internal Audits guide the University’s Internal Audit Department in performing its audit function. This generally requires that the Director:

Formulates strategic long-term plans that ensure application of the system-wide philosophy and vision.

Develops relationships with management and audit clients to promote the positive image of the department.

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Establishes short-term and annual work plans that review significant high-risk areas of university activities including material financial concerns.

Ensures the availability of qualified Internal Audit resources and their efficient and effective use to meet planned and other obligations.

Creates an environment conducive to the best practices of risk assessment, job management, staff supervision and quality assurance.

Contributes to the improvement and enhancement of the system-wide audit function through participation in workgroups and meetings.

Ensures that all professional activities comply with the Institute of Internal Audits Standards, Board of Regents Policy and University Policy.

03. Related Guidelines For Roles and Responsibilities:

Recruitment and Advancement Guidelines – The Internal Audit Program identifies guidelines for basic educational and professional experience qualifications as well as desired knowledge, skills and abilities for each staff level. The qualifications and knowledge, skills and abilities apply to both candidates who are being considered for advancement. They are also a useful reference tool that can assist supervisors in preparing staff evaluations and conducting career development and counseling sessions.

Career Development and Counseling – Each staff member receives career development and counseling in order to continuously enhance his or her knowledge, skills, and abilities and ensure that they are commensurate with his or her assigned roles and responsibilities.

Performance Evaluation – Each staff member's performance is evaluated regularly to assess how his or her knowledge, skills, and abilities compare to the

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responsibilities outlined in his or her job description. System-wide or local Skills Assessment and Resource Analysis (SARA) efforts may be useful in identifying areas requiring the enhancement of individual or group skills.

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4100: PERFORMANCE EVALUATIONS

- 01. Policy :** Performance evaluations are required for every staff member to document his or her performance, achievement of agreed upon goals and compliance with departmental standards. Performance evaluations serve several major functions:

Employee development – Through performance ratings and constructive comments, the evaluation assists employees in recognizing how their performance levels compare to the expectations of management and provides recommendations for further training or actions for improvement.

Management decisions – The evaluation process uses consistent criteria to measure staff performance and, therefore, provides a basis for making relative rankings among staff members. Relative rankings and individual experience levels provide input to salary and advancement decisions.

Professional standards – The evaluation is one of the components of the overall process of supervision, quality assurance, and development of the audit staff and demonstrates compliance with Institute of Internal Audits and departmental standards.

- 02. Annual
Performance**

Evaluation: Every staff member should receive a written performance evaluation at least once a year from the Director of Internal Audits or his or her designee. The Director of Internal Audits must indicate his participation in and review of any appraisal conducted by a designee.

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5000: LIASONS

01. Section

Overview: This section describes the relationships between the Office of Internal Audits and the University Controllers, the Office of the Legal Advisor to the President, the Georgia Department of Audits, Public Safety, and the Board of Regents.

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5100: CAMPUS CONTROLLERS

01. Overview: Internal Audits works in liaison with the University Controllers in order to strengthen the University’s control environment.

02. Control Environment & Responsibilities:

All employees share responsibility for ensuring an effective and efficient control environment. However, certain groups of employees are charged with more specific and interrelated responsibilities with respect to the control environment.

Internal Audit – Assists management in their oversight and operating responsibilities through independent audits and consultations designed to evaluate and promote the system of internal controls.

Fiscal management – Responsible for developing, implementing and maintaining controls to mitigate risks and achieve objectives.

Campus Controllers – As part of Fiscal Management, the controllers have primary responsibility for providing leadership to ensure effective internal control and accountability practices at the campus.

Faculty and Staff – Responsible for ensuring that operations are conducted consistent with University values, policies, procedures and regulatory requirements.

03. Interrelationship of Controllers’ and Internal Auditors’ Responsibilities:

The relationship between the Internal Auditors and the Controllers is best characterized by their definitional responsibilities for controls. That is, controllers lead management’s efforts to design, implement and monitor internal controls while auditors evaluate the effectiveness of the controls as designed and functioning.

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Both groups have a natural interest in promoting sound controls through such activities as training, development of appropriate policies and procedures, identification of risks and utilization of risk mitigation techniques. These activities are carried out jointly and separately as determined locally, and should be viewed as mutual interests rather than conflicting responsibilities.

In addition to evaluating controls through traditional audit activities, Internal Auditors also provide advice and consultation on the design, implementation and monitoring of controls, typically through advisory services. However, responsibility for the controls remains with management.

Control Self Assessment (CSA) has evolved as a useful tool for monitoring and evaluating controls and in most organizations is principally utilized by auditors to supplement traditional audit techniques. University Controllers utilize CSA to assist line management in evaluation of controls and their effectiveness. Internal Auditors sometimes assist in specific CSA activities, may have a more structured role in a campus' use of CSA, or may have little or no role in the Controllers' CSA activities, again as determined locally.

CSA is a tool for assessing controls. While the Controllers have structured programs to use this tool as part of their initiative this does not preclude auditors from using CSA as a tool in their audit program. However, efforts should be coordinated so as not to confuse our customers or produce duplicative efforts. Whether auditors or Controllers employ CSA, it should be remembered that CSA does not substitute for the validation of functioning controls that occurs within an audit.

Internal Audit should gain an understanding of the Controllers' control initiative activities as part of their understanding of the control environment and in connection with the annual risk assessment. Likewise, Internal Auditors should seek the Controllers' input into the annual risk assessment process. Jointly Internal Auditors and Controllers have an opportunity

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to assist others in the identification, assessment and mitigation of institutional risks.

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5200: OFFICE OF LEGAL ADVISOR

- 01. Overview:** Internal Audits works in liaison with the Office of Legal Advisor on a number of matters, including many sensitive investigation matters. These or other matters may lead to a request to perform Internal Audit services for the Legal Advisor on a privileged basis. This Section provides guidance on working with the Office of the Legal Advisor.

