

Kentucky State University Office of Internal Audit

Policies and Procedures Manual

Draft for Discussion Only

**Kentucky State University
Office of Internal Audit
Policies and Procedures Manual**

**P&P Manual
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<i>Section Name:</i> Mission	<i>Section Number:</i> <i>I-1.1</i>
<i>Procedure Name:</i> Mission Statement	<i>Effective Date:</i> 10/09/2015 <i>Revised Date:</i>

PURPOSE

Business units should define their mission in order to ensure resources and strategies are focused to obtain the actual goals and objectives for which they exist.

AUTHORITY

The Internal Auditor is responsible for defining a specific mission statement to help ensure that the expectations for the Office of Internal Audit are available to all interested parties. This includes faculty, staff and the Board of Regents. The Internal Auditor has documented the mission statement for the Kentucky State University Office of Internal Audit as follows:

To proactively provide independent, objective information on the University's system of internal controls which will assist both staff and faculty in providing high-quality services in a manner that is accountable, efficient, effective and ethical.

RESPONSIBILITY

The Internal Auditor is responsible for defining a specific mission statement to help ensure that the expectations for the Office of Internal Audit are available to all interested parties.

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<i>Section Name:</i> Mission	<i>Section Number:</i> I-1.2
<i>Procedure Name:</i> Definition of Internal Auditing	<i>Effective Date:</i> 10/09/2015 <i>Revised Date:</i>

PURPOSE

Auditing is a very general term with many meanings that could apply to a multitude of professions. Therefore, it is necessary to define internal auditing in order to understand its role and the value the function can bring to an organization. This definition is necessary to understand how an internal auditing function understands the business culture of its entity, systems and processes. Internal auditing provides assurance that internal controls in place are adequate to mitigate risks, and help ensure organizational goals and objectives are met.

AUTHORITY

The Institute of Internal Auditors (IIA) is an international professional association. The IIA is recognized as the internal audit profession's leader in certification, education, research, and technological guidance. The IIA defines internal auditing as follows:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

RESPONSIBILITY

To an extent, the internal auditing profession provides its own definition. Even with a defined meaning, internal auditing professionals provide a wide range of services to add value to the organization of which they are a part.

References:

The Institute of Internal Auditors administers the following website with information regarding the internal auditing profession:

<http://www.theiia.org>

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<i>Section Name:</i> Purpose, Authority, and Responsibility	<i>Section Number:</i> I-2.1
<i>Procedure Name:</i> Audit Charter	<i>Effective Date:</i> 10/09/2015 <i>Revised Date:</i>

PURPOSE

Professional auditing standards require that the purpose, authority, and responsibility of the internal audit activity should be formally defined in a charter and approved by the Board of Regents.

The purpose, authority and responsibility for the Office of Internal Audit is stated in Kentucky State University Office of Internal Audit Charter. The charter defines the administration, role and authority of the office.

AUTHORITY

The purpose, authority and responsibility for the Office of Internal Audit is stated in the charter. The following charter pertains to the office.

Establishment

There is hereby established the Office of Internal Audit of Kentucky State University. The Office of Internal Audit shall be separate from any other department of Kentucky State University and shall report administratively to the President and functionally to the Board of Regents. The Internal Auditor is an employee of Kentucky State University and will comply with the university's personnel policies and procedures. The functional roles and responsibilities for the Board of Regents will include the following:

- Approval for the selection and removal of the Internal Auditor
- Approval of the performance evaluation and remuneration of the Internal Auditor
- Approval of the risk based annual audit plan or significant subsequent changes
- Approval of the Office of Internal Audit Charter
- Examine the resource and staffing needs of the Office of Internal Audit, and approve its annual budget
- Conducting or overseeing the requests for proposal and selection process for the firm performing the annual financial statement audits

This functional reporting relationship with the Board of Regents will assure organizational independence, promote comprehensive audit coverage, and assure implementation of corrective actions has taken place.

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Qualifications

The Internal Auditor shall be knowledgeable in auditing and University financial and fiscal practices. The Internal Auditor shall possess adequate professional proficiency for the job, demonstrated by relevant certification such as CIA (Certified Internal Auditor), or an advanced degree in a relevant field with at least five years' experience in the field of auditing. The Internal Auditor shall have a bachelor's degree in business administration or a related field.

Audits; Scope

The Office of Internal Audit shall have authority to conduct audits of all departments, offices and activities of Kentucky State University in order to independently and objectively determine whether:

- (1) Risk management, control, and governance processes are effective;
- (2) Revenues are being properly collected, deposited and accounted for;
- (3) Resources, including funds, property and personnel, are adequately safeguarded, controlled and used in an effective and efficient manner;
- (4) Financial and other reports are being provided that disclose fairly and fully all information that is required by law, that is necessary to ascertain the nature and scope of programs and activities and that is necessary to establish a proper basis for evaluating the programs and activities;
- (5) Adequate operating and administrative policies and procedures, systems, and/or internal control systems have been established by management;
- (6) There are indications of fraud, abuse or illegal acts which need further investigation;
- (7) To perform such audit-related functions as determined by the Internal Auditor, President, or the Board of Regents.
- (8) The Office of Internal Audit shall conduct work in accordance with the Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors.

Audit Plan

Annually, the Internal Auditor shall submit a one year audit plan to the Board of Regents for review and approval. The plan shall include the proposed plan for auditing departments, agencies and activities for the period. The Internal Auditor may spontaneously initiate and conduct any other audit deemed necessary, or as requested by the President or the Board of Regents. In the selection of audit areas and audit objectives, the determination of audit scope and timing of audit work, the Internal Auditor may

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consult with external auditors, federal, or state auditors so that the desirable audit coverage is provided and audit effort is properly coordinated.

Audit Reports

- (A) Audit reports will contain relevant background information, observations, conclusions, and recommendations.
- (B) A final draft of the audit report will be forwarded to the audited department for review and comment regarding factual content before it is released. The department must respond with an action plan for implementing solutions to issues identified and a timetable to complete such activities. The response must be forwarded to the Office of Internal Audit within 15 days of the receipt of the draft report.
- (C) Management's corrective action response will be included in the final report. If no response is received within the required timeframe, the Internal Auditor may note that fact in the transmittal letter and release the audit report.
- (D) The reports shall be distributed to the President and the Board of Regents. The report shall also be made available to the Director of the audited department. The Internal Auditor shall retain a copy as a permanent record.

Audit Follow-Up

The Internal Auditor shall follow-up on significant audit findings to determine if corrective actions have been implemented and are effective. The Internal Auditor may request periodic status reports from audited departments regarding actions taken to address audit findings.

Audit Records

The Internal Auditor shall retain a complete file of each audit report. The file should include audit work papers and other supportive material directly related to the audit report. The files should be retained in accordance with state archive laws.

Reporting of Irregularities

If during an audit, the Office of Internal Audit becomes aware of abuse or illegal acts or indications of such acts, the Internal Auditor shall report the irregularities to both the President and Board of Regents.

Access to Employees, Records and Property

All faculty and staff of Kentucky State University shall cooperate with and furnish the Office of Internal Audit unrestricted access to employees and information regarding powers, duties, activities, organization, assets, financial transactions, contracts and methods of business.

The Office of Internal Audit shall have access to, and authority to examine any and all records including but not limited to books, accounts, internal memoranda, writings and

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tapes, reports, vouchers, correspondence files and other records, bank accounts, money and other property of any Kentucky State University department. This includes access for the Office of Internal Audit to inspect all assets, property, equipment, and facilities.

All contracts with outside contractors shall provide for the Office of Internal Audit to have access to all financial and performance related records, property, and equipment related to Kentucky State University contracts.

The Office of Internal Audit shall not publicly disclose any information received during an audit that is considered confidential in nature by any local, state or federal law or regulation.

The Internal Auditor shall report to the President and Board of Regents, in writing, of any failure by faculty and staff to cooperate with the Office of Internal Audit's requests. Disciplinary action shall be taken in accordance with personnel regulations.

