



DEPARTMENT OF INTERNAL AUDIT AUDIT MANUAL

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ULM DEPARTMENT 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 Monroe (ULM or University) and to provide standards and guidelines and procedures for the Internal Audit Department. These guidelines aim to provide for consistency, stability, continuity, standards of acceptable performance, and a means of effectively coordinating the efforts of the members comprising the Internal Audit Department. The overall objective of the internal audit function 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.

For more information about the ULM Internal Audit Department and our mission, please visit our website: <https://www.ulm.edu/iaudit/>

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Purpose - Reference: IIA Global Standard Domain I

The purpose of internal auditing is to strengthen the University of Louisiana Monroe's (ULM or University) ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Revised Statutes 17:335(l) and 36:8.2, established by Act 314 of the regular legislative session, require postsecondary management boards with appropriations of \$30 million or more to have an internal audit function that adheres to the Institute of Internal Auditors' (IIA) Global Internal Audit Standards.

The ULM Department of Internal Audit (ULM internal audit, internal audit function, internal audit) consists of a University with a Director of Internal Audit who manages all aspects of the internal audit function. The ULM Internal Audit Department reports administratively to the president and functionally to the board through the University of Louisiana System Chief Audit Executive (UL System CAE). The internal audit function follows mandatory guidance from the IIA, including the Global Internal Audit Standards and Topical Requirements.

Internal auditing enhances the University's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Internal audit is most effective when it is:

- It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the board.
- Internal auditors are free from undue influence and committed.

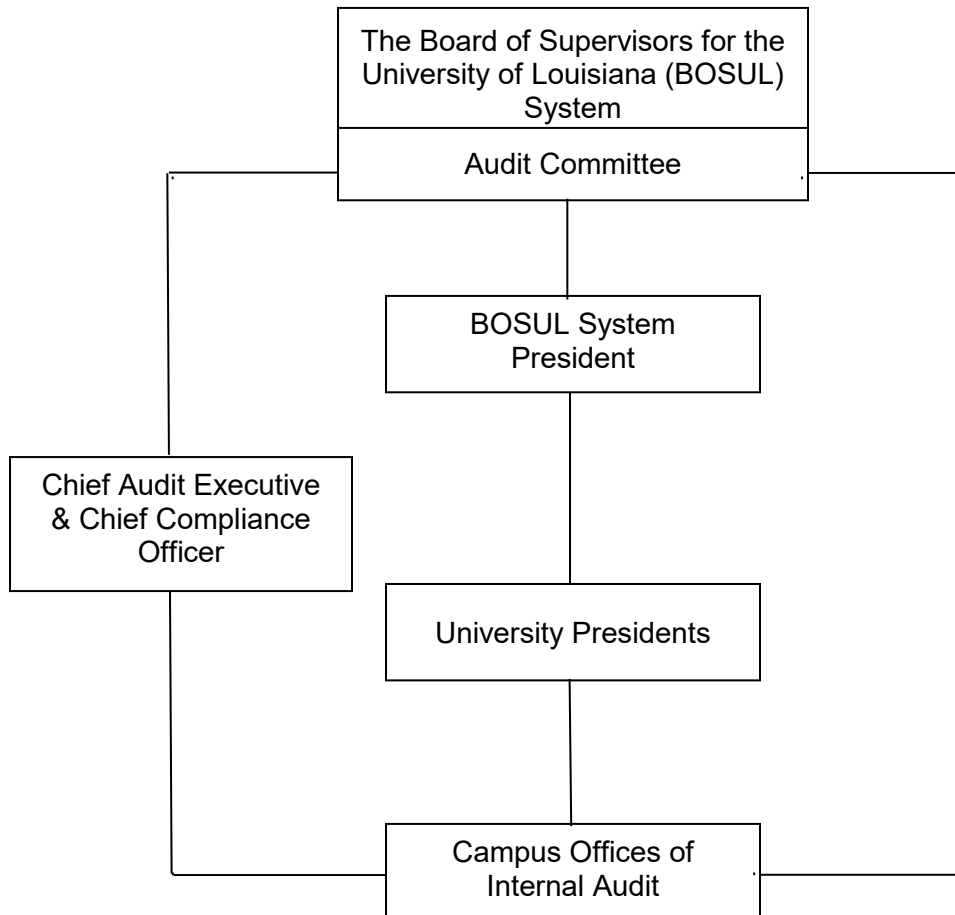
The purpose, authority, and responsibility of the internal auditing function are defined in formal written charters (University of Louisiana System-Internal Audit Charter & University of Louisiana at Monroe-Internal Audit Charter). The University's original and revised charters were approved by the University President and the Audit Committee of the Board of Supervisors of the University of Louisiana System (ULS Audit Committee).

Organizational Chart

Reference: IIA Global Standard 7.1

THE BOSUL SYSTEM

INTERNAL AUDITING FUNCTION



Note: Each campus Director of Internal Audit reports functionally to the Audit Committee through the Chief Audit Executive and Chief Compliance Officer and administratively to their respective President. Prior to each Audit Committee meeting the Chief Audit Executive and Chief Compliance Officer provides a report of the status of audit activities.

University of Louisiana Monroe Internal Audit Charter

This charter sets forth the purpose, authority, and responsibilities of the internal audit function for the University of Louisiana Monroe (ULM or University). The charter establishes the internal audit function's position within ULM, authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit services.

The University supports a Director of Internal Audit (Director), and other personnel as needed, as a staff function. The University supports this staff function as a service to ULM senior management and the University of Louisiana System Board of Supervisors (Board).

Purpose

The purpose of the internal audit function is to strengthen the University's ability to create, protect, and sustain value by providing the Board and the University's management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances the University's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

The University's internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The Institute of Internal Auditor's (IIA) Global Internal Audit Standards™, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Board.
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global Internal Audit Standards

ULM's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Director will report annually to the Board and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

Mandate

Authority

The Board grants the internal audit function the mandate to provide the Board and senior management with objective assurance, advice, insight, and foresight.

The internal audit function's authority is created by its direct reporting relationship to the Board. Such authority allows for unrestricted access to the Board. The Director communicates to the

Board through the UL System Chief Audit Executive (CAE). If a matter involves a disagreement between the Director and UL System CAE, or if there is an impairment of independence and/or objectivity caused by the UL System CAE, the Director may contact the Board directly.

The Board authorizes the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of ULM and other specialized services from within or outside the University to complete internal audit services.

Independence, Organizational Position, and Reporting Relationships

The Director will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. (See "Mandate" section.) The Director will report functionally to the Board and administratively (for example, day-to-day operations) to the University President. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the Board, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The Director will confirm to the Board, at least annually, the organizational independence of the internal audit function. The Director will disclose to the Board any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the Director, Board, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant acquisition or reorganization within the organization.
- Significant changes in the Director, Board, and/or senior management.
- Significant changes to the organization's strategies, objectives, risk profile, or the environment in which the organization operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

Board Oversight

To establish, maintain, and ensure the University's internal audit function has sufficient authority to fulfill its duties, the Board will:

- Discuss with the Director and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the Director has unrestricted access to and communicates and interacts directly with the Board, including in private meetings without senior management present.
- Discuss with the Director and senior management other topics that should be included in the internal audit charter.

- Participate in discussions with the Director and senior management about the “essential conditions,” described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function’s charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter annually with the Director to consider changes affecting the University, such as the employment of new auditors or changes in the type, severity, and interdependencies of risks to the organization; and approve the internal audit charter annually.
- Approve the risk-based internal audit plan.
- Approve the internal audit function’s human resources administration and budgets.
- Approve the internal audit function’s expenses.
- Collaborate with senior management to determine the qualifications and competencies the organization expects in a Director, as described in the Global Internal Audit Standards.
- Authorize the appointment and removal of the Director.
- Approve the remuneration of the Director.
- Review the Director’s performance.
- Receive communications from the Director about the internal audit function including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established and review the results annually.
- Make appropriate inquiries of senior management and the Director to determine whether scope or resource limitations are inappropriate.

Director of Internal Audit’s Roles and Responsibilities

Ethics and Professionalism

The Director will ensure that the internal audit function:

- Conforms with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understands, respects, meets, and contributes to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourages and promotes an ethics-based culture in the organization.
- Reports organizational behavior that is inconsistent with the organization’s ethical expectations, as described in applicable policies and procedures.

Objectivity

The Director will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the Director determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for the University or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any ULM employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the Director, Board, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The Director has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the Board and senior management. Discuss the plan with the Board and senior management. Then submit the plan to the Board for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Board and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in ULM's business, risks, operations, programs, systems, and controls.
- Communicate with the Board and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.
- Follow up on engagement observations by confirming the implementation of recommendations or action plans and communicate the results of internal audit services to the Board and senior management periodically and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact ULM and communicate to the Board and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to ULM and the University of Louisiana System's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Board and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the Director cannot achieve an

appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Board.

Communication with the Board and Senior Management

The Director will report to the Board and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit budget.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Board.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the University's risk appetite.

Quality Assurance and Improvement Program

The Director will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the Director will communicate with the Board and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the UL System; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organization, including all of ULM's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Board and management on the adequacy and effectiveness of governance, risk management, and control processes for the University.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the University’s strategic objectives are appropriately identified and managed.
- The actions of the University’s officers, directors, management, employees, and contractors or other relevant parties comply with ULM and the University of Louisiana System’s policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact ULM.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.



Legal and Ethical Behavior - Reference: IIA Global Standard 1.1, 1.2, & 1.3

The office must exhibit a high degree of professionalism and personal integrity consistent with the pursuit of excellence in the conduct of their responsibilities. Each auditor is expected to follow all state and federal laws, as well as acceptable business and professional standards, and to exhibit personal and professional integrity and objectivity at all times. Illegal or discreditable behavior will be handled based on the institution's policy. The auditors should discuss specific situations with general counsel as necessary.

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:

- 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. Per R.S. 24:523, once the institution has actual knowledge of or reasonable cause to believe misappropriation of public funds or assets has occurred, they should immediately notify, in writing, the legislative auditor and the district attorney of the parish where the institution is domiciled. This notification should also be sent to the UL System CAE, who will communicate this to the board. The department should consider initiating an audit to identify the circumstances of theft or fraud, make recommendations to management on preventive measures, and notify the board of the incident.
- In accordance with the Louisiana Code of Governmental Ethics employees of the University must complete a minimum of one (1) hour of education and training in governmental ethics each calendar year [Louisiana Revised Statutes 42:1170(3)(a)(i)].

In all engagements, Internal Audit remains alert for potential violations of the Code of Governmental Ethics. If internal audit personnel identify possible legal, ethical, or regulatory violations, they must report such incidents to the Director of Internal Audit. Then, the Director of Internal Audit will report such incidents to individuals or entities that have the authority to take appropriate action, beginning with the University President, UL System Chief Audit Executive and Chief Compliance Officer, and General Counsel, as specified in laws, regulations, and applicable policies and procedures. Then, the Director of Internal Audit will ensure that remediation is carried out to address any violations that occurred and communicate all actions taken in writing to the University President, UL System Chief Audit Executive and Chief Compliance Officer, and General Counsel to ensure they are properly validated. Depending on the circumstances of the violation, internal audit staff may be subject to disciplinary action by the University and referred to external law enforcement agencies.

