



# Internal Quality Assessment Review:

## Division of Audit

February 1, 2022



## Table of Contents

Executive Summary.....	2
Objectives, Scope, and Methodology.....	3
Summary of Results .....	4
Definition of Assessment Ratings.....	7
Strengths.....	8
Opportunities.....	9
February 2017 External Quality Assessment Review Follow – Up.....	10
Attachment A – Standards Conformance Summary.....	13
Internal Quality Assessment Review Team.....	18

## Executive Summary

*“The Division of Audit’s mission is to add value to FAMU and its stakeholders by promoting accountability, integrity, and efficiency through excellence in auditing, investigations, advisory services, risk management, management reviews, and technical assistance.”*

### Background

The Vice President for Audit/Chief Audit Executive directed the Associate Vice President for Audit/Chief Risk Officer and a Senior Auditor to initiate an internal quality assessment review of the internal audit activity in June 2021.

The principal objective of the Division of Audit (DoA) internal quality assessment review was to assess the internal audit activity’s conformance with our professional standards and the code of ethics. We also assessed if corrective actions were implemented to address the *February 2017 External Quality Assessment Review* process improvement recommendations.

### Overall Summary / Highlights

In accordance with Standard 1300 *Quality Assessment and Improvement Program* (of the Institute of Internal Auditor’s Standards for the Professional Practice of Internal Auditing) the DoA performed an internal quality assessment review. The IIA provides three categories to rate the overall quality of an internal audit department: Generally Conforms, Partially Conforms, or Does Not Conform (See page 7 for full definitions). **We have assessed the FAMU DoA as Generally Conforming with all professional standards assessed.** This means policies, procedures and practices are in place to implement the standards and requirements necessary for ensuring independence, objectivity and proficiency of the internal audit function. The DoA is respected throughout the University, utilizes a well-managed, systemic approach to improve the University’s operations and employs qualified personnel. For a detail list of conformance to individual professional standards, please see Attachment A. The internal quality assessment review identified two opportunities for further improvement, details of which are provided in this report.

## Objectives, Scope and Methodology

The principal objective of the DoA internal quality assessment review was to assess the internal audit activity's conformance with the International Standards for the Professional Practice of Internal Auditing (Standards) and the Code of Ethics. We also assessed if corrective actions were implemented to address the *February 2017 External Quality Assessment Review* process improvement recommendations. Specifically,

- Quality assessment surveys were submitted to and completed by Division of Audit staff, FAMU Board members, FAMU President, Senior Leadership Team, Operating Management, Academic Deans, as well as Internal and External Assurance Providers to assess alignment of the internal audit activities and performance with the perception of various internal and external stakeholders;
- Assessed DoA activities for the 2021 calendar year;
- Reviewed DoA policies and procedures, as well as other administrative and monitoring documents;
- Reviewed risk assessment and audit planning processes;
- Reviewed audit tools and methodologies, as well as engagement and staff management processes; and
- Reviewed 2021 DoA electronic working papers and reports.

The internal quality assessment began during June 2021. The DoA internal quality assessment was conducted consistent with the methodology established in the *Quality Assessment Manual for the Internal Audit Activity (2017 IPPF Aligned)* published by the Institute of Internal Auditors (IIA). This information included completed and detailed planning guides, together with an assessment of whether the DoA activities and operations are in conformance with the professional standards.

## Summary of Results

The IIA has defined two broad categories of standards against which internal audit departments are assessed: Attribute Standards and Performance Standards. The IIA's Attribute Standards focus on an internal audit department's positioning within the organization, its conduct and the continuous improvement efforts practiced by the internal audit department. The following areas were included within the scope of our review:

<i>Attribute Standards</i>	Results of Assessment		
	GC	PC	DNC
<b>1000 – Purpose, Authority and Responsibility:</b> The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing). The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.	✓		
<b>1100 – Independence and Objectivity:</b> The internal audit activity must be independent, and internal auditors must be objective in performing their work.	✓		
<b>1200 – Proficiency and Due Professional Care:</b> Engagements must be performed with proficiency and due professional care.	✓		
<b>1300 – Quality Assurance and Improvement Program:</b> The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.	✓		
	GC = Generally Conforms PC = Partially Conforms DNC = Does Not Conform		