Removal for Cause

The Internal Auditor may be removed for cause by the Board of Regents, sitting as a court, upon accusations brought by the President or by any members of the Board of Regents. The Regent preferring the charge shall not sit as a member of the Board of Regents when it tries the charge.

RESPONSIBILITY

The President and Board of Regents for Kentucky State University are responsible for the establishment and administration of the Office of Internal Audit. An Internal Auditor is selected by the University President and shall be approved by the Board of Regents. The Internal Auditor is responsible for the management of the internal audit function in accordance with professional standards.

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Related Standards

International Standards for Professional Practice of Internal Auditing

1000 – Purpose, Authority, and Responsibility

1000.A1 and 1000.C1

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<i>Section Name:</i> Standards	<i>Section Number:</i> <i>I-3.1</i>
<i>Procedure Name:</i> Auditing Standards - Institute of Internal Auditors	<i>Effective Date:</i> 10/09/2015 <i>Revised Date:</i>

PURPOSE

The purpose, authority and responsibility for the Office of Internal Audit is stated in the Kentucky State University Office of Internal Audit Charter. The charter requires that the Office of Internal Audit perform work in accordance with professional standards.

AUTHORITY

The purpose, authority and responsibility for the Office of Internal Audit is stated in their charter. The charter requires that the Kentucky State University Office of Internal Audit perform work in accordance with professional standards and reads as follows:

The Office of Internal Audit shall conduct work in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors.

The Office of Internal Audit performs audits in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (red book).

RESPONSIBILITY

The Internal Auditor is responsible for ensuring that all required standards and guidelines are complied with during the performance of internal audit projects.

References:

The Institute of Internal Auditors administers the following website with information regarding the internal auditing profession:

<http://www.theiia.org>

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<i>Section Name:</i> Standards	<i>Section Number:</i> I-3.2
<i>Procedure Name:</i> Code of Ethics	<i>Effective Date:</i> 10/09/2015 <i>Revised Date:</i>

PURPOSE

Internal audit professionals must maintain the highest level of integrity. A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about risk management, control, and governance.

The Institute of Internal Auditors has established a documented code of ethics to promote an ethical culture in the profession of internal auditing. The Code of Ethics together with The Institute's *Professional Practices Framework* and other relevant Institute pronouncements provide guidance to internal auditors serving others.

AUTHORITY

The Institute of Internal Auditors has established a documented code of ethics to promote an ethical culture in the profession of internal auditing. It consists of the following four principles:

- Integrity - The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.
- Objectivity - Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments
- Confidentiality - Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
- Competency - Internal auditors apply the knowledge, skills, and experience needed in the performance of internal auditing services.

RESPONSIBILITY

The Office of Internal Audit strongly subscribes to the provisions of the Code of Ethics adopted by the Board of Directors of the Institute of Internal Auditors. The Internal Auditor expected to adhere to the Standards of Conduct as outlined in the Code of Ethics.

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References:

The Institute of Internal Auditors administers the following website with information regarding the internal auditing profession:

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<i>Section Name:</i> Standards	<i>Section Number:</i> I-3.3
<i>Procedure Name:</i> Kentucky State University Policies and Procedures	<i>Effective Date:</i> 10/09/2015 <i>Revised Date:</i>

PURPOSE

The Office of Internal Audit is a department of Kentucky State University and is bound to abide by the university's policies and procedures. This helps ensure that administrative and personnel matters comply with applicable regulations.

AUTHORITY

The Office of Internal Audit is a department of Kentucky State University and is bound to abide by the enterprise policies and procedures. These include, but are not limited to the following:

- Kentucky State University Board of Regents Policies and Procedures
- Kentucky State University Business Policies and Procedures
- Kentucky State University Personnel Policies and Procedures
- Kentucky State University Technology Policies and Procedures

The Office of Internal Audit Policies and Procedures Manual in no way supersedes policies. The university's policies will always take precedence over the Office of Internal Audit Manual.

RESPONSIBILITY

The Office of Internal Audit subscribes to all Kentucky State University policies and procedures.

References:

Kentucky State University administers the following intranet site for internal users with information regarding several university policies and procedures:

<http://kysu.edu/>

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<i>Section Name:</i> Standards	<i>Section Number:</i> I-3.4
<i>Procedure Name:</i> Laws and Regulations	<i>Effective Date:</i> 10/09/2015 <i>Revised Date:</i>

PURPOSE

Internal audit professionals must maintain the highest level of integrity. Additionally, Kentucky State University Human Resources Personnel Policies and Procedures document actions and behaviors that are unacceptable for employees.

AUTHORITY

The Kentucky State University Personnel Policies and Procedures and professional auditing standards all promote compliance with laws and regulations.

RESPONSIBILITY

The Office of Internal Audit is expected to adhere to Federal, State and local laws. This includes issues addressed in the Kentucky State University Human Resources Personnel Policies and Procedures. Any conduct that brings disrepute to Kentucky State University may be grounds for dismissal.

While conducting audits, the Office of Internal Audit should make all efforts to acquaint themselves with the applicable laws and regulations for the specific area(s) being audited.

References:

Kentucky State University administers the following intranet site for internal users with information regarding several university policies and procedures:

<http://kysu.edu/>

The Institute of Internal Auditors administers the following website with information regarding the internal auditing profession:

<http://www.theiia.org>

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<i>Section Name:</i> Standards	<i>Section Number:</i> I-3.5
<i>Procedure Name:</i> Confidentiality	<i>Effective Date:</i> 10/09/2015 <i>Revised Date:</i>

PURPOSE

The nature of internal auditing frequently requires that auditors consider sensitive information while project work is conducted. This includes, but is not limited to, human resources information, client files, etc. Internal audit professionals must maintain the highest level of integrity and trust. The Institute of Internal Auditors code of ethics promotes an ethical culture in the profession of internal auditing, and includes confidentiality as one of the four major principles.

AUTHORITY

The Institute of Internal Auditors has established a documented code of ethics to promote an ethical culture in the profession of internal auditing. One of the four principles reads as follows:

- Confidentiality - Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

RESPONSIBILITY

All information pertaining to audits performed by the Office of Internal Audit is confidential. The Internal Auditor is expected to safeguard the work papers and other audit documentation. Audit results may be discussed with audit clients as determined necessary and appropriate by the situation.

References:

The Institute of Internal Auditors administers the following website with information regarding the internal auditing profession:

<http://www.theiia.org>

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<i>Section Name:</i> Independence and Objectivity	<i>Section Number:</i> <i>I-4.1</i>
<i>Procedure Name:</i> Organizational	<i>Effective Date:</i> 10/09/2015 <i>Revised Date:</i>

PURPOSE

The internal audit activity should be independent, and internal auditors should be objective in performing their work. The Internal Auditor should report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The internal audit activity should be free from interference in determining the scope of internal auditing, performing work, and communicating results. If independence or objectivity is impaired in fact or appearance, the details of the impairment should be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment. This helps to provide credibility to the audit results.

AUTHORITY

The purpose, authority and responsibility for the Office of Internal Audit is stated in the Kentucky State University Office of Internal Audit Charter. This includes audits being conducted in accordance with professional auditing standards. The Institute of Internal Auditors has established professional standards for internal auditing that include sections for independence

RESPONSIBILITY

It is the responsibility of the Internal Auditor to report any potential, real or perceived, impairments to independence. Ultimately, the Internal Auditor will ensure that any potential impairments are properly recorded and reported.

Related Standard

International Standards for Professional Practice of Internal Auditing

1100 - Independence and Objectivity

1110 - Organizational Independence

1110.A1

1130 - Impairments to Independence or Objectivity

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1130.A1, 1130.A2, 1130.C1 and 1130.C2

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<i>Section Name:</i> Services	<i>Section Number:</i> II-1.1
<i>Procedure Name:</i> Assurance, Consulting, Information Technology and Integrity (Fraud)	<i>Effective Date:</i> 10/09/2015 <i>Revised Date:</i>

PURPOSE

The internal audit activity should evaluate and contribute to the improvement of risk management, control, and governance processes using a systematic and disciplined approach. The internal audit activity should assist the organization by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems. The internal audit activity should monitor and evaluate the effectiveness of the organization's risk management system.

