

September 14, 2015

MEMORANDUM

TO: Board of Visitors Audit Committee
Judy O. Swystun, Chair
Frank Reidy, Vice Chair
Ronald C. Ripley (*ex-officio*)
John F. Biagas (*ex-officio*)
David L. Bernd
Mary Maniscalco-Theberge
Robert M. Tata '86

FROM: John R. Broderick
President

SUBJECT: Meeting of the Audit Committee – Thursday, September 24, 2015

AGENDA

- I. Approval of Minutes – The Committee will consider a motion to approve the minutes from the Audit Committee meeting held on April 23, 2015.
- II. Report from the Internal Audit Director – Amanda Skaggs, Internal Audit Director
 - A. Internal Audit's Quality Assurance Improvement Program
 1. Annual Confirmation of Internal Audit's Independence
 2. Audit Charter Proposed Revisions
 3. Approval of Proposed Revisions to Board of Visitors Policy 1610 – Charter of the Internal Audit Department
 - B. Audit Projects in Process
 1. Sensitive Data Federal/State IT Compliance
 2. Revenue Contracts
 3. Banner Database Audit
 4. Banner Key Security Controls (ARMICS)
 5. Campus Network
 6. Virginia Modeling and Simulation Center
 7. College of Continuing Education and Professional Development
- III. Motion for Closed Session
 - A. Anticipated Audit Reports and Issues
 1. Athletics: Sports Camps and Tennis Center
 2. Office of Admissions

- IV. Reconvene in Open Session and FOIA Certification
- V. Adjourn

NUMBER: 1610

TITLE: Charter of the Internal Audit Department

APPROVED: November 14, 1981; Revised May 15, 1982; Revised April 5, 1990; Revised September 13, 2002; Revised June 17, 2010; Revised June 12, 2014

Introduction

Old Dominion University supports Internal Audit, as defined by the Institute of Internal Auditors, as "an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes." This charter as adopted herein will serve as a guide for the activities of the Internal Audit Department at Old Dominion University.

This charter does not include, nor is it intended to include, all of the department's duties or responsibilities as they may exist from time to time.

This charter will:

1. Provide a written record of formally approved policies of the Internal Audit Department;
2. Provide a basis for the evaluation of the performance of the Internal Audit Department by the management of the University and the Audit Committee of the Board of Visitors;
3. Serve as a basic document in the organization and administration of the Internal Audit Department.

Mission

Internal Audit was established to assist the Board of Visitors and management of Old Dominion University in providing the Commonwealth and the country with the best possible educational institution for the 21st century. As appropriate to accomplish this mission, Internal Audit will have a dual focus; (1) to provide an independent and objective appraisal of the University's financial, operational and information systems, and to evaluate the internal control environment; and (2) to work with management in a proactive and creative manner to ensure the development and provision of services and processes in the most efficient and effective manner.

Objectives

The underlying objectives for accomplishing the Internal Audit Department's mission include, but are not limited to, the following procedures:

1. Evaluating financial and operating procedures for adequacy of internal controls and providing advice and guidance on control aspects of new policies, systems, processes and procedures;
2. Ascertaining the extent of adherence, by the University and its employees, to established policies, plans, and procedures, and compliance with state and federal laws and regulations;
3. Ensuring that proper safeguards are maintained to protect University assets from loss, and if necessary, verify their existence;
4. Determining the propriety and accuracy of financial transactions and data;
5. Working with management to identify opportunities for process improvements, cost savings and revenue enhancements;
6. Evaluating the accuracy, security, effectiveness and efficiency of the University's information technology and processing systems;
7. Appraising the results of operations to ascertain the effectiveness and efficiency of organizations in accomplishing their missions, objectives and goals;
8. Assisting in the education and training of employees in University policies and procedures, as well as the need for and characteristics of good internal controls;
9. Assisting management in the deterrence of fraud and to investigate any instances of such activity discovered at the University; and
10. Coordinating audit efforts with the Auditor of Public Accounts and other external auditors.

Standards for the Professional Practice of Internal Auditing

The Institute of Internal Auditors, Inc., an international organization dedicated solely to the advancement of the internal auditing profession, has adopted "The International Professional Practices Framework (IPPF)." The ~~four~~three mandatory elements of the IPPF are the core principles for the professional practice of internal auditing, definition of internal audit, Code of Ethics, and the International Standards for the professional practice of internal auditing (standards).

In the performance of its mission, the Internal Audit Department of Old Dominion University hereby adopts the IPPF and the "Standards for the Professional Practice of Internal Auditing," which it includes, as an integral part of the department's statement of policies.

Other Auditing Standards

The American Institute of Certified Public Accountants has promulgated Generally Accepted Auditing Standards (GAAS) through Statements of Auditing Standards, Industry Audit Guides, and other professional releases.

