

## ***BEST PRACTICES, Inspector General***

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**Title:** Internal Auditing

# 145

**Source:** Book by Steven M. Bragg

**Co Area:**

**Add Info:** [Check local library for book](#)

**Abstract:** Since internal auditors are commonly hired from external audit firms, it is no surprise that they are likely to bring their old work habits with them. However, as is pointed out many times in the chapter, the internal auditor's role can be viewed quite differently, switching from a systems reviewer to an active partner who can bring tremendous value to a company's business units. Thus, many of the best practices noted in this chapter focus on the revised role of auditors acting as business partners.

Another strong focus in this chapter is on the enhancement of work efficiencies within the internal audit department, which tends to suffer from continual deadline crises, unfinished paperwork, and difficulty determining which audits need to be addressed first.

- 15-1 Annually update an internal control assessment of each business unit - focuses on changes in operations
- 15-2 Issue self-audit guides to business units - makes employees more aware of internal controls
- 15-3 Recommend business process improvements to business units - emphasis's help rather than criticism
- 15-4 Track audit results through business unit surveys
- 15-5 Train business unit staff on control issues - gets auditors involved in training
- 15-6 Train new business unit managers in control issues - auditor becomes an advisor to new managers
- 15-7 Avoid over-auditing of internal audits - audits on current - not past - conditions
- 15-8 Complete all internal audit work papers in the field - complete an audit before starting a new one
- 15-9 Create a control standards manual
- 15-10 Create an on-line internal audit library - See #146
- 15-11 Create and disseminate information from a best practices database - See #146
- 15-12 Outsource the internal audit function
- 15-13 Schedule a portion of internal audits on a just-in-time basis
- 15-14 Schedule internal audits based on risk - helps with which audit should get priority
- 15-15 Use workflow software for internal audits - does FAU use this?
- 15-16 Add specialists to audit teams
- 15-17 Assign an auditor to be a relationship manager with each business unit - would be nice if staff were larger
- 15-18 Assign internal auditors to system development teams
- 15-19 Create an auditor skills matrix

## **BEST PRACTICES, Inspector General**

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**Title:** Create an on-line internal audit library; Disseminate information from a best practices database # 146

**Source:** Book by Steven M. Bragg

**Co Area:**

**Addl Info:** [Check local library for book](#)

**Abstract:** 15-10 - Set up an on-line internal audit library that contains records from previous completed audits. Further, the library can hold updates on all of the most recent accounting standards, as well as cross-indexed data on problems or unusual audit scenarios encountered during other company audits. By accessing this information, audit teams can save a great deal of research time and would be useful for new auditors. Setting up such a system requires each internal audit manager to create an electronic summary-level report on each audit as it is completed, which is then put on line. Ideally, past audits would be included to build up a base of information.

15-11 - The information from 15-10 can be used further. The most passive approach is to simply have it available in the database, but this approach requires auditors to actively review the database in their limited spare time. A better approach is to actively push the information into the field through the use of newsletters and e-mails to the audit staff. A particularly effective approach is to e-mail best practice information directly to those business unit managers who are most likely to use them; by doing so, the managers are more likely to contact the internal audit department with requests for assistance in installing the recommended best practices. The driving force behind the success of best practices dissemination is the use of someone who regularly reviews the best practices database for "hot" topics, and who also spends time matching best practice possibilities with various business units.

## **BEST PRACTICES, Inspector General**

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**Title:** Internal Control Guide

# 298

**Source:** Georgia Institute of Technology

**Co Area:**

**Addl Info:** <http://www.audit.gatech.edu/resources/internal-control-guide>

**Abstract:** There is no shortage of information available to faculty, staff and students on Institute policies and procedures. What is not readily available, however, is a resource that outlines effective practical procedures to manage the ever-increasing landscape of risks. Campus administrators can look to policies and procedures to see that they are responsible to control, for example, their capital assets. Where those policies and procedures may not be as clear is on options HOW TO implement cost-effective and efficient internal controls.