Note: The guidance in this Section does not purport to represent a legal determination regarding when an internal auditor's work may be determined to fall under a privilege, but intends only to guide internal auditors on certain procedural requirements when performing services for the Office of the Legal Advisor.

- 02. Background:** Normal communications between Internal Auditors and the University's Legal Advisor are not covered by an attorney client privilege. However, certain Internal Audit services (principally investigations) occasionally give rise to a request from management to perform the services on a privileged basis with the Legal Advisor's office as the client and recipient of the report. In addition, the Office of Internal Audits may be requested to perform fact finding with respect to a matter already in litigation or otherwise subject to a privilege.

03. Internal Audit

- Guidance:** In general, it may be appropriate for Internal Auditors to undertake work for the Legal Advisor's Office so long as their professional obligations, including required communications, are not compromised.

There are three principal professional obligations to consider:

- 1) The Internal Auditor's independence must not be compromised by agreeing to perform work "at the direction of counsel". The Internal Auditor must retain the ability to exercise professional judgment as to the necessary scope and nature of procedures to be carried out.
- 2) The Internal Auditor's obligation to report in a fair and unbiased manner must not be compromised. This does not

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preclude sharing report drafts with attorneys, but the auditor must retain the freedom to report facts that are both favorable and unfavorable to the University's interests, and without undue influence.

- 3) The Internal Auditor's obligation to communicate with senior management and The Regents (through the Office of Internal Audits) must not be compromised. The Internal Auditor must retain the ability to report fraud and other irregularities to management and the Board of Regents. As a practical matter, the Office of the Legal Advisor frequently handles such communications in the normal course of the University's management of the matter. The Internal Auditor's responsibility is met by ensuring that the communication occurs; the Internal Auditor does not have to communicate directly with management or the Board of Regents.

04. Required

Communication:

It is expected that work will be undertaken for the Legal Advisor only in rare circumstances, and as a result of special consideration. Therefore, the University's President & Legal Advisor should be informed of each such instance. An engagement letter, which includes a standard reference to the conditions enumerated above should be prepared for each such arrangement and issued by the Internal Audit Department to the responsible University Counsel with copies to the University's President and Legal Advisor.

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5300: STATE AUDITOR

01. Overview: It is the responsibility of the University Auditor to maintain a liaison relationship with the Georgia Department of Audits and Accounts (GDOA). The most significant contact points are the Regional State Auditors, currently located in Leesburg, Georgia. The University Auditor's Office should be involved in all matters involving the GDOA and has specific responsibility for:

- Assuring that Senior management and the Board of Regents are kept apprised of GDOA audits and investigations
- Coordinating responses to audit and investigation reports, and
- Coordinating follow-up reports of University actions in response to audit or investigation report recommendations

02. Background: By statute, the GDOA is empowered to conduct audits of any University System of Georgia Institution, including for this purpose, Albany State University. In addition, GDOA is the State's official investigative arm for allegations of improper University System activities.

When conducting audits, the GDOA will allow Internal Audit or other University designees to fulfill a normal external audit coordination role, and will conduct entrance and exit conferences. With the exception of the added responsibility to involve the University Auditor's Office, normal procedures and guidance for External Audit Coordination should be followed for GDOA audits.

For investigations, the GDOA does not acknowledge the role of an external audit coordinator and has statutory authority that allows direct access to University employees and records. This Audit manual Section deals principally with special considerations for coordination of investigation activities.

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03 GDOA

Investigations:

The GDOA initiates an investigation by sending a letter to the President, Legal Advisor, University Auditor and Chancellor of the affected campus announcing that an investigation is to be conducted. The subject matter is only very broadly stated and may or may not trigger recognition as an issue of which management is already aware. The announcement will identify the auditor in charge and the approximate start date and invites to addressee to call the GDOA for additional information.

Typically, such a communication will yield little additional information, as the confidentiality of GDOA investigations is provided for in statute. However, if the matter is recognized as one already under review or investigation internally, the GDOA may agree, at its sole discretion, to work with or through the University's process. A single investigation would generally be viewed as in the University's best interest and Internal Auditors should agree to share access to their working papers and investigation findings in preliminary form.

Nothing prevents the University from conducting a separate investigation if warranted. Conversely, this should not be taken as implying that Internal Audit should undertake an "advance" investigation to forewarn the University of possible finding by the GDOA.

04. GDOA

Coordination:

While the GDOA does not conduct investigations through normal external audit coordination channels, it has been mutually recognized that the University needs a process by which University employees can be advised of the GDOA's rights of access to employees and records. It has been agreed that the University may assign an individual to serve as a central point of contact for employees during the course of an investigation. The central contact point will be the Vice Chancellor for Internal Audits or his/her/designee. The Director of Internal Audits may be the designee.

It is appropriate to offer the University's assistance in gathering information and facilitating access to employees and records, but the University may not

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insist on such an arrangement. Notwithstanding the GDOA’s statutory authority to “stand in the shoe” of the University, the Office of Legal Advisor should be consulted before releasing any privileged information.

**05. University
Employees’
Rights:**

University Employees have rights to representation or support (e.g. a supervisor) when interviewed by investigators from the GDOA or become “targets” of GDOA investigations. GDOA investigators are not obligated by statute to inform employees of these rights. The University, thought the central contact point, is within its rights to inform employees of their rights without interfering in the conduct of the investigation.

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5400: OFFICE OF PUBLIC SAFETY

- 01. Overview:** Investigation activities may give rise to interactions with law enforcement agencies. This Section provides policy and guidance for these circumstances.

- 02. ASU Policy:** Investigation results that conclude that a crime has probably been committed shall be reported to the Office of Public Safety or other appropriate law enforcement officials for the purpose of determining whether or not to pursue the matter criminally. The Office of Public Safety are normally the contact for communications with law enforcement agencies.

