

Department of Audit and Compliance

Quality Self-Assessment



November 2014



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EXECUTIVE SUMMARY

We have conducted a self-assessment in accordance with our Quality Assurance and Improvement Program (QAIP). Our self-assessment procedures covered the Division of Audit and Compliance's (DAC) operations for the audit year July 1, 2013 – June 30, 2014, and we conducted fieldwork from August 2014 through September 2014. Carl Threatt, Audit Services/Investigations Administrator, Ruoxu Li, Audit Services/Investigations Administrator facilitated our internal self-assessment with independent external validation by Angela Poole, a Florida licensed Certified Public Accountant and Assistant Vice President within the Division of Finance and Administration at Florida Agricultural and Mechanical University.

Our observations were based on information gathered through the following procedures:

- Conducted interviews with key stakeholders of the DAC representing the Audit Committee, Senior Administration and the DAC staff.
- Assessed the DAC's charter, policies and procedures, organization charts, auditor responsibilities, risk assessment methodology and results, internal audit standards and guidelines, selected audit engagement workpapers and reports, learning and development activities, and reporting to the Audit Committee and the Board of Trustees.

The self-assessment considered prior deficiency issues, involved workpaper review of two completed audits, and utilized the Institute of Internal Auditors (IIA) Quality Assessment Manual. The results indicated (1) that DAC has continued to make significant progress in addressing deficiencies that were disclosed in earlier assessments, (2) the workpapers were adequate to support audit reporting and meet the requirements of professional standards, and (3) the operations *generally conform* to professional



standards (IIA assessment ranking options are: *generally conform*, *partially conform*, and *does not conform*). To provide for a longer-term perspective and foster an environment of continuous improvement, we plan to continue to enhance our quality and efficiency in each operational area: governance, staff, management, and process. Our plans include:

1. Monitor and recommend updates of Audit Committee and audit activity governing charters to adopt recently released IIA model charters;
2. Maintain a qualified staff and establish a staff training plan to monitor and track staff knowledge and proficiency;
3. Develop a multi-year audit approach and resource utilization plan based upon our risk assessment;
4. Further contributing to University governance, risk management and control processes by conducting trainings and promoting the University's ethics hotline and improving the visibility of the unit across the campus;
5. Enhance utilization of performance metrics and efficiency through implementation of audit management software;
6. Embrace continuous improvement through use of tools such as those in the IIA's International Professional Practices Framework (IPPF), which includes benchmarking.



PURPOSE OF SELF-ASSESSMENT

In accordance with our QAIP, we conducted a self- assessment to evaluate our conformity with auditing standards and identified areas for improvement. The QAIP is designed to provide assurance that we (a) perform our work in accordance with our governing charter, consistent with The IIA International Standards for the Professional Practice of Internal Auditing Standards (Standards) and Code of Ethics, (b) operate in an effective and efficient manner, and (c) are perceived by stakeholders as adding value to and improving University operations. Our QAIP requires a self-assessment each year, with an external quality assurance review every three years.

SELF-ASSESSMENT SCOPE OF WORK

The self-assessment scope of work provided for four overall tasks to be conducted to assess the extent of compliance with the IIA Standards:

1. Reviewing our progress in response to deficiencies previously reported to the University in audit, consultant reports and prior year self-assessment and external quality assurance reviews;
2. Reviewing two audit work paper files completed in fiscal year 2014;
3. Interviewing key stakeholders of the DAC representing the Audit Committee, Senior Administration and the DAC to assess the perception of the University's internal audit activity;
4. Gathering and reviewing documents necessary for completing the Institute of Internal Auditor's Quality Assurance Manual's Governance, Audit Staff, Management and Process questionnaires and preparing for DAC's next external quality assessment.



RESULTS OF SELF-ASSESSMENT WORK

SIGNIFICANT PROGRESS HAS BEEN MADE IN ADDRESSING DEFICIENCIES

We have made significant progress since earlier assessments that includes:

1. Adoption of a QAIP: DAC established a QAIP on January 25, 2013. The QAIP provides for a quality audit review function and an annual self-assessment process, in addition to an external quality assurance review every three years.
2. Risk Assessment & Audit Planning: A risk assessment and annual audit plans for fiscal years 2012-13, 2013-14 and 2014-15 were developed. DAC continuously evaluates and updates its strategic plan to ensure that short and long term goals, objectives, and initiatives remains current.
3. Staff Proficiency: We have attended all required training required by staff professional certifications and have implemented a robust audit review process.
4. Performance Tracking: Status reports have been submitted to the audit committee. In addition, we have instituted a formal on-going internal review process.
5. Budget Needs: The University has funds available to us that are necessary to ensure a quality audit department.
6. Audit Finding Follow-up: A database has been developed to track audit findings and recommendations and monitor management responses and implementation of corrective action plans.



