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INTRODUCTION

Duties and Responsibilities

The Division of Audit and Compliance is responsible for keeping the Board of Trustees, the Audit Committee, and the President informed concerning fraud, abuses, and deficiencies relating to programs and operations administered or financed by the University. In addition, the Division is responsible for recommending corrective action concerning fraud, abuses, and deficiencies, and report on the progress made in implementing corrective action. The Division is also responsible for developing long-term and annual audit plans based on findings of periodic risk assessments. The plan shows the individual audits to be conducted during each year and related resources to be devoted to the respective audits.

The Division of Audit and Compliance conducts financial, compliance, information technology, and performance audits throughout the University. Such audits are conducted in accordance with the current Standards for the Professional Practice of Internal Auditing published by the Institute of Internal Auditors, Inc. (Red Book), and Government Auditing Standards promulgated by the Comptroller General of the United States (Yellow Book).

Mission Statement

The mission of the Division of Audit and Compliance is to assist the University in the accomplishment of its vision, mission, and strategic goals; and provide independent and reliable audit and investigative services, to ensure:

- Compliance with statutory mandates;
- Integrity, accountability and efficiency are promoted within the University;
- Quality programs and services are provided to students;
- Resources are used consistent with laws, regulations, and policies;
- Resources are safeguarded against waste, loss, and misuse; and
- Reliable data are obtained, maintained, and fully disclosed.

Goals

The Division established the following four essential goals: 1) provide for quality audits, reviews, studies, and investigations; 2) perform audits, reviews, studies, and investigations in a timely manner; 3) use resources in an efficient manner; and 4) provide sufficient audit coverage to mitigate the University’s risks.

The Division of Audit and Compliance can best achieve its goals by addressing the University’s needs, developing staff, and emphasizing continuous improvement in the delivery of services.
Staffing

In selecting potential audit areas, the staffing allocation was based on the current budgeted positions for the Division of Audit and Compliance. The current professional and support staff include Vice President of Audit and Compliance, five auditors, a coordinator, and an administrative assistant. The Division is conducting searches to fill two vacant auditing positions.

RISK ASSESSMENT

Purpose

The purpose of developing an annual audit plan is to identify, select, and plan for the review of the vulnerable areas of the University. The primary consideration during the development of the audit plan was to provide the greatest possible benefit to the University.

University Audit Coverage

The results of a comprehensive risk assessment and the concerns of management were used to determine coverage, timing, and intensity of audit efforts. As part of our planning for future audit coverage, representatives of the Office of the Auditor General were contacted to discuss their current and future audits of the University in order to minimize duplication of audit efforts.

A goal of the Division of Audit and Compliance, as it relates to risk assessment, is to systematically assess key administrative compliance-related procedures, and partner with functional area management to move the University towards an effective Enterprise Risk Management model. The systematic risk assessment included several steps that provided a basis for prioritizing audit areas. The steps taken in risk assessment are described as follows:

- **Establishment of the Audit Universe**
  
The first step in the risk assessment was to identify the University’s audit universe. The audit universe includes each unit within the organization, which may be a program or other functional area with similar risk characteristics.
• **Identification of Risk Factors**

The second step in the process was to identify the key risk factors to be assessed. Numerous risk factors representing detail risk characteristics were grouped under several risk attributes (components) for the initial assessment.

• **Objective and Subjective Assessments**

Quantitative attributes were compiled for each auditable unit for an assessment of priority scores. The attributes include University control environment, senior management controls, nature of operations, experience and training, and nature of the transactions or tasks.

The risk factors consist of: audit trails, separation of duties, management accountability, compliance with internal accounting or administrative controls, accuracy of information, the level of management involvement, internal and external audit coverage, resolutions of previous audit findings, University deadlines, volume of transaction or tasks, level of complexity, compliance with laws and policies, management and staff experience levels, training of the University’s workforce, and value and nature of transactions. These quantitative attributes and risk factors pertain to significant inherent risks. A rating scale was established to assess each auditable unit’s attributes, scores were computed, and auditable units ranked from highest to lowest score.

• **Identification of Potential Audit Areas**

To further narrow the field of potential audit areas, specific potential areas were identified within the overall program areas. In some instances, a potential audit area was directly correlated to the program area, while in other instances; the audit area further refined the program area. Estimated staff resource requirements were then assigned for each of the potential audit areas.

• **Selection of Audit Areas**

The final step in the risk assessment was the actual selection of specific audit areas for inclusion in the proposed Audit Plan for fiscal year 2007-08. Although the risk assessment provided an excellent base of information for those areas of the University to be reviewed, a potential audit area with a high ranking in the risk assessment was not the only factor that was used to determine the audits included in the schedule for the year. The audit findings in the operational and financial audits for the fiscal year-ended June 30, 2006 presented high risk areas
which require immediate attention. The selected areas are presented in the audit plan section below.