Objectivity and Independence - Reference: IIA Global Standard 1.1, 1.2, 2.1, 2.2, 2.3, & 7.1

Each auditor must maintain professional objectivity when performing all aspects of internal audit services. This includes an unbiased mental attitude that allows auditors to make professional judgments, fulfill their responsibilities, and achieve the *Purpose of Internal Auditing* without compromise. Each institutional office must disclose impairments of independence or objectivity, in fact, or appearance, by completing the *Annual Attestation* form. The UL System CAE presents the assertions to the board on an annual basis.

Internal Audit employees are assigned to engagements so that potential, perceived, and actual conflicts of interest and bias are mitigated or preferably avoided. Each auditor signs the *Engagement Attestation* form during the planning stage of each engagement to address potential concerns related to objectivity. During the engagement, auditors gather and evaluate information to provide a balanced assessment. The auditors ensure situations, activities, or relationships do not influence their judgments and decisions in a way that may change their observations and conclusions. In the event a situation arises that may impact objectivity, the auditor must discuss it with the UL System CAE. If impairment to objectivity is found, alternate plans will be considered.

As detailed in the audit charter, internal auditors may not have direct operational responsibility or authority over any of the activities they review, nor can they implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any institutional employee(s) that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

The nature of the impairment should be considered when determining the impairment:

- If the impairment is not real, but could be perceived as such, the auditor may choose to discuss the concern in engagement planning meetings with the management, document the discussion (such as, in the audit planning memo), and explain why the concern is without merit. Such disclosure may be appropriate for a final engagement report.
- If the impairment is real and is affecting the ability of the auditor to perform their duties independently and objectively, the auditor must discuss the impairment with the board through the UL System CAE and management to seek their support to resolve the situation.
- If the impairment comes to light after an audit has been executed, and it impacts the reliability (or perceived reliability) of the engagement results, the auditor should discuss it with the management, as well as the board through the UL System CAE.

Auditors may not accept tangible or intangible items, such as a gift, reward, or favor that may impair or create the appearance that the auditor's objectivity has been impaired. If the auditor receives a gift, favor, or reward that creates impairment in fact or opinion, the auditor must report this immediately to the board through the UL System CAE. The Office of Internal Audit complies with the Code of Governmental Ethics (R.S. 42:1101-1170). The code identifies prohibited ethics-related activities and conflicts of interest, including receiving gifts, favors, and rewards, and requires one hour of yearly training.

The Director and staff of the Internal Audit Department are independently positioned within direct accountability to the Audit Committee. The University's Director of Internal Audit reports functionally to the Audit Committee through the System Chief Audit Executive and Chief Compliance Officer and administratively to the President of the University. The System Chief Audit Executive and Chief Compliance Officer reports functionally to the Board of Supervisors through the Audit Committee and administratively to the System President. The System Chief Audit Executive and Chief Compliance Officer has direct communication with the Audit Committee. The System Chief Audit Executive and Chief Compliance Officer regularly attends and participates in those meetings of the board which relate to its oversight responsibilities for

auditing and finance. The System Chief Audit Executive and Chief Compliance Officer at least quarterly makes written and/or oral reports to the Audit Committee.

The ULM internal audit function has direct access at any time to the System Chief Audit Executive and Chief Compliance Officer, the Audit Committee, System President, and the Board of Supervisors. The University's Director of Internal Audit, the President of the University, and the System Chief Audit Executive and Chief Compliance Officer communicate regularly and meet as needed. Meetings may be called by any of the parties.

Other instances of impairment to independence and objectivity include, but are not limited to:

- Lack of direct access to the appropriate authorities.
- Budget reductions to a level where Internal Audit cannot fulfill its responsibilities.
- Restrictions to access records, data, information, and personnel.
- Conflict of interest(s) or bias.
- Auditor's immediate or close family member exists in auditable activity.
- Direct or indirect financial or other personal interests.

Internal auditors must report objectivity impairments to the director. The director is responsible for determining what action to take related to the impairment that was reported. Auditors should refrain from conducting assurance engagements if there are independence or objectivity impairments. An auditor can conduct consulting services; however, all potential impairments must be disclosed to ULM management prior to accepting the engagement.

The University President and the Audit Committee approve the internal audit charter, the risk-based internal audit plan, the internal audit budget and resource plan, and receive communications from the Director of Internal Audit on the internal audit function's performance relative to its plan and other matters. The President of the University employs the University's Director of Internal Audit and determines his/her remuneration. The appointment or removal of the Director and the amount of his/her salary must be approved by the Audit Committee.

Roles Beyond Auditing - Reference: IIA Global Standard 7.1

ULM Internal Audit must disclose any current or proposed roles and responsibilities that have the potential to impair the internal audit function's independence, either in fact or in appearance to the board. In the event an impairment exists, the internal auditor should document safeguards to manage risks.

If the department is asked to take on roles and responsibilities that fall beyond internal auditing, safeguards will be placed in operation to limit impairments to independence or objectivity. These roles must also be disclosed in the ULM Internal Audit charter. For example, if the Director of Internal Audit is assigned temporary non-audit responsibilities, assurance for those areas must be provided by an independent third party during the temporary assignment and for the subsequent 12 months. The Director will communicate and verify with management that a transition plan is established so that the Director is replaced by a University employee within a 12-month period beginning from the date Internal Audit assumed the temporary non-audit responsibilities.

Proficiency - Reference: IIA Global Standard 3.1, 7.2, & 10.2

The Director of Internal Audit ensures that persons assigned to each engagement collectively possess or obtain the necessary competencies, which include the knowledge, skills, and abilities suitable to successfully implement the internal audit strategy and achieve the internal audit plan.

The Director of Internal Audit engages with the board through the UL System CAE to determine the qualifications, experience, and competencies needed for their job position and responsibilities, which the board approves through formal job descriptions. The board, or designee, engages with management to appoint the University's Director of Internal Audit.

The director must establish an approach to recruit, develop, and retain internal auditors, while other ULM personnel perform the human resource process for the hiring of each audit staff. Once final applicants have been selected, the board approves the applicant. Criteria of education and experience has been established for each audit position, giving due consideration to scope of work and level of responsibility, and are included in employees' job descriptions. The director maintains documentation of certifications, education, experience, work history, and other qualifications on file for the board to review.

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 should develop and have sufficient competencies of:

- Business functions, such as key financial management and information technology risks and controls.
- Identifying the indicators of fraud; however, they are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.
- Related to tools and techniques for gathering, analyzing, and evaluating data to perform their assigned work. However, the auditors are not expected to have the expertise of an internal auditor whose primary responsibility is auditing information technology or financial management.

If the internal audit staff does not possess the required competencies to provide assurance or advisory services, the department has the option of declining the engagement or obtaining the required expertise through training or contracting with an independent, external service provider. If the Director of Internal Audit decides to use and rely on the work of an independent, external service provider, the Director will assess the competency, independence, and objectivity of the outside service provider.

If the director determines there is a lack of human resources, the auditor should first discuss the lack of resources with management and the President to find a resolution.

If the issue is unable to be resolved, the director should directly contact the UL System CAE to inform them of the lack of resources and its impact. After all relevant information has been provided, the director and UL System CAE will contact the Board to inform them of the lack of resources and its impact on the internal audit function.

Fraud

Characteristics

Fraud encompasses an array of irregularities and illegal acts characterized by intentional deception.

It can be perpetrated for the benefit of, or to the detriment of, the University, and by persons outside as well as inside the University. Periodic audit training, distribution of audit publications, and other communication methods are in place to apprise auditors of the nature of fraud and the control environment in which fraud may occur.

All auditors should remain aware of the potential for fraud in all of the noted areas such as bribes, kickbacks, diversion, embezzlement, concealment and misrepresentation. System reviews in the core business cycles (revenue, disbursement, conversion/inventory/cost, payroll/benefits, and capital assets) will evaluate the overall control environment and related potential for fraudulent actions to take place. When a specific concern is identified from the normal audit process or by an employee or management concern, auditors may become involved in audit or investigative work in these areas.

Deterrence

Deterrence consists of those actions taken to discourage the perpetration of fraud and limit the exposure if fraud does occur. The principal mechanism for deterring fraud is control. Management is responsible for the maintenance of an effective control environment. Internal Audit is responsible for assisting in the deterrence of fraud by examining and evaluating the adequacy and the effectiveness of controls, commensurate with the extent of potential exposure/risk in the various segments of the entity's operations.

Detection

Detection consists of identifying indicators of fraud sufficient to warrant recommending an investigation. These indicators may arise as a result of controls established by management, tests conducted by auditors, and other sources both within and outside the University.

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.

Investigation

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

When conducting fraud *investigations*, the internal auditor 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.

Reporting

The form, nature, and timing of appropriate fraud investigation communication to management will be predetermined by the Director. A preliminary or final report may be made at the conclusion of the detection phase. The report should include the Internal Auditor's conclusion as to whether sufficient information exists to conduct an investigation. It should also summarize observations that serve as the basis for such decision. If fraud investigation results are determined to materially affect the reported financial statement results, the Director will advise the President. Significant misstatements would be included in the category of important control issues communicated to top management as appropriate.

SAS 99

According to the Statements on Auditing Standards (SAS) 99, the following conditions may indicate risk factors that are reflective of the attitudes of employees (who have access to assets susceptible to misappropriation) that allow them to justify the misappropriation of such assets:

- Disregarding the need to reduce risks related to the misappropriation of assets.
- Disregarding internal controls related to the misappropriations of assets by:
 - Overriding existing controls.
 - Failing to correct known internal control deficiencies.
- Displaying changes in behavior or lifestyle that may indicate that assets have been misappropriated:
 - Dissatisfaction with the company.
 - Displeasure with the company's treatment of the employee.

LLA (Louisiana Legislative Auditor) Fraud Hotline

The Louisiana Legislative Auditors' Fraud Hotline is available for university employees, students, and the general public to report activities they feel might be illegal or improper.

Call toll-free:

1-844-50-FRAUD

(1-844-503-7283)

Or FAX to:

1-844-40-FRAUD

(1-844-403-7283)

Or report via U.S. Mail:

LLA Hotline

P. O. Box 94397

Baton Rouge, LA 70804

For callers' convenience the following information has been posted on the University's Human Resources website (<https://www.ulm.edu/hr/>):



Source: <https://www.lla.la.gov/report-fraud>

Any agency or entity as defined in L.R.S. 24:513 that receives state or local government funds should use the "Online Fraud Report Form" to report known or suspected losses of public funds or other illegal activity to the Legislative Auditor's Office. For the convenience of the university employees, students, and the general public, should they have to report activities they feel might be illegal or improper, the form has been included in the next two pages of this manual.

In addition, the contact information of the University's Director of Internal Audit is posted on the University's Internal Audit website. The Department of Internal Audit will investigate any received allegations of fraud, if deemed substantive.

