

# OFFICE OF AUDIT SERVICES



## OPERATIONS MANUAL

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# INTRODUCTION



**General  
Administrative**

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## INTRODUCTION

### GENERAL

#### Office of Audit Services

The FSU Board of Trustees approved the charter for the Office of Audit Services (OAS) in September 2003 (see Appendix A-1). The OAS is responsible for and provides a central point for coordinating activities that promote accountability, integrity, and efficiency within the University. The OAS accomplishes this primarily by providing audit, investigative, and consulting services to the University community.

#### Access to Records

##### ***Confidential/Sensitive Information***

The OAS has access to virtually all University records and information, including that which is considered either confidential or sensitive. The staff of the OAS shall be prudent in the use and protection of records and information (confidential or otherwise) acquired in carrying out their duties. The OAS shall not disclose such information to persons that do not have a legitimate business need to know. Staff of the OAS shall not use information they have privy to in their University capacity for any personal gain, or in any manner that would be contrary to state laws or University policies or detrimental to the ethical objectives of Florida

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State University.

## ***Public Records Request***

Section 119.0713(2), Florida Statutes, exempts audit work papers and the report from public inspection until the audit is completed and the audit report becomes final. Section 1012.91 (1) (b), Florida Statutes, exempts records of an investigation from public inspection until the investigation is complete. Once these records become public, the OAS shall be responsive to all public records requests.

The OAS shall maintain records documenting all public records requests and the disposition of those requests. At a minimum, this documentation will include: (1) the date of the request, (2) name of the individual/organization requesting the information, (3) description of the information being requested, (4) date the request was fulfilled, and (5) name of OAS staff person responding to the request.

The Chief Audit Officer (CAO) shall be made aware of all public records requests. Requests for sensitive or high profile information shall be coordinated through the General Counsel's Office.

## **ADMINISTRATIVE**

### **Work Plan**

#### ***Risk Assessment***

An annual work plan will be developed based upon a comprehensive risk assessment. The risk assessment shall consider:

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- The results of interviews with key University personnel;
- The results of prior audits, investigations, and consulting projects of the OAS;
- The results of prior external audits;
- Known significant changes in University operations;
- Concerns of the University's Finance and Business Committee; and
- Other factors as may be deemed appropriate by the Chief Audit Officer.

The risk assessment shall be thoroughly documented.

## ***Work Plan Development***

The OAS should use the risk assessment, in conjunction with other information (such as requested audits or consulting projects and contract/agreement requirements), to develop the Office's annual work plan. The type of service (Audit or Consulting) to be performed for each area in the plan should be identified. The CAO is responsible for ensuring that the plan maintains an appropriate balance among audit, consulting, and investigative activities. After the plan is developed by the CAO, it shall first be presented for approval to the University President and then to the University Finance and Business Committee. Additionally, there must be a crosswalk (narrative, list, etc.) or clear indication that bridges the risk assessment to the work plan. This bridge should bring together all factors considered and help provide support and documentation for any areas on the work plan that were not consistent with the higher-ranked areas in the risk assessment. The work plan shall indicate the estimated allocation of staff hours to each project on

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the plan.

## ***Changes***

Within six months into each fiscal year, the CAO should determine if modifications are needed to the year's annual plan requirements. If significant modifications are deemed necessary, the CAO shall submit a revised plan and supporting documentation to the President and then to the University Finance and Business Committee for approval. This plan should be revised for the entire year, taking into account any modifications to the first two quarters that were necessary.

## ***Special Requests***

After the annual work plan has been approved, audit or consulting services requests are likely to be requested by members of the Board of Trustees, the University Finance and Business Committee, the President, or other University officials. All requests should be honored to the extent considered practical by the CAO.

## **Time Reporting**

### ***Procedures***

All staff within the OAS is responsible for recording their time spent on all assignments and other activities in the OAS. Staff is required to enter their time into Audit Leverage (AL) by noon each Monday for the previous week and supervisors shall approve the time in AL by the close of business on Monday.

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## Continuing Professional Education

The OAS is committed to maintaining the highest level of professional proficiency amongst its staff. To achieve and maintain the highest quality of professional performance, the CAO shall ensure the staff receives adequate training and development in their related areas of responsibility and expertise. Prior to the beginning of each fiscal year, each staff person, along with his/her supervisor, will complete an Individual Development Plan (See Appendix A-2).

The OAS shall maintain records of continuing education for each staff member. Each staff person is responsible for entering his/her CPE hours on the OAS CPE Tracking database, which resides on the OAS shared drive, and maintaining any certificates (or other documentation) received for the CPE.

### ***40 Hours and Ethics Requirement***

The minimum continuing professional education requirements for the professional staff of the OAS is consistent with the requirements of the CPA and CIA certifications. Each fiscal year, all professional staff must complete at least 40 hours of continuing education and training that contributes to their professional proficiency. A Florida CPA will comply with the state ethics course requirement as prescribed by the Florida State Board of Accountancy.

