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AUDIT PROTOCOLS

I. Purpose

The purpose of this policy is to define the role of the Office of the University Auditor including its duties and responsibilities, authority and procedures. This policy makes the Office of the University Auditor the University's liaison for all audits of the University.

II. General Policy

The Office of the University Auditor reports to the President and the Audit Committee of the Board of Trustees. Administratively, the office is part of the Office of the Vice President for Management and Fiscal Affairs and University Treasurer. The office is charged with the responsibility of planning and performing financial, operational and information systems audits of all departments or all operating units on all campuses of the University to evaluate the adequacy of internal controls, accuracy of financial records and compliance with University policies and procedures, standard accounting practices and governmental regulation. The office is also responsible for monitoring and reporting the results of all audits conducted by other audit agencies of the University or of any campus, department, operation or fund.

III. General Protocol

A. Planning

1. Each campus and the President's Office will develop an annual audit request detailing requested audits and general scope for the next fiscal year, specifying any preference for internal or external staffing.
2. Annual audit requests will be sent to the chief university auditor by March 31 of each year. The chief university auditor will review and include as appropriate in the University-wide Annual Audit Plan. The plan will be contingent upon adequate funding and staffing.
3. The Annual Audit Plan will be submitted to the next scheduled meeting of the Audit Committee for evaluation and presentation to the Board of Trustees, once accepted.
4. From time to time, as necessary, the Audit Committee may request that specific audits be performed.

B. Liaison

1. The chief University auditor will be the University liaison for all internal and external audits, i.e. the State Single Audit, state and federal auditors, Inspector General, Legislature, etc.
2. The Vice President for Management and Fiscal Affairs and University Treasurer will appoint a central administrative audit liaison. The central administrative audit liaison will function as the principal audit contact and coordinator for all internal and external audits of the President's Office or other central administrative organization.
3. Each campus Vice Chancellor for Administration and Finance will appoint a campus audit liaison to function as the principal campus audit contact and coordinator for all internal and external audits.

C. Scheduling

1. Within the context of the Annual Audit Plan, the chief University auditor will schedule the timing and staffing of internal audits. Normally, internal reviews will be scheduled to minimize adverse impact on campus operations.
2. As required, the chief university auditor, working with the central administrative audit liaison and/or campus audit liaison, will develop schedules and specifications for external audits.
3. The chief university auditor, in consultation with the Vice President for Management and Fiscal Affairs and University Treasurer, the central administrative audit liaison and the campus audit liaisons as appropriate will develop schedules and specifications for system- wide audits.

D. Reporting

1. The Audit Committee will receive periodic reports from the chief university auditor on internal and external audits and campus responses. The reports may be periodic status reports or full audit reports.
2. The Audit Committee will receive an annual audit report on the results of the office's operations for the fiscal year. The report should include summaries of completed audits and other operations and other information as requested by the Trustees.

E. Confidentiality

1. All University draft audit reports, both internal and external, including work papers, notes and all other partial or whole documents will be considered confidential until such time as they are accepted by the Board of Trustees.
2. After Board acceptance, reports or other documents will not be publicly disclosed except as directed by law or other regulation, the chief university auditor, the University General Counsel or the President.

IV. Internal Audits Protocol

A. The chief university auditor will send a statement of scope and specification - prior to the start of an audit - to the campus audit liaison, the central administrative audit liaison and the Vice President for Management and Fiscal Affairs and University Treasurer as a means of providing them with information on proposed internal audits.

B. An entrance conference will be held immediately prior to the start of an audit if so requested by the responsible audit liaison. The purpose of the entrance conference is to outline the purpose, scope, timing and process of the audit. The conference should be attended by the chief university auditor, the responsible audit liaison and a representative of the department, operation or fund being audited.

C. Certain audits may be carried out - at the discretion of the chief university auditor - without prior notice or an entrance conference as described in A. and B., above. Audits in this category include those where the element of surprise is necessary or where surprise is in the best interests of the University. All other provisions of these protocols apply.

D. The chief university auditor will insure that the audit is performed according to applicable professional standards and is objective and unbiased.

E. Upon completion of field work, a point listing and/or preliminary draft should be reviewed and discussed with the responsible audit liaison and the representative of the department, operation or fund being audited. F. An initial review draft audit report will be sent to a representative of the audited entity, the campus audit liaison, the campus Vice Chancellor for Administration and Finance and the central administrative audit liaison.

G. If requested by the responsible audit liaison, an exit conference may be held, primarily to discuss content and wording of the draft report. The conference should be attended by the chief university auditor, the auditor in charge of the work, the responsible audit liaison and a representative of the audited entity.

H. If appropriate, a revised review draft audit report, incorporating any changes resulting from F., above, will be sent to a representative of the audited entity, the campus audit liaison, the campus Vice Chancellor for Administration and Finance and the central administrative audit liaison.

I. The campus will then have thirty (30) days from the date of E. or G., above, whichever is later, to comment on fact or interpretation and to develop and send a written campus response to the report to the chief university auditor. Any extension beyond the thirty (30) day period requires written approval from the chief university auditor.

J. The central administrative audit liaison is responsible for insuring that the campus audit response conforms to established University policy and procedure. If necessary, the central administrative audit liaison will develop a separate, official University response to the audit report.