Upon completion of the investigation, observations will be presented in the form of a formal written report to the appropriate parties. If misappropriations are identified, the observations will be reported to the District Attorney and the Legislative Auditor in accordance with L.R.S. 24:523.



FIGHT FRAUD, WASTE & ABUSE!

Fraud, Waste & Abuse Reporting Form

Thank you for helping fight fraud, waste, and abuse in Louisiana. Your information begins the process for holding public officials and employees accountable for their actions. Your name and telephone number, as well as the status of your complaint, are confidential. Again, thank you for helping fight fraud, waste, and abuse in Louisiana.

Contact Information (optional):

Although this information is optional, providing us with your name and telephone number will allow us to contact you with any additional questions that we have.

Name: _____

Title: _____

Phone: _____

Email: _____

Report Information:

What is the name of the entity and department where the suspected loss or illegal activity occurred? (required)

When did the suspected loss or illegal activity occur? (required)

Date(s) _____

What is the suspected amount of loss, if any?

\$ _____

What type(s) of fraud, waste, or abuse are you reporting? (Circle all that apply)

1. Theft of Public Funds and/or Equipment
2. Personal use of Public Funds and/or Equipment
3. Public Official/Employee Doing Business With Himself/Herself
4. Public Official/Employee Accepting Something of Value (or Kickback) From A Vendor
5. Public Official/Employee Paying For Work Not Performed by A Vendor
6. Public Official/Employee Paying Excessive Amounts For Services
7. Public Official/Employee Falsifying Expense Reimbursements
8. Public Payroll Fraud

Please describe the suspected loss or illegal activity. Continue on separate page if necessary. (required)

Name of the person who allegedly performed the illegal activity:

Why do you believe the illegal activity occurred?

Are other public employees or private third parties involved? If "Yes," please include names. (Y/N)

How was the suspected loss or activity detected? (required)

Is the suspected loss or illegal activity continuing? (Y/N)

List the names of the possible witnesses to the suspected loss or illegal activity. (Please include contact information if possible.)

List the names of individuals who would most likely cooperate/help with the investigation. (Please include contact information if possible.)

Is an investigation in progress? If "Yes," please state what agency is investigating. (Y/N)

What actions have you taken to date, if any?

Has a police report been filed? (Y/N)

Has the District Attorney been notified? (Y/N)

Please attach any evidence or documents that support your allegations.

**Please print this form and mail all materials to:
LLA Hotline, P. O. Box 94397 Baton Rouge, LA 70804
or fax to: 1-844-40 FRAUD (403-7283)**

Fraud, Waste & Abuse Reporting Form

Page 2

Source: <https://www.lla.la.gov/report-fraud>

Due Professional Care - Reference: IIA Global Standard 4.2

Members of the Internal Audit Department should apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility. The auditors must exercise due professional care by assessing the nature, circumstances, and requirements of the services to be provided, including:

- The organization's strategy and objectives.
- The interests of those for whom internal audit services are provided and the interests of other stakeholders.
- Adequacy and effectiveness of governance, risk management, and control processes.
- Cost relative to potential benefits of the internal audit services to be performed.
- Extent and timeliness of work needed to achieve the engagement's objectives.
- Relative complexity, materiality, or significance of risks to the activity under review.
- Probability of significant errors, fraud, noncompliance, and other risks that might affect objectives, operations, or resources.
- Use of appropriate techniques, tools, and technology.

The internal audit staff are required to be alert to the possibility of errors, fraud, and the significant risks that might affect business objectives, operations, or resources. 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 risk areas in the planning memo/preliminary survey/engagement risk assessment and the audit program.

Continuing Professional Education - Reference: IIA Global Standard 3.2

Each auditor is responsible for continuing their education to maintain their professional proficiency and professional licenses. The auditor must maintain documentation of their continuing education. Continuing education may be obtained through membership and participation in professional organizations and attendance at conferences, seminars, college courses, and other training programs. The internal auditor performs a yearly self-assessment of their competencies to determine the most appropriate professional development.

Internal auditors maintain documentation of continuing education courses and membership in professional organizations to provide to the UL System CAE, as well as their plans for professional development for disclosure to the board.

The University strongly encourages staff to pursue appropriate professional certifications as a way to continue the learning process and demonstrate professional proficiency. Through membership in organizations such as the Society of Louisiana CPAs, Institute of Internal Auditors, 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.

Confidentiality - Reference: IIA Global Standard 5.1 & 5.2

The nature of internal audit work requires that, to the extent permitted by law, auditors have unrestricted access to all sources of information, property, and personnel at the institutions. Therefore, auditors must adhere to the privacy policies and procedures of the University, as well as relevant laws and regulations. Auditors sign the Engagement Attestation form acknowledging the requirement to maintain confidentiality upon employment.

Federal and state privacy laws require that many types of information be protected from public disclosure. Confidential information includes, but is not limited to:

- Social security numbers;
- Date of birth;
- Bank account numbers;
- Debit and credit card numbers;
- Medical records;
- Student records, except for directory information (such as student’s name, address, phone number, date and place of birth, participation in officially recognized activities and sports, and dates of attendance);
- Information protected by the Health Insurance Portability and Accountability Act (HIPAA).

ULM Internal Audit should never include social security numbers in workpapers. If audit procedures involve the review of confidential records, the department should document the results of the review in a way that protects the privacy of the individual involved. For example, when scheduling the results of a review of financial aid or student health records, code numbers or initials should be used to identify the records tested. Auditors should also expunge social security numbers from copies of documents that are included in the working papers.

In some engagements, auditors may review information that is not specifically protected by privacy laws but is proprietary or sensitive. Examples include records relating to research in process, contract negotiations, employee benefits, or past-due accounts. These items should be handled in the same manner as confidential information.

Quality Assurance and Improvement Program - Reference: IIA Global Standard 8.3

The ULM Director of Internal Audit has developed and maintains a Quality Assurance and Improvement Program (QAIP) that covers all aspects of the internal audit function and continuously monitors its effectiveness. The program is designed to help the internal auditing activity add value, improve the University's operations, assess the efficiency and effectiveness of the internal audit function in meeting the needs of its stakeholders, identify opportunities for improvement, and enable an assessment of the internal audit function's conformance with the Global Internal Audit Standards. The program includes periodic internal assessments, ongoing internal monitoring, and external assessments of the performance of the internal audit function. Selected sections of the checklists contained in Appendices of the IIA Quality Assessment Manual or similar checklists are tailored and used to assist with ongoing monitoring, periodic internal self-assessments, and external assessments.

Ongoing Monitoring - Reference: IIA Global Standard 12.1 & 12.2

The Director of Internal Audit has established methodologies to guide the internal audit function in a systematic and disciplined manner to implement the internal audit strategy, develop the internal audit plan, perform internal assessments, measure the progress toward performance objectives, and evaluate conformance with the Standards. The Director is responsible for evaluating the effectiveness of the methodologies and update them as necessary to improve the internal audit function and respond to significant changes that affect the function.

Ongoing internal assessment or monitoring is conducted throughout the fiscal year and is an integral part of the day-to-day supervision, review, and measurement of the internal audit function. It is incorporated into the routine policies and practices used to manage the internal audit function. Ongoing monitoring ensures that audit policies and procedures are in conformance with the applicable planning, fieldwork, and reporting Standards. The main component of the ongoing monitoring consists of the Director of Internal Audit's supervision of all audit engagements during all stages of the audit, from planning to report preparation. The Director of Internal Audit does the following:

- Ensures that the internal audit staff assigned to the projects possess the requisite knowledge and skills and have no conflicts of interest. For each engagement, this is documented in the planning/preliminary survey memorandum (WP 4) and the Conflict of Interest and Ethics Certification which is signed by each member of the audit team (WP 4A).
- Establishes or approves the objectives, scope, and timing of the engagement. Communicates the objectives, scope, and timing of the engagement with management. Subsequent changes must be communicated with management timely.
- Prepares or approves the planning memorandum/preliminary survey/engagement risk assessment (WP 4) and the audit/engagement program (WP 6) for each engagement.
- Provide internal auditors with guidance throughout the engagement, verify work programs are complete, and confirm engagement workpapers adequately support findings, conclusions, and recommendations (WP 5).
- Assures quality, verify whether engagements are performed in conformance with the Standards and the internal audit function's methodologies (WP 5).
- Performs detailed reviews of the working papers completed by staff. Initials and dates the working papers indicating the date reviewed. Prepares review, supervision, and to do notes as considered necessary and includes them in the audit files (WP 5).
- Develops competencies, provide internal auditors with feedback about their performance and opportunities for improvement.

- Ensures that the approved audit/engagement program is properly carried out and the audit objectives are met (WP 6).
- Ensures the audit reports (WP 1) are accurate, objective, clear, concise, constructive, complete, and timely and are cross referenced to the supporting working papers.
- Monitors reasonableness of the time charged to the audit project. Generally the time budget is included as WP 5A.
- Provides opportunities for developing the knowledge and skills of internal audit staff.
 - Ensures that, upon completion of individual engagements, questionnaires/surveys (see examples on pages 27-29) are sent to auditee personnel to obtain feedback regarding the internal audit function's performance. These self-assessments can sometimes result in suggestions to make the Internal Audit Department more effective and responsive to management's needs.
 - Analyzes performance to improve the internal audit function's effectiveness and efficiency. The following tools are used to analyze performance to improve the internal audit function's effectiveness and efficiency.
 - Formal performance evaluations are conducted of department personnel annually, in accordance with the policies and procedures for the unclassified staff, which are posted on the HR website of the University and can be located at the following link: <http://www.ulm.edu/hr/unclassified-evs.html>. When the annual performance evaluations are conducted, the Performance Expectation Plans are compared with the employees' actual performance.
 - Unit Evaluations are completed annually and submitted to the ULM Office of Assessment and Evaluation. The evaluations align the Internal Audit Department's mission with the University's mission and contain goals, outcomes/objectives, measure(s), target(s), timeframes for evaluation, responsible persons, results and analysis, and an explanation of any changes made based on the results of the evaluation.
 - At each meeting of the ULM President's Administrative Council, the ULM Director of Internal Audit presents a schedule of audits completed, audits in progress, and audits pending follow-up.
 - At the end of each audit, along with the audit report, the ULM Director of Internal Audit submits a report summary to the UL System Chief Audit Executive and Chief Compliance Officer.
 - Prior to each meeting of the UL System Board of Supervisors, the ULM Director of Internal Audit submits a schedule of audits completed, audits in progress, and audits pending follow-up to the UL System Chief Audit Executive and Chief Compliance Officer. The UL System Chief Audit Executive and Chief Compliance Officer combines ULM's schedule with the schedules of all the other UL System Universities and presents the combined summary to the Audit Committee.

Periodic Internal Self-Assessments - Reference: IIA Global Standard 12.1 & 12.2

Periodically, the department conducts self-assessments to evaluate of the internal audit function's conformance with the IIA Global Internal Audit Standards and achievement of performance objectives. Ongoing monitoring differs slightly in that it focuses on the standards relevant to performing engagements. A periodic assessment is conducted every fiscal year.