In the course of audits, the Department of Internal Auditing communicates these effective practices and best practices for internal control through recommendations that are made through our individual audit reports. We also use our audit engagement to increase the education and awareness of other emerging issues, new regulatory requirements, etc. To rely only on that communication mechanism, however, would mean that some units on campus might go a few years before they become aware of some of these practices and issues.

Instead, the Department of Internal Auditing undertook an initiative to assemble one source of the best practices for implementing efficient and cost-effective internal controls in a number of key areas of risk. In other words, if we were to write one audit report containing the very best practices that we would recommend every campus unit employ, what would be contained in that document? Our answer is the Internal Control Guide.

Once assembled, the goal was to distribute that throughout the campus in limited numbers of hard copies, and by posting on our department's web site. Through openly sharing this on our web site, other institutions are encouraged to copy the information and make only minor adjustments to make it applicable to their environment.

## **BEST PRACTICES, Inspector General**

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**Title:** FAQ's - What Is Internal Audit?

# 373

**Source:** Cornell University

**Co Area:**

**Addl Info:** <http://audit.cornell.edu/faq.html>

**Abstract:** Just what do auditors do? How do they select their "auditee"? Many units don't give audits a second thought until they are selected for review. Here is some general information about the internal audit function at Cornell.

- Who are internal auditors?
- Why does Cornell have an internal audit function?
- Where does the audit function fit in the organization?
- What's the difference between external and internal auditors?
- What if an external auditor contacts you?
- How are units selected for audit?
- What are internal auditors looking for?
- What if something isn't handled correctly?
- Is the Audit Office part of the Division of Financial Affairs?
- Can a department request an audit?
- How long does an audit take?
- What if I don't have the time to deal with the auditors? What if it's a bad time for an audit because (choose one)
  - a) we're short-staffed
  - b) the finance director just quit
  - c) it's budget season
  - d) we're crawling with students!
  - e) we're trying to close out the year.
- Who will receive my audit report?
- Does the Board of Trustees see what is in the audit reports?
- Who audits the Audit Office?
- If I call you with information about a possible irregularity, will my identity be kept a secret?

## **BEST PRACTICES, Inspector General**

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**Title:** Sarbanes-Oxley # 375

**Source:** Drexel University **Co Area:**

**Addl Info:** <http://www.drexel.edu/papadakis/sarbanes/>

**Abstract:** Drexel created this site following many requests from not-for-profit corporations around the country about how we "adopted Sarbanes-Oxley."

Let me point out that we did not "adopt Sarbanes-Oxley." We reviewed the Act to determine which "best practices" were appropriate for higher education. Many were, but many were not. Drexel took what was best.

This process began in November 2002. Working with a University Board of Trustees special committee, we studied a variety of governance, compliance and audit issues and then hired an independent consultant to conduct an Enterprise Risk Management (ERM) assessment -- a "first" for our university. As a result, Drexel's corporate bylaws were changed; we established a "hotline"; and hired internal auditors to determine if we fully addressed the risks our consultants identified. The outcomes: Drexel now has a COSO-based annual audit; our employees have been trained on their new obligations; and we continue to test our key internal controls to help us identify the specific areas that require immediate attention.

On this Web site you will find the materials (resolutions, announcements, memoranda, policies and procedures) we utilized to implement the spirit of Sarbanes-Oxley.

(Materials are on website.)

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**Title:** Internal Control # 391

**Source:** State University of New York **Co Area:**

**Addl Info:** <http://www.esf.edu/intcontrol/>

**Abstract:** The Internal Control Act, more specifically referred to as the New York State Governmental Accountability, Audit and Internal Control Act (originated in Chapter 814 of the Laws of 1987, then made permanent in Chapter 510 of the Laws of 1999), is the basis for the SUNY-ESF Internal Control Program. The Internal Control Act requires that all state agencies, including SUNY institute a formal internal control program. There are six requirements of the Internal Control Act of 1987 as shown below:

1. Maintain written internal control guidelines.
2. Maintain an internal control system for continuous review of operations.
3. Make a concise statement of policy and standards available to all employees.
4. Designate an Internal Control Officer.
5. Educate and train all employees on internal controls.
6. Evaluate the need for an internal audit function.

