

*University of North Texas System*  
*Internal Audit Process*

Don Holdegraver  
Chief Internal Auditor  
University of North Texas System  
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# *The Internal Audit Process at UNT System*

## *Governing Statutes, Standards, and Rules*

- The internal audit process is established at UNT System in accordance with Chapter 2102 of the Texas Government Code, the *Texas Internal Auditing Act*
- All work is performed in accordance with the *International Standards for the Professional Practice of Internal Auditing* (Institute of Internal Auditors, Inc.), as well as GAGAS (Generally Accepted Government Auditing Standards, a.k.a. 'Yellowbook')
- Internal auditors, and in particular Certified Internal Auditors (CIA), Certified Government Auditing Professionals (CGAP), and Certified Fraud Examiners (CFE) on staff, are also governed by the Codes of Professional Ethics of the governing body for each of those certifications
- Regents Rule 04.501 is the Charter for Internal Audit at UNT System, outlining the department's authority, responsibility, and access (The IIA Standards, which require the Charter, are currently being revised by the IIA which will necessitate revision of the Regents Rule later this year)

# *The Internal Audit Process at UNT System*

## *Internal Audit Mission*

*“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the System Administration’s and each Institution’s operations. It assists the System Administration and each Institution to accomplish their objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes.”*

## *Internal Audit Vision*

*“To provide assurance and consulting services in a spirit of partnership with the University System community - services that promote forward-looking improvements to the University System’s operating environment and internal control structure, and encourage the efficient and effective use of all University System resources.”*

# *The Internal Audit Process at UNT System*

## *Business Risk Assessment*

- Annually, a Business Risk Assessment is performed for each of the components of the UNT System
- The Business Risk Assessment identifies the most significant business risks facing each component and the System as whole during the coming year

## *Annual Audit Plan*

- Based on the Business Risk Assessment, an audit plan is developed for presentation to the Audit Committee at the August meeting for its approval
- The plan is designed to address the most significant risks identified in priority order, with the intent of completing as much of the plan as possible
- Approximately 10% of the available direct audit time is left unallocated for special requests and investigations that come up during the year
- Average direct audit time available for each staff member is approximately 70% of total individual time (1,456 of 2,080 hours annually), excluding the Chief Internal Auditor and the two Audit Directors

# *The Internal Audit Process at UNT System*

## *Types of Reviews Performed*

**Financial Audit** – Financial audits are audits of the financial position of an operating unit, most often in response to specific state requirements or MOU requirements from gifts to the university. Financial audits are for specified periods, usually one year or less, based on specific financial or performance objectives. Financial audits are not performed as ‘fishing trips’ - i.e., reviewing a large volume of transactions in an attempt to identify misuse of funds or inappropriate transactions to reinforce desired management disciplinary actions. Issues identified in these reviews will be based on documented policies, procedures, or other regulatory bases in place at the time of the transactions.

**Operational Audit (Process Review)** – Usually scheduled reviews from the audit plan, process reviews are intended to evaluate processes within a unit or college or university-wide in areas determined to have higher risk. Recent examples include the p-card review, travel office review, student refund check processing, etc. These reviews will consider financial impact, but are focused primarily on processes and practices. A report is issued at the conclusion of the review, commenting on processes and practices reviewed, and making recommendations for management action to improve or correct processes and practices to improve efficiency, improve internal controls, or enhance use of staff. Management will be expected to provide management action plans for each recommendation.

**Compliance Audit** – compliance audits occur when we are reviewing, either by request or by approved audit plan, reviewing compliance with policy, regulations, statute, etc. Most often, these will be compliance audits related to grants and contracts, but may also include direct review of policies and procedures. The normal product of a compliance audit is a report similar to those issued as part of financial or operational (process) reviews.

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## *Types of Reviews Performed (cont'd)*

**Consulting Service** – Consulting services occur when Internal Audit is contacted about a particular question or issue for which advice is requested. These normally require a very limited amount of time, usually less than 40 hours. It is most often for issues such as reviewing a new policy or procedure to be implemented, looking at a particular situation which requires an additional ‘outside’ opinion or evaluation, or suggestions for improving a process or practice. With consulting, there may or may not be a written memo or report, and there may or may not be specific recommendations to which management must respond.

**Investigation of Employee Dishonesty or Theft** – Investigations occur as reports are received by any of several areas-most often University Police but also now the Compliance Office, and occasionally by employees reporting suspected activities directly to Internal Audit. Investigations focus on specific allegations made, and the subsequent findings about each of the allegations as to whether they appear to be substantiated, whether they appear to be unsubstantiated, or whether there is insufficient information to make a determination.

The investigations performed by Internal Audit are administrative investigations, not criminal investigations. Internal Audit does not confirm theft, nor does it determine guilt or innocence of the suspected individual(s). Internal Audit presents information for consideration by UNT Police or senior administrators as to what further action may be required. Internal Audit will often, but not always, follow up by consulting with the department involved about internal control enhancements or changes that could be made to internal controls and processes to prevent recurrence, or providing training for staff in the affected department on internal controls and fraud awareness.

Internal Audit will normally prepare a draft report of the results of the investigation, and may issue a final report in coordination with University Police.

# *The Internal Audit Process at UNT System*

## Standard Review Process – Scheduled Projects

1. Notification
2. Entrance conference
3. Preliminary study
  - Policy review
  - Interviews with staff
  - SAS-99 Fraud Risk Questionnaire (SAS-99)
  - Internal Control Questionnaire (ICQ)
  - Flowcharting of processes
7. Work program development
8. Field work
9. Report draft preparation
10. Exit conference
11. Final report issued
12. Follow up on management action plans (180 days after report date)

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## Standard Review Process - Unscheduled Projects (excluding investigations)

1. Discuss formally requested work with requestor
2. Determine whether project should be performed, included with next year's Internal Audit business risk assessment, or transferred to another unit at UNT for consideration
3. Prepare engagement letter for signature by requestor documenting what will/will not be done during project
4. Perform the agreed-upon work
5. Prepare a report or memo summarizing the results of the work performed

# *The Internal Audit Process at UNT System*

## Standard Investigation Process (employee dishonesty or theft)

1. Receive allegations of employee dishonesty or theft from source
2. Determine whether there is sufficient predication to investigate the allegations
3. Contact UNT PD and other departments as needed prior to beginning investigation
4. Investigate the allegations from an administrative standpoint, to determine whether sufficient evidence exists to refer for criminal investigation (Internal Audit does not perform criminal investigations, nor interview primary suspects in most cases-these are left to UNT Police to perform)
5. Document the results of the investigation, and prepare a draft report of the allegations and findings
6. Refer to UNT PD or appropriate University administrator for further action
7. Provide, or coordinate with other University resources for, follow up training or corrective action to be taken

# *The Internal Audit Process at UNT System*

## *Individual Project Reports*

All project reports, including management action plans to address any recommendations made, are issued by the Internal Audit Department to Board members, University senior administrators, and appropriate line administrators immediately upon completion of the reports. These are discussed with Board members, when requested, at the next regularly scheduled Audit Committee meeting.

## *Quarterly Report*

Prior to each Board of Regents meeting, Internal Audit provides a quarterly report to each Board member and selected University administrators of activities undertaken by Internal Audit since the last Board meeting.

The report summarizes audits completed, audits in process, other activities performed, and non-audit time for consideration and questions by the Audit Committee.

## *Annual Report*

Annually each October 31st, the Internal Audit Department provides a summary, in the format required by the State Auditor's Office (SAO), to the SAO and other required state agencies and state offices. The Board of Regents is provided a copy of this report also.

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*Questions?*