



FLORIDA A&M UNIVERSITY
DIVISION OF AUDIT

**Report on Full External Assessment of the
Florida Agricultural and Mechanical
University Internal Audit Activity
April 27, 2022**



ACCOUNTABILITY • INTEGRITY • EFFICIENCY

**Full External Assessment by
Kaye Kendrick Enterprises, LLC
Tallahassee, Florida**

K | CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

Contents	Page
Executive Summary	3
<ul style="list-style-type: none">• Opinion as to Conformance with the <i>Standards</i> and the Code of Ethics• Objectives, Scope, and Methodology• Summary of Observations	
Successful Internal Audit Practices	7
Opportunities for Continuous Improvement	9
Attachment A	10
<ul style="list-style-type: none">• Evaluation Summary• Rating Definitions	

Executive Summary

The *International Standards for the Professional Practice of Internal Auditing* require an external quality assessment (QAR) of an internal audit activity at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The qualified assessor or assessment team must demonstrate competence in both the professional practice of internal auditing and the QAR process. The QAR can be a full external assessment or a self-assessment with independent validation. The IA (the internal audit department) chose a full external assessment and engaged Kaye Kendrick Enterprises, LLC (KKE) to provide this service.

Opinion as to Conformance with the *Standards* and Code of Ethics

It is our overall opinion that IA generally conforms with the *Standards* and the Code of Ethics. In addition, the IA has addressed the recommendations made in its previous external quality assurance review.

The IIA's *Quality Assessment Manual for the Internal Audit Activity* suggests a scale of three rankings when opining on the internal audit activity: "Generally Conforms," "Partially Conforms," and "Does Not Conform." The ranking of "Generally Conforms" means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the *Standards* and the Code of Ethics. "Partially Conforms" means that deficiencies in practice are noted and are judged to deviate from the *Standards* and the Code of Ethics; however, these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner. "Does Not Conform" means that deficiencies in practice are judged to deviate from the *Standards* and the Code of Ethics and are significant enough to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities. Attachment A is a detailed description of the conformance criteria.

Objectives, Scope, and Methodology

Objectives

- The principal objective of an external quality assurance review (QAR) is to assess an internal audit activity's conformance with the *Standards* and the *Code of Ethics*, promulgated by the Institute of Internal Auditors (an international professional association promoting, leading, and educating the audit profession).
- A QAR also evaluates the internal audit activity's effectiveness in its mission (as set forth in the internal audit charter and expressed in the expectations of management); identifies successful internal audit practices of the internal audit activity; and identifies opportunities for continuous improvement to enhance the efficiency and effectiveness of the infrastructure, processes, and the value to their stakeholders.

Scope

- The scope of the QAR was for the internal audit activity, as set forth in the internal audit charter and approved by the board, which defines the purpose, authority, and responsibility of the internal audit function.
- The QAR was concluded on the date of this report and provides senior management and the board with information about the internal audit activity as of that date.
- The *Standards* and the *Code of Ethics* in place and effective as of the date of the report, were the basis for the QAR.

Methodology

- KKE held a preliminary meeting with internal audit staff assigned to this project, to discuss the status of preparation of planning materials, interview of key stakeholders, and other coordination related to the QAR.
- At the request of the Vice President for Audit, internal audit staff compiled our requested information in advance of the QAR work. The requested information related to the internal audit activity governance, staff, management, and process.
- The IA sent surveys to key stakeholders (internal audit staff, senior management and the board, and the external auditors) to obtain their anonymous feedback on the governance,

management, staff, and process areas of the internal audit activity. KKE incorporated the responses received directly from stakeholders into the QAR analysis.

- To accomplish the objectives, we reviewed requested information provided by the internal audit staff; conducted interviews with selected key stakeholders, including the audit committee chair, senior executives of the University, external auditors, and internal audit management and staff; reviewed a sample of audit projects and associated workpapers and reports; reviewed survey data received from University stakeholders and internal audit management and staff; and completed evaluation tools provided in the Quality Assessment Manual published by the Institute of Internal Auditors.