## **BEST PRACTICES, Inspector General**

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**Title:** Best Practices Internal Controls

# 395

**Source:** Wayne State University

**Co Area:**

**Addl Info:** <http://internalaudit.wayne.edu/audit-practices.php>

**Abstract:** Web site lists Best Practices and information relating to -  
Segregation of Duties  
Safeguarding Assets  
Review and Approval  
Accounting  
Policies and Procedures  
Efficiency and Effectiveness  
Reporting  
Timeliness

## **BEST PRACTICES, Inspector General**

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**Title:** Internal Control Practices

# 403

**Source:** University of California San Diego

**Co Area:**

**Addl Info:** [http://blink.ucsd.edu/Blink/External/Topics/Policy/0,1162,17360,00.html?coming\\_from=Content](http://blink.ucsd.edu/Blink/External/Topics/Policy/0,1162,17360,00.html?coming_from=Content)

**Abstract:** Internal control practices enable UCSD to achieve its objectives while maintaining an environment that focuses on ethics and accountability. Establishing an ethical environment at all levels of the organization is the most important element of accountability and control. Effective control activities help you and your department identify priorities, achieve department goals, report reliably, meet compliance regulations, and safeguard University resources.

Your department benefits by:

- \* Reducing and preventing errors in a cost-effective manner
- \* Ensuring priority issues are identified and addressed
- \* Protecting employees
- \* Providing appropriate checks and balances

Four keys to great internal control practices: With tightened resources, it's more important than ever to minimize risk and focus on these key areas.

- \* Separation of duties: Divide responsibilities between different people so one individual doesn't control all aspects of a transaction.
- \* Authorization and approvals: Be sure that only a person with delegated authority approves or authorizes transactions.
- \* Security of assets: Safely secure equipment, cash, inventory, and resources. Reduce the risk of unauthorized use. Count periodically and compare with amounts shown on control records.
- \* Review and reconciliation: Regularly examine transaction records against official University records to verify accuracy, appropriateness, and proper compliance.

Internal control practices pages address potential consequences and best practices tailored to various business areas:

- \* Accounts Payable
- \* Cash
- \* Entertainment
- \* Equipment Management
- \* Honorariums
- \* Information Systems
- \* Payroll
- \* Purchasing

Each of these topics link to a very thorough page

## **BEST PRACTICES, Inspector General**

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**Title:** Sarbanes-Oxley Act Best Practices

# 413

**Source:** University of Iowa

**Co Area:**

**Addl Info:** <http://www.uiowa.edu/president/task-forces/fiduciary/best-practices.pdf>

**Abstract:** This is a follow up status report to the Audit/Compliance committee regarding the efforts of the three Regents Universities in adopting best practices related to Sarbanes-Oxley Act requirements.

The Sarbanes-Oxley Act of 2002 defines “corporate responsibility” related rules for the accounting professions, auditor/client relationships, and governance of publicly traded US companies. Regent institutions as public entities, though not subject to Sarbanes-Oxley, may benefit from implementing Best Practices associated with Sarbanes-Oxley requirements. The Regent universities jointly conducted a Gap Analysis of the Sarbanes-Oxley provisions and adopted an action plan having three primary areas of focus:

1. Refinement/development of a business code of conduct
2. Development of a confidential reporting mechanism with anti-retaliation provision
3. Refinement of financial certification practices

Also see

Charge to the Fiduciary Responsibility Best Practices Committee

<http://www.uiowa.edu/president/task-forces/fiduciary/charge.pdf>

Code of Business and Fiduciary Conduct

<http://www.uiowa.edu/president/task-forces/fiduciary/code-of-conduct.pdf>

Also See #420

## **BEST PRACTICES, Inspector General**

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**Title:** Anti-Fraud Policy