- 03. Internal Audits Guidance:** In cases where the Office of Public Safety have jurisdiction, they should be the agency to which all investigation conclusions of potential criminality are initially referred. In situations where the Office of Public Safety do not have jurisdiction, then the Director of Internal Audits needs to determine what the appropriate agency may be. Such a determination depends on the nature of the suspected criminality and local conditions. For instance, a case of embezzlement at a rural co-operative unit may be more appropriately handled at the level of County Sheriff than a local police department with few resources. The Director of Internal Audits may wish to consult the Office of Public Safety unit for assistance in making such a determination.

In investigations involving law enforcement agencies, Internal Audits should normally appoint a person to act as liaison with the law enforcement agency. If the liaison person is other than an individual within the Internal Audit Department, a determination should be made as to the extent to which the person is authorized to speak for the department, and under what circumstances the Internal Audit Department should be involved.

The Office of Internal Audits should normally provide support and assistance to the extent requested by law enforcement agencies. However, there may be circumstances where the nature of the support or assistance raises questions about the appropriateness of the activity. Consultation with the Office of Legal Advisor should be sought in those circumstances. In addition, there may be circumstances where the Office of

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Internal Audits may question whether the support represents the best utilization of resources for the University. Management consultation and other possible resource avenues should be considered in those circumstances.

Law enforcement officials may instruct Internal Audit to hold confidential information about the investigation matter being jointly addressed. Such instructions do not override the Auditors obligation to communicate with the Assistant Vice Chancellor for Internal Audits at the Board of Regents for the University System of Georgia.

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6000: AUDIT SERVICES

01. Section

Overview: This section of the manual outlines the entire internal audit process from the initial assignment through reporting and follow-up.

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6100: PLANNING AN AUDIT

- 01. Policy:** Internal Audit performs adequate planning for every audit prior to the commencement of audit fieldwork.

This section provides information on planning policies and procedures related to individual audits.

- 02. Application of ASU Policy for Planning:**

Adequate audit planning requires that the auditor conduct a preliminary survey, establish an appropriate scope that addresses relevant business risks, develop an audit plan, obtain the approval of the Director/ of Internal Audits and communicate with the client. Documentation of these planning activities is also required.

Communication

With the

Client:

Notification – The auditor-in-charge should notify the parties responsible for an organization or area to be audited that an audit is scheduled. Notification should be sent via written memo or e-mail to the audit client with copies to senior officials as appropriate.

Preliminary Scope and Objectives – The audit timing and preliminary objectives should be communicated to the client in writing in advance of the beginning of fieldwork. This information may be included in entrance meeting materials, such as agendas, schedules and handouts distributed to the client during the meeting.

Entrance Conference – The entrance conference should be conducted with the client in order to discuss the preliminary scope and objectives. The following individuals should be invited and encouraged to attend the meeting:

Directors and department heads responsible for the area being audited

Manager(s) and any of his or her subordinates who work in the specific audit area

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- **Director of Internal Audits for all high-risk audits**

Audit Plan and Program

Development: **Preliminary Survey – The auditor-in-charge should obtain and review the following types of background information about the area being audited:**

- **Objectives and goals**

Policies, plans, procedures, laws, regulations and contracts having significant impact on operations

Organizational information, such as number and names of employees, job descriptions, process flowcharts, details about recent changes, etc.

- **Budget information, operating results and financial data**
- **Prior audit workpapers and audit reports (including reports of external auditors and other external parties), correspondence files and relevant authoritative and technical literature**

Risk Assessment – As part of the preliminary survey, the auditor should review systems and processes to identify key controls. The auditor generally uses various tools and techniques, which may include flowcharts, questionnaires, and interviews or other inquiries, in order to identify key controls and gain an understanding of the related audit risk. The audit program is developed to test these high-risk areas. The possibility of fraud should be considered in the assessment of risk.

Audit Program – The audit program should be prepared in advance of field work and outlines:

- **Objectives of the audit**

Scope and degree of testing required to achieve the audit objectives in each phase of the audit

Procedures for collecting, analyzing, interpreting and documenting information during the audit

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Technical aspects, risks, processes and transactions, which should be examined

Documentation: Documentation to evidence the planning procedures includes:

- **Copy of engagement or notification letter**

Assignment sheet, with scope, objectives, purpose, timing, budget, and client contacts, signed by the Director of Internal Audits

Preliminary survey summary memo, which includes the auditor’s assessment of risk, signed by the Director of Internal Audits

Approved audit program, signed by the Director of Internal Audits

03. Supplementary Guidelines for Audit Planning:

While applying the planning policy, the auditor may consider the following supplementary guidelines:

Communication – The preliminary objectives and audit timing may be communicated to the client 4 to 6 weeks in advance of the beginning of field work to provide adequate preparation time for the client.

Shared Resource – Sharing mechanisms, such as the data warehouse, shared workpaper files, list-serves and internal networks that exist within and outside the system-wide program, may be utilized in order to enhance efficient planning and execution of audits.

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6200: CONDUCTING AN AUDIT

- 01. Policy:** Internal Audit maintains adequate workpaper documentation to support the audit conclusions reached.

Every audit is properly supervised to ensure that audit staff are adequately guided and have the requisite knowledge and skills to meet the audit objectives as well as to minimize audit risk.

- 02. Application of ASU Policy for Conducting An Audit:**

Conducting an audit involves examining, evaluating and documenting the information pertinent to the area under audit in order to support audit results.

Supervision and workpaper documentation and review throughout the audit process ensures goals, objectives, risks and findings are addressed and resolved.

- Supervision:** Communication – The supervisor should communicate the goals and objectives, risks and other relevant information to the auditor-in-charge in order to provide the guidance and understanding necessary to conduct a high quality audit. Audit objectives and other relevant information should be documented.

The supervisor and staff should maintain regular communication throughout the audit to ensure risks, findings and errors are adequately addressed and resolved.

- Workpaper Documentation:** Purpose – The workpaper file documents the work the auditor has done. The workpapers serve as the connecting link between the audit assignment, the auditor’s fieldwork and the final report. Workpapers contain the records of planning and preliminary surveys, the audit program, audit procedures, fieldwork and other documents relating to the audit. Most importantly, the workpapers document the auditor’s conclusions and the reasons those conclusions were reached.