Summary of Observations

There are no gaps to conformance with *Standards* or the Code of Ethics, which means the QAR assessment team has concluded that the IA has met the major objectives of the *Standards* and Code of Ethics. The IA function is well structured and progressive. The IA staff understands the *Standards* and Code of Ethics, and management endeavors to provide state of the art audit tools and implement best practices. Consequently, the observations reported intend to build on the foundation already in place for the internal audit activity. The QAR team made the following observations, divided into two categories:

- Successful Internal Audit Practices – Areas where internal audit is operating in a particularly effective or efficient manner compared to *Standards* in the internal auditing profession.
- Opportunities for Continuous Improvement – Observations of opportunities to enhance the efficiency or effectiveness of IA's infrastructure of processes. These items do not indicate a lack of conformance with the *Standards* or the Code of Ethics but offer suggestions on how to better align with criteria defined in the *Standards* or the Code of Ethics. They may also be operational ideas based on the experience of the external assessment team.

Successful Internal Audit Practices

The QAR team identified and summarized the more significant successful internal audit practices observed in the areas of governance, management, staff, and process:

Governance

The Florida A&M University has an established IA that can report independently and access the Board of Trustees to help the University ensure its accountability, integrity, and efficiency. The IA reports functionally to the Board of Trustees and administratively to the President. The IA Charter establishes the IA clearly as an independent function within the university. The Charter provides the Vice President of Audit unrestricted access to the board. In addition, the internal audit personnel sign an independence and confidentiality form each year. Our surveys indicated that senior management and audit staff perceive the IA function to be independent and a critical function to the University.

The IA has a Quality Assurance and Improvement Program (QAIP) to ensure use of best practices and conformance to the *Standards* of the profession. The IA stakeholders perceive the IA to be a process improver for the University.

To further support the University, the IA has assumed the responsibility for facilitating the University Enterprise Risk Management (ERM) function. ERM is an organization-wide strategy to identify hazards in finance, operations, and organizational objectives and establish a mutually agreed upon level of risk tolerance. This function with its robust risk assessment will take the University to the next level in focusing on continuous improvement in risk management strategies.

Management

The IA management focuses on an environment of accountability, transparency, and continual improvement to accomplish the mission of the IA function. The IA management initiatives have included training sessions for the University community regarding governance, internal controls, ERM and preparing for fraud awareness. The IA management developed an internal control self-assessment tool for use by divisions, colleges, and schools. The IA evaluated the University's overall internal control system based on the five components of the COSO

framework, a model to define the internal control of an organization. The IA management facilitated the completion of CARES Act consulting engagements to support the University during the COVID epidemic. The IA celebrated International Internal Audit Awareness Month in May 2021 by holding a series of events to increase awareness of the audit function and the potential for fraud.

Based upon the results of the QAR, we found the communication with the Board of Trustees and University senior management to be effective and the written reports to be clear and concise. In addition, the survey results indicated satisfaction with the focus and responsiveness of the internal audit management.

Staff

The feedback from surveys and interviews indicated the University IA to be a desirable and challenging place to work, with highly competent, capable, and objective staff. The IA follows best practices and IIA guidance to ensure focus on continual improvement of skills and knowledge. All staff have professional certifications in various areas of expert knowledge.

Process

The process and procedures of the IA activity include a written manual, an electronic work paper system, as well as an agile auditing process and a recently launched data analytics program. While the IA intends to make enhancements to its IA manual, the overall system meets required *Standards*.

Opportunities for Continuous Improvement

The QAR team identified and summarized opportunities of continued improvement in the areas of management, staff, and process:

Staff

During the COVID pandemic, the audit staff became more skilled at working remotely. Staff indicated that remote working is a desirable and productive fringe benefit to them, saving cost and time. There are resource guides for employers to successfully manage remote or hybrid work environments.

Process

As mentioned previously, the IA intends to enhance its written procedures (the IA audit manual). Some of the topics that we observed that could be clarified, are: (1) documentation required to ensure alignment of audit objectives, risks, and tasks, (2) documentation of sampling methodology, to include reason for sample size, sampling methodology, and assurance that sample has been selected from the entire population of data being audited or reviewed, (3) resource management, specifically how the sufficiency and skills necessary to achieve the audit plan will be determined, and (4) components needed in written audit findings, as defined in Generally Accepted Governmental Auditing Standards.

