

# **Tennessee Board of Regents**

## **Internal Audit Manual**

Tennessee Board of Regents  
Internal Audit Manual  
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**Section I**  
**Introduction**

## Section I. Introduction

The Tennessee Board of Regents (TBR) was created in 1972 by the General Assembly as the governing body of the State University and Community College System of Tennessee. At that time, the member institutions of the system were six universities and ten community colleges formerly governed by the Tennessee Board of Education. In 1983, the General Assembly transferred the technical institutes and area vocation schools (now called Tennessee Colleges of Applied Technology) to the Tennessee Board of Regents. In 2017, the 6 universities were removed from the TBR system. The system currently consists of 13 community colleges, 27 colleges of applied technology, and the TBR staff located in the central office in Nashville.

Pursuant to state law (Tennessee Code Annotated 49-14-102(b)), the TBR created an Audit Committee as a standing committee in September 2004 and a chief audit executive position that reports directly to the Audit Committee and the Board and oversees the internal audit function. The Audit Committee and Board enacted an Audit Committee Charter (Section III) that defines the purpose, authority, and responsibilities of the Audit Committee and the internal audit function for the TBR system.

Particularly, the Audit Committee has the authority to conduct or authorize audits or investigations into any matter within its scope of responsibility. The scope of internal auditing extends to all aspects of institutional operations and beyond fiscal boundaries. The committee is authorized to seek any information it requires from employees or external parties; have access to all books, records, and physical properties of the TBR and its institutions; and meet with Board and institutional officials, external and internal auditors, legal counsel, or others as necessary.

The Chief Audit Executive and staff coordinate these audit activities with the Tennessee Comptroller of the Treasury, with the campus internal auditors, and with any other external auditors. Each community college must have an internal auditor on staff or contract with another TBR institution for internal audit services. Campus internal auditors report to their respective President, with audit reporting responsibility to the Audit Committee and the Board through the Chief Audit Executive.

This manual is intended to provide guidance for internal auditors in the TBR system. It was prepared using various TBR policies and guidelines, the *International Standards for the Professional Practice of Internal Auditing (Standards)* published by the Institute of Internal Auditors (IIA), and other professional publications. The manual was developed by TBR internal auditors and represents a consensus of opinion. The manual was designed to allow flexibility for each internal audit office in the TBR system, while maintaining consistency across the system. Suggested changes should be scheduled for discussion at the quarterly Internal Audit Directors' meetings.

**Section II**  
**Professional Standards and Ethics**

## Section II. Professional Standards and Ethics

### A. Background

In addition to education, experience, and communication skills, the internal auditor's integrity and professionalism are extremely important. The audit staff must have integrity and credibility. A reputation for dealing with the facts that are reported in proper perspective, with proper opinions is an absolute requirement for the auditor.

Professional standards for auditors provide guidance to the audit staff. The Institute of Internal Auditors' (IIA) *Standards for the Professional Practice of Internal Auditing (Standards)* and Code of Ethics provide the foundation for the auditor's performance. IIA Standard 2130 and the related implementation guides describe the role of the internal auditor. Adherence to these *Standards* will enhance the credibility of the audit function.

### B. IIA Standards and Code of Ethics

TBR Policy 4:01:05:00, *Internal Audit*, states that internal auditors will adhere to the Institute of Internal Auditor's (IIA) *Standards for the Professional Practice of Internal Auditing (Standards)* and IIA Code of Ethics. The IIA *Standards* and other guidance from the IIA are published in a handbook entitled the International Professional Practices Framework (IPPF). It includes mandatory and recommended guidance as listed below. Information in the IPPF may be viewed on the internet at <http://www.theiia.org>.

<u>Mandatory Guidance</u>	<u>Recommended Guidance</u>
Core Principles	Implementation Guidance
Definition of Internal Auditing	Supplemental Guidance
Code of Ethics	
Standards	

Recommended guidance is endorsed by the IIA through a formal approval process and describes practices for the effective implementation of the IPPF mandatory elements.

Tennessee Code Annotated (TCA) 4-3-304(9) indicates internal audit reports shall include a statement that the audit was conducted pursuant to *Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors or other standards as approved by the comptroller of the treasury.