The Internal Auditor should review operations and programs 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.

The internal audit activity should assess and make appropriate recommendations for improving the governance process in its accomplishment of the business objectives.

Consulting engagement objectives should be consistent with the overall values and goals of the organization.

The internal audit activity should evaluate the design, implementation, and effectiveness of the organization's ethics related objectives, programs and activities.

AUTHORITY

The purpose, authority and responsibility for the Office of Internal Audit is stated in the Kentucky State University Office of Internal Audit Charter. The charter empowers the Internal Auditor to organize the Office of Internal Audit in a manner to properly provide the necessary services to perform its duties.

The ordinance includes audits being conducted in accordance with professional auditing standards. The Institute of Internal Auditors have established professional standards for internal auditing that include sections for services.

RESPONSIBILITY

The Internal Auditor is responsible for determining how to best use available audit resources to address the audit issues / projects. The Kentucky State University Office of Internal Audit provides the following core services:

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- **Assurance** - Reviewing operations, policies, and procedures to ensure that the appropriate control structure is in place and that business risks are considered.
- **Consulting** - Providing services to help address specific issues and concerns, which may not necessarily be high-risk, but do add significant value to clients.
- **Information Technology** - Ensuring that electronic information is processed as intended, data integrity is maintained, and the control structure is assessed.
- **Integrity** - Investigating allegations regarding employee misconduct and / or non-violent criminal acts involving the University's resources.

Related Standards

International Standards for Professional Practice of Internal Auditing

2100 – Nature of Work

2110 – Governance

2110.A1 and 2110.A2 **2120 – Risk Management**

2120.A1, 2120.A2, , 2120.C1, 2120.C2 and 2120.C3

2130 – Control

2130.A1 and 2130.C1

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<i>Section Name:</i> Planning	<i>Section Number:</i> <i>II-2.1</i>
<i>Procedure Name:</i> Risk Assessment	<i>Effective Date:</i> 10/09/2015 <i>Revised Date:</i>

PURPOSE

The Internal Auditor should effectively manage the internal audit activity to ensure it adds value to the organization.

The Internal Auditor should establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization's goals.

AUTHORITY

The purpose, authority and responsibility for the Office of Internal Audit is stated in the Kentucky State University Office of Internal Audit. Specifically, ordinance section 30.35 addresses audit planning. The ordinance reads as follows:

- (A) Annually, the Internal Auditor shall submit a one to five year audit plan to the President and Board of Regents for review and comment. The plan shall include the proposed plan for auditing departments, offices, activities and agencies for the period.
- (B) The Internal Auditor may spontaneously initiate and conduct any other audit deemed necessary, or as requested by the President or the Board of Regents.
- (C) In the selection of audit areas and audit objectives, the determination of audit scope and the timing of audit work, the Internal Auditor may consult with external auditors, federal, or state auditors so that the desirable audit coverage is provided and audit effort is properly coordinated.

RESPONSIBILITY

An audit plan is developed using a risk-based methodology that incorporates the COSO framework, which is the model used in the internal audit profession. This includes evaluation of Kentucky State University Departments as well as major business processes in a systematic, consistent framework. By using this approach, resources are focused on helping ensure Kentucky State University is achieving its objectives.

In addition to performing the entity wide risk assessment, input may also be solicited from a variety of sources, including the President, Department Directors, Board of Regents Audit Committee Members and External Auditors.

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Related Standards

International Standards for Professional Practice of Internal Auditing

2000 – Managing the Internal Audit Activity

2010 – Planning

2010.A1, 2010.A2 and 2010.C1

2020 – Communication and Approval

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<i>Section Name:</i> Planning	<i>Section Number:</i> II-2.2
<i>Procedure Name:</i> Annual Plan	<i>Effective Date:</i> 10/09/2015 <i>Revised Date:</i>

PURPOSE

The Internal Auditor should effectively manage the internal audit activity to ensure it adds value to the organization.

The Internal Auditor should establish risk-based plans to determine the priorities of the internal audit activity, consistent with the university's goals.

AUTHORITY

The purpose, authority and responsibility for the Office of Internal Audit is stated in Kentucky State University Office of Internal Audit Charter. The charter reads as follows:

- (A) Annually, the Internal Auditor shall submit a one to five year audit schedule to the Board of Regents for review and comment. The schedule shall include the proposed plan for auditing departments, offices, boards, activities, and agencies for the period.
- (B) The Internal Auditor may spontaneously initiate and conduct any other audit deemed necessary, or as requested by the President and the Board of Regents.
- (C) In the selection of audit areas and audit objectives, the determination of audit scope and the timing of audit work, the Internal Auditor may consult with external auditors, federal, or state auditors so that the desirable audit coverage is provided and audit effort is properly coordinated.

The charter includes audits being conducted in accordance with professional auditing standards. The Institute of Internal Auditors have established professional standards for internal auditing that include sections for planning.

RESPONSIBILITY

The Internal Auditor prepares the audit plan for the Office of Internal Audit. This outlines the activities where the office will focus resources. Professional internal audit standards require the preparation and presentation of an audit plan to the Board of Regents Audit Committee. This plan is updated annually.

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Related Standards

International Standards for Professional Practice of Internal Auditing

2000 – Managing the Internal Audit Activity

2010 – Planning

2010.A1, and 2010.A2 and 2010.C1

2020 – Communication and Approval

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<i>Section Name:</i> Assurance, Consulting, IT Engagement Performance	<i>Section Number:</i> II-3.1
<i>Procedure Name:</i> Process Overview	<i>Effective Date:</i> 10/09/2015 <i>Revised Date:</i>

PURPOSE

The Office of Internal Audit process for Assurance, Consulting and Information Technology Audits consists of several general steps. The process is designed to ensure compliance with auditing standards and applicable guidelines. These steps involve documentation that is maintained in the project workpaper file. Each audit is different; therefore not all steps will apply in every case.

Detailed work papers are prepared following professional auditing standards. The Institute of Internal Auditors have established professional standards for internal auditing.

AUTHORITY

The purpose, authority and responsibility for the Office of Internal Audit is stated in the Kentucky State University Office of Internal Audit Charter. The charter includes audits being conducted in accordance with professional auditing standards. The Institute of Internal Auditors have established professional standards for internal auditing.

RESPONSIBILITY

The Internal Auditor is responsible for the administration of an audit project process and related documentation. The Office of Internal Audit process for Assurance, Consulting and Information Technology Audits consists of several general steps. The process is designed to ensure compliance with auditing standards and applicable guidelines. These steps involve documentation that is maintained in the project workpaper file. Each audit is different; therefore not all steps will apply in every case.

The following overview serves as an introduction to the major steps involved in an audit performed by the Kentucky State University Office of Internal Audit.

Gather / Prepare Background Information - This involves gathering information that is useful to help understand the audit area, identify potential risks and best practices, along with planning for the performance of audit work. Several resources are useful to gather background information (e.g., Internal Audit library, publications, professional organizations, websites).

Entrance Conference - The entrance conference is conducted with the audit client management. In this conference, the objectives and scope of the audit are discussed. Any specific concerns of the clients are addressed.

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Interview Key Personnel / Document the Process and Controls - Personnel responsible for the performance of duties associated with the audit area are interviewed. The detailed procedures are documented in a procedures narrative to include the major controls in place and possible risks associated with the area.

Process Review - A process review traces one transaction through the entire procedure document with its purpose being to document that the auditors understanding of the documented procedures is accurate. This may be performed as part of the examination of activity performed during functional testing, or could be documented through the use of exhibits associated with the procedures narrative.