The United States General Accounting Office recommends the "Government Auditing Standards" (the Yellow Book) for use by auditors who audit state organizations, programs, activities, and functions. In the performance of its mission, the Internal Audit Department will reference these additional standards as appropriate.

Reporting Responsibilities

The Internal Audit Department is functionally accountable and reports to the Board of Visitors through the Audit Committee. The Department reports administratively to the President's Office and works with the President or through a designated representative for the purpose of the day-to-day direction needed by the department in the mediation of audit scope and scheduling, plus budgetary and personnel concerns.

The Internal Audit Director shall have direct access to the President and to the Audit Committee of the Board of Visitors in any instance where the Internal Audit Director believes that such access is needed to fulfill the stated objectives of the department.

The Internal Audit Director shall, at a minimum, meet in executive session, to the extent permitted by law, with the Audit Committee of the Board of Visitors at each of the scheduled quarterly Board Meetings to discuss:

1. Audit reports issued;
2. Detailed audit plan for the forthcoming fiscal year and the areas of audit concerns for the subsequent two years;
3. Relationships between the Internal Audit Department and external auditors;
4. The propriety of any limitations on the scope of internal audits that may be imposed by University management.

As used herein, the term "external" shall refer to representatives of or the activities of the Auditor of Public Accounts for the Commonwealth of Virginia, individual certified public accountants (the "CPA") and auditors from organizations, governmental or commercial, outside the University.

The Internal Audit Director may also present materials, such as the annual audit plan, to the Administration and Finance Committee in an informational capacity.

Code of Virginia §2.2-307 et seq., established the Office of the State Inspector General (OSIG) effective July 1, 2012, and charged the office with providing services in three core areas: (1) investigating complaints alleging fraud, waste, abuse, or corruption; (2) conducting performance reviews of executive branch agencies; and (3) coordinating and requiring standards for internal audit programs existing as of July 1, 2012, and developing and maintaining other internal audit programs. As the OSIG is required to coordinate and require standards for those Internal Audit programs, the Old Dominion University Internal Audit Department will adhere to any OSIG directives.

Authority

To the extent permitted by law, the Internal Audit Department shall have timely and unrestricted access to all university activities, properties, personnel, and records which are relevant to fulfillment of the department's mission to the University.

It is understood that certain items of the university are confidential in nature and special arrangements will be made by the audit department when examining and reporting upon such items.

Independence

Programming

The Internal Audit Department shall be free from control or undue influence in the selection and application of audit techniques, procedures, and programs.

Reporting

The Internal Audit Department shall be free from control or undue influence in the determination of facts revealed by the examination or in the development of recommendations or opinions as a result of the examination.

Investigative

The Internal Audit Department shall be free from undue influence in the selection of areas, activities, personal relationships, and managerial policies to be examined. No legitimate source of information is to be closed to the auditor.

General

Objectivity is an essential element of independence. The independence of the department may be compromised if the internal auditor participated directly in the preparation or reconstruction of accounting systems, data, or records; thus members of the Internal Audit Department will be used only in an advisory capacity.

System Planning and Development

The Internal Audit Department will participate, in an advisory capacity, in the planning, development, implementation, and modification of major computer-based and manual systems to ensure that:

1. Adequate controls are incorporated in the system;
2. A thorough testing of the system is performed at appropriate stages;
3. System documentation is complete and accurate; and
4. The intended purpose and objective of the system implementation or modification has been met.

The internal auditor participating in such a review should ensure that the extent of participation does not affect independence, thus suggested audit trails or other controls will be transmitted through formal correspondence.

Responsibility for the Detection of Errors or Irregularities

The staff of the Internal Audit Department have a professional responsibility to conduct reviews with an attitude of professional skepticism, recognizing that the application of internal auditing procedures may produce evidential matter indicating the possibility of errors or irregularities.

If the internal audit staff believe that an error or irregularity may exist in an area under review or in any other area of the university, the Internal Audit Director shall be notified at once. The Internal Audit Director should consider the implications of such an error or irregularity and its disposition with the President and/or the President's designated representative. If the Internal Audit Director believes that both of the individuals are directly involved, then the disclosure of potential errors or irregularities should be made directly to the chairman of the Audit Committee of the Board of Visitors.

The Internal Audit Department cannot be solely responsible for the detection and prevention of all errors and irregularities which may occur within the university. This is a responsibility shared by all members of the university management team.

Cooperation With External Auditors

The Internal Audit Director is responsible for coordinating the audit efforts of the Internal Audit Department with those of the Auditor of Public Accounts for the Commonwealth of Virginia and other external auditors that have business with the university. This coordination of audit efforts should be in the planning and definition of the scope of proposed audits so the work of auditing groups is complementary and will provide a comprehensive, cost-effective audit.