# 587

**Source:** Murdoch University (Australia)

**Co Area:**

**Addl Info:** <http://search.murdoch.edu.au/?q=Anti-Fraud+Policy&searchSite=external>

**Abstract:** Fraud and Corruption prevention is about changing organizational features that allow these events to occur and possibly go unnoticed or unreported. Strategies incorporated in the fraud prevention plans should address issues such as accountability, efficiency and effective administration. They should focus on improving systems and procedures, changing the attitudes of staff and improving the overall integrity and performance of the University. This could be incorporated in one unwieldy document or as we are attempting here, to incorporate it in several - such as the Codes of Ethics and Conduct, Code of Conduct for Research, the Policies and Procedures Manuals etc.

This policy covers the prevention, detection and management of fraud and for fair dealing in matters pertaining to fraud. It aims to raise the awareness of fraud and its prevention in the University environment and to give guidance to both the reporting of suspected fraud and how the investigation of that report will proceed.

The eight policy objectives cover:

- \* Management awareness of anti-fraud responsibilities
- \* Employee guidance if fraud is suspected
- \* A statement forbidding misconduct
- \* Investigation responsibilities
- \* Assurance that fraud will be fully investigated
- \* Protection guidelines for those reporting suspected fraud
- \* Involvement of the Anti-Corruption Commission
- \* Development of a suitable environment for fraud management.

## **BEST PRACTICES, Inspector General**

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**Title:** Risk Management Policy # 589  
**Source:** Murdoch University (Australia) **Co Area:** Environmental Health & Safety  
**Addl Info:** <http://search.murdoch.edu.au/?q=Risk+Management+Policy>  
**Abstract:** Risk Management is the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects within the Murdoch University environment.

Risk is inherent in all academic, administrative and business activities. Every member of the University community continuously manages risk. Formal and systematic approaches to managing risk have evolved and they are now regarded as good management practice. As a consequence Murdoch University acknowledges that the adoption of a strategic and formal approach to risk management will improve decision-making, enhance outcomes and accountability.

The aim of this policy is not to eliminate risk, rather to manage the risks involved in all University activities to maximize opportunities and minimize adversity. Effective risk management requires:

- \* A strategic focus,
- \* Forward thinking and active approaches to management,
- \* Balance between the cost of managing risk and the anticipated benefits, and
- \* Contingency planning in the event that mission critical threats are realized.

Risk management also provides a system for the setting of priorities when there are competing demands on limited resources.

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**Title:** Fraud and Corruption Prevention # 595  
**Source:** University of Newcastle (Australia) **Co Area:**  
**Addl Info:** <http://www.newcastle.edu.au/service/risk-assurance/fraud-and-corruption/>  
**Abstract:** The University of Newcastle is committed to "upholding the highest standards of academic, personal and business integrity...and to practising the values of honesty, trust, fairness, respect and responsibility" (Building Distinction 2007 – 2011). It therefore promotes an organisational culture that will not tolerate any act of maladministration, fraud or corrupt conduct.

The University of Newcastle is established under NSW legislation; it is regarded as a "public authority", and as such falls within the jurisdiction of the (NSW) Independent Commission Against Corruption Act (ICAC Act). Under the ICAC Act, the University must comply with statutory reporting obligations. In addition, allegations or complaints of corrupt conduct against the University of Newcastle may be investigated by ICAC.

A program of Fraud and Corruption Prevention has been developed to support the University's commitment to integrity and honesty.

## **BEST PRACTICES, Inspector General**

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**Title:** Fraud and Corruption Management # 596  
**Source:** University of Queensland (Australia) **Co Area:**  
**Addl Info:** <http://ppl.app.uq.edu.au/content/1.50.10-fraud-and-corruption-management - Policy>  
**Abstract:** 1. Commitment to Fraud and Corruption Management

1.1 The Australian Standard on Corporate Governance – Fraud and Corruption Control (AS8001:2003) sets a basis for best practice for fraud and corruption management. An integrated management approach for effective fraud and corruption control has been developed by the Crime and Misconduct Commission (CMC) in its “Fraud and corruption control: guidelines for best practice”.