Audit Program - An audit program is developed from the procedures. This serves as detailed instructions of what will be audited and how the examination / review will be performed.

Examination / Review - The actual performance of the examination / review could include auditing through functional tests or conducting interviews to assess the environment and possible risks. This may include use of explanatory tick legends and interview summaries.

Observations - Observations are compiled from the examination through the tick legends and interview summaries. All observations to the procedures and areas where there are weaknesses are noted, as well as, any significant risks identified. Observation Worksheets provide information as to the situation, significance and recommendations of preliminary audit comments. Additionally, the worksheets allow for commentary from the audit client personnel.

Draft Report - The draft report is prepared using the observation worksheets. Recommendations are written based on the observations and possible risk mitigation options may be offered to the clients.

Exit Conference - An exit conference is held to discuss the results of the audit. This is an opportunity for auditors and the client to ensure information in the draft report is clear, concise and accurate.

Final Report - After an opportunity for client comment, a final report is issued and distributed.

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<i>Section Name:</i> Assurance, Consulting, IT Engagement Performance	<i>Section Number:</i> II-3.2
<i>Procedure Name:</i> Planning	<i>Effective Date:</i> 10/09/2015 <i>Revised Date:</i>

PURPOSE

The Internal Auditor should develop and record a plan for each engagement, including the scope, objectives, timing and resource allocations.

The Internal Auditor should conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives should reflect the results of this assessment.

The scope of the engagement should include consideration of relevant systems, records, personnel, and physical properties, including those under the control of third parties.

The Internal Auditor should develop audit programs / review methodology that achieve the engagement objectives. These audit programs should be recorded.

AUTHORITY

The purpose, authority and responsibility for the Office of Internal Audit is stated in the Kentucky State University Office of Internal Audit Charter. The charter includes audits being conducted in accordance with professional auditing standards. The Institute of Internal Auditors have established professional standards for internal auditing.

RESPONSIBILITY

The Internal Auditor is responsible for the administration of audit planning. The Office of Internal Audit process for Assurance, Consulting and Information Technology Audits consists of several general steps designed to ensure compliance with auditing standards and applicable guidelines. These steps involve planning documentation that is maintained in the project workpaper file.

The following serves as an overview of the significant planning steps involved in an audit performed by the Office of Internal Audit.

Entrance Conference - The entrance conference is conducted with the audit client management. In this conference, the objectives and scope of the audit are discussed. Any specific concerns of the clients are addressed. Entrance conference notes are drafted to document the audit objective, scope and planned timeframe.

In order to comply with planning standards, an estimated timeframe and completion date should be recorded in the entrance conference notes. A general engagement timeframe

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guide and language to be included in the entrance conference notes should be documented as follows:

“This project will involve gaining an understanding of the processes and procedures associated with *audit area*, testing of said processes and compiling the results for issuance to the client. Fieldwork will be on *date*. The estimated completion date is approximately 8 weeks, by *date*”.

Timeframe Notes:

A typical estimation for a routine project is 6-8 weeks. Some projects may take longer, with others requiring less time.

Projects that are anticipated to be more complex or extensive will be allocated more time (e.g., 12 weeks).

Estimated times for special reviews will vary.

Any delays or problems meeting the estimated completion date should be documented in the workpapers. This can be in the form of a memorandum to file or noted on the workpaper where the time frame estimate is documented.

At the completion of an audit project, a summary of time spent conducting the project work should be included on the front cover of the workpaper binder.

Preliminary Risk Assessment - A Preliminary Audit Risk Assessment should be drafted during the background stages of a project. This should include knowledge of the audited area obtained through preliminary interviews, research materials and the auditor’s experience. It helps to identify potential risks for individual audit areas.

Audit Program - An audit program is developed and serves as detailed instructions of what will be audited and how the examination / review will be performed. The audit program explains the sample selection for the information reviewed.

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Related Standards

International Standards for Professional Practice of Internal Auditing

2200 – Engagement Planning

2201 - Planning Considerations

2201.A1 and 2201.C1

2210 – Engagement Objectives

2210.A1, 2210.A2, 2210.A3, 2210.C1 and 2210.C2

2220 – Engagement Scope

2220.A1, 2220.A2, 2220.C1 and 2220.C2

2230 – Engagement Resource Allocation

2240 – Engagement Work Program

2240.A1 and 2240.C1

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<i>Section Name:</i> Assurance, Consulting, IT Engagement Performance	<i>Section Number:</i> II-3.3
<i>Procedure Name:</i> Performance	<i>Effective Date:</i> 10/09/2015 <i>Revised Date:</i>

PURPOSE

The Internal Auditor should identify, analyze, evaluate, and record sufficient information to achieve the engagement's objectives. The information should be sufficient, reliable, relevant, and useful to achieve the engagement's objectives.

The Internal Auditor should base conclusions and engagement results on appropriate analyses and evaluations.

The Internal Auditor should record relevant information to support the conclusions and engagement results.

AUTHORITY

The purpose, authority and responsibility for the Office of Internal Audit is stated in the charter.

Specifically, the Office of Internal Audit Charter addresses audit records. The ordinance reads as follows:

The Internal Auditor shall retain a complete file of each audit report. The file should include audit work papers and other supportive material directly related to the audit report. The files should be retained in accordance with state archive laws.

The ordinance includes audits being conducted in accordance with professional auditing standards. The Institute of Internal Auditors have established professional standards for internal auditing that include sections for audit reporting.

RESPONSIBILITY

The Internal Auditor is responsible for the administration of audit performance. The Office of Internal Audit process for Assurance, Consulting and Information Technology Audits consists of several general steps designed to ensure compliance with auditing standards and applicable guidelines. These steps involve documentation for the performance of audit activities that is maintained in the project workpaper file.

The following serves as an overview of the significant performance steps involved in an audit performed by Kentucky State University Office of Internal Audit.

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Audit Program - Based on the audit objective and scope recorded in the entrance conference notes, along with an understanding of the audited process as documented in the procedures narrative, an audit program is developed and serves as detailed instructions of what will be audited and how the examination / review will be performed. The audit program explains the sample selection for the information reviewed.

Examination / Review - The actual performance of the examination / review could include auditing through functional tests or conducting interviews to assess the environment and possible risks. This may include use of explanatory tick legends and interview summaries.

Observations - Observations are compiled from the examination through the tick legends and interview summaries. All observations to the procedures and areas where there are weaknesses are noted, as well as, any significant risks identified. Observation Worksheets provide information as to the situation, significance and recommendations of preliminary audit comments. Additionally, the worksheets allow for commentary from the audit client personnel.

Quality Assurance Checklist - A Quality Assurance Checklist is used by the Internal Auditor to ensure all significant audit process steps have been addressed. Ultimately, the list helps to ensure compliance with auditing standards and guidelines.

The Kentucky State University Office of Internal Audit adheres to retention policies administered by the Kentucky State University Archives division. Audit workpaper files are retained in the secured files within the Internal Audit administrative office, or are maintained permanently in the archives storage facility.

The Kentucky State University Office of Internal Audit complies with the State of Kentucky Open records Act (Kentucky Revised Statute section 61.870 through 61.884). The Office of Internal Audit's final work product (e.g., memorandum, letter, report, audit report) must be made available upon a documented request to the Internal Auditor. Audit workpaper documentation and working files are not required to be made available and are not released under any circumstances.

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Related Standards

International Standards for Professional Practice of Internal Auditing

2300 – Performing the Engagement

2310 – Identifying Information

2320 – Analysis and Evaluation

2330 – Documenting Information

2330.A1, 2330.A2 and 2330.C1

2340 – Engagement Supervision

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<i>Section Name:</i> Assurance, Consulting, IT Engagement Performance	<i>Section Number:</i> II-3.4
<i>Procedure Name:</i> Communication	<i>Effective Date:</i> 10/09/2015 <i>Revised Date:</i>

PURPOSE

The Internal Auditor should communicate the engagement results.