### ***Professional Certifications***

An integral part of professional development is obtaining professional certification. As an incentive for staff to pursue the Certified Internal Auditor (CIA), Certified Public Accountant (CPA), or Certified Information Systems Auditor (CISA) certifications, the time to take the examinations will be considered time worked, with

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no leave having to be taken. In addition, a two percent salary increase will be provided upon award of the certification. The salary increase is contingent upon the availability of salary rate. If salary rate is not available at the time the certification is received, the salary increase will be implemented when the rate becomes available.

## Quality Assurance/Oversight Programs

The OAS is committed to the performance of high quality, professional work in fulfilling its responsibilities. The IIA Standards require a quality assurance program be established to evaluate the operations of the internal auditing department.

### *Internal - Office of Audit Services*

The CAO shall ensure that all staff members are qualified for all projects assigned and are properly supervised throughout the conduct of all audits, investigations, and consulting engagements. The CAO shall ensure the related work papers and reports are properly reviewed prior to the release of the reports. In addition, the OAS will periodically perform self-assessments of its operations.

### *External*

In accordance with the IIA Standards, at least once every five years, the OAS will have a quality assurance review performed by a qualified, independent reviewer or review team from outside the University.

### *University Finance and Business Committee*

A Finance & Business Committee of the Board of Trustees has been established to assist the President and the Board in their oversight responsibilities

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relating to the systems of internal control and the audit processes. The Finance and Business Committee is also intended to provide an open avenue of communication among the OAS, executive and line management, the external auditors, and the Board of Trustees.

## Office Administration

### *Hiring*

The Florida State University is an Equal Opportunity/Affirmative Action Employer. The OAS shall adhere to University policies for the hiring of all staff, including OPS.

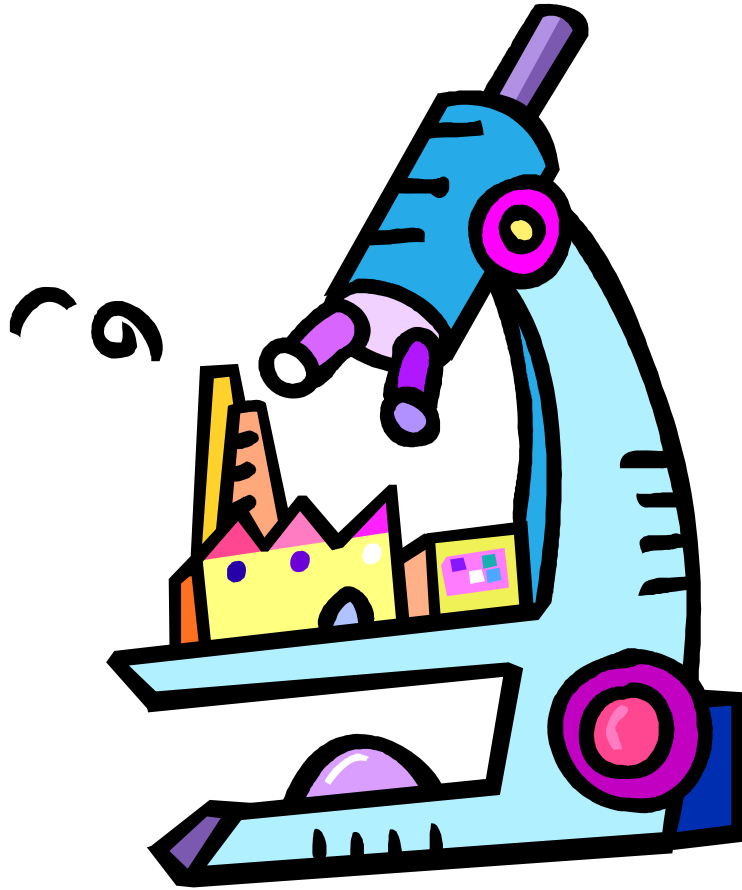
### *Background Checks*

As part of the hiring process, the OAS shall ensure that the employment history and the academic degrees of prospective employees are verified. In addition to verifying past employment history and academic degrees, a criminal background check shall be performed for each new employee. Documentation of the verification process and appropriate criminal background check shall be retained in the OAS or other official personnel files. These files shall be confidential.

### *Performance Evaluations*

Each staff member shall receive a written annual performance appraisal, in accordance with University policy.

# AUDITS



**General  
Audit Procedures**

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## AUDIT (ASSURANCE) ENGAGEMENTS

### GENERAL

#### Professional Standards

All audits are to be conducted in conformance with the current Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* (IIA Standards), unless The Government Auditing Standards or other standards are more appropriate in the circumstances. The Director of Audits (Director) and Deputy Chief Audit Officer (Deputy CAO) are responsible for ensuring identification and compliance with the appropriate standards for related office activities. All professional staff should be knowledgeable of the standards and familiar with their application. If, at any time, applicable standards are not followed, the report prepared pursuant to the activity will disclose the standard not followed and the reason(s).