Attachment A – Evaluation Summary and Rating Definitions

	GC	PC	DNC
Overall Evaluation	X		

Attribute Standards (1000 through 1300)		GC	PC	DNC
1000	Purpose, Authority, and Responsibility	X		
1010	Recognizing Mandatory Guidance in the Internal Audit Charter	X		
1100	Independence and Objectivity	X		
1110	Organizational Independence	X		
1111	Direct Interaction with the Board	X		
1112	Chief Audit Executive Roles Beyond Internal Auditing	X		
1120	Individual Objectivity	X		
1130	Impairment to Independence or Objectivity	X		
1200	Proficiency and Due Professional Care	X		
1210	Proficiency	X		
1220	Due Professional Care	X		
1230	Continuing Professional Development	X		
1300	Quality Assurance and Improvement Program	X		
1310	Requirements of the Quality Assurance and Improvement Program	X		

1311	Internal Assessments	X		
1312	External Assessments	X		
1320	Reporting on the Quality Assurance and Improvement Program	X		
1321	Use of "Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	X		
1322	Disclosure of Nonconformance	X		

Performance Standards (2000 through 2600)		GC	PC	DNC
2000	Managing the Internal Audit Activity	X		
2010	Planning	X		
2020	Communication and Approval	X		
2030	Resource Management	X		
2040	Policies and Procedures	X		
2050	Coordination and Reliance	X		
2060	Reporting to Senior Management and the Board	X		
2070	External Service Provider and Organizational Responsibility for Internal Auditing	X		
2100	Nature of Work	X		
2110	Governance	X		

2120	Risk Management	X		
2130	Control	X		
2200	Engagement Planning	X		
2201	Planning Considerations	X		
2210	Engagement Objectives	X		
2220	Engagement Scope	X		
2230	Engagement Resource Allocation	X		
2240	Engagement Work Program	X		
2300	Performing the Engagement	X		
2310	Identifying Information	X		
2320	Analysis and Evaluation	X		
2330	Documenting Information	X		
2340	Engagement Supervision	X		
2400	Communicating Results	X		
2410	Criteria for Communicating	X		
2420	Quality of Communications	X		
2421	Errors and Omissions	X		
2430	Use of "Conducted in Conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	X		

2431	Engagement Disclosure of Nonconformance	X		
2440	Disseminating Results	X		
2450	Overall Opinions	X		
2500	Monitoring Progress	X		
2600	Communicating the Acceptance of Risks	X		

Code of Ethics		GC	PC	DNC
	Code of Ethics	X		

Rating Definitions

GC – “Generally Conforms” means that the assessor or the assessment team has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual standard or elements 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 Standard or element of the Code of Ethics and at least partial conformity to the others within the section/category. There may be significant opportunities for improvement, but these should not represent situations where the activity has not implemented the *Standards* or the Code of Ethics and has not applied them effectively or achieved their stated objectives. As indicated above, general conformance does not require complete or perfect conformance, the ideal situation, or successful practice.

PC – “Partially Conforms” means that the assessor or assessment team has concluded that the activity is making good-faith efforts to comply with the requirements of the individual standard or elements of the Code of Ethics or a section or major category but falls short of achieving major objectives. These will usually represent significant opportunities for improvement in effectively applying the *Standards* or the Code of Ethics and/or achieving their objectives. The deficiencies may be beyond the control of the internal audit activity and may result in recommendations to senior management or the board of the organization.

DNC – “Does Not Conform” means that the assessor or assessment team has concluded that the internal audit activity is not aware of, is not making good-faith efforts to comply with or is failing to achieve many or all the objectives of the individual standard or element of the Code of Ethics or a section or major category. These deficiencies will usually have a significantly negative impact on the internal audit activity’s effectiveness and its potential to add value to the organization. These may also represent significant opportunities for improvement, including actions by senior management or the board.