Communications should include the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans.

Communications should be accurate, objective, clear, concise, constructive, complete, and timely.

The Internal Auditor should communicate results to the appropriate parties.

AUTHORITY

The purpose, authority and responsibility for the Office of Internal Audit is stated in the charter.

Specifically, the charter addresses Audit Reports. The charter reads as follows:

- (A) Audit reports will contain relevant background information, observations, conclusions, and recommendations (if necessary).
- (B) A final draft of the audit report will be forwarded to the audited agency for review and comment regarding factual content before it is released. The agency must respond in writing and specify agreement with audit conclusions and recommendations, or reasons for disagreement, along with an action plan for implementing solutions to issues identified and a timetable to complete such activities. The response must be forwarded to the Office of Internal Audit within 15 days of receipt of the draft report.
- (C) The response will be included in the report. If no response is received within the stated timeframe, the Internal Auditor may note that fact in the transmittal letter and release the audit report.
- (D) The reports shall be distributed to the President and the Board of Regents. The report shall also be available for public examination. The Internal Auditor shall retain a copy as a permanent record.

The ordinance includes audits being conducted in accordance with professional auditing standards. The Institute of Internal Auditors have established professional standards for internal auditing that include sections for audit reporting.

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RESPONSIBILITY

The Internal Auditor is responsible for communicating the results of reviews. Depending on the type of review, audit scope and objective, the results may be provided in the following formats.

Audit Opinion Expressed.

Audit Report - An audit report is prepared when the results involve expressing an audit opinion. An audit report includes a transmittal letter to the President with copies noted for distribution to the appropriate Board of Regents' members and administrative parties (e.g., Vice President, Department Director). The audit report includes background information and the audit scope, along with audit results and recommendations. The audit client's corrective action plan is also incorporated into the audit report.

Executive Summary - An Executive Summary is prepared when an audit report is issued. The executive summary provides an overview of the audit scope, results and corrective action plan. A version of the same executive summary is prepared for the President / administration representatives and the Board of Regents' Audit Committee.

Audit Opinion Not Expressed.

Report - A report is prepared when the results do not include expressing an audit opinion. A report normally includes a transmittal letter to the Client, and copies are not normally provided to the Board of Regents and President / administrative parties (e.g., Vice President) unless requested. The report includes background information and the audit scope, along with audit results / opportunities and recommendations. The audit client's corrective action plan is normally not required to be provided for inclusion in a report.

Other Communications (memorandums, letters, emails) - Depending on the scope and objective of the review, the results may be communicated to the appropriate personnel via a memorandum, letter or email. These types of communications would be used for minor consulting topics to address a specific issue with a limited scope.

Errors and Omissions – If a final communication contains a significant error or omission, the Internal Auditor must communicate, either verbally or by writing, the corrected information to all parties who received the original communication.

Engagement Disclosure of Nonconformance – When nonconformance with the definition of Internal Auditing, the Code of Ethics, or the *Standards* impacts a specific engagement, communication of the results must disclose the following.

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- Principle or rule of conduct of the Code of Ethics or *Standard(s)* with which full conformance was not achieved;
- Reason(s) for nonconformance; and
- Impact of nonconformance on the engagement and the communicated engagement results.

Related Standards

International Standards for Professional Practice of Internal Auditing

2400 – Communicating Results

2410 – Criteria for Communicating

2410.A1, 2410.A2, 2410.A3 and 2410.C1

2420 – Quality of Communications

2421 – Errors and Omissions

2430 – Use of “Conducted in Conformance with the *International Standards for the Professional Practice of Internal Auditing*”

2431 – Engagement Disclosure of Noncompliance

2440 – Disseminating Results

2440.A1, 2440.A2, 2440.C1 and 2440.C2

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<i>Section Name:</i> Assurance, Consulting, IT Engagement Performance	<i>Section Number:</i> II-3.5
<i>Procedure Name:</i> Monitoring Progress / Follow-Up	<i>Effective Date:</i> 10/09/2015 <i>Revised Date:</i>

PURPOSE

The Internal Auditor should establish and maintain a system to monitor the disposition of results communicated to management.

AUTHORITY

The purpose, authority and responsibility for the Office of Internal Audit is stated in the charter.

Specifically, the Office of Internal Audit charter addresses Audit Reports. The charter reads as follows:

The Internal Auditor shall follow-up on major audit recommendations, as practical, to determine if corrective actions have been implemented and are effective. The Internal Auditor may request periodic status reports from audited entities regarding actions taken to address audit recommendations.

The ordinance includes audits being conducted in accordance with professional auditing standards. The Institute of Internal Auditors have established professional standards for internal auditing that include sections for monitoring.

RESPONSIBILITY

The Internal Auditor is responsible for monitoring and following up on review results and corrective actions. The Kentucky State University Office of Internal Audit prepares the following Follow-up Report.

Audit Follow-up Report - This encompasses audit projects performed during the period that had issues / areas rated as inadequate or weak. Some of the projects listed might be consultations in which a formal report was not issued. The purpose of performing an audit follow-up review is to determine the status of corrective actions. An audit of the area will be performed with a limited sample for testing. This sample will be tested to ensure corrective actions have been implemented and are working effectively. Based on the results of the examination, a determination is made as to the status of the corrective action.

When the Internal Auditor has reason to believe that senior management has accepted a level of residual risk that may be unacceptable to Kentucky State University, the Internal Auditor must discuss the matter with the President. If the decision regarding residual risk

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is not resolved with the President, the Internal Auditor must report the matter to the Board of Regents for resolution.

Related Standards

International Standards for Professional Practice of Internal Auditing

2500 – Monitoring Progress

2500.A1 and 2500.C1

2600 – Resolution of Senior Management’s Acceptance of Risks

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<i>Section Name:</i> Assurance, Consulting, IT Engagement Performance	<i>Section Number:</i> II-3.6
<i>Procedure Name:</i> Documentation	<i>Effective Date:</i> 10/09/2015 <i>Revised Date:</i>

PURPOSE

Audit project documentation should be retained in order to support conclusions presented by auditors.

Audit documentation should be maintained in a manner that makes it readily accessible to authorized individuals, while being secured from unauthorized use.

Audit documentation should be prepared in a manner so that an experienced auditor could come to the same conclusion as that presented. This requires that file information is sufficient, neat and orderly.

AUTHORITY

The purpose, authority and responsibility for the Office of Internal Audit is stated in the charter. The charter includes audits being conducted in accordance with professional auditing standards. The Institute of Internal Auditors have established professional standards for internal auditing.

RESPONSIBILITY

The Internal Auditor is responsible for implementing a system in which audit documentation should be prepared and administered. Documentation should be administered in a manner to exhibit compliance with applicable auditing standards. The Office of Internal Audit prepares and organizes audit workpapers in the following manners:

1. Numbering

All workpapers should be properly numbered to allow cross-referencing in accordance with auditing standards. The Office of Internal Audit uses the following workpaper numbering schematic:

or ##### ## ##
 Organization Program or Account Workpaper Section Page Number

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For example, workpapers for the Office of Internal Audit background section would be numbered: 6100-BOR-0-1. The workpaper schematic should be explained on the workpaper table of contents.

Each section/area reviewed should have an individual section number. For example, purchases, payroll, and start-up cash would be numbered 6100-BOR-1-#, 6100-BOR-2-#, etc. *The background section is always number 0.* The pages are numbered from bottom to top.

2. Order of audit workpapers

The workpapers for all areas reviewed as part of audits should be in the following order (from bottom to top):

- ✓ Audit Program (the audit program should be updated to reflect information included in the procedures narrative)
- ✓ Procedures Narrative
- ✓ Examination / Functional Test
- ✓ Tick Legend
- ✓ Observation Worksheets (referenced to examination / test)
- ✓ Report

3. Background Information

For audits, the following types of information should be in the background section of the workpapers.