When ULM internal audit function is unable to conform a requirement in the Standards, the chief audit executive must document and communicate a description of the circumstance, alternative actions taken, the impact of the actions, and the rationale in the internal quality assessment report.

If internal audit identifies any deficiencies in conforming to the Standards, or opportunities for improvement, the Director will document in the internal quality assessment report plans, along with an established timeline, to address those deficiencies and opportunities for improvement.

As part of the QAIP, the director has developed key performance indicators to evaluate the internal audit function's performance and should report these objectives to the UL System CAE and senior management at least annually. The performance metrics are as follows: a) percentage of annual planned engagements versus actual engagements completed, b) percentage of planned engagements completed within 5 months of audit initiation, c) percentage of recommendations implemented, and d) audit client satisfaction survey quantification. Internal Audit also considers implementing best practices including the use of graphics in reports, electronic archiving of audit reports, chief audit executive's attendance and participation in Administrative Council meetings, requests for input from management on the annual audit plan, the chief audit executive's annual submission of a risk based internal audit plan, work schedule, and staffing plan to the University President and the Audit Committee for review and approval, alignment of the mission of the internal audit department with the University's mission (Unit Evaluations), maintenance of a library of audit programs (z:/ drive, ACUA & COSAG), audit and follow-up working paper templates, use of a formal audit manual on the University's website, use of an internal auditing brochure on the University's website to educate clients, use of library of audit reports and reference material, summary reports to the System Chief Audit Executive and Chief Compliance Officer after each audit, summary reports to the System Chief Audit Executive and Chief Compliance Officer for each Audit Committee meeting, established employee annual performance targets, periodic self-assessments, having audit staff with suitable education and experience, having audit staff with applicable certifications (CPA, CIA, CFE, CISA, etc.), continuing professional development of employees, and use of a standardized working paper system.

Employees are aware that resolution of differences in professional judgment between the director and internal audit staff over significant issues relating to the audit assignment are to be documented in the working papers (WP 5). 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, including the Ethics Liaison, and, if necessary, the Board of Ethics.

Due to the small number of personnel in the ULM Internal Audit Department, limited resources, and turnover in personnel, the internal self-assessment program has been adapted to take into consideration the structure of the department and degree of involvement of the Director in individual audits.

External Assessments – Reference: IIA Global Standard 8.4

The Standards require that external assessments of the internal audit function must be performed at least once every five years by a qualified, independent assessor or assessment team. The external assessments will be in the form of either a full external assessment or a self-assessment with independent validation. When selecting the independent assessor or assessment team, the Director of Internal Audit will ensure that at least one person holds an active Certified Internal Auditor designation. The following will be discussed with University management and the board:

- The form and frequency of external assessment.
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

Reporting – Reference: IIA Global Standard 8.3 & 12.1

To demonstrate conformance with the Standards, the results of periodic internal and external assessments will be communicated to University management and the Audit Committee, through the System Chief Audit Executive and Chief Compliance Officer. Upon completion of external quality assessments and the results of the internal quality assessment will be communicated at least annually. The results will include the scope and frequency of the internal and external assessments, the qualifications and independence of the assessor(s) or assessment team (including any potential conflicts of interest), conclusions of assessors, and any corrective action plans along with timeline for action plan completion.

Use of Terminology: “Conforms with the Global Internal Audit Standards”

The internal audit function does currently indicate in final engagement communications that it conforms to the Global Internal Audit Standards since this statement is supported by the results of engagement supervision and quality assurance and improvement program. The results of the quality assurance and improvement program include the results of both internal and external assessments, which concluded that the internal audit function conforms with the Standards.

Example E-mail and Customer Survey

TO: (Name of Dept. Head of Audited Activity)
FROM: Fernando Cordova, CPA, CISA, CIA
Director of Internal Audit
SUBJECT: Auditee Survey

We recently completed an engagement in your area of responsibility (**title of the engagement**). To assist us in evaluating the effectiveness of the internal audit function at the University of Louisiana at Monroe, I would appreciate your completing the online [ULM Internal Audit Customer Satisfaction Survey](#). You can access it using your ULM username and password. If possible, please complete the survey by **(date)**.

Alternatively, you can also complete the attached survey form and send it to the Department of Internal Audit, ULM Library 524, or email the completed survey to me at fcordova@ulm.edu by **(date)**. Your response will help us maintain a high level of service and add value to the university's operations. An explanation for any “NO” answers would be appreciated.

Thank you for your constructive comments. If you have any questions or concerns regarding this survey, please telephone me at extension 1537.

Please respond directly to:

*Fernando J. Cordova, CPA, CISA, CIA
Director of Internal Audit
University of Louisiana at Monroe
700 University Avenue
University Library Room 524
Monroe, Louisiana 71209-2210
Telephone: (318) 342-1537*

Example Customer Survey

Area Reviewed: _____
 Report Issue Date: _____

<u>Evaluation Criteria</u>	<u>Yes</u>	<u>No (Please Explain)</u>	<u>Not Applicable</u>
1. The audit was conducted in a courteous and professional manner.	[]	[]	[]
2. The audit was conducted with as little inconvenience to you as possible.	[]	[]	[]
3. The audit objectives, timing, and process were clearly communicated.	[]	[]	[]
4. The auditor(s) had adequate knowledge of the area being audited and our operations/mission/procedures.	[]	[]	[]
5. My key staff members and I were adequately informed of the audit status, audit observations, and final results in a timely manner.	[]	[]	[]
6. The audit observations were accurate and clearly communicated in the draft report.	[]	[]	[]
7. You were offered the opportunity to provide explanations or responses to the audit observations.	[]	[]	[]
8. The audit recommendations were timely, relevant, constructive, and actionable.	[]	[]	[]
9. The final report accurately and clearly communicated the audit results.	[]	[]	[]
10. Overall, the audit provided value for your area of responsibility in achieving ULM's strategic goals and objectives as effectively and efficiently as possible.	[]	[]	[]

11. What aspect(s) of the audit were the most beneficial to you and your area of responsibility?

12. What specific changes can the ULM Department of Internal Audit make to better improve its audit process?

13. Additional Comments:

Strategic Plan - Reference: IIA Global Standard 9.1 & 9.2

The director must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organization and aligns with the expectations of the appropriate authorities, and other key stakeholders. The strategic plan should include long and short-term objectives. The plan must be provided to senior management and the UL System CAE for review. To develop an effective internal audit strategy and plan, the director must understand the organization's governance, risk management, and control processes. To understand governance processes, the director must consider how the organization:

- Establishes strategic objectives and makes strategic and operational decisions.
- Oversees risk management and control.
- Promotes an ethical culture.
- Delivers effective performance management and accountability.
- Structures its management and operating functions.
- Communicates risk and control information throughout the organization.
- Coordinates activities and communications among the board, internal and external providers of assurance services, and management.

Internal Audit Plan - Reference: IIA Global Standard 3.1, 8.2, 9.4, & 10.2

The Director of Internal Audit must develop a risk-based internal audit plan that supports the achievement of the organization's objectives and based on a documented assessment of the organization's strategies, objectives, and risks. The internal audit plan must:

- Consider the internal audit mandate and the full range of agreed-to internal audit services.
- Specify internal audit services that support the evaluation and improvement of the organization's governance, risk management, and control processes.
- Consider coverage of information technology governance, fraud risk, and the effectiveness of the organization's compliance and ethics programs.
- Identify the necessary human, financial, and technological resources necessary to complete the plan.
- Be dynamic and updated timely in response to changes in the organization's business, risks, operations, programs, systems, controls, and organizational culture.

Major factors to be considered in developing the plan include:

- Engagements required by laws or regulations;
- Engagements critical to the organization's mission or strategy;
- Input from management and the board;
- Advisory or ad hoc requests;
- The nature of a department and any related trends or events in higher education;
- Lack of prior audits or unresolved findings from prior audits;
- Potential for reputational risks or significant impacts from a service failure (e.g., complex operations, mission-critical operation, use of sensitive information, consequences of errors or omissions); and
- Recent changes in a department.

In addition to assurance services, potential advisory 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. Audits are selected based on the results of the risk assessment, recommendations from management, trends and recent events in higher education,

and available staff resources. The engagements must support the evaluation and improvement of the institution's governance, risk management, and control processes.

The University must strive to ensure that resources are appropriate, sufficient, and effectively deployed to achieve the approved internal audit plan. The Director of Internal Audit must communicate to the board the sufficiency of resources, or lack thereof, to fulfill the internal audit mandate and achieve the internal audit plan

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. Budgeted Hours for each project.
4. Objective of each audit project.
5. Type of Review (Internal Control, Financial, Compliance, etc.).
6. Risk Priority (High, Medium, and Low) and reason for the priority (For example: Requested by the President).

Special Projects & Management Requests Reference: IIA Global Standard 3.1, 8.2, 9.4, & 10.2

The department often performs engagements in addition to those specifically identified in the annual audit plan. These reviews, referred to as special projects, are usually initiated based on a request by management or the board. They can involve reviews of specific processes, providing advice or information about an activity of a proposed change, or agreed-upon procedures. Each year, the audit plan allocates a segment of hours to be used for the completion of special projects.

Before ULM Internal Audit accepts a project, the director reviews the nature of the project, the risk of not performing the review, the effect the review will have on the current year's work plan, and the available time remaining in the special project's budget. The director will notify leadership regarding whether or not the engagement can be performed.

In some cases, management requests an audit of an area or activity. In these cases, if the office agrees to perform the project, it will be added to the audit work plan as a routine audit rather than as a special project.

When the office adds a requested audit or special project to the work plan, it might be necessary to defer a previously scheduled work plan engagement so that hours can be allocated for the completion of the newly requested engagement. These changes in the annual audit plan will be reported to and approved by the board.

The approach to conducting special projects is similar to that used for a regular audit although it typically requires less time for completion and is less involved. The scope and objectives of the special project will be determined with management's input.

Some special projects consist of short-term consulting or advisory work and involve only a few meetings or discussions with management. These projects should be documented with a memo to the audit file that describes the subject of the request, the nature, and content of the discussions about the issue, and the result of the discussions. Any additional information needed to document the issue and its resolution should be retained in work papers, as necessary. These documents will be placed in a special project/advisory project file that is kept with other completed audit

projects by the fiscal year. If a final communication containing the special project outcome is requested, the results will be provided in a letter or memorandum format.

Communication and Approval – Reference: IIA Global Standard 3.1, 8.2, 9.4, 10.1, & 10.2

After the plan is prepared, the Director of Internal Audit obtains the University President's approval of the plan. The plan is then sent, with other Board related items, to the Audit Committee for approval and to the System Chief Audit Executive and Chief Compliance Officer for inclusion in the system-wide audit plan.

ULM Internal Audit continuously assesses risk, reevaluates risk priorities, and adjusts the plan as needed to accommodate new priorities. Significant interim changes, such as the addition or removal of an assurance engagement, could be made due to the following:

- Changes to risk priorities
- Management and/or board feedback
- Resource availability
- Technological changes
- Regulatory changes

The director should provide the proposed change, the reason for the change, and the impact of the change on the other projects on the internal audit plan with the institutional president and UL System CAE. The UL System CAE discusses these changes with the board. These changes are approved by the board during a board meeting.