The purposes of the IIA *Standards* and IIA *Code of Ethics* are to:

1. Guide adherence with the mandatory elements of the International Professional Practices Framework.
2. Provide a framework for performing and promoting a broad range of value-added internal auditing services.
3. Establish the basis for the evaluation of internal audit performance.
4. Foster improved organizational processes and operations.
5. Promote an ethical culture in the profession of internal auditing.

The IIA *Code of Ethics* includes four principles with related rules of conduct:

Principle 1: Integrity

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement

Rules of Conduct:

- 1.1 Internal auditors shall perform their work with honesty, diligence, and responsibility.
- 1.2 Internal auditors shall observe the law and make disclosures expected by the law and the profession.
- 1.3 Internal Auditors shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.
- 1.4 Internal auditors shall respect and contribute to the legitimate and ethical objectives of the organization.

Principle 2: Objectivity

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.

Rules of Conduct:

- 2.1. Internal auditors shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.
- 2.2. Internal auditors shall not accept anything that may impair or be presumed to impair their professional judgment.
- 2.3. Internal auditors shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

Principle 3: Confidentiality

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.

Rules of Conduct:

3.1. Internal auditors shall be prudent in the use and protection of information acquired in the course of their duties.

3.2. Internal auditors shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

Principle 4: Competency

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

Rules of Conduct:

4.1. Internal auditors shall engage only in those services for which they have the necessary knowledge, skills, and experience.

4.2. Internal auditors shall perform internal audit services in accordance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*.

4.3. Internal auditors shall continually improve their proficiency and the effectiveness and quality of their services.

**C. Other Auditing Standards**

Other sets of auditing standards may be adopted by internal auditors because of the scope of an audit or to meet the objectives of an audit. These standards are mentioned for reference purposes in particular audits but the focus of TBR internal audits is compliance with the *IIA Standards*.

Generally Accepted Government Auditing Standards

The Government Accountability Office (GAO) establishes standards to be followed by GAO, by offices of federal inspectors general, and by nonfederal auditors whose clients are covered by the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. These government auditing standards are published in a handbook known as the “yellow book.”



The Office of Management and Budget issues annually a compliance supplement posted at [https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/circulars/A133/2017/Compliance\\_Supplement\\_2017.pdf](https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/circulars/A133/2017/Compliance_Supplement_2017.pdf). It provides guidance to assist auditors as they perform the audits required by Circular A-133. It is a valuable tool for colleges and universities to assure themselves that their own policies and procedures are appropriate.

#### Generally Accepted Auditing Standards

The American Institute of Certified Public Accountants (AICPA) has promulgated Generally Accepted Auditing Standards (GAAS) through Statements of Auditing Standards (SAS), Industry Guides, and other professional releases. These standards may be viewed at <http://www.aicpa.org>.

#### Information Systems Auditing Standards

The Information Systems Auditing Standards issued by ISACA are to inform information system auditors of the minimum level of acceptable performance required to meet the professional responsibilities of information system auditors and provide management and other interested parties of the profession's expectations concerning the work of practitioners. These standards may be viewed at <http://www.ISACA.org>.

**Section III**  
**Audit Committee Charter**

### **Section III. Audit Committee Charter**

#### **Purpose**

The Audit Committee, a standing committee of the Tennessee Board of Regents, provides oversight and accountability on all aspects of institutional operations within the Tennessee Board of Regents system. The committee will assist the Board in fulfilling its oversight responsibilities by reporting regularly to the Board about Audit Committee activities and issues that arise with such recommendations as the committee deems appropriate. The Audit Committee will provide for open communications among the Board of Regents, the Board's and institutions' senior management, the Tennessee Comptroller's Office auditors, and System-wide Internal Audit regarding audit matters.