Background Information

Primary Source(s)

- | | |
|------------------------------------|--|
| • Engagement Letter | Internal Audit |
| • Audit Objective/Scope/Notes | Internal Audit |
| • Entrance Conference Notes | Internal Audit |
| • Audit Concerns | Department (Client)/Internal Audit |
| • Applicable Regulations | Department (Client)/Legal/Internal Audit |
| • Financial Organization Chart | Internal Audit |
| • Financial Statements | Internal Audit |
| • Budget Narrative | Internal Audit |
| • Quantitative Analysis | Internal Audit |
| • Previous Audit Reports | Internal Audit |
| • Internal Policies and Procedures | Department (Client) |
| • Staff Organization Chart | Department (Client)/Budget Office |
| • Phone List | Department (Client) |
| • Position Control Report | Internal Audit |
| • Preliminary Risk Assessment | Internal Audit |

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- Quality Assurance Checklist Internal Audit

Minor variations of the above system and order may be necessary based on the type of audit documentation included in a file. For example, some types of information may not be applicable depending on the type and scope of the audit.

4. Workpaper Heading

The first page of each workpaper / workpaper exhibit listing should contain the following headings:

- Organization (e.g., Bursar Office)
- Project Name (e.g., Operational and Financial Review)
- Project Area (e.g., Review, Background)
- Workpaper Description (e.g., Audit Program, Procedures Narrative, Examination)

5. Initialing / Dating Workpapers

The top left corner of the first page of each workpaper / workpaper exhibit listing should be initialed and dated by the Internal Auditor. **The date should represent the day the work was completed.**

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<i>Section Name:</i> Integrity Services Engagements	<i>Section Number:</i> <i>II-4.1</i>
<i>Procedure Name:</i> Responsibility	<i>Effective Date:</i> 10/09/2015 <i>Revised Date:</i>

PURPOSE

The Office of Internal Audit prescribes to a zero-tolerance philosophy regarding criminal activity and employee misconduct. Any level of misconduct (e.g., misuse of position for personal gain), misappropriation of Kentucky State University resources or other illegal behaviors will not be tolerated.

In addition to promoting a strong internal control environment and ethical behavior to avoid abuse, instances of employee misconduct must be investigated to display accountability. In cases where illegal activity is substantiated, perpetrators should be prosecuted to the fullest extent of the law.

AUTHORITY

All Kentucky State University personnel are expected to adhere to Federal, State and local laws. This includes issues addressed in the Kentucky State University Human Resources Personnel Policies and Procedures.

The purpose, authority and responsibility for the Office of Internal Audit is stated in the charter.

Specifically, the charter addresses the reporting of irregularities. The charter reads as follows:

If during an audit, the Office of Internal Audit becomes aware of abuse or illegal acts or indications of such acts, the Internal Auditor shall report the irregularities to both the President and Board of Regents.

The charter includes audits being conducted in accordance with professional auditing standards. The Institute of Internal Auditors have established professional standards for internal auditing.

RESPONSIBILITY

The Internal Auditor is responsible for addressing any potential integrity issues. This involves communicating with the President and Board of Regents as appropriate.

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The role of the Office of Internal Audit includes the investigation of allegations regarding employee misconduct and / or non-violent criminal acts involving Kentucky State University resources.

References:

Kentucky State University administers the following intranet site for internal users with information regarding several enterprise policies and procedures, including the Human Resources department:

[University Policies and Procedures | Kentucky State University](#)

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<i>Section Name:</i> Integrity Services Engagements	<i>Section Number:</i> II-4.2
<i>Procedure Name:</i> Planning	<i>Effective Date:</i> 10/09/2015 <i>Revised Date:</i>

PURPOSE

The Internal Auditor should develop and record a plan for each engagement, including the scope, objectives, timing and resource allocations.

The Internal Auditor should conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives should reflect the results of this assessment.

The scope of the engagement should include consideration of relevant systems, records, personnel, and physical properties, including those under the control of third parties.

The Internal Auditor should develop work programs that achieve the engagement objectives. These work programs should be recorded.

AUTHORITY

The purpose, authority and responsibility for the Office of Internal Audit is stated in the charter.

Specifically, the charter addresses the reporting of irregularities. The charter reads as follows:

If during an audit, the Office of Internal Audit becomes aware of abuse or illegal acts or indications of such acts, the Internal Auditor shall report the irregularities to both the President and Board of Regents.

The charter includes audits being conducted in accordance with professional auditing standards. The Institute of Internal Auditors have established professional standards for internal auditing.

RESPONSIBILITY

The Internal Auditor is responsible for addressing any potential integrity issues and planning the internal audit review / investigation. This involves communicating with both the President and Board of Regents as appropriate.

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The role of the Office of Internal Audit includes the investigation of allegations regarding employee misconduct and / or non-violent criminal acts involving Kentucky State University resources.

The Office of Internal Audit process for Integrity Services consists of several general steps designed to ensure compliance with auditing standards and applicable guidelines and laws. These steps involve planning documentation that is maintained in the project workpaper file.

The following serves as an overview of the significant planning steps involved in an integrity investigation performed by the Kentucky State University Office of Internal Audit.

Identification of Potential Misconduct - Potential illegal acts or employee misconduct may be identified in several manners. These include detection through routine internal audits or reviews, management identification through monitoring oversight or informants providing information.

Preliminary Review of Potential Misconduct - While the credibility of the identification source is a factor, the merit of potential illegal acts must be considered. A preliminary review of information is conducted so as not to compromise any potential legal investigation. The results of the preliminary review are noted and retained in the project workpapers.

Integrity engagements will not have an estimated completion date since resources will be dedicated indefinitely as needed. This fact should be documented in the workpapers.

Assessment of Potential Misconduct - A preliminary determination of misconduct is made in order to determine whether further review is warranted, and the type of review if any. This normally involves the Office of Internal Audit and the President.

Audit Program Review Methodology - An audit program / review methodology is developed and serves as detailed instructions of what will be reviewed and how the examination / review will be performed.

While edits/updates to these documents may be necessary as the project progresses, these forms serve as documented planning tools.

Related Standards

International Standards for Professional Practice of Internal Auditing
2200 – Engagement Planning

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2201 - Planning Considerations

2201.A1 and 2201.C1

2210 – Engagement Objectives

2210.A1, 2210.A2, 2210.A3, 2210.C1 and 2210.C2

2220 – Engagement Scope

2220.A1, 2220.A2, 2220.C1 and 2220.C2

2230 – Engagement Resource Allocation

2240 – Engagement Work Program

2240.A1 and 2240.C1

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<i>Section Name:</i> Integrity Services Engagements	<i>Section Number:</i> II-4.3
<i>Procedure Name:</i> Performance	<i>Effective Date:</i> 10/09/2015 <i>Revised Date:</i>

PURPOSE

The Internal Auditor should identify, analyze, evaluate, and record sufficient information to achieve the engagement's objectives. The information should be sufficient, reliable, relevant, and useful to achieve the engagement's objectives.

The Internal Auditor should base conclusions and engagement results on appropriate analyses and evaluations.

The Internal Auditor should record relevant information to support the conclusions and engagement results.

AUTHORITY

The purpose, authority and responsibility for the Office of Internal Audit is stated in the charter.

Specifically, the charter addresses the reporting of irregularities. The ordinance reads as follows:

If during an audit, the Office of Internal Audit becomes aware of abuse or illegal acts or indications of such acts, the Internal Auditor shall report the irregularities to the President and Board of regents.

The charter includes audits being conducted in accordance with professional auditing standards. The Institute of Internal Auditors have established professional standards for internal auditing.

RESPONSIBILITY

The Internal Auditor is responsible for the administration of audit performance.

The Office of Internal Audit process for Integrity Services consists of several general steps designed to ensure compliance with auditing standards, applicable guidelines and laws. These steps involve documentation for the performance of audit activities that is maintained in the project workpaper file.

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The following serves as an overview of the significant performance steps involved in an integrity review performed by the Kentucky State University Office of Internal Audit.