Maintaining a high ethical standard is of paramount importance to the Office Audit Services (OAS). As such, the OAS audit staff shall adhere to the Code of Ethics adopted by The Institute of Internal Auditors (IIA) and the Code of Ethics for Public Officers and Employees per Chapter 112, Part III, Florida Statutes. The IIA's Code of Ethics shall be discussed among the OAS staff at least annually at an OAS staff meeting.

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## Auditor Independence and Objectivity

Every member of the OAS staff assigned to work on an audit shall be independent both in fact and appearance. For each audit, there shall be documentation in the working papers attesting to this independence by completing a Statement of Independence and Objectivity Form (see Appendix B-1). If impairments, either personal or external, arise at any time during the audit, the auditor or reviewer shall immediately notify the Director, the Deputy CAO, or the Chief Audit Officer (CAO) for appropriate resolution.

Audit staff should refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an auditor provides assurance services for an activity for which the auditor had responsibility within the previous year.

In all dealings with University personnel, audit staff should assure that they have no actual, apparent, or potential conflicts of interest. Examples of situations which could result in an apparent or potential conflict of interest include: having applied for employment with the department, having a personal relationship with department employees, accepting a fee or gift from a department employee, or having business dealings with departmental employees. These examples are not all encompassing and the existence of these situations may not necessarily result in a conflict or apparent conflict of interest. Professional judgment should be used and if the auditor feels that an actual, apparent, or potential conflict of interest exists, the Director, Deputy CAO, or CAO should be notified immediately for appropriate resolution.

The OAS audit staff should strive to maintain a good working relationship with all departments within the University. A spirit of cooperation and trust with University

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departments is necessary if the OAS is to be effective. If a conflict or disagreement with department staff arises during the audit, the auditor should first attempt to resolve the problem through a reasoned, diplomatic approach, giving recognition to the concerns of management that led to the conflict. If the auditor cannot resolve the conflict or disagreement, the auditor should diplomatically excuse herself/himself, and discuss the situation with the Director and Deputy CAO.

## Due Professional Care

During the audit engagement, the auditor should exercise due professional care by considering the following:

- Extent of work needed to achieve the engagement's objectives;
- Relative complexity, materiality, or significance of the matter to which assurance procedures are applied;
- Adequacy and effectiveness of risk management, control, and governance processes; and
- Probability of significant errors, irregularities, fraud or noncompliance.

The auditor should apply the care and skill expected of a reasonably prudent and competent internal auditor. The auditor should be aware of the resources available and research them as necessary to ensure that the selected methodology, tests and procedures used for the audit are appropriate. Technical resources are available through the OAS Resource Library and various Internet sites. Other OAS

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personnel that possess expertise in certain areas should be consulted as necessary.

## Project Tracking

The Director or Deputy CAO shall assign and enter the audit number and all relevant project information into Audit Leverage (AL). Throughout the audit engagement, the auditor shall update the audit status within AL. Upon audit completion and the completion of the related time entry, the Director or Deputy CAO shall notify the CAO to close out the audit in AL, at which point no further time can be charged to the audit. An Audit Leverage User Guide is maintained on the network shared drive and can be found on the IAD web site.

## AUDIT PROCEDURES

### Budgeted Time

The Director or Deputy CAO shall enter the budgeted time for the audit into AL. The budgeted time will identify hours assigned to completing the audit program and those hours assigned to work paper and report review.

### Engagement Letter/Entrance Conference

After obtaining and reviewing any necessary background information relating to the area to be audited, the auditor should prepare an engagement letter. The engagement letter should indicate the tentative audit scope and objectives, the auditor(s) assigned, and request any necessary information/records to conduct the

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audit. It should also indicate that an entrance conference is to be scheduled in the near future. The engagement letter should generally be addressed to the manager directly responsible for the audit area, with a copy submitted to any applicable executive management. The engagement letter should be signed by the Director after being approved by the Deputy CAO and CAO.

After delivery of the engagement letter, the auditor is responsible for scheduling an entrance conference with appropriate management. For University operations where several operational units are responsible for the audit area, all responsible managers should be invited to the entrance conference. The attendees shall include the respective auditor(s) and Director and may include the Deputy CAO. All entrance conferences should include inquiries of management regarding any specific audit coverage they may desire, and whether there are any known irregularities within the area(s) to be audited. Personnel attending and matters discussed should be documented in the audit working papers.

## Preliminary Review

The purpose of the preliminary review is to gain an understanding of the area to be audited sufficient for an informative decision as to the final audit scope and objectives, and the development of the audit program. Depending upon the type of audit, the preliminary review phase may be short or fairly extended.