The workpapers also provide a basis for evaluating the Office of Internal Audits Quality Assurance Program.

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Contents – Workpapers should include the audit program along with documentation supporting findings, testing, interviews and other analyses. All changes to the scope or audit plan should be documented and approved by the Director of Internal Audits. Findings and recommendations should be cross-referenced to the audit report or to their final disposition. Workpapers that are created and later determined to be unnecessary should be deleted.

Forma – Audit workpapers may be in any form prescribed by audit management (paper, tapes, diskettes, etc.). If workpapers are in a form other than paper, appropriate backup procedures should be developed and followed.

Workpaper Review:

All workpapers should be independently reviewed to ensure there is sufficient evidence to support conclusions and all audit objectives have been met. Responsibilities for workpaper review are summarized as follows:

Manager’s Responsibilities – The supervisor of the auditor-in-charge should perform a detailed review of the workpapers. The Director of Internal Audit should also review and approve all changes to the scope of the audit and to the approved audit program. For each audit engagement, the Director of Internal Audit should perform at least a summary review. A summary review consists of a review of audit planning documents, the audit program, and the summary of audit findings and their disposition.

If a detailed review of the workpapers has not been performed (as in the case where the auditor-in –charge reports directly to the Director), the Director performs the detailed review and no summary review is required.

If the Director of Internal Audits prepares the workpapers, then another experienced member of the staff should review the workpapers.

Timing and extent of review – The level and frequency of review and communication during the audit depends upon the experience of the audit staff, the risk associated with the audited area and the significance of the findings.

Attestation – The auditor in charge, and Director of Internal Audit should attest that the workpapers have, to the best of

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their knowledge, been prepared in accordance with the Institute of Internal Audits and the University standards.

Workpapers should be signed off and dated by the preparer and the reviewer.

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6300: REPORTING RESULTS

01. Policy: Internal Audit maintains a formal process for communicating to University management and the Board of Regents the results and recommendations for all audits conducted.

02. Application of ASU Policy for Reporting Results:

A standard audit report is issued upon the completion of each audit examination. Reporting of audit results and recommendations assists all levels of University management and members of the Board of Regents in the effective discharge of their responsibilities. The process for reporting results includes draft report preparation and reviews, quality assurance reviews and final audit report issuance and distribution.

Report Element:

Reports issued include the following elements:

- Title Page
- Executive summary (no more than one page)
- Purpose and objective of the audit, including origin or source of the audit, as appropriate
- Scope of the audit, including
 - Time period covered
 - Functions or processes reviewed, such as payroll, procurement, travel, cashiering, accounts receivable, information technology, etc.
 - Audit techniques used, such as interviewing, reviewing records, testing transactions, analytical procedures, etc.
 - Background information related to the audited organization or activity
- Audit results, including findings, conclusions or opinions reached, and recommendations for improvement (or its equivalent)

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- **Management response or management action plan.**

Draft audit reports should be clearly labeled as a draft.

Report

Timeliness:

Reports should be issued as soon as practical following the completion of the audit work. The Director of Internal Audits should establish processes for ensuring the timely issuance of audit reports.

Reports should be issued as soon as practical following the completion of the audit work. The Director of Internal Audits should establish processes for ensuring the timely issuance of audit reports.

A management response should be requested within a prescribed time frame in order to ensure timely issuance of the final report. The audit report may be issued without the response in the event of undue management delays in responding.

Audit Report Quality

Assurance:

A pre-issuance Quality Assurance Review of draft and final audit reports should be performed by the auditor-in-charge of the engagement or an independent party and be reviewed by the Director of Internal Audits.

The Director of Internal Audits should review and approve the final internal audit report prior to issuance.

Report

Distribution:

Audit reports should be addressed to the President, Director, Chairperson or Department Head directly responsible for the audited activity or activities.

Draft audit reports – Report copies should be distributed to:

- **Management personnel directly responsible for the audited activity or activities.**

Higher level management where necessary to obtain authorized commitment to recommended actions.

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Final audit reports – Report copies should be distributed to:

The Director, Chairperson or Department Head directly responsible for the audited activity or activities.

- **Management personnel in the chain of command above the report addressee (e.g., Vice President) as deemed appropriate.**

The Assistant Vice Chancellor for Internal Audits at the Board of Regents.

- **Director of Internal Audits.**
- **University President.**
- **Other University officials on a need-to-know basis, as determined by the Director of Internal Audits.**
- **Other University personnel requesting a report copy, at the discretion of the Audit Director in consultation with audit client management and other University officials as deemed appropriate.**

When reports are distributed by electronic means, a hard copy version signed by the Director of Internal Audits should be kept on file.

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6400: AUDIT FOLLOW-UP

01. Policy: Internal Audit maintains an audit follow-up process to monitor whether significant audit concerns for which corrective actions are recommended have been adequately addressed by management.

02. Application of ASU Policy For Audit Follow-Up: The audit follow-up process assists management and the Board of Regents in monitoring and controlling potential risk exposures related to significant audit concerns. The process involves assessing the adequacy and effectiveness of actions taken by management and documenting and communicating outstanding follow-up issues to higher levels of management when appropriate actions have not yet been taken.

Follow-Up

Procedures: The auditor should conduct follow-up no later than twelve months after the issuance of the audit report. Follow-up requires that the auditor:

Ascertain the implementation status of each corrective action item and evaluate the adequacy and progress of actions taken.

Decide whether there is a need for additional follow-up or close out the audit.

Document the results of follow-up in the workpapers.

Compile an inventory of outstanding corrective action items or open audits.

Audit management should notify the next higher level of management and/or the audit committee of any unsatisfactory responses or actions as well as those corrective actions that are overdue.

Documentation – The follow-up work should be documented using the same standards as those for documenting original audit work.

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6500: OTHER AUDIT MATTERS

01. Policy: Internal Audit maintains policies for managing administrative and other matters related to the audit process in order to facilitate the continuing effective and efficient operation of its function.

