

# Surviving an Audit

OREGON UNIVERSITY SYSTEM

Internal Audit Division

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*Acknowledgements- Originally prepared by Cornell University Audit Office  
for CSREES 2000 Conference*

# Objectives

Learn:

- **What types of audits you may encounter and who will perform the audit.**
- What a typical audit process should entail.
- How to effectively manage the audit.
- Proactive measures to prevent or reduce the impact of an audit.

# Types of Audits

- Compliance
- Financial
- Operational
- Fraud Investigations
- Information Technology



# Compliance Audits

## Who audits

- Governmental Audit Agencies
  - Federal and State
- External Auditors
- Internal Auditors

## Areas of review

- Award terms
- Federal regulations
  - A133, A21, A110, etc
- Regulatory requirements and laws
  - IRS, EPA, OSHA

# Financial Statement Audits

## Who audits

- Governmental Audit Agencies
  - Federal and State
- External Auditors

## Objectives of the review

- Validity
- Completeness
- Authorization
- Accuracy
- Classification
- Accounting
- Cutoff

# Operation Audits

## Who audits

- Internal Auditors

## Objectives of the review

- Economy
- Efficiency
- Effectiveness

# Investigative Audits

## Who audits

- Internal Auditors
- Governmental Audit Agencies
  - Federal and State

## Objectives of the review

- Verification of facts
- Objectivity
- Confidentiality

# Financial Irregularity

**An intentional misstatement or omission of information related to financial transactions that is detrimental to the interests of the university. Includes embezzlement, fraud or falsification of records to misappropriate assets.**



# Information Technology Audits

## Who audits

- External Auditors
- Internal Auditors
- Governmental Audit Agencies
  - Federal and State

## Objectives of the review

- Data Integrity
- Data Security
- Business Processing
- Change Controls
- Business Continuity

# Objectives

## Learn:

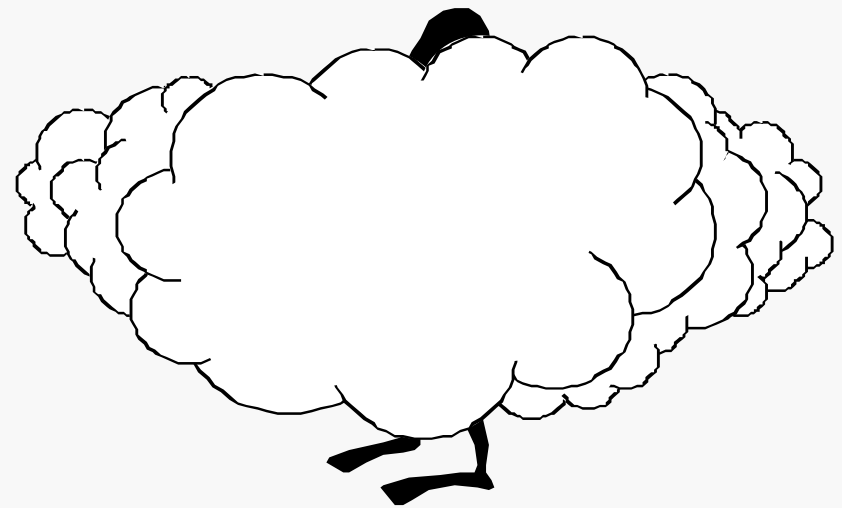
- What types of audits you may encounter and who will perform the audit.
- **What a typical audit process should entail.**
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- About proactive measures to prevent or reduce the impact of an audit.

# Audit Process

- Planning
- Fieldwork
- Summarization and Reporting
- Follow up

# Beware of the Audit in Disguise!

- Reviews
- Analysis
- Site visit
- Engagement



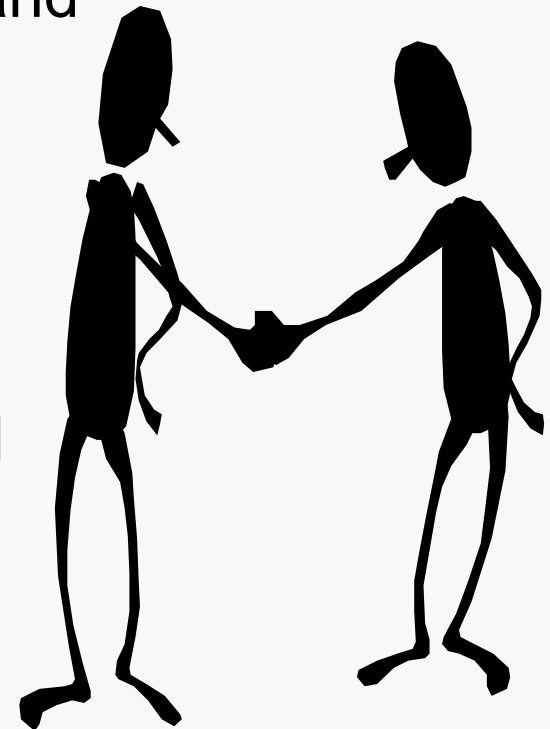
# Planning



- Contact University Audit liaison- Business Office, Internal Audit, Sponsored Programs?
- Preliminary Survey- data collection period
- Entrance Conference

# Entrance Conference

- Demonstrate a positive attitude.
- Know objective, areas to be tested, and testing period.
- Identify staffing requirements.
- What are their timelines.
- Know contacts.
- Find out about reporting process and follow up.