Typically, the preliminary review will include the following:

- Reviewing applicable prior audit reports (internal and external) and working papers, and noting significant findings;
- Reviewing applicable laws, rules and regulations;

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- Reviewing the organization's policies and procedures;
- Interviewing key personnel;
- Identifying organizational objectives, and the risk(s) associated with those organizational objectives;
- Reviewing ACUA's Risk Dictionary;
- Making a preliminary evaluation of the adequacy and effectiveness of controls encompassing the organization's governance, operations, and information systems; and
- Documenting consideration of areas of fraud exposure relating to the audit objectives.

A Planning Memorandum shall be written to document the preliminary review and a plan for the audit.

## Internal Controls

In general, internal controls should be reviewed as part of every audit; however, there may be times, due to the scope or objectives of the audit, when internal controls are not reviewed. When internal controls are not reviewed, the working papers shall document the reason(s) for not doing so.

The auditor should identify and evaluate key internal controls that are designed to provide assurances that organizational objectives within the scope of the audit are achieved. The auditor should interview personnel and prepare narratives and/or flowcharts to document operating procedures and internal accounting controls noted. The organization's control processes are expected to ensure that the

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following conditions exist:

- Financial and operational information is reliable and possesses integrity;
- Operations are performed efficiently and achieve desired results;
- Assets are safeguarded from employee fraud, waste or abuse; and
- Actions and decisions of the organization are in compliance with laws, regulations, and contracts.

For each key control identified, the auditor should evaluate the effectiveness of the control technique, as described, and document how the auditor intends to determine if the control has been effectively implemented (i.e., describe and reference compliance testing). This information should guide the auditor in determining the nature and extent of detailed audit testing. An overall summary of internal controls should be prepared after audit testing has been completed. Any material control weaknesses noted should be immediately reported to the Director. If necessary, appropriate levels of management should be notified so that prompt action can be taken to correct or mitigate the consequences of discovered control discrepancies or weaknesses.

## Analytical Procedures

Analytical procedures should generally be incorporated into every audit. Computer-assisted audit tools such as ACL or PeopleSoft Queries should be used whenever practicable. For audits where analytical procedures are not performed, the audit working papers shall document the reasons for not performing such.

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## Audit (Work) Program

After all preliminary work has been conducted; the auditor should develop an Audit Program that achieves the engagement objectives. The Audit Program should establish the procedures for identifying, analyzing, evaluating and recording information during the engagement. An audit program template resides in AL and should be the beginning point for developing the audit program.

Once the Audit Program has been completed, it shall be reviewed and approved by the Director. After any revisions are made, the Audit Program shall be reviewed and approved, within AL, by the Deputy CAO and the CAO. During the audit, circumstances may arise which require modifications to the Audit Program. The Director, the Deputy CAO and the CAO must approve any subsequent changes to the Audit Program.

## Working papers

Under Section 119.0713(2), Florida Statutes, the OAS audit working papers and notes related to such audit report are confidential and exempt from public inspection until the audit is completed and the audit report becomes final (opined by Michael Cramer, Deputy General Counsel, communicated in e-mail of March 29, 2004). (See Appendix B-2)

Working papers shall be maintained in AL through embedding or linking to the shared network drive. An Audit Leverage User Guide is maintained on the network shared drive and can be found on the IAD web site.

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All working papers shall be properly hyperlinked/cross-referenced, concise, neat, and complete. The working papers should contain clear explanations of the audit process and provide adequate documentation of the audit procedures performed and the results and conclusions drawn from the audit process. The quantity, type, and content of the audit working papers will vary with the circumstances of the audit. Overall, the contents of the working papers should be sufficient enough to demonstrate compliance with the appropriate Standards. Examples of the types of working papers are: narratives, flow charts, spreadsheets, supporting schedules, correspondence, checklists, surveys and copies of documents applicable to the audit.

Maintaining hard copy working papers will be rare; however, whenever they are maintained (except in the case of bulk materials, which should be clearly labeled, dated and referenced on the first page), they must include the following:

- A proper heading which includes: FSU and the name of the audit, the topic or title of the work paper section (such as "Test of Receipts"), and the audit period (if applicable). The heading should be located in the upper left corner of the work paper;
- The initials of the auditor preparing the work paper and the date the work paper was substantially complete, generally placed in the upper right corner of the work paper;
- A page number or indexing identifier, shall be placed on the working paper. The numbering system should be simple and logical, such as a straight numbering system (1 through infinity), or the use of roman numerals or capital letters for the main sections and then straight numbering (A-1, A-2, or IV-1, IV-2);
- The source of the information/data on the work paper; and

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- An acceptable legend for all tick marks (if applicable).

A notation should be made in the Comments box under the “Main” tab of the Project Set Up screen in AL indicating working papers are maintained outside of AL.

All working papers shall be properly hyperlinked/cross-referenced, so that a reviewer can easily navigate from the working paper to any supporting documentation. Each observation in the draft report should be hyperlinked to the applicable supporting documentation, such as narratives, correspondence, policies and procedures, laws, audit tests, analyses, etc. Where applicable, audit tests and analyses should be further hyperlinked to any additional supporting documentation, such as copies of vouchers, forms, etc. All linked, as opposed to embedded, attachments within the steps of the audit program in AL shall be hyperlinked to the applicable working paper(s).