For the Board of Regents and its institutions, the Audit Committee will provide oversight in the following areas:

- Audit engagements with the Tennessee Comptroller's Office, including the integrity of financial statements and compliance with legal and regulatory requirements
- Audit engagements with external auditors
- Internal Audit activities
- Internal Audit administration
- Internal controls and compliance with laws, regulations, and other requirements
- Risk and control assessments
- Fraud, waste, and abuse prevention, detection, and reporting
- Other areas as directed by the Board

#### **Authority**

The Audit Committee has the authority to conduct or authorize audits or investigations into any matter within its scope of responsibility. The scope of internal auditing extends to all aspects of institutional operations and beyond fiscal boundaries. The committee is authorized to:

- Seek any information it requires from employees or external parties. Employees are directed to cooperate with the committee's requests
- Have access to all books, records, and physical properties of the Tennessee Board of Regents and its institutions
- Meet with Board and institutional officials, external and internal auditors, legal counsel, or others as necessary
- Delegate authority to subcommittees, providing that such decisions by any subcommittee are presented to the full committee at its next scheduled meeting.

## **Responsibilities**

The Board employs a person qualified by training and experience to serve as the Chief Audit Executive for the system, who reports directly to the Audit Committee and the Board of Regents. The Chief Audit Executive coordinates audit activities with the Tennessee Comptroller of the Treasury, with the campus internal auditors, and with any other external auditors. The Audit Committee facilitates any audit and investigative matters, including advising auditors and investigators of any information the committee may receive pertinent to these matters.

The Audit Committee will report to the Board any Audit Committee activities and issues that arise with recommendations as the committee deems appropriate. Audit Committee duties for the Board and its institutions include:

### Tennessee Comptroller's Office Audits

- Understand the scope and approach used by the auditors in conducting their examinations.
- Review results of the Comptroller's examinations of financial statements and any other matters related to the conduct of the audits.
- Review with management and general counsel any legal matters (including pending litigation) that may have a material impact on the financial statements, and any material reports or inquiries from regulatory or governmental agencies.
- Resolve any differences between management and the Comptroller's auditors regarding financial reporting.
- Meet, as needed, with the Comptroller's auditors to discuss any matters that the Audit Committee or auditors deem appropriate.

### External Audits

- Understand the scope and approach used by the external auditors in conducting their examinations.
- Review results of the external auditors' examinations and any other matters related to the conduct of the audits.
- Meet, as needed, with the external auditors to discuss any matters that the Audit Committee or auditors deem appropriate.

### Internal Audit Activities

- Ensure that the Chief Audit Executive has direct and unrestricted access to the chairman and other committee members.
- Review and approve the charter for the System-wide Internal Audit function and the institutions' audit functions.
- Review and approve the annual audit plans for the system office and the institutions' audit functions, including management's request for unplanned audits.
- Receive and review significant results of internal audits performed.

- Review the results of the year's work with the Chief Audit Executive. Receive and review any other work prepared by the Chief Audit Executive for the system.
- Ensure the internal audit function maintains a quality assurance and improvement program, including internal procedures and assessments and a periodic external quality assessment of conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

#### Internal Audit Administration

- Review the Chief Audit Executive's administrative reporting relationship to the Vice Chancellor for Business and Finance to assure not only that independence is fostered, but adequate resources in terms of staff and budget are provided to enable the department to effectively perform its responsibilities. The Vice Chancellor has administrative authority for approval of the Chief Audit Executive's time, travel, and other expenses of the Office of System-wide Internal Audit. Additionally, the Vice Chancellor may initiate a performance evaluation of the Chief Audit Executive at the request of the Audit Committee or Chair of the committee. This administrative reporting relationship is meant to facilitate administrative activities and does not diminish the Chief Audit Executive's reporting relationship to the Audit Committee and the Board of Regents.
- Review and approve the appointment, compensation, reassignment, or dismissal of the Chief Audit Executive; review and approve the compensation and termination of system office internal auditors; review the compensation of campus internal auditors; and approve the termination of campus internal audit directors.

#### Risk, Internal Control and Compliance

- Consider the effectiveness of the internal control system and compliance with laws and regulations, including computerized information system controls and security.
- Understand the scope of internal and external auditors' reviews of internal controls over financial reporting.
- Make recommendations to improve the internal control and compliance systems to ensure the safeguarding of assets and prevention and detection of errors and fraud. The components of the control system are:
  1. control environment—creating a culture of accountability
  2. risk assessment—performing analyses of program operations to determine if risks exist
  3. control activities—taking actions to address identified risk areas
  4. information and communication—using and sharing relevant, reliable, and timely information
  5. monitoring—tracking improvement initiatives and identifying additional actions needed to further improve program efficiency and effectiveness
- Review and evaluate risk assessments performed by management of the Board and its institutions.