02. Application of ASU Policy For Other Audit Matters: Policies for the following other audit matters are described in section: project management and reporting, record retention, dispute resolution, scope limitations, client satisfaction surveys, access to audit information and electronic workpapers.

Project Management And Reporting:

Capturing Information – Each audit department must have a project management system in place. The system should capture the following information at a minimum:

- Type of project (audit, advisory service, investigation)
- Audit Universe identifier
- Line of business
- Hours budgeted
- Actual hours expended
- Draft report issuance date
- Final report issuance date

The Director of Internal Audits uses the information generated by the Office of Internal Audits system to oversee and monitor department operations, such as:

- Adherence to approved budgeted hours
- Elapsed time since the start of the project
- Timely issuance of audit reports

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Reporting – The Project Management System is the basis for preparing periodic reports for Internal Audit and the audit committee, and quarterly reports for submission to the Assistant Vice Chancellor for the Board of Regents.

Record Retention:

Audit work products are the property of the University. Internal Audit maintains custody of all audit work products, which are subject to the retention requirements set forth below.

Audit work product – Audit work products include reports and workpapers for all audit, investigation, and advisory service projects. They may be in electronic or hardcopy form.

Administrative record – Administrative records consist of reports, documents, analyses, and other materials generated to support the department’s functions. Administrative records include:

- **Quarterly and annual reports**
- **Support for system-wide and local audit plans**
- **Risk assessment analyses**
- **Internal Quarterly Annual Reports materials**
- **Training records**

Retention Periods – The retention period begins with the end of the fiscal year in which the report is issued.

Audit work products should be retained as follows:

- **One signed copy of the final report – permanently**
- **Workpapers – 5 years**

Administrative records should be retained as follows:

Special administrative records, such as Audit Committee minutes, Annual and Quarterly Reports to the Board of Regents, and Annual Plans – permanently

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Administrative records that support our professional program, such as those set forth above – 5 years

- **Other administrative records – at local discretion**

All other notes, documents and reports relating to a completed audit that are not included in the workpapers (i.e., retained in auditor’s desk files) should be destroyed after the final report has been issued. All versions of the draft audit report should also be destroyed after the final report has been issued.

Privileged Records – Audit work products and administrative records that are covered by attorney-client privilege or related to a lawsuit or other court action are not to be destroyed until the lawsuit or other court action has been closed or the 5 year workpaper retention period has been reached, whichever is later.

Government Record – Record retention for audit work products and supporting documents are retained according to mutually agreed Record Retention Schedules. University retention periods should be used as guidelines in negotiating retention periods for University internal audit reports and workpapers.

Disposition Process – Audit work products and administrative records will be destroyed by December 31 of the year in which the records have reached the end of their retention period.

The Director of Internal Audits will be responsible for reviewing the inventory listing of records scheduled for destruction to ensure that they should be destroyed (i.e., there is no reason that their retention period should be extended).

Audit work products and administrative records should be destroyed in a manner that gives appropriate consideration to the sensitivity of the information contained in the documents to prevent the unauthorized release of proprietary or confidential information.

Notification – A reminder will be sent by the Office of Internal Audits at the beginning of each fiscal year specifying the fiscal year audit work product and administrative records are to be destroyed.

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Dispute

Resolution:

Disputes Between Audit Staff & Audit Management – The exercise of professional judgment involved in determining reportable conditions and the expression of conclusions in audit reports may lead to differences in professional opinions.

A process is needed to resolve such differences while respecting both the chain of command within audit management and the obligation of the staff to exercise independent professional judgment.

This process applies only to disagreements having to do with the contents and conclusions in audit reports. It is not intended for personnel matters such as job assignments and performance appraisals where separate University policy exists. It is likewise not intended for administrative matters such as audit budgets and departmental management matters.

Dispute Resolution Process – In the event that there is a disagreement of professional opinion between audit staff and an audit manager, associate director or equivalent, the Internal Audit Director, in the normal course of providing supervision, shall reach an independent conclusion on the matter and attempt to forge a consensus or compromise among the members of the engagement team. No specific record of dispute resolution at this level needs to be created or maintained.

If this process is unsuccessful, or if the disagreement originally involves the Internal Audit Director, the Assistant Vice Chancellor for Internal Audit shall be consulted. The Assistant Vice Chancellor for Internal Audit will review draft reports and other written materials, interview the disputing parties and/or convene a meeting for the purpose of forging a consensus or compromise among the disputing parties. A written record of this dispute resolution process, efforts, and outcomes shall be created and maintained outside of the working papers. If consensus or compromise is not achieved from these processes, the final judgment of the Assistant Vice Chancellor for Internal Audit will prevail insofar as the issuance of the audit report is concerned. However, no individual's rights as an employee of the University will be compromised by invoking this process or by its outcome.

Disputes Between the Audit Client & Auditors – Disputes which may arise between internal auditors and audit clients

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can be generally categorized into those regarding the factual accuracy of reported findings, and those dealing with the appropriateness of conclusions or recommendations (the “fairness” of the audit report in total or specific matters). Such disputes are separate from scope limitations imposed by audit clients.

Every effort shall be made to resolve all questions of factual accuracy before the final audit report is issued.

Conclusions and recommendations represent the professional judgment of internal auditors and cannot be overridden or unduly influenced by audit clients. The judgment of the Director of Internal Audit is the prevailing position. Therefore, audit clients do not have the authority to “appeal” an audit report to the Assistant Vice Chancellor for Internal Audits or to higher local management. The written response to the audit report is the recourse and appropriate vehicle for audit clients to communicate their views.

However, in exercising their professional judgment, Internal Audit Directors should aggressively seek compromise and consensus views that communicate issues clearly and completely and deal with identified audit issues effectively.

Scope Limitations:

Definition – Scope limitations include situations in which a client is uncooperative, attempts to limit the scope of planned work or denies access to records, personnel, assets or other information necessary to complete the audit.