During the audit, whenever records or documents are requested for inspection, but not provided, a Missing Document Memorandum shall be prepared by the auditor and submitted to appropriate management for signature. The Missing Document Memorandum is intended to document management’s certification that the records in question are unavailable for inspection and the reason(s) for such.

## Security of Confidential Information

Audits may include the collection and examination of confidential information. For example, student records, information regarding the security program for data and information technology resources, and certain personnel records are confidential pursuant to Sections 1002.22(3)(d), 282.318(2)(a)(5), and 112.3189, F.S. Other

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statutes apply to certain medical records and law enforcement records. Confidential information gathered during an audit must be appropriately safeguarded from any unauthorized persons. Only confidential information that is vital to properly document an audit observation should be included in the working papers. Any confidential information gathered during an audit that is not included in the working papers, should be destroyed (by shredding if possible), or deleted if stored electronically.

To help ensure against the disclosure of confidential information to unauthorized persons, each work paper (either hard-copy or electronic) containing confidential information shall be clearly labeled. If hard-copy working papers contain confidential information, a notation shall be made prominently on the cover of the working paper volume, and a directory of confidential working papers placed following the working paper index or as the first document in the volume. For electronic working papers in AL, in the Comments box under the “Main” tab of the Project Set Up screen a note shall be made that the working papers contain confidential/sensitive information that is not a public record. Furthermore, the Audit Program template shall contain a step in the Audit Finalization Section requiring identification and securing of all confidential working papers.

The working papers that are not public record shall not be viewed or provided to anyone not authorized to have legitimate access to such information.

## Audit Fieldwork

The fieldwork phase of the audit generally involves gathering evidence (physical, documentary, or testimonial), and performing any necessary tests in order to achieve the audit objectives. Testing is performed to ensure the adequate functioning of controls identified in the preliminary review process, compliance with

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laws and rules, and the adequate safeguarding of assets. Testing involves the measurement of selected transactions or processes against standards or other criteria, and is generally done on a sample basis, unless ACL, PeopleSoft Query or Excel is used in which case the entire population may be examined. The working papers for each audit test should include a write-up containing the following information:

- Test objective;
- Criteria (measures) to be used;
- Definition of population to be tested;
- Sample selection method;
- Sources;
- Audit trail (a walk-through of how the test was performed); and
- Summary of test results.

## Audit Observations

Observations (findings) result from a systematic, rational analysis of all information developed during the course of the audit fieldwork. They represent conclusions about an organization, program, activity, condition, issue, or other matter that was analyzed or evaluated. An observation need not be critical or be concerned only with deficiencies, weaknesses, or noncompliance. In fact, the auditor shall make a point of documenting strengths and notable accomplishments of the operation/area being reviewed, as it relates to the audit objectives. An

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observation will be the basis for the auditor's opinion and recommendations for corrective action.

Generally, an observation will contain the following elements:

**Criteria:** The criteria explain the standards against which the subject is being measured; it answers the question of “what should be?” Criteria can be statutes, rules, regulations, written procedures and policies, generally accepted accounting principles, standard internal control practices, and “good business practices.” The more concrete (or absolute) the criterion, the more convincing the observation will be.

**Condition:** The condition is a statement of fact that describes the precise situation; it provides the answer to the audit objective or test. The condition must be accurate, well supported, and clearly worded, and should list the evidence, supporting argument, examples, or statistics. There must be a schedule, a document, corroborating interviews, or some other form of evidence in the working papers to support the condition.

**Cause:** The cause explains why a situation exists by describing the reasons for the variance between the criteria and the condition. The cause may be the most difficult element of an observation to document; if the cause is too elusive, the audit scope may need to be expanded.

**Effect:** The effect of an observation answers the question “So what?” It describes the result, significance, impact or implications of the condition. If there is no result, there is generally no observation because the effect is of no consequence. Every effort must be made

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to quantify the effect with dollar value, statistics, number of employees affected, time involved, or units of production.

Depending on the scope and objectives of the audit, all of the above elements do not necessarily need to be present in order to report an observation. An observation or set of observations is complete to the extent that the audit objectives are satisfied and the auditor can clearly relate those objectives to the observation's elements.

The auditor should place his/her observations in the proper perspective. The auditor is required to report all instances or indications of illegal acts that could result in criminal prosecution and all material instances of noncompliance with laws and regulations. Other observations may be global in nature combining several issues or they may address individual issues, depending upon the objectives of the audit.

## **Presentation of Tentative Observations at the End-of-Fieldwork Conference**

At the conclusion of the audit fieldwork, the Director (or a designated reviewer) shall review and approve the working papers to ensure that the audit objectives have been met and that sufficient, relevant, and competent evidence has been documented to support the tentative observations the auditor(s) has framed to be presented to auditee management. Upon summarizing each tentative observation, the auditor shall include, in the summary, each element of an observation as described in the Audit Observations section of the Manual above.