# Internal Quality Assessment Review

## Summary of Results

The IIA's Performance Standards focus on an internal audit department's planning, execution and reporting processes in place to effectively address the organization's audit objectives. The following areas were included within the scope of our review:

<i>Performance Standards</i>	Results of Assessment		
	GC	PC	DNC
<b>2000 – Managing the Internal Audit Activity:</b> The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organization.	✓		
<b>2100 – Nature of Work:</b> The internal audit activity must evaluate and contribute to the improvement of the organization's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new insights and consider future impact.	✓		
<b>2200 – Engagement Planning:</b> Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations. The plan must consider the organization's strategies, objectives, and risks relevant to the engagement.	✓		
<b>2300 – Performing the Engagement:</b> Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.	✓		
<b>2400 – Communicating Results:</b> Internal auditors must communicate the results of engagements.	✓		
<b>2500 – Monitoring Progress:</b> The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.	✓		
<b>2600 – Communicating the Acceptance of Risks:</b> When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.	✓		
	<b>GC = Generally Conforms</b> <b>PC = Partially Conforms</b> <b>DNC = Does Not Conform</b>		

## Summary of Results

The IIA has established a code of ethics for internal auditors. The purpose of the Institute's Code of Ethics is to promote an ethical culture in the profession of internal auditing. A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about governance, risk management, and control.

The principles of the code of ethics were included within the scope of our review.

<i>Code of Ethics</i>	Results of Assessment		
	GC	PC	DNC
<b>Code of Ethics:</b> The Code of Ethics states the principles and expectations governing the behavior of individuals and organizations in the conduct of internal auditing. It describes the minimum requirements for conduct, and behavioral expectations rather than specific activities.	✓		
<p>GC = Generally Conforms                      PC = Partially Conforms                      DNC = Does Not Conform</p>			

## DEFINITION OF ASSESSMENT RATINGS

Using the IIA's evaluation methodology, we have assigned a rating of GC (Generally Conforms), PC (Partially Conforms) or DNC (Does Not Conform) to each area assessed. The following definitions for these ratings, as taken from the IIA's methodology guidance, describe each of these ratings categories.

### Categories of Ratings

**GC — “Generally Conforms”** means the evaluator has concluded that the internal audit department's relevant structures, policies, and procedures, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformity to a majority of the individual Standards or elements of the Code of Ethics, and partial conformity to the others, within the section/category. There may be significant opportunities for improvement, but these should not represent situations where the internal audit department has not implemented the Standards or the Code of Ethics, is not applying them effectively, or is not achieving their stated objectives.

**PC — “Partially Conforms”** means the evaluator has concluded that the internal audit department is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section, or major category, but has fallen short of achieving some of their major objectives. These will usually represent some significant opportunities for improvement in effectively applying the Standards or Code of Ethics and/or achieving their objectives. Some of the deficiencies may be beyond the internal audit department's control and may result in recommendations to senior management or the board of the organization.

**DNC — “Does Not Conform”** means the evaluator has concluded that the internal audit department is not aware of, is not making good-faith efforts to comply with or is failing to achieve many/all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies would usually have a significant negative impact on the internal audit department's effectiveness and its potential to add value to the organization. They may also represent significant opportunities for improvement, including actions by senior management or the board.



## Strengths

### Strengths

1. **Risk Assessment** – DoA continues to have a dynamic risk process that centers around risk information gained from six pillars: 1) assessment using the Association of College and University Auditor’s (ACUA) risk dictionary; 2) Feedback from management through weekly Senior Leadership Team meetings and one-on-one sessions; 3) Review and assessment of Board of Trustees and Florida Board of Governors meeting priorities and outcomes; 4) Focus groups; 5) Identified risk from assurance, advisory, and investigative service projects; and 6) Trending risk reports within higher education. DoA uses this information to continually assess and adjust work plan activities to ensure resources are dedicated to areas of highest risk and priority for management and the Board.