1.2 The University of Queensland recognizes that fraud and corruption management is an integral part of good governance and management practice. The University has a zero-tolerance stance on fraud and corruption and is committed to maintaining an organizational culture which will ensure that effective prevention of fraud and corruption is an integral part of all university activities, consistent with its Code of Conduct and the law.

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**Title:** Internal Control Guidance # 650  
**Source:** University of Michigan **Co Area:**  
**Addl Info:** <http://www.umich.edu/~uaudits/internalcontrol/> (11/07 site is under construction - see below)  
**Abstract:** University Audits works with management to enhance risk management activities and increase the likelihood that established objectives and goals are achieved. Internal controls are an essential component of risk management. When implemented, they provide reasonable assurance that known risks are anticipated and addressed on a consistent basis.

The primary objectives of internal control are to ensure the:

- \* Reliability and integrity of information
- \* Compliance with policies, laws and regulations
- \* Safeguarding of assets
- \* Effective and efficient use of resources
- \* Achievement of strategic goals

The University Standard Practice Guide provides information regarding policies and procedures adopted within the organization. In order to further support management in the performance of their responsibilities, Internal Control Guidance is provided by the following:

- Financial Internal Control Guide
- Information Technology Internal Control Guide
- PDA Security Best Practices
- Database Security Best Practices
- Self Assessment Questionnaires
- LSA Timekeeping Procedures

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## **BEST PRACTICES, Inspector General**

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**Title:** Sarbanes Oxley Practices # 665  
**Source:** University of Louisville **Co Area:**  
**Addl Info:** <http://www.louisville.edu/vpf/audit/sarbanesoxley.pdf>  
**Abstract:** They have taken the NACUBO Checklist for Higher Education (See #660) which lists the  
\* Sections  
\* Sarbanes-Oxley Act of 2002  
\* NACUBO Recommendations  
and added a 4th column - U of L Practices and there they list their current practice and proposed changes in red.  
  
Also see similar document for Purdue University -  
[http://www2.itap.purdue.edu/bot/memberDocuments/AuditandInsuranceFiles/Sarbanes\\_Presentation\\_April\\_2006.pdf](http://www2.itap.purdue.edu/bot/memberDocuments/AuditandInsuranceFiles/Sarbanes_Presentation_April_2006.pdf)

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**Title:** Campus Audit - Best Practices and Internal Control # 710  
**Source:** University of Nevada **Co Area:**  
**Addl Info:** <http://www.unr.edu/campus-business/units-and-services/campus-audit/best-practices>  
**Abstract:** Following the procedures described in the University Administrative Manual will accomplish many best business practices. To further develop best practices, department administrators should understand some internal control concepts, including:  
  
\* Consistency, efficiency and effectiveness  
\* Segregation of duties  
\* Authorization and training  
\* Review and approval  
\* Safeguarding assets  
  
Apply the general tips below to improve the operations in your department.  
  
Use our Internal Control Assessment Tool to evaluate your departmental internal controls in more detail.

## **BEST PRACTICES, Inspector General**

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**Title:** Teams at work on first state-local performance audits # 752

**Source:** State of Washington **Co Area:**

**Addl Info:** <http://www.komotv.com/news/local/5180486.html>

**Abstract:** Washington's audit teams are working on the first wave of 30 performance audits, with targets ranging from big-ticket agencies like education and transportation to more hidden facets of state and local government, such as use of car pools and first-class air travel. This broad style of auditing, created by citizen initiative in late 2005, offers the country's most independent and extensive system of probing how public dollars are being spent.

The auditor also suggests "best practices," improvements and possible changes in legislation or regulations. The initiative also requires the targeted agency to conduct a public hearing after the report is released.

Auditor's office: <http://www.sao.wa.gov> - this is a good website.