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After the tentative observations have been reviewed and approved, the auditor and the Director (or Deputy CAO) will meet with appropriate auditee personnel to discuss the tentative observations and possible corrective actions. At this end-of-fieldwork conference, the OAS will explain to the auditee the process for drafting the audit report, internally reviewing and editing the draft report, sending the final draft report to the auditee for inclusion of comments and planned corrective actions, and publishing of the audit report. As a result of the end-of-fieldwork conference, changes may be made to the tentative observations, and the auditor may need to meet with the Director and, if necessary, the Deputy CAO to determine whether further fieldwork is necessary before the audit report can be drafted. Notes from the end-of-fieldwork conference shall be included in the working papers.

## Drafting the Report

Although the audit report is the formal communication between the auditor and University management, and is the most visible product of the internal audit function, our ultimate product is effecting positive change. Accordingly, presenting the most professional product is, therefore, the goal of audit staff and OAS management. The audit report should be clearly written, concise, and based on the results of the audit procedures performed. The report should be written in the most positive manner applicable to the situation. The auditor's objective is not to criticize, but to provide valuable observations, as well as to work with the auditee to arrive at corrective actions or solutions and suggestions for improving the operations of the area audited. Every effort should be made to identify notable accomplishments and operational strengths of management in the report.

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Each report should generally contain the following sections:

- Transmittal Memorandum (Executive Summary);
- Scope and Objectives;
- Observations and Planned Actions (There may be times when it is preferable to only present recommendations without identified planned corrective actions);
- Conclusions;
- Background; and
- Methodology.

## Review Process

The review process shall include a thorough review of the working papers, initial draft report and subsequent revisions, and final report to ensure the audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*. The detailed work paper review, usually performed by the Director, shall also evaluate the completeness, appropriateness, neatness, hyperlinking/cross-referencing, accuracy, and format of the working papers. The report review by the Director, Deputy CAO and CAO shall include a check for technical and clerical accuracy, content, appropriateness, completeness, tone, organization, and grammar.

The review process will be documented within AL through appropriate “sign offs” and review notes. The working paper and report reviews shall be completed, with the exception of working paper “housekeeping” issues, prior to the delivery of the

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audit report draft to the auditee. It is imperative that all such reviews be completed prior to issuance of the final report. In addition, all review notes shall be satisfied prior to the issuance of the final report.

For hard-copy working papers, the Director will document his/her review by initialing and dating all staff prepared working papers. Additionally, any questions or comments regarding the working papers will be documented and retained in the working papers. After the Director has completed the initial review, any working paper comments will be provided to the auditor. The auditor should address the open comments in the working papers and annotate the review notes to indicate resolution/disposition. The Director will also submit to the auditor any comments/suggested changes to the draft report via the electronic copy of the report. The auditor will initiate an Audit Report Requirements Checklist (see Appendix B-3), which will be completed prior to issuance of the final report.

Once the Director is satisfied with the working papers and draft report, the Deputy CAO will review the draft report and working papers, as deemed necessary. After the Deputy CAO completes the review, the draft report will be reviewed by the CAO. As the CAO completes his/her review, the auditor, Deputy CAO and Director will be kept informed of any changes/issues.

Review procedures may vary depending on workload and time constraints; however, at a minimum, the working papers should be reviewed by a qualified staff member and the resulting report shall be reviewed by the CAO. The final draft report will be forwarded to the auditor for a last read through to ensure that the meaning of any observations has not changed during the review process. Afterwards, the final draft report is sent to the auditee (generally via e-mail) for review and comment, as well as insertion of planned actions and their implementation dates and responsible persons. The auditee is generally asked to respond to the final draft report within 10

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days and is provided the desired release date for the report. The draft report may be revised based on the auditee's written response.

## Exit Conference

Many times auditee's written response to the final draft report is sufficient for inclusion in the report, followed by publication and an Exit Conference is not needed; however, the option of an exit conference shall be made to the auditee, which may further clarify audit matters, obtain final agreement of the planned actions, and resolve any conflicts or disagreements. If an Exit Conference is to be held, it should generally be held after the review process is complete, and prior to issuance of the final audit report. The auditor should provide the draft report to the attendees prior to the conference so that they may review the report ahead of time. All appropriate management should be invited to the conference, along with the Director and Deputy CAO, as necessary. If management does not wish to have an exit conference, documentation shall be in the working papers indicating such.

If any additional changes are made to the draft report as a result of the Exit Conference, the resulting draft report will be sent to the person responsible for implementing any corrective actions (generally via e-mail), with a request for a response in a reasonable time period noting the desired release date of the report. Written responses from the auditee and notes from the exit conference shall be included in the working papers.

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## Management Letters

A management letter should be issued for observations that because of their insignificance, immateriality, or lack of relation to the scope of the audit, are not included in the report. When a management letter is issued, the audit report shall include a comment indicating that certain audit results were communicated in a separate letter to management.