### 2. **Advisory Services**

DoA significantly increased its advisory services offering over the past five years which add significant value to management and the Board. Examples of value-added services include advisories related to the development of an enterprise risk management function, enhancements to policy management processes, cybersecurity, COVID federal funding expenditure compliance risks and opportunities, and athletics; facilitation of policy development related to internal controls, enterprise risk management, and fraud; and facilitation of the President’s annual internal controls assessment process.

DoA also provides advisory services through participation on various university committees and taskforces including the IT Governance Committee, Emergency Management Committee, Athletics Oversight Committee, COVID-19 Committee, Strategic Planning Committee, and Diversity and Inclusion Committee.

### 3. **Awareness and Training**

***Awareness:*** DoA implemented various awareness methodologies to educate the University community on internal audit activities and areas related to fraud, internal controls, governance, etc. through the implementation of Internal Audit Awareness Month activities, Fraud Awareness Week campaign, and quarterly newsletters.

***Training:*** DoA provided various training sessions to the University community. Primary training sessions included: 1) Board of Trustees Governance Primer; 2) Internal Controls; 3) Internal Controls Assessment; 4) FAMU Management Seminar - Enterprise Risk Management; 5) FAMU Management Seminar - Preparing for Audit; 6) Whistleblower Training; and 7) FAMU Fundamentals - Fraud Awareness.

## Opportunities

### Opportunities

1. **Policies and Procedures** – The form and content of policies and procedures must be consistent with and appropriate for the size and structure of the internal audit activity and the complexity of its work (Standard 2040). The internal quality assessment review recommended to the DoA to review and update the policies and procedures manual, which was completed prior to the conclusion of this review. Expanding the frequency of internal administrative review of policies and procedures to annual would ensure that the policies and procedures remain in alignment with current internal audit activities and practices.
2. **Quality Assurance and Improvement Program** – DoA regularly assesses internal audit activities for conformance with professional standards, industry best practices, and opportunities for improvement. For example, as part of the annual budgeting process we evaluate staffing, funding, technology, and workloads. Additionally, we have assessed audit trends and best practices to increase innovation, efficiency, and value to stakeholders. Examples of improvements include reorganization of structure, implementation of agile auditing, more dynamic risk assessment processes, data analytics strategic plan, enterprise risk management function, enhanced management monitoring and feedback processes, training plans for competency enhancements, and increased advisory services (projects, training, policy reviews, and management consultations of high-risk areas).  
  
Currently DoA completes one formal/documented internal QAIPs every five years and one external quality assessment review every five years. Expanding the frequency of formal/documented internal QAIP reviews to annually would provide increased insights for continuous improvements.

# Internal Quality Assessment Review

## February 2017 External Quality Assessment Review Follow – Up

RECOMMENDATIONS FOR FAMU MANAGEMENT		
Prior Recommendation	Division of Audit Corrective Action	Outcome
Implement an enterprise-wide risk management function	<ul style="list-style-type: none"> <li>In December 2019, an internal controls and enterprise risk management board policy was established directing the University to establish an enterprise risk management function.</li> <li>In January 2020, the President directed the VP for Strategic Planning, Analysis, and Institutional Effectiveness (SPAIE) to establish and fill a Chief Risk Officer position to oversee the development of the Enterprise Risk Management Function.</li> <li>In July 2021, due to changes in management within SPAIE and delays on implementation caused by the pandemic, the President directed the ERM function be moved to the Division of Audit.</li> <li>In August 2021, a Chief Risk Officer was appointed and began the planning and initial development for building an enterprise risk management function.</li> </ul>	✓
Keep internal audit activity as the “second line of defense” in ensuring University controls are in place to achieve its goals and mission	<ul style="list-style-type: none"> <li>DoA facilitated the development of an internal controls and enterprise risk management board and university policy in December 2019.</li> <li>DoA provided mandatory training to faculty and staff in 2020.</li> <li>DoA facilitated an enterprise-wide internal control assessment based on COSO - Integrated Internal Controls Framework to inform the President’s Internal Controls Assurance Statement to the Board of Trustees.</li> </ul>	✓
Ensure the prompt resolution of findings	<ul style="list-style-type: none"> <li>DoA provides the Board of Trustees and update on resolution of audit findings at each meeting. The Board of Trustees, as well as the President, has regularly emphasized the importance of promptly resolving audit findings.</li> <li>The resolution of audit findings is built into the Division of Audit’s annual assessment process.</li> <li>The resolution of audit findings was integrated into the President’s goals established by the Board of Trustees.</li> </ul>	✓
Position specification career ladder for DoA	<ul style="list-style-type: none"> <li>In December 2019, FAMU management approved adding a Director of Audit position as a first step in moving from a flat structure.</li> <li>In March 2020, DoA reclassified positions to have a Lead Senior Auditor and Senior Information Technology and Data Analytics Auditor.</li> <li>In June 2020, The Vice President of Audit established a Succession Plan.</li> </ul>	✓