The Internal Audit Department shall assist the Audit Committee of the Board of Visitors in the evaluation of the external auditors' examination of the University.

Audit Plan

Each year, a proposed detailed audit plan for the next fiscal year will be submitted by the Internal Audit Director to the Audit Committee. Upon approval of the plan by the Audit Committee, the Internal Audit Director will initiate audits pursuant to the plan.

A block of time will be set aside for unexpected audits, special request audits and consulting, and cases received from the Commonwealth's fraud, waste and abuse hotline. In excess of this, any additions to the plan will require written documentation as to the need for such additions with final approval for the request being made by the President and Committee.

A copy of all approved revisions to the audit plan will be submitted to the President and the Audit Committee.

Audit Reports

At the conclusion of each audit, the department or activity audited will be provided an opportunity to respond in writing to the findings, conclusions, and recommendations of the Internal Audit Department. In addition, an exit conference will be held with the individual in charge of the department or activity under review. All findings, conclusions and recommendations will be discussed and any differences of opinion settled or so noted. A formal audit report will be prepared after the exit conference is held and draft report reviewed. This report will contain a summary of the function of the department or area, the objective of performing the audit, the audit methods used, detailed explanations of any issues noted and recommendations for improvements thereon. A section of the audit report will include the department's response to the recommendations made by the Internal Audit Department.

This report will be discussed with the chief operational officer (vice president) responsible for the area under review prior to the issuance to the President of the University. All final audit reports will be issued to the President of the University via the Chief Operating Officer, with copies to the Vice President of the area audited and the department head. Executive summaries of all final audit reports will be presented to the members of the Audit Committee. Further distribution will be at the discretion of the Internal Audit Director.

The Internal Audit Department will conduct a follow-up review on audit reports issued to ensure that all recommendations have been considered and acted upon. Distribution of this follow-up report will follow that of the original report.

Detection, Investigation and Reporting of Fraud

The Internal Audit Department shall be notified in all cases where the discovery of circumstances suggests a reasonable possibility that assets have, or are thought to have, been lost through

defalcation or other security breaches in the financial, operating or information systems. Upon such notifications, the Internal Audit Director should ensure that the proper authorities within the department and the University have been notified of the potential loss. The Internal Audit Director should work to ensure that the University promptly notifies other state departments as required under Section 30-138 of the Code of Virginia.

The Internal Audit Department will perform sufficient tests to identify the weaknesses in financial and operating procedures, both automated and manual, which permitted the loss and evaluate the impact the weaknesses have with respect to other activities of the institution. In addition, the Internal Audit Department will recommend improvements to correct the weaknesses and incorporate appropriate tests in future audits to disclose the existence of similar weaknesses in other areas of the institution.

Consulting Activities

As part of its mission, the Internal Audit Department will engage in evolving forms of value-added services which are consistent with the broad definition of internal auditing. As such, the Department from time to time may be asked to perform a variety of non-standard audit services, such as advisory activities and consulting engagements, both of which may involve formal or informal advice, analysis or assessment. These services will be provided at the discretion of the Internal Audit Director where they do not represent a conflict of interest or detract from the Department's obligation to the Board of Visitors or the President.

Decisions to adapt or implement recommendations as a result of consulting activities should be made by management. It must be understood that consulting services cannot be rendered in a manner that masks information that, in the judgment of the Internal Audit Director, should be provided to the Board of Visitors and senior management. In the conduct of consulting activities, the Department will be guided by the IIA Code of Ethics and the Standards for the Professional Practice of Internal Auditing.

Personnel

The ultimate quality of the Internal Audit Department's performance is directly related to the quality of the people employed. The internal audit function should be directed by and staffed with qualified and competent individuals.

Minimum qualifications for each position within the audit function have been established; however, additional experience, training, specialized skills, as well as intelligence, adaptability, promotability, an inquiring mind, analytical ability, good business judgment, and an ability to communicate with individuals should be considered in the employment process.

The Internal Audit Director should report annually to the ~~Audit Administration and Finance~~ Committee and the President and/or a designated representative as to the effectiveness of the present staff in fulfilling the stated objective of the Internal Audit Department.

Training

The university recognizes the need for members of the Internal Audit Department to "stay current" on accounting issues and auditing techniques in the university.

To fulfill this need, the Internal Audit Department will require each representative of the department to obtain at least forty (40) hours (1 week) of continuing education credits annually. (Training is subject to funding availability.)

Quality Assurance Review

Old Dominion University recognizes the benefits to be derived from a quality assurance review of the internal audit functions.

A full scope quality assurance review of the University's internal audit function will be performed at least once every five years in accordance with the Institute of Internal Auditors standards.