

Internal Audit: Guidelines & Procedures

I. Scope

- 1.1 Internal Audit does not involve itself in issues better resolved by departments trained to handle certain types of problems. Examples may include:
 - 1.1.1 Sexual harassment
 - 1.1.2 Employee performance problems
 - 1.1.3 Technical issues requiring lengthy training
 - 1.1.4 Environmental or chemical hazards
 - 1.1.5 Specialized tax concerns
 - 1.1.6 Targeted federal regulation issues requiring specialized expertise
- 1.2 Internal Audit may become involved in various projects with ethical implications, such as violations of Utah Code 67; et seq. This involvement in no way relieves management of responsibility for identifying issues and concerns regarding employees under its control. Management's position allows it to observe employees daily and notice any concerns or issues as they occur.
- 1.3 Additionally, other work units within Dixie State University may have greater expertise in some areas of violation concerning ethical conduct. In those instances, the other work units may be better suited to conduct the investigation of violations.

II. Procedures

- 2.1 Typical auditable areas and objectives include:
 - 2.1.1 *Revenue* – to determine where revenues originate from, and if revenues are being collected and reported correctly.
 - 2.1.2 *Operating Expenditures* – to determine if non-payroll expenditures are reasonable, comply with University policy, and are properly authorized and adequately documented.
 - 2.1.3 *Financial Management and Reporting* – to determine what financial information is needed to meet a department's and the University's

needs; if the reports and information generated by internal systems are adequate, and complete; and if the information in those reports accurately reflects the University's records.

- 2.1.4 *Payroll and Personnel* – to determine if various records are complete and properly approved, procedures comply with University policy, and practices and procedures used ensure adequate internal control.
 - 2.1.5 *Computers* – to determine if internal controls for computers, data, networks, and systems are adequate.
 - 2.1.6 *Assets* – to determine if there is adequate accountability and control over the various assets under an individual's or department's jurisdiction.
 - 2.1.7 *Cash Funds* – to determine if security and accountability for cash funds is adequate, sound business practices are used in handling funds, and departmental procedures comply with University policy.
 - 2.1.8 *Applicable Policies/Procedures/Rules/Regulations/Statutes* – to determine if the University is in compliance with those policies/procedures/rules/regulations and statutes that are applicable to various departments.
- 2.2 If an audit is to be conducted on the Internal Audit Department, the Internal Audit Director's responsibilities for that audit would fall on the next higher level of management.
 - 2.3 Audit programs should contain columns identifying the steps to be followed, the person assigned to perform the step/s, and the reference number to detailed supporting documentation.
 - 2.4 Every effort should be made by the auditor to be well organized so that disruptions can be minimized to the normal operations of campus departments.
 - 2.5 All findings should have been thoroughly discussed and corrected for errors of understanding or in presentation before this conference is held.
 - 2.6 Audit findings should be based on a pattern of identified and documented occurrences of violations. Recommendations should reflect the corrective action needed, not the auditor's preference for corrective action. Both findings and recommendations should be weighed based on the costs and benefits of the findings. Findings and recommendations should be documented in the

working papers and be supported by lists of violations or errors. All working papers should be available for the auditee to review except in cases where legal action is anticipated.

2.7 Workpapers should reflect the following:

2.7.1 **Completeness and Accuracy** - Workpapers should be complete, accurate, and support observations, testing, conclusions, and recommendations. They should also show the nature and scope of the work performed.

2.7.2 **Clarity and Understanding** - Working papers should be clear and understandable without supplementary oral explanations. With the information the working papers reveal, a reviewer should be able to readily determine their purpose, the nature and scope of the work done and the preparer's conclusions.

2.7.3 **Pertinence** - Information contained in working papers should be limited to matters that are important and necessary to support the objectives and scope established for the assignment.

2.7.4 **Legibility and Neatness** - Working papers should be legible and as neat as practical. Sloppy workpapers may lose their worth as evidence. Crowding and writing between lines should be avoided by anticipating space needs and arranging the workpapers before writing.

2.7.5 **Logical Arrangement** - Working papers should follow a logical order and include the following seven sections:

2.7.5.1 Communicating Results

2.7.5.2 Potential Audit Comments

2.7.5.3 Administration

2.7.5.4 Planning and Preliminary Work

2.7.5.5 Internal Control Work and Process Review

2.7.5.6 Audit Program

2.7.5.7 Testwork

2.8 If management direction is needed and wanted, such should be provided in a management letter. Since management letters do not require a response, this

leaves management the option to accept or reject the suggestions and therefore maintains the independence of the auditor.

- 2.9 As an added measure, and to provide additional information for the evaluations of auditor performance, at the end of each audit, the auditee will be given a questionnaire intended to evaluate the professional performance of the auditor on the audit.

III. Risk Assessment – Audit Planning

3.1 Annual Audit Plan

3.1.1 The Audit Committee will determine, based on a number of inputs, the audit needs of the University for the coming year. The Audit Committee may revise the plan during the year as needed. The annual audit plan will be developed based on a number of inputs from various sources:

3.1.1.2 Board of Regents Mandated Audits/Certifications - The Board of Regents has mandated that certain audits and certifications be performed. The Audit Committee approves the yearly rotation of all such audits.

3.1.1.3 Requests from Vice Presidents and Key Administrators.

3.1.1.4 Findings from Audits both Internal and External.

3.1.1.5 Evaluations of Systems –Reviews of system flowcharts and related documentation that may identify weaknesses in the internal controls or ineffective policies and procedures.

3.1.1.6 Miscellaneous testing, including Audit Surveys.

3.1.1.7 Silent Whistle Requests.