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. In most cases, any unfinished audits are carried forward to the following years' audit plan.

The director develops and maintains a budget that enables the successful implementation of the internal audit strategy and achievement of the plan and should include the resources necessary for the department's operations, including training and the acquisition of technology and tools, in collaboration with management. Annually, the University's financial budget, including the budget for the internal audit department, is submitted to senior management and the Board of Supervisors for approval. Any significant interim changes are also submitted to senior management and the Board for approval. The budgeted and actual expenses are provided to the UL System CAE at the end of the fiscal year and to the board for their review.

If the director determines there is a lack of financial resources, the auditor should first discuss the lack of resources with management and the President to find a resolution. If the issue is unable to be resolved, the director should directly contact the UL System CAE to inform them of the lack of resources and its impact. After all relevant information has been provided, the director and UL System CAE will contact the Board to inform them of the lack of resources and its impact on the internal audit function at the institution.

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL

Section 5

Subject: Management of the Internal Audit Function

Example Annual Audit Plan

University of Louisiana at Monroe
 Audit Hours Available and Allocable
 Fiscal Year 20XX-20XX
 Audit Hours Available

Standard Hours Available (2,080 hrs./auditor) x 2 auditors		4,160
Less: Vacation Time (2 auditors X 120 hrs.)	(240)	
Sick Leave (2 auditors X 40 hrs.)	(80)	
Paid Holidays Per ULM Employee Holiday Schedule (2 auditors)	(246)	
University Closures Per ULM Employee Holiday Schedule (2 auditors)	(80)	(646)
Total Available Audit Hours		3,514
Allocation of Audit Hours: Projects		
1. Employee and Dependent Waivers		200
2. Cash Handling for Alumni Association Functions		240
3. Unclassified Employees' Personnel Actions		220
4. Student Technology Fees		240
5. GRAD Act Controls		200
6. Payroll – Salaries & Withholdings		300
7. Cash Handling - Cash Collection Centers		240
8. Disaster Recovery Planning		120
9. Follow-up on Single Audit University Findings		80
10. 1 st Follow-Up - Termination Payments to Classified Civil Service Employees		120
11. 2 nd Follow-Up – Parking Permits and Tickets		180
12. 1 st Follow-Up – Pharmacy Indirect Cost Fund Expenditures		140
13. 2 nd Follow-Up – Athletic Ticket Reconciliations		160
14. University Police Evidence Room		140
15. Special Projects (Unplanned Audits, Projects, Consulting)		360
16. Update Internal Audit Manual		60
17. Continuing Professional Education and Other Training		140
18. Supervision and Review		174
19. Annual Risk Assessment & Audit Plan, Administrative Council & SACS Subcommittee Meetings, General Administrative Duties		200
Total Hours Allocated		3,514

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL**Section 5****Subject: Management of the Internal Audit Function**

Example Annual Audit Plan (Continued)

UNIVERSITY OF LOUISIANA AT MONROE INTERNAL AUDIT PLAN FOR FISCAL YEAR 20XX-20XX
<p>1. PROJECT – EMPLOYEE AND DEPENDENT FEE WAIVERS Objective(s): To determine whether waivers granted comply with applicable policies and procedures. Type of Review: Internal Control and Compliance Risk: – 1 – High (ULM President’s Written Request & Carryover from Prior Plan) Budget Hours: 200</p>
<p>2. PROJECT – CASH HANDLING FOR ALUMNI ASSOCIATION FUNCTIONS Objective(s): To determine the adequacy of internal control over cash collections. Type of Review: Internal Control and Compliance Risk: – 1 – High (ULM President’s Request) Budget Hours: 240</p>
<p>3. PROJECT – UNCLASSIFIED EMPLOYEES’ PERSONNEL ACTIONS Objective(s) – Determine that employment actions for unclassified employees are in compliance with University of Louisiana System PPM FS.III.II.B,C,D-1, “Personnel Actions.” Type of Review – Internal Control and Compliance Risk: – 1 - High (Board Policy FS.III.II.B,C,D-1 & Interest of ULS VP for Business & Finance) Budget Hours – 220</p>
<p>4. PROJECT – STUDENT TECHNOLOGY FEE ACCOUNT Objective(s): To determine whether the University’s system of internal control ensures the fairness of presentation of the Statement of Changes in Fund Balance and compliance with Louisiana Revised Statute 17:3351.1, PPM number FB-IV.V.-1, the University’s technology plan, and applicable purchasing and property control regulations. Type of Review: Financial, Internal Control, and Compliance Risk: – 1 - High (Audit required by Board of Supervisors’ PPM FB-IV.V.-1) Budget Hours – 240</p>
<p>5. PROJECT – GRAD ACT CONTROLS Objective(s): To determine the adequacy of internal control over Grad Act data reported to the Board of Regents. Type of Review: Internal Control & Compliance Risk: – 1 – High (ULM Response to LLA Memo Regarding Non-Reported GRAD Act Issues dated 5-10-12 & VP for Academic Affairs verbal request). Budget Hours: 200</p>
<p>6. PROJECT – PAYROLL – SALARIES & WITHHOLDINGS Objective(s): To determine the adequacy of internal control over payroll (deferring payroll over 12 months for 9 month faculty and withholding the required and requested payroll deductions). Type of Review: Internal Control and Compliance Risk: – 1 – High (ULM President’s Request & Finding at Baton Rouge Community College) Budget Hours: 300</p>
<p>7. PROJECT – CASH HANDLING - CASH COLLECTION CENTERS Objective(s): To determine the adequacy of internal control over cash handling at selected locations and compliance with the University’s “Cash Handling Policy and Procedures”. Type of Review: Internal Control and Compliance Risk: – 1 – High (ULM President’s written request that we continue reviewing cash handling & recent frauds at various institutions) Budget Hours: 240</p>

ULM DEPARTMENT OF INTERNAL AUDIT – AUDIT MANUAL**Section 5****Subject: Management of the Internal Audit Function**

Example Annual Audit Plan (Continued)

UNIVERSITY OF LOUISIANA AT MONROE INTERNAL AUDIT PLAN FOR FISCAL YEAR 20XX-20XX
<p>8. PROJECT – DISASTER RECOVERY PLANNING Objective(s): To determine the adequacy of the University's disaster recovery & business continuity plan. Type of Review: Internal Control Risk: – 1 – High (Non-reportable finding in prior internal audit of Personnel Actions & questions asked by In-Charge Legislative Auditor). Budget Hours: 120</p>
<p>9. PROJECT - FOLLOW-UP ON SINGLE AUDIT UNIVERSITY FINDINGS Objective(s): To determine whether adequate controls are in place to prevent the Single Audit findings at other universities from occurring at ULM. Type of Review: Internal Control and Compliance Risk: – 1 – High (Ongoing interest of various administrators. Proactive approach to mitigate risks noted at other universities and a form of control self-assessment. Depending on the nature of the findings, there could be a potential for high financial, compliance, and public exposure risks). Budget Hours: 80</p>
<p>10. PROJECT – 1st FOLLOW-UP - TERMINATION PAYMENTS TO CLASSIFIED CIVIL SERVICE EMPLOYEES Objective(s): Follow up on the reportable observations noted in our audit to ensure that adequate corrective action has been implemented. Type of Review: Internal Control and Compliance Risk: – 1 – High (Follow-ups are required by the professional standards and ULS Audit Committee) Budget Hours: 120</p>
<p>11. PROJECT – 2nd FOLLOW-UP - PARKING PERMITS AND TICKETS Objective(s): Follow up to ensure that adequate actions have been implemented to correct reportable observations noted in our first follow-up. Type of Review: Internal Control and Compliance Risk: – 1 – High (Follow-ups are required by the professional standards and ULS Audit Committee) Budget Hours: 180</p>
<p>12. PROJECT – 1st FOLLOW-UP – PHARMACY INDIRECT COST FUND EXPENDITURES Objective(s): Follow up on the reportable observations noted in our audit to ensure that adequate corrective action has been implemented. Type of Review: Internal Control and Compliance Risk: – 1 – High (Follow-ups are required by the professional standards and ULS Audit Committee) Budget Hours: 140</p>
<p>13. PROJECT – 2nd FOLLOW-UP - ATHLETIC TICKET RECONCILIATIONS Objective(s): Follow up to ensure that adequate actions have been implemented to correct reportable observations noted in by ULS Director of Internal & External Audits in his 1st follow-up. Type of Review: Internal Control and Compliance Risk: – 1 – High (Follow-ups are required by the professional standards and ULS Audit Committee) Budget Hours: 160</p>
<p>14. PROJECT – UNIVERSITY POLICE EVIDENCE ROOM Objective(s): – To determine the adequacy of controls over evidence stored in UPD evidence room. Type of Review: Internal Control and Compliance Risk: – 2 – Moderate (Evidence is Susceptible to Theft, UPD Management Has Changed, and Potential for Negative Impact on the University's image) Budget Hours: 140</p>

Example Annual Audit Plan (Concluded)

UNIVERSITY OF LOUISIANA AT MONROE INTERNAL AUDIT PLAN FOR FISCAL YEAR 20XX-20XX	
15. PROJECT – SPECIAL PROJECTS (UNPLANNED AUDITS, PROJECTS, ADVISORY)	Objective(s): Complete special projects during the year at the request of the ULS Office, University President, VP's or others. Conduct research and provide assistance on internal control and compliance issues. Investigate complaints and reports of thefts, fraud, etc. Type of Review: Depends upon the nature of request. Risk: – 1 to 3 – High to Low - Depends upon the nature of request. Budget Hours: 360
16. PROJECT – UPDATE INTERNAL AUDIT MANUAL	Objective(s): To update manual for changes in standards, policies, and procedures. Type of Review: N/A Risk: – 1 – High (Upcoming SACS 5 year review & questions by LLA financial auditor) Budget Hours: 60
17. PROJECT - CPE & OTHER TRAINING	Objective(s): Obtain continuing professional education required for Internal Audit Director to maintain professional licenses (CPA & CFE) and for Director and Staff to maintain auditing proficiency. Type of Review: N/A Risk: – 1 - High (Required for licensing by the State Board of CPA's and Association of Certified Fraud Examiners) Budget Hours: 140
18. PROJECT – SUPERVISION & REVIEW	Objective(s): Review working papers/audit documentation and provide supervision of audit staff. Type of Review: N/A Risk: – 1 - High (Required by professional standards) Budget Hours: 174
19. PROJECT – ANNUAL RISK ASSESSMENT & AUDIT PLAN, MEETINGS, AND GENERAL ADMINISTRATION	Objective(s): Prepare the annual risk assessment and audit plan; attend various meetings of the Administrative Council, SACS Subcommittee, and University President; and perform general administrative duties. Type of Review: N/A Risk: 1 to 3 - High to Low - Depends upon the nature of the item. Budget Hours: 200

Policies and Procedures

Internal audit policies and procedures have been formalized in the ULM 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 and uncomplicated structure of the department, management is more informal than in a larger audit department. The Director of Internal Audit reviews the ULM Internal Audit Manual at least annually, updates it as necessary, and submits the manual to the University Policy Coordinator for their approval and posting to the ULM Policies and Procedures website.