### Fraud

- Ensure that the Board, and the management and staff of the Board and its institutions take all reasonable steps to prevent, detect, and report fraud, waste and abuse.
- Formally and regularly inform management of their responsibility for preventing, detecting, and reporting fraud, waste, and abuse.
- Establish a process for employees, taxpayers, and other citizens to confidentially report suspected illegal, improper, wasteful, or fraudulent activity.
- Inform the Comptroller of the Treasury of assessments of controls to reduce risks of fraud.
- Promptly report indications of fraud to the Comptroller of the Treasury.

### Other

- Review and assess the adequacy of the Audit Committee's charter annually, requesting Board approval for proposed changes.
- Ensure the receipt, retention, and resolution of complaints regarding accounting, internal controls, or auditing matters.
- Review the Board's policies regarding employee conduct to ensure they are readily available to all employees, easy to understand and implement, enforced, and provide a confidential means of reporting violations.
- Review the Board's policy regarding conflict of interest to ensure that "conflict of interest" is clearly defined, guidelines are comprehensive, annual signoff is required for those in key positions, and procedures are in place to ensure potential conflicts are adequately resolved and documented.

## **Membership**

*Tennessee Code Annotated*, Section 49-8-201, includes the requirements for the appointment and terms of public members of the Tennessee Board of Regents. From this membership, the Audit Committee and its chair shall be appointed annually by the Board Chairman pursuant to Board bylaws and shall consist of at least one member, preferably the chair of the committee, who shall have accounting and financial management expertise and other members who are generally knowledgeable in financial, management, and auditing matters. In addition to the Regents appointed to the committee, the Board may select one or more certified public accountants or other qualified citizens who are not members of the Board to serve on the Audit Committee. The committee shall have at least three but not more than seven members.

## **Independence**

Each member shall be free of any relationship that would give the appearance of a conflict or that would interfere with his or her exercise of independent judgment.

## Education

The Board's senior management and the System-wide Internal Audit office are responsible for providing the committee with educational resources related to accounting principles, internal controls, applicable policies, and other information that may be requested by the committee to maintain appropriate financial and compliance literacy.

## Meetings

The Audit Committee shall meet as necessary, but at least quarterly. The committee may invite Board management, auditors, or others to attend and provide relevant information. Meeting agendas will be provided to members in advance, along with appropriate briefing materials. Minutes will be prepared. A majority of the members of the committee shall constitute a quorum for the transaction of business. The committee shall also meet at the request of the Comptroller of the Treasury.

The Audit Committee shall follow the public notice requirements of the Board. All meetings of the Committee shall be subject to the open meetings provisions of *Tennessee Code Annotated*, Title 8, Chapter 44, except that, as provided by *Tennessee Code Annotated*, Section 4-35-108(b), the committee may hold confidential, nonpublic executive sessions to discuss:

1. Items deemed not subject to public inspection under *Tennessee Code Annotated*, Sections 10-7-503 and 10-7-504, and all other matters designated as confidential or privileged under this code
2. Litigation
3. Audits or investigations
4. Information protected by federal law
5. Matters involving information under *Tennessee Code Annotated*, Section 4-35-107(a), where the informant has requested anonymity.

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**Source: Committee on Audit Meeting, November 23, 2004; Committee on Audit Meeting, June 29, 2006; Committee on Audit Meeting, September 11, 2007; Committee on Audit Meeting, November 17, 2009; Committee on Audit Meeting, November 16, 2010; Committee on Audit Meeting, November 25, 2014; Committee on Audit Meeting, November 15, 2016.**

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**Section IV**  
**Audit Risk Analysis and Planning**



## Section IV. Audit Risk Analysis and Planning

### A. Introduction

Risk analysis is a planning tool used by internal audit to determine which areas within the institution's audit universe should be audited in the next fiscal year. Selected key factors are quantified and weighted appropriately for each subject area in the universe and a numerical score is computed to determine the risk ranking. Areas with the highest scores are considered the riskiest and should be audited before areas with lower scores. The methodology described in this section complies with *Internal Auditing Performance Standard 2010 – Planning*, which states “The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.”