# Fieldwork

- Review documentation you are providing in order to anticipate questions.
- Have documents available on their arrival and subsequent requests ASAP.
- They may require full access to your files and original documents. However, unless fraud is noted, they should make copies not maintain original documents.
- Make a list of the records you provided the auditor.

# Summarization and Reporting

- Keep informed of issues through out the audit.
- Ask for time to review findings.
- Ensure exit conference is held
- Find out who gets their report
- Provide management responses
  - Agree or disagree
  - Action plan
  - Target date for implementation

Be prepared for FOLLOW UP!!!

# Objectives

## Learn:

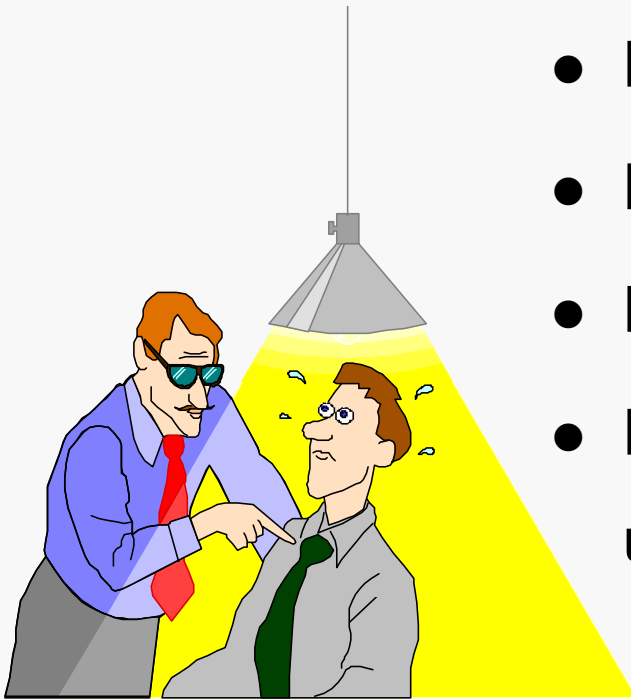
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# Tips on Interacting with Auditors

- Be positive, professional, and confident.
- Listen carefully to questions and understand question before answering.
- Only answer question - Keep answer simple and direct
- Be honest.

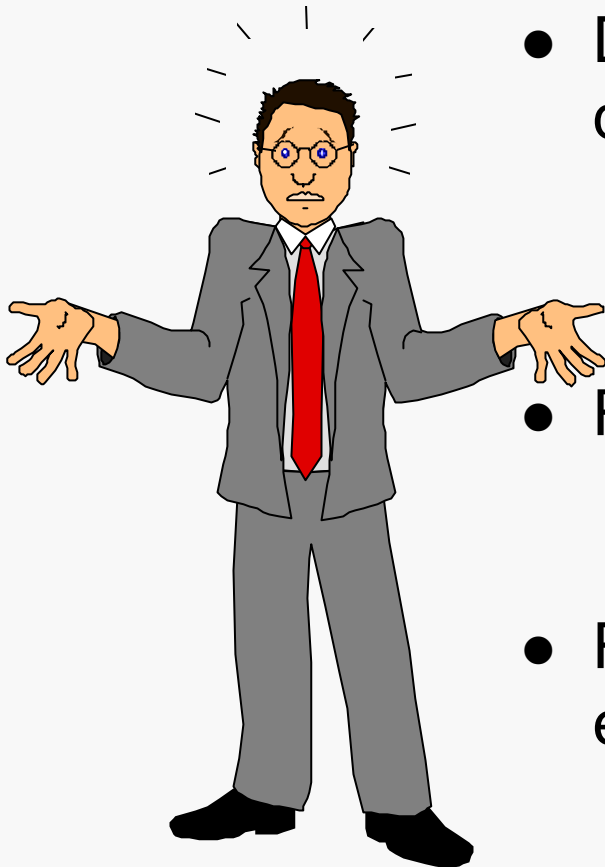


# More Tips for Interacting with Auditors



- Do not react to threats
- Do not answer hypothetical questions
- Do not agree or disagree with opinions
- Do not sign anything on behalf of the university

# Even More Tips for Interacting with Auditors



- Do not get offended by WHY questions.

*Why isn't - you're doing this wrong. It is for the most part asking help me understand.*

- Recognize they may be experts.

*They may have worked in the specialty area prior to becoming an auditor.*

- Realize they may not be subject experts.