Coordination and Reliance - Reference: IIA Global Standard 3.1 & 9.5

The chief audit executive must coordinate with internal and external providers of assurance services and consider relying upon their work. Coordination of services minimizes duplication of efforts, highlights gaps in coverage of key risks, and enhances the overall value added by providers. Before relying on the work of others, the Director evaluates and documents the providers' roles, responsibilities, organizational independence, competency, and objectivity, as well as the due professional care applied to their work. The Director should also understand the scope, objectives, and results of the work performed. As a part of their audit of the University of Louisiana System's (System) financial statements and the Single Audit of the State of Louisiana, the Louisiana Legislative Auditor of the State of Louisiana (external auditor) performs procedures at ULM to provide assurances on financial information that is significant to the System's financial statements, evaluate the effectiveness of ULM's internal controls over financial reporting and compliance, and determine whether ULM complied with applicable laws and regulations. In contrast, ULM Internal Audit is concerned with a comprehensive program of audits, which places emphasis on risk management, control, governance processes, and efficient profitable operations. Coordination of Internal Audit's activities with the Louisiana Legislative Auditor principally involves collaborating with each other to ensure: (1) maximum audit coverage is obtained; (2) there is an exchange of information, and (3) there is minimal duplication of effort and expense on routine phases of audit work. Upon final issuance, the Director of Internal Audit electronically provides ULM's internal audit reports to the Louisiana Legislative Auditor. When performing the external audit, members of the staff of the Louisiana Legislative Auditor periodically review the working papers of the Department of Internal Audit to verify our qualifications and determine whether or not they can rely on our work. The external auditors are allowed unrestricted access to the Internal Audit Department's audit programs, working papers, and reports.

When the internal audit function relies on the work of other assurance service providers, the director is still responsible for the conclusions reached by the provider and accountable for ensuring the conclusions are supported by adequate information.

The department should obtain all external reports and provide the UL System CAE with all external reports upon receipt. If the department is unable to achieve an appropriate level of coordination with the external provider, the office must raise concerns with senior management and the board, if necessary.

The Internal Audit Department and the external auditors periodically discuss matters of mutual interest. The Department of Internal Audit routinely follows up on the findings contained in the audit reports of the Louisiana Legislative Auditor. When requested, the Louisiana Legislative Auditor may allow the Internal Audit Department access to some of their working papers.

The Department of Internal Audit and the external auditors discuss significant control weaknesses, errors and irregularities, illegal acts, disagreements with management, and any difficulties encountered in performing the audit. If time is available, the Internal Audit department may agree to perform work for external auditors in connection with their annual audit of the financial statements (for example, observations of physical inventory counts).

Reporting to the Board and ULM Management – Reference: IIA Global Standard 8.1 & 11.1

The ULM Internal Audit function strives to maintain positive working relationships with management through formal and informal communication. The auditors should have a minimum

of one meeting every quarter with the ULM presidents and senior management to report audits in progress, audits completed, and audits awaiting follow-up. All internal audit reports and executive summaries containing results of internal audit services, including conclusions, themes, assurance, advice, insights, and monitoring results are electronically submitted to University management and the System Chief Audit Executive and Chief Compliance Officer.

The UL System CAE provides the Board with a Communication Matrix that documents the required communication to the Board and the timeframe for the communication. The System Chief Audit Executive routinely submits summaries of the reports to the UL System Audit Committee and the System President. In addition, the System Chief Audit Executive routinely submits reports on the status of the internal audit plans to those individuals.

There may be instances when the auditor must communicate directly with the UL System CAE, the UL System Audit Committee Chair, or the board concerning matters such as, but not limited to:

- Impairments to independence and/or objectivity
- Disagreements with senior management or other stakeholders on the scope, findings, or other aspects of an engagement that may affect the ability of the internal audit function to execute its responsibilities.
- Management's acceptance of significance or unacceptable risk.
- Resource limitations

Communications Regarding Disagreements with Management:

The director should first discuss the disagreement with management and the President to find a resolution. If the issue is unable to be resolved, the Director of Internal Audit should directly contact the UL System CAE, describe the disagreement with management, and provide documentation of the discussions with management.

After all relevant information has been given, the Director of Internal Audit and UL System CAE would call/contact the Audit Committee Chair to inform them of the facts and circumstances concerning each matter.

If the UL System Audit Committee Chair decides that this matter should be communicated to the full Board/Audit Committee, the Director of Internal Audit must provide the Board with the facts and circumstances to allow the committee to consider whether, in its oversight role, it should intervene with management and other stakeholders.

If such a matter involves a disagreement between the Director of Internal Audit and UL System CAE, or if there is an impairment of independence and/or objectivity caused by the UL System CAE, the institution's Director of Internal Audit should contact the Audit Committee Chair directly and provide them with the information requested above concerning each matter.

Communication of Deficiencies in Internal Control

The auditor may identify deficiencies in internal control during the risk assessment process, various stages of engagements, or various situations. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to achieve their objectives in a timely basis.

For some matters, early communication to management and the board may be important due to their relative significance and the urgency for corrective follow-up action. Accordingly, these should be communicated to ULM management and the board through the UL System CAE through written interim communication. The communication should identify the matters that are considered to be significant and the risks associated with them. For other matters, communication with management and the board may be disclosed during the final audit report.

Scope Limitations – Reference: IIA Global Standard 2.2, 2.3, 7.1, & 9.4

The internal audit function must be free from interference in determining the scope of audit work, performing work, and communicating results. The department must communicate scope limitations to the ULM President. In the event the scope limitation continues after informing the University President, the office should inform the UL System CAE of the scope limitation and its impact. The UL System CAE will then communicate the scope limitation and its impact on the engagement to the board. This includes, but is not limited to a State of Louisiana agency employee, ULM employee, or external parties: hindering the identification of the audit universe or the development of a risk-based audit plan, overruling or modifying audit reports, limiting access to records and/or employees, and willfully make false, misleading, or unfounded statements for the purpose of interfering with the performance of any audit.

Nature of Work

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the University's strategic objectives are appropriately identified and managed.
- The actions of the University's officers, directors, management, employees, and contractors comply with ULM's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the University.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

The University's internal audit function includes the following general performance 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.
- 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 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.
- Conducting investigations as required or directed related to the general objectives previously stated.
- Evaluating the management process of planning, organizing, and directing to determine whether reasonable assurance exists that objectives and goals will be achieved.

Risk Management

The University's risk management process is relatively informal. The internal audit function 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 internal audit function in relation to the University's risk management process is documented in the internal audit charter. The internal audit function 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 advisory 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 advisory engagements may be incorporated into the process of identifying and evaluating significant risk exposures.

Internal Control

The internal audit function 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 internal audit function 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.

During advisory 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 advisory engagements is to be incorporated into the process of identifying and evaluating significant risk exposures of the University.

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.

These audits are conducted to evaluate the quality of the controls and safeguards over the University's assets, the effective use of IT resources, adherence to University policies, and to encourage the design and implementation of adequate controls over computer applications and the computing environments in which they are used.

These overall objectives are designed to:

- Evaluate the adequacy of IT operations, policies, procedures, and controls; promoting operational efficiency and effective controls at a reasonable cost considering the risks involved.
- Determine the extent the University's IT assets and data are accounted for and safeguarded from losses.
- Provide management with recommendations for operating improvements identified during the course of these audits.
- Promote the development of IT management accountability and self-review concepts throughout the University.

The director must regularly evaluate the technology used by the internal audit function and pursue opportunities to improve effectiveness and efficiency. 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. When implementing new technology, internal auditors should be training in the effective use of the technological resource. The director must collaborate with the organization's information technology and information security functions to implement technological resources properly. If the internal audit staff lacks the knowledge, skills, or other competencies needed to perform information technology tests the director obtains competent advice and assistance. Information technology personnel in the computing center are often used to extract data through use of Argos, ePrint, and other programs and reports.

The director must communicate the impact of technology limitations on the effectiveness or efficiency of the internal audit function to the President to find a resolution. If the issue is unable to be resolved, the director should directly contact the UL System CAE to inform them of the lack of resources and its impact. After all relevant information has been provided, the director and UL System CAE will contact the Board to inform them of the lack of resources and its impact on the internal audit function.

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 an advisory role to assist the University in identifying, evaluating, and implementing risk management methodologies and controls. The University has an informal risk management program 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 determine if the plan has been updated, tested, and ensure that senior management is aware of the state of disaster preparedness and ready to deal with business interruptions.

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, Regulations, and Governance Standards

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.

Effectiveness and Efficiency of Operations and Programs

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 standards 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.

Planning the Engagement - Reference: IIA Global Standard Principle 13

The department plans each engagement using a systematic, disciplined approach. Engagement planning starts with understanding the initial expectations for the engagement and the reason the engagement was included in the internal audit plan. In planning the audit, the internal audit staff must consider:

- The nature and complexity of the engagement.
- The time frame within which the engagement must be completed.
- The objectives of the activity being reviewed and the means by which the activity controls its performance.
- The significant risks to the activity and operations/means by which the potential impact of risk is kept to an acceptable level.
- Whether the available financial, human, and technological resources are appropriate and sufficient to achieve the engagement objectives.
- The adequacy and effectiveness of the activity's governance, risk management, and control processes compared to a relevant framework or model.
- The opportunities for making significant improvements to the activity's governance, risk management, and control processes.

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

Objectives and Scope of Work – Reference: IIA Global Standard 2.1, 7.1, 13.3 & 13.4

Based on discussions with the Audit Committee or management, and the auditors' perception of the work needed, the internal audit function 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. Internal auditors must communicate the objectives, scope, and timing of the engagement with management.

Adequate criteria are needed to evaluate governance, risk management, and controls. Internal auditors must ascertain the extent to which management and/or the board has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must identify appropriate evaluation criteria through discussion with management and/or the Board. The objectives and scope must be approved by the director. Examples of adequate criteria include:

- Internal (policies, procedures, key performance indicators, or targets for the activity).
- External (laws, regulations, and contractual obligations)
- Authoritative practices (frameworks, standards, guidance, and benchmarks specific to an industry, activity, or profession).
- Established organizational practices.
- Expectations based on the design of a control.
- Procedures that may not be fully documented.

Objectives of advisory engagements will be agreed upon with those requesting the engagement. If an advisory engagement or an engagement for parties outside the organization is planned, the internal audit function 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 advisory 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 advisory engagement, any reservations about the scope shall be discussed with the client to determine whether to continue with the engagement.

Entrance Conference/Audit Notification - Reference: IIA Global Standard 13.1

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 of management.

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

Preliminary Survey/Engagement Risk Assessment - Reference: IIA Global Standard 13.2

Every audit will include a preliminary survey to gather information on the activity being examined and assess existing risks, key controls, preliminary testing approach, and testing objectives. 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-through" (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.