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**Title:** Enact Sarbanes-Oxley for N.J. Public Higher Education System; Mandate "Best Practices" in Governance and Fiscal Accountability # 861

**Source:** State of New Jersey **Co Area:**

**Addl Info:** <http://www.njit.edu/president/docs/2007/2007-10-26-higher-ed-final-report.pdf>

**Abstract:** Document page #103; PDF page 109  
The New Jersey Commission on Higher Education should be vested with the statutory and regulatory authority to establish, administer and enforce proper standards and practices designed to provide state colleges and universities with an effective structure of internal and external controls for financial accountability. The CHE's jurisdiction in this realm should mirror that of the SEC in its oversight of private-sector public corporations and that of the IRS with respect to nonprofit entities. Failure to establish CHE in that role for state colleges and universities could doom "best practices" by rendering them ineffective and unenforceable. In order to ensure an orderly, uniform and equitable approach, the SCI recommends systemic reforms to include, but not be limited to, the following key areas:

- Accounting Standards and Procedures
- Internal Controls
- Internal Audit
- External Audit
- Integrity of Senior Management
- Enforcement/Penalties for Non-Compliance

## **BEST PRACTICES, Inspector General**

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**Title:** Policy: Internal Control # 1007  
**Source:** University of Virginia **Co Area:**  
**Addl Info:** <https://policy.itc.virginia.edu/policy/policydisplay?id=FIN-021>  
**Abstract:** The University of Virginia is committed to maintaining a strong system of internal control as a business best-practice. This policy assists the University in complying with the Commonwealth of Virginia Agency Risk Management and Internal Control Standards (ARMICS).

Links to -  
Procedure 1-1, "How to Maintain a Proper System of Internal Control"  
Procedure 1-2, "Completing the Internal Controls Questionnaire"  
Policy II.C.1, "Records Retention and Disposition"  
Policy II.E.2, "Petty Cash, Petty Cash Checking and Change Funds"  
Policy II.E.4, "Controlling Cash Items"  
Policy V.A.1, "Revenue Generating Activities"  
Policy V.B.1, "Cashiering Activities"  
Policy V.B.2, "Credit and Collection"  
Policy VI.F.1, "Disbursements: General Requirements"  
Policy VI.F.3, "Timely Payments to Vendors"  
Policy VII.C.2, "Types of Purchases Requiring Special Processing"  
Policy X.A.1, "Maintenance of Equipment Inventory"  
Policy X.F.1, "Surplus Property Disposal"  
Policy XV.A.1, "Conflict of Interests"

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**Title:** Departmental Self-Assessment Initiative # 1058  
**Source:** Medical College of Georgia **Co Area:**  
**Addl Info:** <http://www.sacubo.org/docs/bestpractices/2010/Initiative.pdf>  
**Abstract:** Approximately five years ago, MCG's Office of Institutional Audit and Compliance was requested by the University System of Georgia's Board of Regents Internal Audit Office to begin performing departmental reviews. Departmental reviews were similar in nature to an audit, but instead of focusing on a central business process, departmental reviews focused on how a department was performing their function(s) relative to the institution's business policies and procedures/practices. The reviews focused on eight major categories broken into 38 smaller areas of review. The objective of these reviews were to determine if departments had adequate controls in place or if minor and/or major improvement(s) was necessary respective to the 38 smaller areas of review. President Dr. Dan Rahn, requested our office develop a tool that every business unit on campus could utilize to self-assess their own business unit controls.

## **BEST PRACTICES, Inspector General**

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**Title:** Departmental Self-Assessment Initiative

# 1060

**Source:** Texas A&M University

**Co Area:**

**Addl Info:** <http://www.sacubo.org/docs/bestpractices/2010/Initiative.pdf>

**Abstract:** Approximately five years ago, MCG's Office of Institutional Audit and Compliance was requested by the University System of Georgia's Board of Regents Internal Audit Office to begin performing departmental reviews. After three plus years of performing this type of review and repeated findings, the president, Dr. Dan Rahn, requested our office develop a tool that every business unit on campus could utilize to self-assess their own business unit controls. Our first step was to take our departmental review audit program and develop it into review area control questionnaires.