K. The campus and/or University response will be sent to the chief university auditor for inclusion into the final draft audit report. The final draft audit report will then be sent to the President, the Vice President for Management and Fiscal Affairs and University Treasurer, the University Controller, the central administrative audit liaison and the campus Chancellor, the Vice Chancellor for Administration and Finance, campus audit liaison and representative of the audited entity.

L. The chief university auditor, through the President, will forward the final draft audit report, including responses to the Audit Committee. The Committee will either accept the audit or ask that additional audit work be performed prior to submitting the audit to the full Board for approval.

M. The central administrative audit liaison and/or campus audit liaisons - through their chancellors - will provide reports on the status of actions taken in response to audit findings included in final audit reports accepted by the Board of Trustees. Such status reports will be provided to the chief university auditor within six (6) months from the dates of issuance of final audit reports.

N. The chief university auditor will have follow-up audits performed to confirm and evaluate actions taken in response to audits and status reports described in L. and M., above, in accordance with generally accepted auditing standards. Follow-up audits may be included in the annual audit plan or scheduled at the discretion of the chief university auditor.

V. External Audits Protocol

A. The Audit Committee has broad oversight responsibility for all audits initiated by the University, including the selection of external audit firms engaged by the University. Therefore, whenever it becomes necessary to engage an external audit firm, the chief university auditor will:

1. Timely notify the chairperson of the Audit Committee of the proposed external audit, its purpose, scope and specification and other matters of importance to the subcommittee.
2. Request the chairperson to appoint a member of the Committee to represent the subcommittee during the selection process, described below.

B. After the chairperson of the Audit Subcommittee has been informed of the proposed external audit and the central administrative and campus audit liaisons have reviewed the scope and specifications of external audits, the chief university auditor will have proposals solicited from qualified external audit firms. A selection committee comprised of one representative each from the University Auditor's Office (appointed by the chief university auditor) as committee chairperson, the entity being audited, the campus Controller's Office, Central Administration (appointed by the Vice President for Management and Fiscal Affairs and University Treasurer) and a member of the Audit Subcommittee (if appointed) will evaluate the proposals and recommend selection of a firm. The selection committee's recommendation will include a list of all firms asked to

propose, firms actually proposing, the time schedules and prices proposed and any other pertinent information. The chief university auditor will request the Audit Committee to review and vote to approve the selection of the external audit firm.

C. Upon approval, the chief university auditor will have the appropriate contract executed and act as the contract administrator.

D. All contracts must conform to applicable University policies and procedures and state laws.

E. Each contract must be signed by the University Treasurer, the chief university auditor and an authorized representative of the engaged firm.

F. The chief university auditor will conduct an entrance conference with a representative of the audited entity, the campus audit liaison and auditors from the external audit firm.

G. Day-to-day coordination of the audit's progress and the final field conference are the responsibility of the campus audit liaison and the representative of the audited entity. In the case of a system-wide audit, coordination is the responsibility of the central administrative audit liaison.

H. Prior to the issuance of the final report, the audit firm will meet with the chief university auditor, the campus audit liaison and a representative of the audited entity for an exit conference.

I. Within thirty (30) days after the receipt of the official external audit report, the campus audit liaison will provide any required campus response to the chief university auditor.

J. The chief university auditor will review and evaluate the campus response and provide the evaluation and response to the Vice President for Management and Fiscal Affairs. The Vice President will consider the response and evaluation to make a final determination on the audit. Once approved, the chief university auditor will forward the response to the external audit firm for inclusion in the final audit report.

K. The final audit report by the external audit firm will be mailed directly to the President. Additional copies of the final audit report will be sent to the chief university auditor for campus and University distributions.

L. The chief university auditor, through the President, will forward the final audit report, including responses to the Audit Committee. The Committee will either accept the audit or ask that additional audit work be performed prior to submitting the audit to the full Board for approval.

M. The central administrative audit liaison and/or campus audit liaisons - through their Chancellors - will provide reports on the status of actions taken in response to audit findings included in the external auditors' reports. Such status reports will be provided to

the chief university auditor within six (6) months from the dates of receipt of the external auditors' reports.

VI. Other Audits Protocol

A. From time to time, various campuses, departments, operations or funds within the University are subject to audit with little or no notice by agencies outside University control. Examples include state, federal and legislative audit agencies. The Office of the University Auditor is charged with the duty of monitoring and reporting the results of these audits as well as assisting the campus or department, organization or operation during the audit.

B. It is the responsibility of the central administrative audit liaison and/or the campus audit liaison to timely notify the chief university auditor whenever an outside audit agency is conducting an audit anywhere in the University.

C. The chief university auditor will provide assistance to the audited entity during the audit as well as monitor and coordinate, as required, the audit.

D. Day-to-day coordination of the audit's progress and the final field conference are the responsibility of the campus audit liaison and the representative of the audited entity. In the case of a system-wide audit, coordination is the responsibility of the central administrative audit liaison.

E. Campus responses to outside audit agency findings will be submitted to the chief university auditor, the central administrative audit liaison and the Vice President for Management and Fiscal Affairs for review, approval and final transmittal to the outside audit agency.

F. Copies of all reports received as the result of outside audit activities will be forwarded to the chief university auditor.

G. The results of audits conducted by outside agencies will be summarized and included in periodic reports to the Audit Committee.