When planning engagements, auditors gather information that enables them to understand the organization and the activity under review and to assess the risks relevant to the activity. For advisory services, a formal, documented risk assessment may not be necessary, depending on the agreement with relevant stakeholders. This is accomplished through identifying and gathering reliable, relevant, and sufficient information regarding:

- The organization’s strategies, objectives, and risks relevant to the activity under review,
- The organization’s risk tolerance, if established,
- The risk assessment supporting the internal audit plan,
- The governance, risk management, and control processes of the activity under review, and
- Applicable frameworks, guidance, and other criteria that can be used to evaluate the effectiveness of those processes.

Next, the auditor creates an engagement risk assessment, such as a risk and control matrix. The risk of fraud should be considered. The engagement risk assessment allows auditors to identify and prioritize the risks to determine the engagement objectives and scope. The auditors may conduct brainstorming sessions to identify significant risks and controls related to the area under review. During such sessions, the following questions may be asked:

- What would prevent the activity from achieving its business objectives?
- How would the activity be affected if no controls exist?

Staffing/Engagement Resources - Reference: IIA Global Standard 13.5

As much as feasible, staffing is based on an evaluation of the nature and complexity of each engagement, time constraints, and available personnel. 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 - Reference: IIA Global Standard 13.6

The engagement work program must be based on the information obtained during engagement planning, including, when applicable, the results of the engagement risk assessment. 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 in order to achieve the engagement objectives.

Work programs may vary in form and content depending upon the nature of the engagement. The engagement work program must identify:

- Criteria to be used to evaluate each objective.
- Tasks to achieve the engagement objectives.
- Methodologies and tools to perform the tasks.
- Internal auditors assigned to perform the tasks.

If additional analyses are required, the work program must be adjusted accordingly and approved by the chief audit executive. The Director of Internal Audit must approve the work program prior to implementation and promptly upon amendment. To implement the engagement work program, internal auditors gather information and perform analyses and evaluations to produce evidence. These steps enable internal auditors to:

- Provide assurance and identify potential findings.
- Determine the causes, effects, and significance of the findings.

Section 7

Subject: Engagement Planning

- Develop recommendations and/or collaborate with management to develop action plans.
- Develop conclusions.

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.

Examining & Evaluating Information – Reference: IIA Global Standard 14.1

To perform analyses and evaluations, internal auditors must gather information that is:

- *Relevant* – consistent with engagement objectives, within the scope of the engagement, and contributes to the development of engagement results.
- *Reliable* – factual and current. Reliability is strengthened when the information is:
 - Obtained directly by an internal auditor or from an independent source.
 - Corroborated.
 - Gathered from a system with effective governance, risk management, and control processes.
- *Sufficient* – when it enables internal auditors to perform analyses and complete evaluations and can enable a prudent, informed, and competent person to repeat the engagement work program and reach the same conclusions as the internal auditor.

Internal auditors must evaluate whether the information is relevant and reliable and whether it is sufficient such that analyses provide a reasonable basis upon which to formulate potential engagement findings and conclusions.

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.

Fieldwork – Reference: IIA Global Standard 4.3

Fieldwork is the process of gathering information to complete each step in the approved engagement work program. ULM Internal Audit focuses on the information that is relevant to the engagement objectives and within the engagement scope. In applying professional skepticism, we critically assess whether the information is factual, current, and obtained directly (such as by observation) or from a source independent of those responsible for an activity under review. Evidence obtained during the course of the audit provides the documented basis for the auditor's opinions, observations, and recommendations as expressed in the audit report. To exercise professional skepticism, internal auditors must:

- Maintain an attitude that includes inquisitiveness.
- Critically assess the reliability of information.
- Be straightforward and honest when raising concerns and asking questions about inconsistent information.
- Seek additional evidence to make a judgment about information and statements that might be incomplete, inconsistent, false, or misleading.

Throughout fieldwork, professional judgment should be used to (a) determine whether evidence gathered is sufficient, relevant, and reliable to conclude on the established objectives; and (b) based on the information available, reassess the audit objectives, scope, and procedures to ensure efficient use of audit resources (e.g., should the remaining audit steps be eliminated, should the objective or scope be modified, have more efficient procedures been identified, or should additional hours be allocated to achieve an expanded audit objective).

Fieldwork includes:

- Interviewing or surveying individuals involved in the activity.
- Directly observing a process, also known as performing a walk-through.

- Obtaining confirmation or verification of information from an individual who is independent of the activity under review.
- Directly accessing organizational systems to observe or extract data.
- Working with system users and administrators to obtain data.
- Evaluating and concluding on the adequacy (effectiveness and efficiency) of internal controls, through compliance and substantive testing.
- Determining if appropriate action has been taken in regard to significant audit observations and corrective actions reported in prior audits.

Audit sampling is performing an audit test on less than 100 percent of a population. In 'sampling' the auditor accepts the risk that some or all errors will not be found and the conclusions drawn (i.e. all transactions were proper and accurate) may be wrong. The type of sampling used and the number of items selected should be based on the auditors understanding of the relative risks and exposures of the areas audited and include the following:

- Statistical or probability sampling - allows the auditor to stipulate, with a given level of confidence, the condition of a large population by reviewing only a percentage of the total items. Several sampling techniques are available to the auditor.
- Attribute sampling - is used when the auditor has identified the expected frequency or occurrence of an event.
- Variables sampling - is used when the auditor samples for values in a population which vary from item to item.
- Judgment sampling - is used when it is not essential to have a precise determination of the probable condition of the universe, or where it is not possible, practical, or necessary to use statistical sampling.

In general, all audit work performed should be documented. Each audit procedure should be supported by work papers (schedules, memos, spreadsheets) on which testing performed and results achieved are documented. The Department of Internal Audit generally uses non-statistical attribute sampling.

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 information to the Director of Internal Audit 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. Relevant information should be documented in the working papers to support the conclusions and engagement results or discontinuance of an engagement. The analyses, evaluations, and supporting information

relevant to an engagement must be documented such that an informed, prudent internal auditor, or similarly informed and competent person, could repeat the work and derive the same engagement results.

Engagement documentation must be reviewed for accuracy, relevance, and completeness. The director must review and approve the engagement documentation. 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
- 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 finding form 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 tic marks, the first page of a set of papers should also contain a legend explaining the tic 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.

Permanent Files

Permanent files are not always used. In many cases, the information below may be included in the general working paper file. If used, 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:

- 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.

Indexing and Referencing

At a minimum, all working papers prepared on each assignment should be indexed, and include a table of contents listing working paper titles and index numbers. Working papers indexed as permanent file working papers will be retained for future use. The first working paper in each file will be an index for the remaining working papers. This method of indexing is to be used as a guide and strict adherence to this method of indexing is not required and every engagement is not expected to have all of these working papers.

WP #	General File
1	Final Internal Audit Report
1A	Draft Internal Auditor's Report
2	Exit Conference & Findings
3	Entrance Conference/Audit Notification Memo
4	Preliminary Survey/Planning Memo/Engagement Risk Assessment
4A	Ethics and Conflict of Interest Certifications
5	Review & Supervision Notes
5A	Time Budget
6	Audit Program
7 - 10	Evidence working papers
11	Correspondence
12	Organizational chart
13	Fraud Letter
14	Annual Audit Plan
15	Applicable Statutes and Regulations
16	Applicable University Policies & Narratives

The Director of Internal Audit controls access to engagement records, which are classified as public, to the extent allowed by applicable laws and regulations (e.g., Public Records Law). Internal audit records are confidential except as otherwise provided in this section or upon

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Section 8

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subpoena issued by a duly authorized court. Approval of senior management and/or general counsel will be obtained prior to releasing such records to external parties. Retention requirements for engagement records have been developed and these retention requirements are consistent with the University’s guidelines and pertinent regulatory requirements (Louisiana Revised Statutes Title 44-36: “All persons and public bodies having custody or control of any public record, other than conveyance, probate, mortgage, or other permanent records required by existing law to be kept for all time, shall exercise diligence and care in preserving the public record for the period or periods of time specified for such public records in formal records retention schedules developed and approved by the state archivist and director of the division of archives, records management, and history of the Department of State. However, in all instances in which a formal retention schedule has not been executed, such public records shall be preserved and maintained for a period of at least three years from the date on which the public record was made. However, where copies of an original record exist, the original alone shall be kept; when only duplicate copies of a record exist, only one copy of the duplicate copies shall be required to be kept. Where an appropriate form of the micro photographic process has been utilized to record, file, and otherwise preserve such public records with microforms produced in compliance with the provisions of R.S. 44:415, the microforms shall be deemed originals in themselves, as provided by R.S. 44:39(B), and disposition of original documents which have been micro photographically preserved and of duplicates and other copies thereof shall proceed as provided in R.S. 44:411.”)

The Louisiana Legislative Auditor is allowed access to working papers upon request in accordance with state law.

Please refer to the next page of this audit manual for a copy of the formal records retention schedule for the University of Louisiana at Monroe – Department of Internal Audit developed and approved by the state archivist and director of the division of archives, records management, and history of the Department of State. **Reference – IIA Global Standard 5.1 & 5.2**

Department of Internal Audit - Records Retention Schedule

Records Retention Schedule				SSARC-932 (09/20)					
Louisiana State Archives—Records Management Louisiana Secretary of State Post Office Box 94125, Baton Rouge, LA 70804 rccmgf@sos.la.gov						Page 4 of 97			
Agency No	Agency / Division / Section					Indicate Use of Form <input type="checkbox"/> ORIGINAL SUBMISSION <input checked="" type="checkbox"/> RENEWAL <input type="checkbox"/> REPLACEMENT PAGE <input type="checkbox"/> ADDENDUM PAGE			
066.000	University of Louisiana Monroe / Office of the President / Internal Audit					Remarks			
Item Number	Records Series Title	Retention Period			Security	Archival	State Records Center	Vital	
		In Office	In Storage	Total Retention					
1	Internal Audit Working Papers	ACT + 3 FY	PERM	PERM	M	R	N	V	ACT = until end of FY in which created or received.
2	Legislative Auditor/Internal Audit	ACT + 10 FY	PERM	PERM	M	R	N	V	ACT = Until end of FY in which matter is closed.
Permitted Retention Period Abbreviations		Security Status Codes			State Records Center Use		Agency Abbreviations		
ACT – Active Period (when used define term in remarks column) FY- Fiscal Year (July 1- June 30) CY – Calendar Year (Jan 1 – Dec 31) AY – Academic Year (Aug 1 – July 31) FFY – Federal Fiscal Year (Oct 1 – Sept 30) MO – Months WK – Week (Mon-Sun) DY – Day(s) PERM – Permanent (Life of State) LOA – Life of Agency NOTE: Please put an asterisk (*) in the Remarks section for any record series that contains born-digital or imaged records. Include brief description of the technology. (Ex. Scanned to OnBase).		P – Public Record M – May Contain Confidential Information C – Confidential Information Archival Processing Codes A – Transfer to State Archives R – Retain in Agency Archives S – Review by State Archives O – Other (Specify in Remarks)			Y – Yes N - No Vital Record Identification Code V = Vital I = Important U = Useful				
Heather R. Pilcher Agency Approval		1/10/2024 Date Signed		 Secretary of State, State Archives & Records Services		JAN 22 2024 Date Approved			

Engagement Supervision – Reference: IIA Global Standard 12.3

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. The extent of supervision required depends on the maturity of the internal audit program, the proficiency and experience of internal auditor, and the complexity of engagements. 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. The review notes are normally included in the working papers as WP 5.