WORKPAPERS COMPLY WITH PROFESSIONAL STANDARDS

Internal auditors must document relevant information to support conclusions and engagement results. In addition, there must be appropriate evidence of supervision and review. Upon our inspection, we found our workpapers to be in conformance with the quality standards of the professional practice of internal auditing.

OPERATIONS GENERALLY CONFORM WITH PROFESSIONAL STANDARDS

The operations generally conform with the IIA Standards.

PLANS FOR CONTINUING ENHANCEMENTS

Following are our plans to continue enhancing our department by operational area to ensure conformance with the IIA Standards: Governance, Staff, Management, and Process.

GOVERNANCE

ADOPT NEWLY ISSUED IIA MODEL CHARTERS

We adopted our current Audit Committee as well as Audit Charters in fiscal year 2012 and 2013 respectively. These charters provide formal definition of the purpose, authority, and responsibility of the audit committee and the internal audit activity. We will review the Audit Committee and DAC charters and consider the following enhancements during FY14:

1. Ensure that the DAC Vision and Mission statement are explicitly disclosed within the DAC charter and is in alignment with the University's Mission statement;



2. Ensure that DAC responsibilities, reporting lines, etc. as described in the Audit Committee Charter dated April 2012 correspond with the DAC responsibilities as described in the DAC Charter dated October 2013;
3. Consider obtaining the current FAMU President's approving signature on both the DAC and Audit Committee Charters;
4. Ensure that the Audit Committee Charter discloses the functional responsibility of the Audit Committee to approve decisions regarding the appointment, removal, and salary of the Chief Audit Executive (CAE).

STAFF

TRAINING NEEDS ANALYSIS & TRAINING PLAN

IIA Standards require that auditors possess the knowledge, skills and other competencies to effectively carry out their professional responsibilities. The IIA Standards also require that internal auditors enhance their knowledge, skills, and other competencies through continuing professional development. We will continue to address training needs by conducting a training needs analysis and establishing a formal training plan that includes objectives to (1) ensure that DAC staff is knowledgeable of both the professional standards and the department's operating policy and procedure manual and (2) provide for continuing professional development. DAC will also develop staff to become subject matter experts over significant University operations and processes (i.e., Construction, Grants and Contracts, Athletics, and Financial Aid). Finally, DAC will continue to encourage its staff to pursue additional professional certifications.



MANAGEMENT

LONG-RANGE AUDIT PLAN

We will develop a long-range audit plan that ensures budget and staff levels adequately address University high-risk areas, which have been identified. These tasks will be made in accordance with the IIA Resource Management Standard, which requires ensuring that internal audit resources are appropriate, sufficient, and effectively deployed to achieve a risk-based audit plan.

COMMUNICATION WITH AUDIT COMMITTEE

DAC will establish an audit risk based planning process and continuously identify and report new risks to management as well as evaluate and mitigate existing risks.

UNIVERSITY ETHICS, PERFORMANCE & RISK MANAGEMENT

We will continue our efforts to identify improvements in the areas of (a) ethics, (b) performance management and accountability, and (c) risk and control. We will develop University wide trainings and seek out opportunities to increase awareness of the internal audit function.

PROCESS

AUDIT FINDING FOLLOW-UP/RESOLUTION

We will continue to augment our audit finding follow-up process and visibility to closely monitor and assess if management corrective actions have been effectively implemented or whether management has accepted the risk of not taking corrective action on previously diagnosed internal control deficiencies and issues. In accordance with the IIA Standards, we will report to the Audit Committee the results and status of our follow-up efforts.



EFFICIENCY THROUGH TECHNOLOGY

We will utilize more computer assisted auditing tools (CAAT) to provide for a more continuous improvement environment. We will continue to evaluate audit management software to enable a framework for electronic workpaper preparation, review, and retention to enhance DAC's effectiveness. This effort will also provide for a more efficient internal audit activity and support the QAIP in accordance with IIA Standards. Additionally, DAC will enhance our filing system to ensure that all DAC working papers are adequately secured and can be precisely and timely retrieved when needed.

CONTINUOUS IMPROVEMENT ENVIRONMENT

DAC will ensure that all departmental working papers are timely reviewed and document the nature, timing, and extent of audit procedures performed and will assess whether objectives were met prior to the issuance of the DAC final report. DAC will also establish a more robust performance metrics framework that will assist staff in fulfilling and supporting better prioritization of staff activities to optimize staff engagement as well as DAC's evaluation of ongoing performance to enhance our communication to governance. DAC is in the process of implementing IDEA, which will enhance our ability to analyze data trends and identify patterns and anomalies while conducting a comprehensive analysis of transactional data. Finally, we will continue to treat audits as a service and audited departments as our clients. This will be accomplished by DAC performing more consulting engagements during FY14 to continuously add value to the University.