The Internal Audit Charter provides Internal Audit unrestricted access to all assets, information, reports, records, and personnel required to perform their work.

Resolution Process – The auditor should bring all matter involving scope limitations to the attention of the Director of Internal Audit. If the Director of Internal Audit is unable to resolve the matter at the University level, the Assistant Vice Chancellor for Internal Audits should be notified and involved in the process to assist in its resolution. The matter should be brought to the attention of the Board of Regents Audit Committee, as warranted.

Impact on Audit Report – In the event a scope limitation significantly impacts the planned scope of the audit and is not

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resolved to the satisfaction of the Director of Internal Audit, the audit report should state that the audit team was unable to perform the planned tests.

Audit reports with significant limitations on scope will be distributed to the Assistant Vice Chancellor for Internal Audit and other University officials, including the Board of Regents, as determined by the University Auditor.

Access to Audit Information:

All requests for access to, or copies of, audit reports and audit workpapers are subject to the approval of the Director of Internal Audit.

The Director of Internal Audit should inform the Assistant Vice Chancellor for Internal Audits of all requests for audit materials related to investigations or other sensitive matters in advance of their release.

The Director of Internal Audit should inform client management of any requests for access to or copies of audit materials by internal or external parties.

External Audit Request – The Director of Internal Audit should normally approve requests for audit materials by external audit agencies or firms duly engaged by the Board of Regents and other authorized audit agencies where the report and/or workpaper contents is pertinent to the external audit scope.

The Office of Internal Audits should follow the policy established in the Liaisons section of the Internal Audit Manual in responding to requests for audit materials by the State Auditor's Office.

Outside Party Requests – All other requests for access to and/or copies of audit materials by external parties should be coordinated with the University's Legal Advisor and with the Public Information Director as appropriate. The Office of Internal Audit should authorize release of materials only after legal counsel affirms the legal requirement to do so.

The Director of Internal Audits should inform the University's President of all requests for copies of audit reports by news media in advance of their release.

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7000: INVESTIGATION SERVICES

01. Section

Overview: This Section of the manual establishes the standards for conducting investigations. It includes criteria for determining whether an engagement qualifies as an investigation and, therefore, becomes subject to these investigation standards.

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7100: INTRODUCTION

- 01. Purpose:** The investigations section of the Internal Audit Manual is intended to implement and supplement the University’s Investigations Policy. It is intended to supplement the audit standards as set forth in this Audit Manual for certain types of engagements. An investigation is a special purpose type of audit.

In the event of a direct conflict between a section of this chapter and law, regulation or official policy, such law, regulation or policy shall rule.

ASU investigations conducted by Internal Audit are expected to comply with relevant standards set forth by appropriate sets of law such as federal and state civil and criminal procedure and rules of evidence. They should also be conducted in compliance with applicable standards set forth by professional bodies representing internal auditors (the Institute of Internal Auditors) and fraud examiners (Certified Fraud Examiners).

- 02. Application of Investigations**

Standards: The investigation standards shall apply for an internal audit engagement when:

The primary purpose is to gather, develop, examine and/or evaluate evidence to determine if there has been an improper act (as defined herein) committed by a person or entity.

And

Allegations of an improper act which carry with them the possibility of legal action, whether in the form of hearings, litigation, or criminal proceedings.

It is expected that such an engagement would also determine the techniques used in committing the improper act, the extent of damage caused by the improper act and causal factors permitting or contributing to the improper act (including internal control or policy violations or deficiencies).

There are matters related to fraud that are not covered by the investigation standards set forth in this manual. They include:

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An examination for the purpose of improvement of controls involved in an allegation of an improper act.

Auditing for fraud in the absence of an allegation or reasonable suspicion.

Developing fraud prevention or detection program

Such engagements are governed by either the audit or advisory service standards whichever are more appropriate in the circumstances.

03. Definition of Improper

Act: For purposes of this manual, an improper act is an improper governmental activity as defined in statute and serious or substantial violations of University Policy.

04. The Client: The ultimate clients of the investigations conducted by the Office of Internal Audit is the Board of Regents of the University of Georgia. Accordingly, the Internal Audit function of Albany State University acts with independence and derivative authority to initiate investigations on its own for the benefit of the client.

05. Roles and Relationships: Following are the primary roles and related responsibilities for conducting investigation services:

Director of Internal Audits:

The Director of Internal Audits is responsible for general oversight of all audit investigations as well as for communication with the Board of Regents and Senior Management. In addition, the Director of Internal Audits is responsible for reporting summary information on all audit investigations to the Board of Regents annually.

When an investigation substantiates improper acts, the Director of Internal Audits shall also be responsible for recommending strengthening of related controls, policies or procedures to reduce future vulnerability to similar improper acts.

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Law

Enforcement: If it appears that a crime may have been committed, the University's Public Safety and President's Legal Advisor shall be consulted to determine appropriate action with regard to the investigation and legal proceedings. It is expected that Public Safety will normally handle all communication with other law enforcement bodies.

In the event that Public Safety Office conducts a criminal investigation initiated under this policy Internal Audit investigators shall share information and also lend assistance to the extent specialized skills or expertise are needed or desired. An example of such assistance might be the analysis of accounting and other business records.

7200: CONDUCTING AN INVESTIGATION

01. Initiating an

Investigation: While the specific reasons for initiating an investigation will vary, there must be an adequate basis for suspecting a possible improper act. The primary factors to consider are:

The allegation or suspicion if true, constitutes an improper governmental activity under law or a serious or substantial violation of University policy. If not, then no matter how egregious a situation or behavior may appear, it would not provide a basis for an investigation under this standard.

An allegation should be accompanied by information specific enough to be investigated. For example, “There is fraud in the hospital” by itself, is not sufficient to begin an investigation.

An allegation should have or directly point to, corroborating evidence that can give the allegation credibility. Such evidence may be testimonial or documentary.