Audit Program / Review Methodology - Based on the review objective and scope as determined through preliminary review, an audit program / methodology is developed and serves as detailed instructions of what will be audited and how the examination / review will be performed.

Examination / Review - The actual performance of the examination / review could include auditing through functional tests or conducting interviews to address the potential misconduct issues. This may include use of explanatory tick legends and interview summaries. The extent of the client department's involvement is dependent upon the investigative strategy (e.g., potential for involvement in misconduct, sensitivity of information).

Results / Exceptions - Review results are compiled from the examination through the tick legends and interview summaries. All results, exceptions to procedures and areas where weaknesses are noted, as well as, any significant risks identified, are noted. Review results may be documented in various formats (e.g., case notes, chronological timetables)

In some cases with the approval of both the President and Board of Regents, the Office of Internal Audit work papers may be transferred to other related parties participating in the investigation (e.g., law enforcement, legal counsel). A record of this transfer will be retained in place of the actual file.

The Kentucky State University Office of Internal Audit adheres to retention policies administered by Kentucky State University's Archives division. Audit workpaper files are retained in the secured files within the Internal Auditor's Office, or are maintained permanently in the archives storage facility.

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Related Standards

International Standards for Professional Practice of Internal Auditing

2300 – Performing the Engagement

2310 – Identifying Information

2320 – Analysis and Evaluation

2330 – Documenting Information

2330.A1, 2330.A2 and 2330.C1

2340 – Engagement Supervision

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<i>Section Name:</i> Integrity Services Engagements	<i>Section Number:</i> II-4.4
<i>Procedure Name:</i> Communication	<i>Effective Date:</i> 10/09/2015 <i>Revised Date:</i>

PURPOSE

The Internal Auditor should communicate the engagement results.

Communications should include the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans.

Communications should be accurate, objective, clear, concise, constructive, complete, and timely.

The Internal Auditor should communicate results to the appropriate parties.

AUTHORITY

The purpose, authority and responsibility for the Office of Internal Audit is stated in the charter.

Specifically, the charter addresses the reporting of irregularities. The ordinance reads as follows:

If during an audit, the Office of Internal Audit becomes aware of abuse or illegal acts or indications of such acts, the Internal Auditor shall report the irregularities to the President and Board of regents.

The charter includes audits being conducted in accordance with professional auditing standards. The Institute of Internal Auditors have established professional standards for internal auditing.

RESPONSIBILITY

The Internal Auditor is responsible for communicating the results of integrity reviews.

In addition to meeting with related parties to discuss integrity issues, the results of Integrity Reviews are normally provided in one of the following formats.

Report - A report is prepared when the results do not include expressing an audit opinion. A report normally includes a transmittal letter to the Client. The report also includes background information and the audit scope, along with audit results /

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opportunities and recommendations. The audit client's corrective action plan is normally not required to be provided for inclusion in a report.

Other Communications (memorandums, letters, emails) - Depending on the scope and objective of the review, the results may be communicated to the appropriate personnel via a memorandum, letter or email.

Outcomes of integrity reviews are reported in manner so as to appropriately protect the confidentiality of the individuals investigated. In cases where criminal / civil charges are filed, the appropriate authorities (e.g., Legal Counsel) are notified of the outcome of the audit review. In cases where charges are not filed, the privacy of the individuals allegations were made against is protected.

Related Standards

International Standards for Professional Practice of Internal Auditing

2400 – Communicating Results

2410 – Criteria for Communicating

2410.A1, 2410.A2, 2410.A3 and 2410.C1

2420 – Quality of Communications

2421 – Errors and Omissions

2430 – Use of “Conducted in Conformance with the *International Standards for the Professional Practice of Internal Auditing*”

2431 - Engagement Disclosure of Noncompliance with the *Standards*

2440 – Disseminating Results

2440.A1, 2440.A2, 2440.C1 and 2440.C2

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<i>Section Name:</i> Integrity Services Engagements	<i>Section Number:</i> II-4.5
<i>Procedure Name:</i> Documentation	<i>Effective Date:</i> 09/21/2006 <i>Revised Date:</i> 07/10/2009

PURPOSE

Audit project documentation should be retained in order to support conclusions presented by auditors.

Audit documentation should be maintained in a manner that makes it readily accessible to authorized individuals, while being secured from unauthorized use.

Audit documentation should be prepared in a manner so that an experienced auditor could come to the same conclusion as that presented. This requires that file information is sufficient, neat and orderly.

AUTHORITY

The purpose, authority and responsibility for the Office of Internal Audit is stated in the charter.

The charter grants authority to the Office of Internal Audit to conduct audits to independently and objectively determine the following regarding integrity cases:

- (6) There are indications of fraud, abuse or illegal acts which need further investigation.

The charter requires that the Kentucky State University Office of Internal Audit report irregularities as follows:

If during an audit, the Office of Internal Audit becomes aware of abuse or illegal acts or indications of such acts, the Internal Auditor shall report the irregularities to both the President and Board of Regents.

Integrity project workpapers might not strictly comply with routine auditing and internal audit office standards. Since the primary focus is to obtain information to identify possible fraud or employee misconduct, the content of workpapers may differ from that for other types of audit services.

Integrity project workpapers should be prepared with the understanding that they could potentially be integrated into a case file used by law enforcement agencies and legal counsel.

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RESPONSIBILITY

The Internal Auditor is responsible for implementing a system in which audit documentation for integrity cases should be prepared and administered. Integrity project workpapers might not strictly comply with routine auditing and internal audit office standards. Since the primary focus is to obtain information to identify possible fraud or employee misconduct, the content of workpapers may differ from that for other types of audit services.

Documentation should be administered in a clear and concise manner so as to support the conclusions of the auditor. Additionally, integrity projects normally include specific documentation for the individual that the review is focused on (e.g., bank account numbers, employment/human resource information, home address). The Kentucky State University Office of Internal Audit prepares and organizes integrity project workpapers in the following manners:

1. Numbering

All workpapers should be properly numbered to allow cross-referencing. The Office of Internal Audit uses the following workpaper numbering schematic:

###	#### or #####	##	##
Organization	Program or Account	Workpaper Section	Page Number

For example, workpapers for the Office of Internal Audit background section would be numbered: 6100-BOR-0-1. The workpaper schematic should be explained on the workpaper table of contents.

Each section/area reviewed should have an individual section number. For example, purchases, payroll, and start-up cash would be numbered 6100-BOR-1-#, 6100-BOR-2-#, etc. ***The background section is always number 0.*** The pages are numbered from bottom to top.

For integrity cases, the w/p numbering sequence may include “SR” to designate the project as a Special Review. The workpaper numbering schematic should be explained in the workpaper binder table of contents.

2. Order of audit workpapers

As previously noted, integrity project workpapers may not comply with all standard guidelines for other types of projects. Not all information will apply in every case for integrity projects. For documentation that does apply, workpapers should be in the following order (from bottom to top):

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- ✓ Investigation Methodology
- ✓ Procedures
- ✓ Examination / Review
- ✓ Tick Legend (if applicable)
- ✓ Observation Worksheets (referenced to examination / test)
- ✓ Report

3. Background Information

As previously noted, integrity project workpapers may not comply with all standard guidelines for other types of projects. Not all information will apply in every case for integrity projects. For integrity audits, the following types of information might be included in the background section of the workpapers.

<u>Background Information</u>	<u>Primary Source(s)</u>
• Identification of Potential Misconduct	Internal Audit
• Audit Objective/Scope/Notes	Internal Audit
• Audit Concerns	Department (Client)/Internal Audit
• Applicable Regulations	Department (Client)/Legal/Internal Audit
• Financial Organization Chart	Internal Audit
• Financial Statements	Internal Audit
• Budget Narrative	Internal Audit
• Quantitative Analysis	Internal Audit
• Internal Policies and Procedures	Department (Client)
• Staff Organization Chart	Department (Client)/ Budget Office
• Phone List	Department (Client)
• Position Control Report	Internal Audit
• Quality Assurance Checklist	Internal Audit

Minor variations of the above system and order may be necessary based on the type of audit documentation included in a file. For example, some types of information may not be applicable depending on the type and scope of the investigation.