Communicating & Disseminating Engagement Results – Reference: Standard 11.2, 11.3, 11.4, & 13.1

At the completion of each project, the Director of Internal Audit will issue a written report or memorandum, addressed to the University President, to communicate the engagement's results. The Director of Internal Audit is responsible for reviewing and approving the final engagement communication before issuance and for deciding to whom and how it will be disseminated. If the chief audit executive delegates these duties, he/she retains overall responsibility. The results of internal audit services can include:

- Engagement conclusions.
- Themes such as effective practices or root causes.
- Conclusions at the level of the business unit or organization

The director has established methodologies to prepare communications that are accurate, objective, clear, concise, constructive, timely, and complete. A final communication must be developed for each engagement and it must include the engagement's objectives, scope, recommendations and/or action plans if applicable, and conclusions. 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. An explanation of scope limitations, if any
7. Noteworthy accomplishments (If applicable-When appropriate, satisfactory performance will also be communicated in the report.)
8. Overall opinion, results, or conclusions regarding the effectiveness of the governance risk management, and control processes of the activity reviewed.
9. Specific observations (findings), their significance and prioritization (ratings/ranking), related recommendations
10. General section: Acknowledge appreciation and includes limitations on use of the results
11. Responses and corrective action plans, including the individuals responsible for addressing the findings and the planned date by which the actions should be completed.
12. Corrective actions initiated or completed to address a finding(s) before the final communication is issued

When issuing the engagement conclusion, it will take into account the strategies, objectives, and risks of the organization and the expectations of senior management, the board, and other stakeholders. The overall opinion will be supported by sufficient, reliable, relevant, and useful information. When communicating such a conclusion to the board or senior management, the chief audit executive must include.

- A summary of the request.
- The criteria used as a basis for the conclusion, for example a governance framework or risk and control framework.
- The scope, including limitations and the time period to which the conclusion pertains.
- A summary of the information that supports the conclusion.
- A disclosure of reliance on the work of other assurance providers, if any.

A statement that the engagement is conducted in conformance with the Global Internal Audit Standards should be included in the final engagement communication. Indicating that the internal audit engagement conformed to the Standards is appropriate only if supported by the results of engagement supervision and the quality assurance and improvement program.

If the engagement is not conducted in conformance with the Standards, the final engagement communication must disclose the following details about the nonconformance:

- Standard(s) with which conformance was not achieved.
- Reason(s) for nonconformance.
- Impact of nonconformance on the engagement findings and conclusions.

Each potential engagement finding must be evaluated to determine its significance. To determine the significance of the risk, the likelihood of the risk occurring and the impact the risk may have on the organization's governance, risk management, or control processes must be considered. If the organization is exposed to a significant risk, it must be documented and communicated as a finding. Findings (observations) and recommendations must be prioritized in the report based on significance and ranks each finding based on the risk that it poses, as illustrated below:

Risk Priority Legend:

High Risk Priority -

Medium Risk Priority -

Low Risk Priority -



Internal auditors must determine whether to develop recommendations, request action plans, or collaborate with management to agree on actions to:

- Resolve the differences between the established criteria and the existing condition.
- Mitigate identified risks to an acceptable level.
- Address the root cause of the finding.
- Enhance or improve the activity under review.

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.

Prior to issuing the draft 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.

The auditor provides management with the draft communication prior to the exit conferences in order to ensure the facts and findings have been clearly stated and provides an opportunity for management to correct any errors prior to the issuance of the final communication.

Although an exit conference is encouraged, it is not a requirement depending on the nature of each engagement. An exit conference typically consists of formal meeting with management to present the draft of the audit report and discuss the observations, recommendations, management's action plans, and timing of and owner responsible for implementing action plans in detail. This meeting provides an opportunity for management and the auditee to discuss any differences or disagreements about the engagement results. In instances when management disagrees with the observation or engagement results, attempts should be made to reach a mutual understanding. If a mutual understanding cannot be reached, internal audit is not obligated to change any portion of the engagement results unless there is a valid reason to do so. The internal audit function may include an additional comment to clarify or add additional information. ULM Internal Audit should provide the additional comment(s) to management for review.

A copy of the final communication, 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 and the Louisiana Legislative Auditor. The final communication must specify the individuals responsible for addressing the findings and the planned date by which the actions should be completed. These parties can ensure that the results are given due consideration. If corrective action is initiated or completed before the final communication, the actions must be acknowledged in the communication.

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

If the final communication contains a potentially significant error or omission, the director must determine the significance of it. To determine significance, the auditor should consider the following:

- Would the error or omission change the results of the engagement?
- Would the error or omission change someone's mind about the severity of the finding?
- Would the error or omission change a conclusion?
- Would the error or omission change an opinion?
- Would the error or omission change a recommended action?

If the answer to any of the above is yes, the auditor may consider the error or omission significant. The cause of the error or omission should be discovered to prevent a recurrence from occurring in the future and determine whether the cause needs to be included in communication to management and the board. The UL System CAE and Director of Internal Audit must provide a written memo stating the significance and cause of the errors or omissions, along with the original and final communication documents to all parties who received the original communication., the Director of Internal Audit will communicate corrected information promptly to all parties who received the original communication. Significance is determined according to criteria agreed upon with the board.

Fact Finding Form Description

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:

- Issue/Condition:

The problem that the internal auditor found in the course of the review (what does exist/what is wrong).

- Criteria:

The standards, measures, or expectations used in making an evaluation and/or verification (what should exist or what is required).

- Cause:

The reason for the difference between the expected and actual conditions.

- Effect:

The risk or exposure encountered because of the condition.

- Recommendation:

The actions which the auditor feels would correct the problem areas and to improve operations.

Example Fact Finding (Observation) Form

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

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

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

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

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

CAUSE (What caused the Condition to occur):

EFFECT (What is the result of the Condition)

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

MANAGEMENT'S PLAN TO CORRECT THE FINDING (Attach as necessary):

For Auditor's Use:

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

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.

Monitoring Progress – Reference: IIA Global Standard 11.5 & 15.2

A system has been established and is maintained to monitor the disposition of engagement results communicated to management. In accordance with the Standards and as requested by the Audit Committee of the Board, the Department of Internal Audit follows up on reported findings. The director maintains a summary of the observation status with the date to begin follow-up procedures and date for expected implementation of corrective actions. Internal Audit attempts to follow-up within twelve months after an internal audit report is issued. However, various factors can affect the actual follow-up date. On a case-by-case basis, the auditor may extend the timeline for implementation. This should be communicated to the UL System CAE.

The purpose of the follow-up is to determine whether (1) management has implemented internal auditors' recommendations or management's action plans or (2) senior management has assumed the risk of not taking corrective action on the reported findings.

The follow-up process is summarized as follows. Working papers and engagement programs generated for follow-ups are generally not as extensive as those for a full-scope audit project.

1. Internal audit personnel obtain a copy of the original internal audit report and become familiar with the findings, recommendations, and planned corrective actions.
2. Internal audit personnel prepare an email or a memorandum notifying responsible parties and senior management that a follow-up is being performed. The memorandum/email generally includes:
 - a. A copy of the original audit report including the findings, recommendations, and responses/planned corrective actions.
 - b. A summary of the findings, recommendations, and/or responses.
 - c. A date by which a response is required.
 - d. A request that responsible parties indicate what corrective actions have been implemented for each finding.
3. When the response is received, internal audit personnel evaluate the reasonableness of the implemented corrective actions and determine which of the responses need to be tested and the required level of testing.
4. These procedures include performing appropriate verification such as testing, discussion, and evaluation. 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.
5. Internal Audit will update the status of management's actions as part of the tracking system.
6. Internal Audit personnel determine if the corrective actions are adequate and whether another follow-up will be necessary.
7. Internal Audit may perform a follow-up assessment, more limited in scope, using a risk-based approach.

Internal Audit classifies the previously reported findings (observations) based on management's initial responses:

- **Implemented** - The auditor begins follow-up procedures.

- **Open/Not Implemented** – The auditor obtains an explanation as to why the corrective action has not been implemented. The auditor follows up every six months to request the status of the observation(s). After two years of following up on observations, the auditor follows the procedures below based on the level of risk.
- **Withdrawn** - The auditor performs procedures to ensure the risk no longer exists due to changes in the department's process.

If the original recommendation and/or corrective action has been partially implemented to an acceptable level, the recommendation should be considered closed as implemented and documentation should be retained regarding the portion not implemented at the time of the follow-up.

The communication of the results of the engagement related to follow-up procedures may be in the form of a memo or an engagement report. The communication should be distributed to the recipients of the initial report, as well as others involved in the report. The UL System CAE distributes the communication to the UL System President and the Audit Committee Chair.

Communicating the Acceptance of Risks – Reference: IIA Global Standard 11.5

As previously described in the monitoring progress section, if management has not progressed in implementing the actions according to the established completion dates, we will obtain and document an explanation from management. The Director of Internal Audit is responsible for determining whether senior management, by delay or inaction, has accepted a risk of not correcting the reported conditions because they feel the costs exceed the benefits, the corrective action is too complex, or for other considerations. (Note: *Partial implementation may reduce original risk. For instance, partial implementation may reduce a moderate risk to a low risk.*) The findings and the related risks are classified in the following manner:

- **Low Risk** – The department performs one follow-up based on management’s expected implementation date or one year after the initial report. If management has not implemented corrective action after one follow-up, the observation is considered risk-accepted and is classified as *not implemented* on the summary of audit observations.
- **Moderate Risk and High Risk** – The department performs two follow-up engagements. If after two follow-ups, the observation(s) is/are not resolved, the observation is considered risk-accepted and is classified as *not implemented* on the summary of audit observations. When partial implementation of a high risk is reduced to low risk, the observation is considered *implemented*.

The auditor works with management to update the action plan to bring the risk to an acceptable level. If the auditor determines the risk present is above an acceptable level, the responsible employee and University President must sign a memo addressed to the board discussing acceptance of the risk. The memo should include a description of the risk, the reason for concern, management’s reason for not implementing internal auditors’ recommendation or other actions, the name of the individual responsible for accepting the risk, and the date of discussion. The memo will also be signed by the auditor and included in the audit report.

The ULM Director of Internal Audit will notify the UL System Chief Audit Executive and Chief Compliance Officer if University management decides to accept the risk of not correcting significant engagement observations and recommendations that exceed risk tolerance.

For example, an unacceptable or significant risk would include, but not be limited to:

- Harm to the institution’s reputation.
- Harm to the organization’s employees or other stakeholders.
- Significant regulatory fines, limitations on business conduct, or other financial or contractual penalties.
- Material misstatements.
- Conflicts of interest, fraud, or other illegal acts.
- Significant impediments to achieving strategic objectives.
