



**TEXAS SOUTHERN UNIVERSITY**  
**MANUAL OF ADMINISTRATIVE POLICIES AND PROCEDURES**

**SECTION: Internal Audit**  
**AREA: Internal Audit & Fraud**

**Policy 09.01.01**

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**SUBJECT: Internal Audit Policy**

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**I. PURPOSE AND SCOPE**

- A. The purpose of the Internal Audit Policy is to establish Texas Southern University's standard for the provision of independent examinations, objective assurance, auditing, investigations and related services which are the responsibility of the Office of Internal Audit & Fraud, and to disclose general procedures for conducting audits.
- B. The policy applies to all employees, departments, organizations, units and functions of Texas Southern University.
- C. The scope of responsibilities of the Office of Internal Audit & Fraud encompasses a risk-based approach to the examination and evaluation of the adequacy and effectiveness of internal controls, the quality assurance in the accomplishment of objectives, and the establishment and maintenance of controlled systems. Included in (but not limited to) this scope are:
  - 1. Reviews of the systems of internal control for organizational units or functions of the university and relevant reporting of the means used to identify, measure, classify and report such information.
  - 2. Compliance reviews of systems of internal control in conformance with the university's Manual of Administrative Policies and Procedures (MAPPs), strategic plans, and regulations for key organizational units or functions.
  - 3. Audits and/or assessments designed to test and evaluate systems of internal control and ensure the reliability and integrity of financial and operational information, and promote the safeguarding of assets.
  - 4. Evaluations to test the efficiency and effectiveness of deployed resources, the verification and valuation of assets, and the accomplishment of strategic goals and objectives.

**II. POLICY PROVISIONS**

- A. The Internal Audit function supports the continuous improvement of the university's systems of risk management, control and governance by promoting the following strategic objectives:

1. Risk Management – The Office of Internal Audit & Fraud utilizes a risk-based approach to identify inherent risks and establish acceptable residual risk values by contributing to the enhancement of control systems.
2. Control Systems – The Office of Internal Audit & Fraud supports the development, implementation, and maintenance of controlled activities to mitigate exposure, improve effectiveness and efficiency and promote continuous improvement.
3. Governance – The Office of Internal Audit & Fraud contributes to the governance of the university through the promotion of control systems whereby: objectives are documented and communicated, accountability and performance are measured, and control systems are preserved.

### III. FUNCTION AND AUTHORITY OF INTERNAL AUDIT

- A. Function: The Office of Internal Audit & Fraud is responsible for the review of fiscal, operational, technical and administrative operations of the university. It is designed to be a protective and constructive link between the policy-making, governance and operational levels. Based on audit deficiencies, the Office of Internal Audit & Fraud will submit reporting to the Audit Committee/Board of Regents ("the Board") and the President, inclusive of management recommendations for improvements in internal control and operational efficiency.
- B. Authority: The Office of Internal Audit & Fraud derives its authority from the Audit Committee/Board of Regents and the President, and is authorized to conduct audits and reviews of university organizational units and functions. As necessary to accomplish its objectives. The Office of Internal Audit & Fraud is authorized to review all records, personnel, and physical properties relevant to the performance of audits.

### IV. RESPONSIBILITY OF INTERNAL AUDIT

- A. The responsibilities of the Office of Internal Audit & Fraud include:
  1. The development of formalized programs for the audit, review, and/or assessment of selected organizational units or functions of the university.
  2. The performance of audits and related activities in accordance with established standards for the professional practice of internal auditing.
  3. The preparation of formal audit reports, management letters, and/or assessments inclusive of management recommendations and conclusions upon completion of the audit and the timely communication to the Audit Committee, the Board, the President and executive management specific to deficiencies noted in the audit, and corrective plans of action.

4. The monitoring and follow-up on established plans of corrective action, implementation statuses, and the communication of such to the Audit Committee, the Board, and the President.
5. The Office of Internal Audit & Fraud shall evaluate and report on the University's programs and activities that promote regulatory compliance, as it relates to Senate Bill 20 and other pertinent legislation. The OIAF reserves the right to assess its Purchasing Accountability Risk Analysis Procedure as it relates to the:
  - Assessment of the risk of fraud, abuse or waste in the contractor selection process, contract provisions, and payment and reimbursement rates;
  - Identification of contracts that require enhanced contract monitoring or immediate attention of the contract management staff; and
  - Establishment of clear levels of purchasing accountability and staff responsibilities related to purchasing.

## V. GENERAL PROCEDURES FOR THE PERFORMANCE OF AUDITS

- A. Entrance Conference: The Office of Internal Audit & Fraud will typically provide advance notice of the audit to the function head or responsible administrator. An entrance conference will be arranged and specific audit objectives, plans and procedures disclosed. Unscheduled audits may be undertaken in the appropriate circumstances.
- B. Audit Fieldwork: Audit fieldwork may include interviews with responsible parties, business process leads, development and documentation of understanding for 'as-is' processes, observation of procedures, examination of documentation, and other audit or analytical procedures. Audit observations and preliminary findings will be discussed with the auditee during the course of fieldwork.
- C. Exit Conference: The exit conference will be held in which preliminary findings or a preliminary draft of the audit report may be disclosed and reviewed, interpretations and/or differences discussed, and appropriate revisions made.
- D. Responses to the Audit Report and Finalization
  1. Within two (2) to three (3) weeks following the close of fieldwork and submission of the preliminary audit report, the function head or responsible administrator shall submit a written response to the audit report. The response should indicate the following, overall and specific to each finding:
    - a. A statement of agreement or disagreement. Should the auditee disagree with a specific provision of the report, the auditee's position/rationale should be clearly identified to the area in which the exception is taken.
    - b. A precise statement of corrective action(s) planned or taken in response to the recommendation, designation and disclosure of

the responsible party, and a timeline for implementation and completion should be specified.

- c. Upon consideration of responses, negotiations and revisions, the final audit report (inclusive of responses and plans for corrective action) shall be submitted to the Audit Committee, the chairman of the Board, the President and Executive Administration.

E. Follow-Up Activities and Monitoring: Within twelve (12) to eighteen (18) months following the release of the audit report, the Office of Internal Audit & Fraud may conduct a review of the status of corrective actions taken in response to the audit report. At the completion of follow-up or monitoring activities, a management letter will be distributed to the original recipients of the audit report. If the follow-up management letter indicates an un-remediated deficiency that lends itself to a significant deficiency or material weakness, the function head shall submit a statement of resolution to the President, with a copy to the Office of Internal Audit & Fraud who will submit the statement to the Audit Committee, and the Board for resolution and closure.

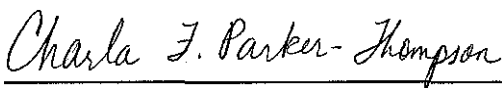
#### VI. REVIEW AND RESPONSIBILITIES

Responsible Party: Chief Audit Executive

Review: Every three years, on or before September 1

#### VII. APPROVALS

Dr. Austin A. Lane  
University President

  
Charla F. Parker-Thompson  
Chief Audit Executive

Effective Date: August 2016