RECOMMENDATIONS FOR FAMU MANAGEMENT		
Prior Recommendation	Division of Audit Corrective Action	Outcome
	<ul style="list-style-type: none"> <li>In November 2020, DoA required all staff to complete the IIA Competency Framework Assessment to inform decisions on training and opportunities needed to help advance staff careers.</li> <li>In August 2021, the Audit Director position, was merged with the Chief Risk Officer position to create the Associate Vice President for Audit and Chief Risk Officer position.</li> <li>In November 2021, an Enterprise Risk Management Coordinator position was established.</li> </ul>	
Recognition program for accomplishments of DoA staff	<ul style="list-style-type: none"> <li>DoA staff accomplishments are recognized in DoA's annual report, newsletter, Senior Leadership Team briefings, Board of Trustees briefings, staff meetings, and DoA Microsoft Teams using the praise feature.</li> <li>Pay adjustments and/or bonuses were provided to staff in March 2020 in recognition of performance.</li> </ul>	✓

RECOMMENDATIONS FOR INTERNAL AUDIT ACTIVITY		
Prior Recommendation	Division of Audit Corrective Action	Outcome
Establish goals for more technology use	<ul style="list-style-type: none"> <li>In November 2017 the Division of Audit implemented Diligent HighBond (formerly known as HighBond ACL) for automating audit, advisory, and investigation workflows. Diligent HighBond is an enterprise governance software platform that creates stronger security, risk management, compliance, and assurance. Teams can organize their activities in a centralized workflow, and aggregate data for real-time decision-making and reporting.</li> <li>DoA began providing training to staff on the IDEA data analytics software. In 2021 a three-year data analytics strategic plan was established to set goals for integrating data analytics use within DoA activities.</li> </ul>	✓

PROCESS IMPROVEMENT OPPORTUNITIES		
Prior Recommendation	Division of Audit Corrective Action	Outcome
Implement a time management system	<ul style="list-style-type: none"> <li>In November 2017 the Division of Audit implemented Diligent HighBond (formerly known as HighBond ACL). This solution includes a time management system that staff uses to track time.</li> </ul>	✓

# Internal Quality Assessment Review

PROCESS IMPROVEMENT OPPORTUNITIES		
Prior Recommendation	Division of Audit Corrective Action	Outcome
Implement strategies for monitoring and achieving desired audit duration times	<ul style="list-style-type: none"> <li>DoA implemented agile auditing in October 2021, which requires audit work to be completed by establishing a storyboard for ease of monitoring and tracking progress and communicating results to stakeholders in sprints.</li> <li>Prior to implementing agile auditing, the Associate Vice President (AVP) for Audit met regularly with staff to assess the status of audit projects and staff was required to present the status of audit projects at periodic staff meetings to assess progress, accomplishments and issues, if any.</li> <li>In January 2022, the AVP for Audit implemented a milestone tracking process for increased monitoring and more prompt feedback.</li> </ul>	✓
Incorporate risk assessment and work plan changes throughout the year	<ul style="list-style-type: none"> <li>DoA provides updates to the Board of Trustees on changes to the work plan as project priorities changes to be responsive to the changing risk landscape at the University. During FY 20-21, as a result of the pandemic and the quickly changing risk landscape, the DoA moved to 6-month audit work plans. For FY 21-22 DoA moved to an annual work plan but continued to inform the Board of Trustees, President, and Senior Leadership of changes to audit priorities and to be responsive to their requests to address high risk areas in a timely fashion.</li> </ul>	✓
Enhance operational policy and procedure manual	<ul style="list-style-type: none"> <li>DoA policies and procedures were recently updated to align existing policies and procedures with current internal audit activities, practices and requirements.</li> </ul>	✓