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<i>Section Name:</i> Consulting Services	<i>Section Number:</i> <i>II-5.1</i>
<i>Procedure Name:</i> Definition	<i>Effective Date:</i> 10/09/2015 <i>Revised Date:</i>

PURPOSE

Management may request that the Office of Internal Audit provide consulting services in some instances. These are non-audit services provided in which the internal auditor does not assume management authority. Examples include counsel, advice, facilitation and training.

The nature of consulting services may lead to independence impairment. This policy is intended to ensure consulting engagements do not impair the Office of Internal Audit's professional independence or objectivity.

Auditing standards allow auditors to participate on committees or task forces in a purely advisory capacity and offer routine advice and technical assistance. It is assumed that it is management's decision whether to follow the auditor's advice in these matters.

AUTHORITY

The purpose, authority and responsibility for the Office of Internal Audit is stated in the charter. The charter grants the auditor authority as follows:

To perform such other audit-related functions as determined necessary by the Internal Auditor, President, or the Board of Regents.

The charter does require that audits be conducted in accordance with applicable professional standards.

RESPONSIBILITY

The Internal Auditor is responsible to ensure any consulting services are provided so as not to jeopardize independence and objectivity. This can be accomplished by adhering to the following core elements of the audit function:

1. Auditors should be independent, avoid relationships and situations that compromise auditors objectivity,
2. Auditors should not audit their own work,
3. Auditors should not perform management functions or make management decisions.

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Upon receipt of a request for services, the Internal Auditor will consider whether providing such services would create an impairment, either in fact or appearance, that would adversely affect either the Internal Auditor's objectivity or to the Office of Internal Audit's independence for conducting subsequent audits within the same area.

If the engagement is determined to constitute an impairment to independence or objectivity, the request will be declined. If declined, the factors and final conclusion will be documented in a memorandum, addressed to the requestor of the services, with copies to the President.

Related Standards

International Standards for Professional Practice of Internal Auditing
1000 – Purpose, Authority, and Responsibility

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<i>Section Name:</i> Proficiency and Due Professional Care	<i>Section Number:</i> II-6.1
<i>Procedure Name:</i> Professional Judgment	<i>Effective Date:</i> 10/09/2015 <i>Revised Date:</i>

PURPOSE

Auditors should exercise reasonable care and diligence. This includes maintaining the highest degree of integrity, objectivity, and independence in applying professional judgment to all aspects of their work.

Engagements should be performed with proficiency and due professional care. The Internal Auditor should possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. When necessary, competent advice and assistance should be obtained.

The Internal Auditor should apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

AUTHORITY

The purpose, authority and responsibility for the Office of Internal Audit is stated in the charter. This includes audits being conducted in accordance with professional auditing standards. The Institute of Internal Auditors have established professional standards for internal auditing that include sections for proficiency and due professional care.

RESPONSIBILITY

The Internal Auditor should exercise due professional care by considering the extent of work needed to achieve the engagement's objectives and the required resources. This includes knowledge, reference material and computer assisted auditing tools. Ultimately, the standards place responsibility on audit organizations to ensure that each audit or attestation engagement is performed someone who has the knowledge, skills, and experience necessary for that assignment.

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Related Standards

International Standards for Professional Practice of Internal Auditing

1200 - Proficiency and Due Professional Care

1210 - Proficiency

1210.A1, 1210.A2, 1210.A3 and 1210.C1

1220 - Due Professional Care

1220.A1, 1220.A2, 1220.A3 and 1220.C1

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<i>Section Name:</i> Administration / Personnel	<i>Section Number:</i> III-1.1
<i>Procedure Name:</i> Dress Code	<i>Effective Date:</i> 10/09/2015 <i>Revised Date:</i>

PURPOSE

Professionalism is vital to the Office of Internal Audit's mission. It is critical that this remains the overarching principal in the dress code for the Office. The impact of first impressions on the client's perception of the Office's professionalism cannot be overstated. Professional attire is expected for certain interactions with clients.

RESPONSIBILITY

The Internal Auditor is expected to dress in a professional manner every day. Exceptions may be granted for special audit circumstances (e.g., narcotics disposals). The dress for casual days is expected to be business casual. Employees reporting to work in inappropriate attire may be required to go home and change into acceptable clothing.

While the Office of Internal Audit has adopted a business casual dress day, professional attire is expected for certain interactions with clients. This includes meetings and presentations.

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<i>Section Name:</i> Proficiency and Due Professional Care	<i>Section Number:</i> III-2.1
<i>Procedure Name:</i> Continuing Professional Development	<i>Effective Date:</i> 10/09/2015 <i>Revised Date:</i>

PURPOSE

Audit engagements should be performed with proficiency and due professional care. The Internal Auditor should enhance their knowledge, skills, and other competencies through continuing professional development.

AUTHORITY

The purpose, authority and responsibility for the Office of Internal Audit is stated in the charter. This includes audits being conducted in accordance with professional auditing standards. The Institute of Internal Auditors have established professional standards for internal auditing that include sections for continuing professional development.

RESPONSIBILITY

The Internal Auditor should complete, every 2 years, at least 80 hours of continuing professional education (CPE) that directly enhance the auditor's professional proficiency to perform audits. At least 24 of the 80 hours of CPE should be in subjects directly related to college and university auditing, the higher learning environment, or the specific or unique environment in which the audited entity operates. Ultimately, the standards place responsibility on audit organizations to ensure auditors meet the continuing education requirements and maintain documentation of the CPE completed.

Related Standard

International Standards for Professional Practice of Internal Auditing
1200 – Proficiency and Due Professional Care
1230 – Continuing Professional Development

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<i>Section Name:</i> Technology / Computer Equipment	<i>Section Number:</i> IV-1.1
<i>Procedure Name:</i> Technology Systems and Equipment	<i>Effective Date:</i> 10/09/2015 <i>Revised Date:</i>

PURPOSE

The use of computer technology equipment and systems is a necessary component of an internal auditor's routine duties. The ability to manage and maintain sensitive information is imperative.

The nature of internal auditing frequently requires that auditors consider sensitive information while project work is conducted. This includes, but is not limited to, human resources information, client files, etc. Internal audit professionals must maintain the highest level of integrity and trust. The Institute of Internal Auditors code of ethics promotes an ethical culture in the profession of internal auditing, and includes confidentiality as one of the four major principles.

AUTHORITY

The Office of Internal Audit is a department of Kentucky State University and is bound to abide by the enterprise policies and procedures. These include Kentucky State University Information Technology Policies.

The Institute of Internal Auditors has established a documented code of ethics to promote an ethical culture in the profession of internal auditing. One of the four principles reads as follows:

- Confidentiality - Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

RESPONSIBILITY

All information pertaining to audits and information reviewed by the Office of Internal Audit is confidential. The Internal Auditor is expected to safeguard the computer files, access to systems and any other type of audit records.

The Internal Auditor is expected to safeguard information, both in project work papers and that maintained / obtained in electronic form. The Internal Auditor will not use their access rights for unauthorized reasons. Internal Auditor is expressly forbidden from communicating audit information or other university-related business information with

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individuals outside of the office (e.g., media, unauthorized employees outside of conducting the audit).

Computer Systems

The Office of Internal Audit has access to the Banner system. The Internal Auditor must use a password to access the systems. It is the Internal Auditor's responsibility to safeguard his or her password and not to let anyone else use it. The Internal Auditor has inquiry access to the pertinent records stored on the computer systems. Improper disclosure or use of data may be grounds for disciplinary action, up to and including termination.

The Institute of Internal Auditors administers the following website with information regarding the internal auditing profession:

<http://www.theiia.org>

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