## Prior Audit Observations/Recommendations

For each audit assignment, the auditor shall review, assess, and report on management's implementation of prior audit observations/recommendations pertaining to the scope of the current audit. For any prior audit observations/recommendations not implemented, the auditor should review management's response included in the prior audit report, as well as any OAS review of implementation efforts performed pursuant to the follow-up program. The audit report shall indicate the status of prior audit recommendations/corrective action plans.

## Final Audit Report

The final audit report shall be addressed to the President and distributed to other interested University officials. The distribution of the audit report to other agencies or persons outside of the University will be done on an "as need to know" basis and with the approval of the CAO. In the unlikely event that a report is released containing a material error(s), the error will be corrected, the released report will be

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recalled, and the corrected report redistributed.

When observations are made, the report should generally include the planned corrective actions that have been agreed upon by the audit team and the auditee. The audit report should also include the expected date by which the agreed upon action plan will be implemented, and the responsible party. This expected date is critical, as it “drives” the audit follow-up program.

The audit report shall include a transmittal letter, which serves as the executive summary, a table of contents, and a statement indicating that the report is intended for internal use only. The CAO shall sign the transmittal letter and report.

## **Project Closeout and Storage of Working Papers**

After issuance of the final report, the auditor will cut and paste the audit observations into the Findings area of AL and will ensure that the working papers are complete and organized. A hyperlinked copy of the final report shall be included in AL. All hard-copy working papers should be bound with the OAS working paper covers.

The Director will ensure that the Project Review Checklist is complete and that all required items are properly included with the working paper file. The Director will also provide feedback to the auditor concerning his/her performance in conducting the audit, which is documented as an Audit Finalization step in AL.

For each audit engagement, the CAO will submit a Post Project Survey (see Appendix B-4) to the appropriate manager(s) of the area that was audited. The results of the survey shall be shared with the Deputy CAO, the Director and the

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auditor and shall be included in the AL working papers.

The Director will notify the CAO to close out the project in AL after a final review of the working papers for completeness and all anticipated time has been charged to the audit.

# CONSULTING SERVICES



CONSULTING

**General Guidelines  
Procedures**

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## CONSULTING SERVICES

### GENERAL GUIDELINES

Providing consulting services is an efficient, effective, and proactive way the Office of Audit Services (OAS) can share with management its collective knowledge, expertise, and insight into a whole host of issues that the University may confront. All audit staff is advised to be alert for, and actively seek opportunities to assist management by providing consulting services; however, because of implications affecting the completion of the approved annual work plan, all consulting projects must be approved by the Chief Audit Officer (CAO). The OAS will consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the University's operations. The scope and objectives and/or the work program for a consulting project shall be submitted to the Director of Audits (Director), Deputy Chief Audit Officer (Deputy CAO), and CAO for approval.

While performing consulting services, at a minimum the IIA standards of Independence and Objectivity and Proficiency and Due Professional Care shall be observed. OAS staff may provide consulting services relating to operations for which they had previous responsibilities. If staff has potential impairments to independence or objectivity relating to proposed consulting services, disclosure should be made to the Deputy CAO or the CAO prior to accepting the engagement. Other applicable standards, as appropriate, shall also be observed. Overall, the nature of the documentation for consulting services, and the manner in which the results are communicated, will be governed by the nature of the services, the intended scope and objectives of the services, and the results themselves; however, all efforts of the

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OAS shall be properly documented.

During the engagement, OAS staff should address controls consistent with the engagement's objectives and should be alert to the existence of any significant control weaknesses. If any risk management, control, or governance issues are identified during the engagement that are significant to the organization, they must be communicated to senior management.

## **Independence and Objectivity**

Every member of the OAS staff assigned to work on a consulting project shall be independent both in fact and appearance. For each project, there shall be documentation in the working papers attesting to this independence by completing a Statement of Independence and Objectivity Form (see Appendix B-1). If impairments, either personal or external, arise at any time during the project, the auditor shall immediately notify the Director, the Deputy CAO or the CAO for appropriate resolution.

## **PROCEDURES**

### **Consulting Service Assignment**

The Director or Deputy CAO shall assign a project number to the consulting engagement and enter the number and all other relevant project information into Audit Leverage (AL). A program template resides in AL and should be the beginning point for developing the project work program. AL shall be used to document all work

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performed. Throughout the engagement, the auditor shall update the project status within AL. Upon project completion, and the completion of the input staff hours related to the project, the Director will notify the CAO to close out the project within AL. An Audit Leverage User Guide is maintained on the network shared drive and can be found on the IAD web site.

## **Business Practices Enhancement Program (BPEP)**

The BPEP is a program established within the OAS that is intended to provide academic administrators with an independent assessment and assistance in strengthening procedures over financial records, cash handling, payroll, personnel, auxiliaries and other business operations. A BPEP program template resides in AL and should be the beginning point for developing the work program. The BPEP is not an audit, but instead is a “high-level” review of key business processes, practices, and internal controls within an academic unit.