Matters referred to the Office of Internal Audit for investigation that do not meet the above criteria may be appropriately reviewed as an advisory service to management provided the requisite expertise exist within or is available to Internal Audit. Matters that result from the normal exercise of management judgment are rarely susceptible to investigation, and frequently not appropriate for review as an advisory service (e.g. “fairness” of compensation, adequacy of supervision, etc.).

When an investigation is undertaken based on reported allegations by a person making an informal whistleblower report, care should be taken to clarify the matters to be reviewed. If the initial communication is verbal, it is advisable to document your understanding of the whistleblower’s allegations and obtain their concurrence with your articulation of their assertions. In addition to assuring that all of the whistleblower’s allegations are captured, this documentation will assist in referral of matters outside of the Office of Internal Audit’s jurisdiction.

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A decision to end an inquiry without an investigation or to discontinue an investigation must be documented.

02. Planning for

Investigations: The planning of an investigation includes determining:

- **What is the nature of the allegations?**
- **What other investigative bodies need to be involved?**
- **What type of evidence is needed to sustain or disprove the allegations?**
- **What records or other evidence needs to be secured ?**
- **What assistance may have been required to commit the alleged improper act and is there a possibility of collusion?**
- **What resources including specialized skills sets, are likely needed?**
- **What notifications are required?**
- **What methodologies should be used to gather, secure and analyze evidence? The methodology should include coordination of the case as the case as a whole with non-audit personnel, whether internal to the University or an outside party.**

03. Documentation: Within audit investigations there are two types of documentation: administrative and evidentiary. The two types of documentation should be kept discrete.

Administrative

Documentation: Administrative documentation pertains to the management of the case within the University that does not have a direct bearing on evidence.

Administrative documentation includes but is not limited to materials evidencing:

- **Chronologies of important events.**

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- **Planning not pertaining to allegations or evidence (e.g. personnel scheduling).**
- **When, and how, the allegations reached Internal Audit’s attention.**
- **The definition of roles within the investigation, including roles assigned in the triage process.**
- **Internal Audit notifications**
- **Personnel considerations such as if and when a subject employee was placed on investigatory leave and/or terminated, if applicable.**
- **Operational considerations such as emergency or interim procedures that may be necessary.**
- **Engagement administration**

Evidentiary

Documentation: Gathering Evidence – Care should be taken to gather evidence so as not to compromise its admissibility. In cases that result in a deposition or a trial the person who gathered the evidence may have to testify as to the means and authority to gather the evidence. University policies exist in certain areas (e.g. electronic communications policy), which impact, but do not override, Internal Auditors’ access authority as provided by the Board of Regents.

Care of Evidence – In all cases that have the possibility of litigation or criminal proceedings, due care must be taken to preserve the integrity of all original evidence. The investigator should ensure that steps are taken to secure and protect all original evidence. This includes:

- **Taking steps to ensure that evidence is not destroyed either by the subject or inadvertently by someone else.**
- **The use of “working copies” rather than originals for analysis**
- **The use of “image copies” for securing information on computer storage media.**

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If the case has a significant chance of a civil or criminal action being taken there should be documentation as to:

- When evidence was gathered.
- How evidence was gathered.
- How a chain of custody was maintained.
- How the integrity of the evidence was preserved.

Interviews – Interviews are made for the purpose of gathering information. A formal record of the interview should be generated of the interviews of all material witnesses. In addition, it is strongly recommended that two persons should conduct interviews of material witnesses. In addition, it is strongly recommended that two persons should conduct interviews of material witnesses including subjects. Such a record should have at a minimum, in addition to the substance of the interview, the name[s] of the interviewer[s], the interviewee[s] and the time and date of the interview. [see also witness statements]

In cases where an interview is recorded, there must be clear permission given by the witness. The interviewer should have the witness acknowledge that permission was granted on the tape. Tapes are considered original evidence. If a transcript is made from the tape used, the tape must still be preserved.

Planned Interrogations – For purposes of this manual, an interrogation is defined as a special purpose interview that has the aim of eliciting an admission of responsibility. In the law enforcement arena, interrogations are most often performed after a subject is in custody. Such a situation is often impractical and yet obtaining an admission is often necessary in order to solve a case.

It is strongly suggested that planned interrogations handled by internal audit should only be performed by seasoned investigators with the Director of Internal Audits present. In all cases of interrogations in which an admission is made, a statement should be obtained if possible. If the subject refuses to make a formal statement that refusal must be noted in the record of the interview.

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Witness Statements – Statements prepared by a witness should be signed by the witness in such a way as to acknowledge authorship. Handwritten statements are acceptable if legible. All statements prepared by a witness should be maintained “as is” without editing or corrections of any sort.

If a statement [including interview notes] is prepared by the interviewer careful proofreading must be done prior to signing by the witness. The statement should be prepared with a paragraph just above the witness signature that the statement represents the views, thoughts etc., of the witness.

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7300: COMMUNICATION AND REPORTING

01. Interim

Communications: Reports of changes in the status of information provided above shall be made to apprise the Assistant Vice Chancellor for Internal Audits Office of the progress of investigations. Such reports should be made whenever there is a development in the investigation that materially affects the information previously provided above including but not limited to new allegations, certain allegations shown to be untrue, the entry of law enforcement or other authorized investigative body into the case, changes in the principal subject, media or other public interest and new estimates of dollars involved. In those cases that are inactive or for which there has been no change, there should be a communication of this fact monthly.

02. Communication

of Results: There are different types of reports that can be issued. Generally the difference depend on the end-users of the reports, which may in turn depend on whether any administratively or legally actionable matters were sustained in the course of the investigation.

For those investigations not reportable to the University's President that result in null findings, a memo or a letter format for the report may be used. Otherwise a formal report should be issued. However, there may be cases where evidence is found that affirmatively clears a subject who is clouded with a suspicion of an improper act. In such cases, a more detailed report may be advisable.

In reports of investigations intended to be used by attorneys and law enforcement as in litigation or criminal legal proceedings, serious consideration should be given to creating a detailed report that includes references to exhibits of evidentiary matter (in addition to exhibits, which for example, tabulate a loss). Such evidence includes but is not limited to copies of original documents, signed witness statements, transcripts of interviews etc. Such a report should include all information that is relevant to a case.