*This may be their first audit- so be patient.*

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# Proactive Measures to Ensure Good Audit Results

- Review your internal controls
- Perform a self audit



# **How to Prevent Disastrous Audit Results? Internal Controls**

- **If internal controls are functioning properly, the risk of financial irregularities, non-compliance issues, misstated financial statements and ineffective and inefficient operations are reduced.**
- **You as a manager are responsible for the internal controls in your operation. The internal Audit function at your university is in a sense your doctor providing a health check of internal controls.**

# Definition of Internal Controls

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

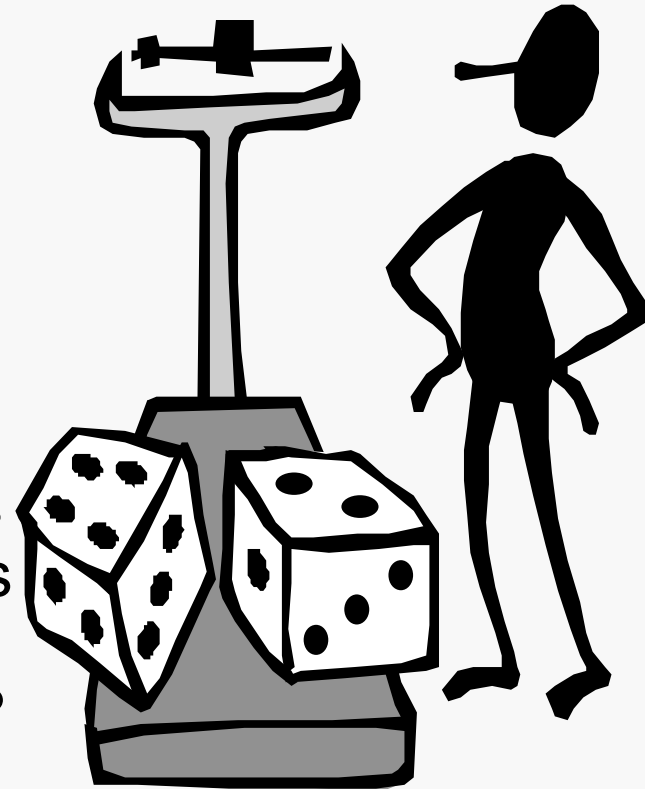
# **Managers Should Do Three Things to Maintain Effective Internal Controls**

- Maintain adequate policy and procedures
- Communicate these policies and procedures
- Monitor compliance with policies and practices

# Maintaining Policy and Procedure

Ensure there are policies and procedures around the risks in the unit.

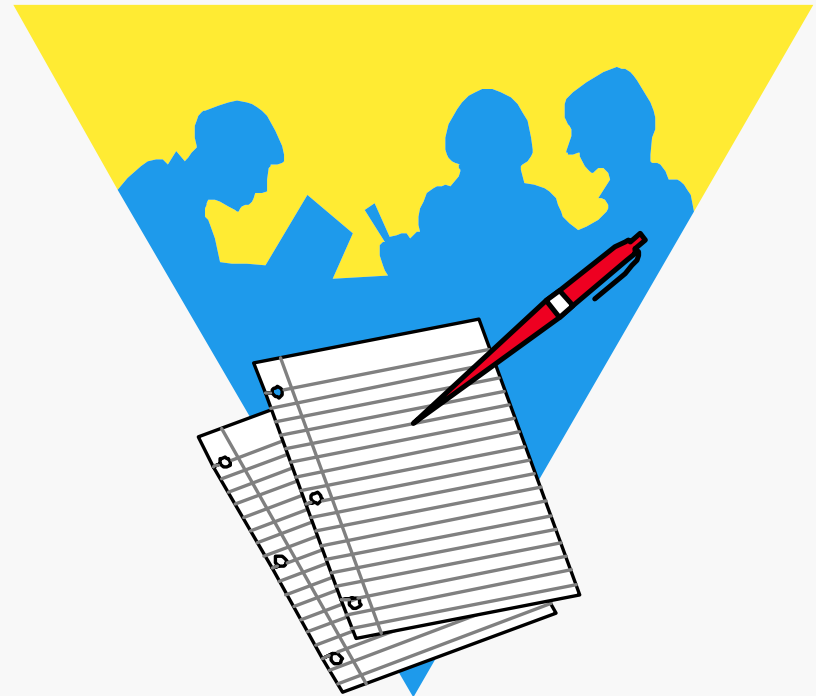
**Risk**- can be financial, compliance, economy and efficiency and investigative in nature. Do people know how to do their job and what is expected of them? Where can things go wrong? Do I have procedures in place to prevent this from occurring?



# Communicating Policy & Procedure

Communicate these policies and procedures to your personnel:

- Use the appropriate channel- face to face, email, newsletters, meetings, etc.
- Continual communication is needed



# Monitor Compliance



Monitor the high risk areas or compliance with policies and practices to make sure everything is going as planned.

# Self Audit

- Control Self Assessment Guides
  - Discuss with Business Affairs & Internal Audit

<http://www.ous.edu/iad/resources.htm>

- Oregon State Department of Administrative Services Internal Control checklist

[http://scd.das.state.or.us/internal\\_control/oregon\\_internal\\_control\\_checklis.htm](http://scd.das.state.or.us/internal_control/oregon_internal_control_checklis.htm)

# Conclusion

- People fear audits because they don't know what to expect or what the auditors are doing.
- Hopefully you are better armed with knowledge about auditing which will in turn help you to be prepared for the next audit.



**Good Luck!!**