AUDIT PLAN FOR FISCAL YEAR 2007-08

The selected areas for audit/review are based on the most likelihood of risk occurring and the impact and significance of the risk to the University during the fiscal year 2007-08. The audit areas will include, but will not be limited to:

- Payroll Management
- Inventory/Asset Management
- Athletics
- Contracts and Grants Management
- Cash Management
- Financial Aid
- Follow-up on Corrective Actions
- Information Technology
- Management Reviews
- Internal Administrative Complaints and Investigations

1. Payroll Management

Estimated Start Date: February 2008

Objective: To determine if the University maintains sufficient oversight and control over its payroll management and general operating business processes.

Critical Factors for Audit/Review: (a) Controls over the payroll process are adequate and operating properly; (b) Duties and responsibilities are properly segregated within the process; (c) Policies and procedures; and (d) Training and education of staff.

2. Inventory/Asset Management

Estimated Start Date: January 2008

Objective: To determine if the University’s financial statements report accurate asset and depreciation information in accordance with accounting standards and regulations.

Critical Factors for Audit/Review: (a) Capitalized asset listing agrees with asset listing in General Ledger; (b) Capital asset listing/property listing has been quality controlled against annual physical inventory counts; (c) All assets listed on the property listing are properly
accounted for at the University; (d) University properly receives, tracks, and accounts for assets; and (e) Reporting items missing or lost to the appropriate law enforcement agency and ensuring that the property records are timely adjusted to reflect lost or missing property.

3. Athletics

Estimated Start Date: November 2007

Objectives: To determine if internal athletic processes are sufficient to ensure sound record keeping and monitoring of group travel payments and reimbursements to student athletes and for payments associated with student athlete medical claims. Further determine if the department has adequate business practices in place in regards to the creation of revenue and expense reports to confirm compliance with external regulations and University directives.

Critical Factors for Audit/Review: a) Training and education of staff; b) Reports being detailed enough to allow for proper decision-making; c) Adequate business processes to allow for external compliance assessment; and d) Internal Operating Memorandum correlates with other University directives, such as, the Office of the Controller and Purchasing.

4. Contracts and Grants Management

Estimated Start Date: February 2008

Objective: To determine the adequacy of the contracts and grants reconciliation process, billing process, and time and effort reporting that is required in tracking and validating committed effort paid and unpaid on sponsored projects.

Critical Factors for Audit/Review: a) Proper certification of cost sharing or committed effort without salary; b) All employee charged effort is certified within the given time frame for the reporting period; and c) The effort reporting form is signed by the supervisor or a responsible person with first hand knowledge of the employee’s activities.

5. Cash Management

Estimated Start Date: November 2007

Objective: To determine the adequacy of the University’s cash handling and depositing processes.

Critical Factors for Audit/Review: a) Separation of duties and responsibilities in regards to the cash and depositing processes; b) Cash collections are limited to University-approved cash collection points; c) Review the daily balancing of cash drawers and records; d) University-
approved cash collection procedures are adequate and in place at every individual cash collection point; e) Continual management and oversight of the processes; f) Adequate physical facilities; and g) Vigilance and awareness when transporting cash.

Financial Aid

Estimated Start Date: October 2007

Objective: To verify and validate the implementation of the University’s corrective actions to resolve the Auditor General’s financial aid findings, and to verify that the University’s Student Financial Assistance procedures are effective by conducting tests of transactions.


6. Follow-up on Corrective Actions

Estimated Start Date: July 2007

Objective: To provide follow-up review of relevant documents, verification of updated procedures and processes, and validation of appropriate implementation and institutionalization of the corrective actions presented in the operational and financial audit plans. Also, to provide a follow-up review of external audit findings disclosed from the federal audits.

7. Information Technology

Estimated Start Date: February 2008

Objective: To review Enterprise Information Technology framework and governance process.

Critical Factors for Audit/Review: a) Training and education of staff in governance principles; b) Formal policies and procedures; c) Periodic review of terminated employees access to the network; d) Assess adequacy of control procedures and processes; e) Assess adequacy of security controls, both automated and general/physical; f) Business Continuity and Disaster Recovery Planning; g) Administrative access capabilities and privileges; and h) Transaction history logs and data vulnerability.
8. **Management Reviews, Advisory and Consulting Services**

Estimated Start Date: July 2007

Objectives: To provide management review, advisory and consulting services, and investigation assistance to the Board of Trustees, Office of the President, and University management.

9. **Internal Administrative Complaints and Investigations**

Estimated Start Date: July 2007

Objectives: To provide intake process and investigation services for the University. This would include inquiring or investigating all administrative complaints referred to the Division either by anonymous tips, the state “Get Lean” hotline, University management, or the University’s third-party complaint hotline operated by Global Compliance.

10. **Audit Plan Time Line**

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<th>Audit Area</th>
<th>Period Covered</th>
<th>Status</th>
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<tr>
<td>10 Information Technology</td>
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