

AUDIT PROCESS

OVERVIEW

Types of Audits

Internal control audits determine whether the unit is conducting its financial and business processes under an adequate system of internal control, as required by University policy and guidelines and good business practice.

Compliance audits determine the adequacy of a unit's system(s) designed to ensure compliance with University policies and procedures and external requirements. Examples of external requirements include donor intent, federal and state laws and regulations, National Collegiate Athletic Association legislation, and Big Ten Conference legislation. Audit recommendations typically address the need for improvements in procedures and controls intended to ensure compliance with applicable regulations.

Financial audits address the accounting for, and reporting of, financial transactions, including commitments, authorizations, and receipt and disbursement of funds. The purpose of this type of audit is to verify that sufficient controls exist over assets, liabilities, revenues, and expenditures and that there are adequate controls over the acquisition and use of resources.

Information technology (IT) audits address the internal control environment of automated information processing systems and how people use those systems. IT audits typically evaluate system input, output, and processing controls; backup and recovery plans; system security; and computer facilities.

Operational audits examine the use of unit resources to evaluate whether those resources are being used in the most efficient and effective ways to fulfill the unit's mission and objectives. An operational audit can include elements of a compliance audit, a financial audit, and an IT audit.

Investigative audits focus on alleged civil or criminal violations of state or federal laws or violations of University policies and procedures that may result in prosecution or disciplinary action. Allegations of theft or misuse of University assets, white-collar crime, and conflicts of interest are examples of issues addressed by investigative audits.

Consulting projects may range from formal engagements, defined by written agreements, to advisory activities, such as participating in standing or temporary management committees or project teams.

This section of the manual explains the steps for conducting an audit from the initial assignment through fieldwork. Similarly, the reporting and follow-up processes are covered in a separate section of the Manual. A flowchart of the audit process follows.