### B. Methodology for Audit Planning

**Audit Universe** – Create or update the audit universe for the institution. Consider the operations of the institution and the goals and objectives identified by management during their risk assessment to identify or update the audit universe items. In the audit software there are four levels for each audit universe item.

Levels of Audit Universe Items	
1. Institution Type	ex: <i>Community College</i>
2. Institution	ex: <i>Nashville State Community College</i>
3. Functional Area	ex: <i>Instruction and Academic Support</i>
4. Sub Process	ex: <i>Faculty Credentials</i>

The following functional areas have been identified by Management and should be used for classification for audits universe items as well as planned audits.

Functional Areas	
AD	Advancement
AT	Athletics
AX	Auxiliary
FM	Financial Management
IA	Instruction and Academic Support
IS	Institutional Support
IT	Information Technology
MC	Marketing and Campus Activities
PP	Physical Plant
RS	Research
SS	Student Services

**Time Calculation** – Calculate the time available for audit work by identifying the staff time available and reducing that time for administrative work, leave, training, and other non-audit use of hours.

**Risk Analysis-** Score each sub-process item for the identified risk factors (Prior Audit; Internal Controls; Change; Size/Sensitivity; and Management’s Risk Assessment) using risk values on a scale of 1 to 5 points. Input should be obtained from senior management and other appropriate resources. Additional information on each risk factor is provided in Section C.

Risk Values	
1	Low Risk
2	Moderately Low Risk
3	Moderate or Unknown Risk
4	Moderately High Risk
5	High Risk

Required items should be included in the audit plan automatically. In the audit software, the Mandatory Override factor can be selected to automatically assign a risk value of 5 instead of evaluating each of the risk factors. These items may be required by statute; by Tennessee Board of Regents or other authorities; by contract or agreement; by senior management; or by the audit committee. The required items also include audits in progress at the fiscal year-end.

**Audit Selections for the Audit Plan** – The audit software’s Rapid Plan Report will include all the risk factor scores for the audit universe items. Sort the items based on risk values, and use the risk rankings to select items for the audit plan using the personnel time available for audit work. Professional judgement should be used to determine the timing of items with the same risk score. The selected items should include an Audit Type value as listed below.

Audit Types	
R	Required
A	Risk-Based (Assessed)
S	Special Request
I	Investigation
P	Project (Ongoing or Recurring)
M	Management’s Risk Assessment
C	Consultation
F	Follow-up Review
O	Other

**Internal Audit Plan** – The audit plan is created and approved in the audit software’s Audit Plan section of the Annual Planning module. After determining the audit plan is complete, the plan is approved (baselined) in the audit software. The Office of System-wide Internal Audit will present the audit plans to the audit committee for approval.

**Revised Audit Plan** – The audit plan should be reviewed quarterly and adjusted in the audit software for any significant changes. The revised plan will be presented to the audit committee.

**Year-End Status Report** – The Office of System-wide Internal Audit will prepare a fiscal year-end status report for the audit plan. This report is generated from the audit software and is presented to the audit committee.

### C. Risk Factors

The following risk factors may be used in the analysis of audit areas. Professional judgment is required to assess these risk factors.

1. Prior Audit
  - a. Time since last audit.
  - b. Results of last audit (number of findings, severity, and action taken by management to resolve).
  - c. External audit or monitoring coverage and results.
2. Internal Controls
  - a. Quality of internal control system now (rely on results of last internal or external audit, follow-up audit results, and any known changes to internal controls).
  - b. Level of decentralization for operations.
  - c. Tone of top management (years of experience, past performance, communication style, and adequate staffing in area).
  - d. Extent of reliance on technology and complexity of operations.
3. Change (major changes since the last audit)
  - a. Key personnel or unusual turnover.
  - b. Organizational changes.
  - c. Accounting and other critical operating systems.
  - d. Operations (mission, rapid growth or decline).
  - e. Programs (new programs, changes in funding levels, increased regulatory requirements).
4. Size
  - a. Revenues
  - b. Expenditures
  - c. Assets
  - d. Volume of Transactions
  - e. Enrollment
  - f. Staffing

5. Sensitivity
  - a. Extent of government or outside regulation.
  - b. Political exposure, adverse publicity, or legal liability.
  - c. Inherent risk of loss of resources (potential for fraud, misappropriation, or abuse).
  