For purposes of normal distribution to University officials a report does not need to contain the evidentiary exhibits.

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For audit investigations requiring notice to the Vice President for Fiscal Affairs, a draft investigation report shall be sent to the Assistant Vice Chancellor for Internal Audits Office for comment prior to the issuance of a final report. The draft should be provided before findings, conclusions and recommendations have been finally communicated to management or others so as not to preclude meaningful editorial review or opportunity for changes to the draft report.

All final investigation reports or a closing memorandum shall be distributed to the Assistant Vice Chancellor for Internal Audits at the completion of an investigation, regardless of previous reporting requirements.

Report

Format:

For purposes of formal reporting, it is expected that there will normally be both an executive summary and a detailed section of the report unless the case is so simple that such a breakdown would not be warranted.

Matters dealing with the allegations or theories of improper acts should either be in a separate report from one dealing with control issues or they should be in a separate section.

Principal allegations should be dealt with and concluded upon individually. Secondary allegations, which are those dependent on the principal ones for veracity or relevance may be addressed within the principal allegation to which it is related.

Report

Elements:

Each report must contain certain elements no matter what type of report is issued. These elements are:

Predicate – The reason for initiating an investigation.

Hypothesis/Allegation – What must be sustained or not sustained by the investigation or preliminary evaluation.

Methodology – The method used to gather and analyze evidence.

Analysis – The reasoning that connects the methodology and evidence to support the conclusion. In memo and summary reports this section can be abbreviated, but must be sufficient enough to enable an uniformed, independent party to reach the

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same conclusion as that of the investigator. In reports that are intended for direct use by counsel or a District Attorney it may include virtually all of what would be considered the evidentiary workpapers.

Conclusion – There are two overall types of conclusions: either the allegations are sustained or the allegations are not sustained.

If the allegations are sustained, the conclusion should state so, in a factual manner.

- 1. In matters of policy one should state that a violation of policy occurred.**
- 2. In matters of litigation or criminality however, one should avoid making a legal conclusion. For example, one should avoid making a legal conclusion. For example, one should avoid saying that “the employee is guilty of embezzlement.” Rather the report should state something like “subject is responsible for a loss of \$X million and the case has been turned over to the District Attorney for possible criminal charges.”**

If the allegations are not sustained there are two main types of situations.

- 1. In a situation wherein the investigator simply does not have the evidence to sustain an allegation, but suspicions cannot be put to rest, the report should say that there is not sufficient evidence to conclude on the allegations.**
- 2. There may also be situations wherein the suspicions are put to rest or the allegations are affirmatively proven to lack merit. In these cases the conclusion should state that fact.**

Report

Distribution:

Investigation reports are a special purpose type of audit report. Accordingly, all normal draft and final report distribution policies and practices, including copies to OP are applicable. Care should be taken to ensure that the addressee is at an appropriately high level of management.

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Subject – Unless there are reasons to withhold the report from the subject such as in the case of certain criminal matters where the police investigation is not complete, subjects should be included on the distribution of audit investigative reports. This does not relieve the investigator of the responsibility to review material facts of the case with the subject.

Whistleblower – Unless there are significant reasons to withhold the report from the original whistleblower(s), the whistleblowers should be given a copy of the final report. However, care should be exercised not to break any confidentiality in such a distribution.

8000: ADVISORY SERVICES

**01. Advisory
Services:**

This section of the manual captures the delivery of audit and management advisory services that represent the other means by which we fulfill our mission of assistance to management and the Board of Regents (other than Investigations and as External Audit Coordinators). As such it represents a variety of activities, which may or may not result in the issuance of a report. The mere fact that a report is to be issued should not automatically classify an activity as an audit.

- **Consultations & Special Projects – These categories are distinguished by our role. In a consultation our opinions are typically sought on matters such as policy, procedure, a management strategy or the application of internal control concepts. In a special project, we may be principally conducting a task on behalf of some management interest. A recent example of the latter would be conversion to PeopleSoft. Frequently an element of both services and the Director’s judgment is exercised as to how to classify the project.**
- **Systems Reengineering – This category is to be used when our role in systems reengineering projects is advisory, such as membership on a steering or implementation committee. If our role is as an auditor of a reengineered system, then the project should be classified as an audit. In general, if at the end of the project you are expected to issue a report expressing conclusions on the adequacy of internal controls, then the standards, including independence, apply and the project should be classified as an audit and our role on the reengineering team should be guided accordingly.**

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9000: QUALITY ASSURANCE

01. Section

Overview: This section of the manual describes the Quality Assurance processes practiced by the Office of Internal Audit at Albany State University to ensure that audit work conforms to the Institute of Internal Audit and University Standards. It includes standards for local as well as system-wide quality assurance processes.

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9100: SYSTEM-WIDE QUALITY ASSURANCE

01. Policy: Internal Audit maintains a system-wide Quality Assurance Program in order to assist in effectively performing its appraisal function and in controlling audit risk. The Quality Assurance Program provides reasonable assurance that audit work conforms to both IIA and University standards.

02. Application of ASU Policy for System-wide Quality Assurance:

Assurance: The system-wide Quality Assurance Program consists of peer reviews and external quality assurance reviews.

Peer Review Program:

The Peer Review Program reviews all audit organizations over a three to five year period. Peer review teams are comprised of Directors from other campuses. The review is performed in accordance with Quality Assurance Manual.

External Quality Assurance Review:

An External Quality Assurance Review is conducted once every five to seven years by a team of audit professionals from outside the University. The team reviews the overall system-wide University audit program.

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9200: QUALITY ASSURANCE REVIEW MANUAL

- 01. Policy: Internal Audit maintains a system-wide Quality Assurance Review Manual. The Internal Audit Manual serves as the basis for the work performed by peer review teams in connection with the System-wide Peer Review Program.**