## Attachment A – Standards Conformance Summary

	GC	PC	DNC
<b>Overall Evaluation</b>	✓		

<b>Attribute Standards (1000 through 1300)</b>		GC	PC	DNC
1000	Purpose, Authority, and Responsibility	✓		
1010	Recognizing Mandatory Guidance in the Internal Audit Charter	✓		
1100	Independence and Objectivity	✓		
1110	Organizational Independence	✓		
1111	Direct Interaction with the Board	✓		
1112	Chief Audit Executive Roles Beyond Internal Auditing	✓		
1120	Individual Objectivity	✓		
1130	Impairment to Independence or Objectivity	✓		
1200	Proficiency and Due Professional Care	✓		
1210	Proficiency	✓		

# Internal Quality Assessment Review

Attribute Standards (1000 through 1300)		GC	PC	DNC
1220	Due Professional Care	✓		
1230	Continuing Professional Development	✓		
1300	Quality Assurance and Improvement Program	✓		
1310	Requirements of the Quality Assurance and Improvement Program	✓		
1311	Internal Assessments	✓		
1312	External Assessments	✓		
1320	Reporting on the Quality Assurance and Improvement Program	✓		
1321	Use of “Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> ”	✓		
1322	Disclosure of Nonconformance	✓		

Performance Standards (2000 through 2600)		GC	PC	DNC
2000	Managing the Internal Audit Activity	✓		
2010	Planning	✓		
2020	Communication and Approval	✓		

# Internal Quality Assessment Review

Performance Standards (2000 through 2600)		GC	PC	DNC
2030	Resource Management	✓		
2040	Policies and Procedures	✓		
2050	Coordination and Reliance	✓		
2060	Reporting to Senior Management and the Board	✓		
2070	External Service Provider and Organizational Responsibility for Internal Auditing	✓		
2100	Nature of Work	✓		
2110	Governance	✓		
2120	Risk Management	✓		
2130	Control	✓		
2200	Engagement Planning	✓		
2201	Planning Considerations	✓		
2210	Engagement Objectives	✓		
2220	Engagement Scope	✓		



# Internal Quality Assessment Review

Performance Standards (2000 through 2600)		GC	PC	DNC
2230	Engagement Resource Allocation	✓		
2240	Engagement Work Program	✓		
2300	Performing the Engagement	✓		
2310	Identifying Information	✓		
2320	Analysis and Evaluation	✓		
2330	Documenting Information	✓		
2340	Engagement Supervision	✓		
2400	Communicating Results	✓		
2410	Criteria for Communicating	✓		
2420	Quality of Communications	✓		
2421	Errors and Omissions	✓		
2430	Use of “Conducted in Conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> ”	✓		
2431	Engagement Disclosure of Nonconformance	✓		

# Internal Quality Assessment Review

Performance Standards (2000 through 2600)		GC	PC	DNC
2440	Disseminating Results	✓		
2450	Overall Opinions	✓		
2500	Monitoring Progress	✓		
2600	Communicating the Acceptance of Risks	✓		

Code of Ethics		GC	PC	DNC
	Code of Ethics	✓		
Principle 1	<b>Integrity-</b> The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.	✓		
Principle 2	<b>Objectivity-</b> Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.	✓		
Principle 3	<b>Confidentiality -</b> Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.	✓		
Principle 4	<b>Competency -</b> Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit. services.	✓		

## Internal Quality Assessment Review Team

### Lead Internal QAIP Assessor



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Lean Six Sigma Green Belt Process Improvement Certification  
Senior Auditor

### Internal QAIP Supervisor:



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Associate Vice President for Audit/Chief Risk Officer

### Internal QAIP Approver:



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Vice President for Audit/Chief Audit Executive