Department of Financial and Operational Audit (FOA)

Frequently Asked Questions

1. What types of audits does this office perform?
   - **Financial**: The purpose of this type of review is to determine whether an organization's financial information was properly recorded and adequately supported. A financial audit also provides an assessment as to the accuracy, fairness, and reliability of information provided in the preparation of the financial statement.
   - **Compliance**: During these audits we evaluate the degree of adherence to laws, regulations, policies, and procedures.
   - **Operational**: We review the procedures and practices of the department and the use of resources to determine if goals and objectives are being met in the most effective and efficient manner.
   - **Information Technology**: We evaluate system processing controls, data security, physical security, systems development procedures, contingency planning, and systems requirements.
   - **Special Investigations**: These audits are performed in response to allegations received by our office through the University's hotline or other internal and external sources.

2. How are areas selected for an audit?

   FOA completes an annual risk assessment that is the basis of our audit plan. The frequency of departmental audits is based on a risk assessment process. We consider several risk factors such as size and complexity of the department, compliance risks, amount of cash receipts, changes in key personnel, etc. Departments with high risk will be audited more frequently than those with medium or low risk. We also receive input from management as we develop our audit plan.

3. What happens during an audit?

   All audits are unique but they generally follow the same process.
   - **Planning**: During this phase, the objectives and scope are determined. A meeting is held with the department head regarding the audit plan and what is required during the audit. At this meeting we will review expectations of management and expectations of the audit staff.
   - **Fieldwork**: This phase involves conducting interviews and testing compliance with policies and procedures. Internal controls are also assessed and tested. This represents the majority of time spent on the audit.
- **Reporting of Results**: In this phase, a summary of audit findings and recommendations is prepared and presented to management for discussion. A closing meeting can be scheduled to discuss the results of the audit. Once the findings, recommendations and management responses are finalized, a report is issued to management, the appropriate vice-president, the president and the Audit Committee of the Board of Regents.

- **Six Month Follow-Up Review**: This phase ensures that all audit recommendations have been satisfactorily implemented. Some verification procedures will be performed to ensure that recommendations have been adequately addressed. We will continue to monitor all recommendations until they have been implemented. The results of the follow-up reviews will be shared with those individuals who received the original report.

4. **What are the objectives of an internal audit?**
   - Ensure that university assets (cash/checks, equipment, facilities) are adequately safeguarded from loss, theft or misuse.
   - Evaluate the effectiveness and efficiency of internal controls and resources employed.
   - Review the reliability and integrity of financial and operational information.
   - Ensure compliance with applicable policies, procedures, plans, laws and regulations.

   Requested audits and investigations will have other objectives.

5. **What are a department's responsibilities during an audit?**

   During each audit we expect open communication and your complete cooperation. We will need to meet with key personnel of the department for planning, interviewing and testing purposes. We will require full and complete access to your records and information. To ensure that the audit is completed in a reasonable time we will need the full cooperation of you and your staff. This includes providing requested documents in a timely fashion.

6. **How long does an audit generally take?**

   The audit duration depends on the size, complexity and risk of each department. Generally audits can last from one to three months. However not all of that time will be spent on-site in your offices. Your cooperation and response to our requests also have an impact on the length of the audit.

7. **Audit Deadlines and Timeline**
We are mindful of your deadlines and appreciate you being mindful of ours. During the course of the audit we will request documents and information from you and your staff. We will provide a deadline to you to respond to requests. If these deadlines are not met we will note that in the audit report.

Here are typical deadlines during the audit process:

- **Entrance Conference**- The auditee will be notified of the upcoming audit and an entrance conference date is requested within 10 days.
- **Requested Documents**- During the audit we will request that specific documents and records (receipts, deposits etc.). We will ask that they be provided by a specific date. If you cannot achieve that date please let us know. If you ignore the deadlines we will forward the request to your supervisor.
- **Exit Conference**- We will issue a draft report for your review and comments. Please contact us within 5 business days if you’d like to request an exit conference to discuss the contents of the report.
- **Management Response**- We request that you provide your written response to each finding and recommendation in the report so it may be included in the final report. Your response is requested within 5 business days unless an extension is granted. If you ignore the deadline we will request a response from your supervisor.

8. **What is the difference between an Audit Finding and a Best Practice/Management comment?**

   An audit finding is a weakness that was identified during an audit that must be corrected by management. A Best Practice or Management Comment is a suggestion that management should considered implementing but it is not required to do so. When we complete our six month follow up review we will be most concerned with the Findings.

9. **What happens if an audit finding is not corrected within six months?**

   We perform a follow up review six months after every audit. The results of this review will be shared with the same personnel that received the original report. We will communicate to the appropriate vice president that there is still a deficiency in your area after six months. Management’s expectations are that all audit findings will have been corrected and they will request explanations for those that have not. We will continue to monitor each recommendation until they have been implemented.
10. What are internal controls?

Internal controls are systems and procedures that have been established to prevent things like theft or misuse from happening. Some examples of internal control include separating the duties of cash handling and depositing, regularly reconciling budgets and establishing a review and approval process for all transactions.

11. What should I do if I suspect fraud, waste or unethical behavior?

You may contact our office at 572-6117 or the University’s Compliance Officer at 572-7843. You can also file a report using our anonymous hotline at 855-597-4539 or at www.nku.ethicspoint.com. This hotline is operated by NAVEX Global, a 3rd party provider. All reports to the hotline will be thoroughly investigated.