## **Working Papers**

The nature and complexity of the consulting services should dictate the level of documentation and the formality of the documentation. This documentation can range from informal notes to formal working papers. The form of documentation should be appropriate for the subject matter and consider the potential future needs for the information gathered. All consulting engagements shall be documented within AL.

All working papers shall be organized, properly hyperlinked/cross-referenced, concise, neat, numbered and complete. The working papers should contain clear

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explanations of the consulting services performed. Overall, the contents of the working papers shall be sufficient enough to document the services performed.

When working papers are not necessary due to the nature of the consulting services, notes within AL in the Comments box under the “Main” tab of the Project Set Up screen shall be made indicating such.

## Security of Confidential Information

Consulting engagements may include the collection and examination of confidential information. For example, student records, information regarding the security program for data and information technology resources, and certain personnel records are confidential pursuant to Sections 1002.22(3)(d), 282.318(2)(a)(5), and 112.3189, F.S. Other statutes apply to certain medical records and law enforcement records. Confidential information gathered during a consulting engagement must be appropriately safeguarded from any unauthorized persons. Only confidential information that is vital to properly document an observation should be included in the working papers. Any confidential information gathered during a consulting engagement that is not included in the working papers, should be destroyed (by shredding if possible), or deleted if stored electronically.

To help ensure against the disclosure of confidential information to unauthorized persons, each work paper (either hard-copy or electronic) containing confidential information shall be clearly labeled. If hard-copy working papers contain confidential information, a notation shall be made prominently on the cover of the working paper volume, and a directory of confidential working papers placed following the working paper index or as the first document in the volume. For electronic working papers in AL, in the Comments box under the “Main” tab of the

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Project Set Up screen a note shall be made that the working papers contain confidential/sensitive information that is not a public record.

The working papers that are not public record shall not be viewed or provided to anyone not authorized to have access to such information.

## Review Process

When a report is issued for a consulting service, the level and degree of the working paper and report review should depend on the nature, sensitivity, and complexity of the issue(s) being reported. The review process will generally be the same as for an audit engagement and will be documented within AL through appropriate “sign offs” and review notes.

## Consulting Service Report

To communicate the results from the consulting services performed, OAS staff should determine the most appropriate method based on the results, who needs to be informed, and who needs to take action. The final determination on how to report the results of the consulting services will be a matter of professional judgment, and shall be decided by the Director, the Deputy CAO and the CAO. The consulting activity can be concluded with a formal report, a PowerPoint presentation, a memorandum to the University President or appropriate manager, or verbally with a note to the file.

The distribution of the report to other agencies or persons outside of the University will be done on an “as need to know” basis and with the approval of the

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CAO. In the unlikely event that a report is released containing a material error(s), the error will be corrected, the released report will be recalled, and the corrected report redistributed.

## **Potential Audit Project**

During the consulting project, OAS staff should be alert for any area within or outside the scope of the consulting project that could/should be subject to a more in-depth analysis, audit or investigation. OAS staff should notify the Director or Deputy CAO of any potential areas for additional audit/investigative work.

# FOLLOW-UP



FOLLOWUP

Follow-up Procedures

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## FOLLOW-UP PROGRAM

### FOLLOW-UP PROCEDURES

The follow-up program will be managed and documented within Audit Leverage (AL).

Follow-up will be performed twice a year. In August, follow-up will be conducted for action plans expected to be implemented in the preceding January through June timeframe. In February, follow-up will be conducted for action plans to be implemented in the preceding July through December timeframe. Because the follow-up program is “driven” from expected implementation target dates for each planned corrective action, it is imperative that management’s responses, target dates and the follow-up status be entered in the Potential Audit Findings section within the Workpaper module in AL.

For each bi-annual follow-up, the Director of Audits (Director), Deputy Chief Audit Officer (Deputy CAO), or Chief Audit Officer (CAO) will query AL to identify the action plans requiring follow-up. Follow-up activity involves determining the status (i.e., implemented, not implemented, partially implemented, etc.) of planned corrective action by responsible management. It may only require e-mail correspondence with the responsible party, or more extensive work such as performing testing, reviewing procedures, etc. All follow-up activity, including steps taken by the auditor to determine the status of the reported action plans shall be documented within AL. In general, all action plans/recommendations will be followed-up on until they are fully implemented.

The CAO shall be advised in all instances where the auditor does not think satisfactory progress is being made to implement the action plans or the decision was

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made not to implement the action plan. In those instances where satisfactory progress is not being made, the CAO shall inform the appropriate vice president. In those instances where the decision was made not to implement the action plan, the CAO shall notify the appropriate vice president for him/her to make the final determination as to whether he/she is willing to accept the risk of not doing so. The decision to discontinue following up on an action plan/recommendation must be approved by the CAO.

The Director and Deputy CAO are responsible for ensuring all follow-up information in AL is thorough and complete.