6. Management's Risk Assessment
  - a. Whether the audit area has been included in management's risk assessment process.
  - b. Results of the assessment (number and severity of risk factors).
  - c. Results of management's control assessment (methods and frequency of monitoring controls).
  - d. Time since last assessment.

#### **D. Document Retention**

Each internal audit office should maintain a file for ten years documenting the development of the audit plan, the calculation of available audit hours, and the year-end status of the audit plan. Audits requested by the audit committee, the president, or senior management should be noted in the file.

**Section V**  
**Audit Working Papers**

## Section V. Audit Working Papers

### A. General

The Institute of Internal Auditors (IIA) *Standard 2330, Documenting Information*, requires internal auditors to document sufficient, reliable, relevant, and useful information to support the engagement results and conclusions. Additionally, internal audit is required to control access to these records and develop retention requirements for them. This section provides guidance for working papers as well as engagement planning, performance, and communication. These topics are discussed in IIA Standards 2200 through 2450.

### B. Definition and Form

Working papers are the auditor's record of compliance with applicable auditing standards and serve as the link between the fieldwork and the audit report. The working papers make up the record of evidence that supports the information, conclusions, and results of the engagement in the report.

Working papers may be physical or electronic files that include programs, correspondence, schedules, analyses, reports, and other documents related to the engagement. Working papers may be created and organized manually or through the use of auditing software.

### C. Contents of Working Papers

The overall objective of working papers is to show that an adequate audit engagement was conducted following professional standards. Therefore, working papers must document the following activities.

**Engagement Planning** - Planning considerations allow the auditors to familiarize themselves with the process or activity under review. This may include background or historical information; policies and procedures; governance; risk assessments; opening conference; or internal control surveys.

**Objectives and Scope of Work** - Audit objectives represent what the audit should achieve. The auditor must consider the probability of errors, fraud, and noncompliance associated with the process or activity under review. The objectives are developed to address these risks, and the audit scope is established to identify the boundaries of the audit and the time frame covered. The scope of the audit work should be sufficient to achieve the objectives. Any scope limitations should be documented.

Additional resources can be found in the IIA Supplemental Guidance Practice Guides.

- Engagement Planning: Assessing Fraud Risks, October 2017
- Engagement Planning: Establishing Objectives and Scope, August 2017

**Audit Program** - The audit program is the procedures and audit tests used to conduct an audit based on the identified risks, objectives, and scope. The audit program should be approved, and any subsequent changes to the audit program should be documented in the working papers. The auditor should sign off on each audit program item upon completion. Documentation of audit program test work may include checklists, memos, sampling methods, summaries, and conclusions.

**Analyzing, Evaluating, and Documenting Information** – The auditor identifies the information needed to achieve the audit objectives. This information is used to perform the test work prescribed in the audit program and to reach conclusions for that test work. Working papers should demonstrate that the auditor executed the work in accordance with the audit program and that the test work supports the conclusions. The audit working papers include both electronic files as well as paper files.

Working papers and documents should be clear, concise, accurate, and complete. The following information is normally included on all working papers as applicable.

- **Purpose:** The purpose is the intention of the document as it relates to audit work. The stated purpose usually relates directly to an audit program step. This generally applies to all fieldwork documents and many planning documents.
- **Scope:** The scope is the time period and items included in the audit tests.
- **Source:** The source of the document identifies where the document originated or from whom it was obtained. Items commonly labeled with their source include exhibits, schedules, analysis, and reports created by someone other than the auditor.
- **Sample Selection Method:** The sample selection method for audit tests should clearly state the population from which the sample was selected, along with the type of sample and the method for selecting the sample. Occasionally, the nature of the audit work may require testing of the full population; in these cases, it should be stated that 100% of the population was tested.
- **Conclusion:** The conclusion is the outcome of the audit work after evaluating the information. It is based on the stated purpose of the audit work and is supported by tests, analysis, etc.

**Engagement Supervision** – The working papers should indicate the degree of the supervisor’s involvement in planning, fieldwork, reporting, and communication activities. In internal audit

offices with only one auditor, checklists or other self-review techniques should be used to document compliance with professional standards.

**Communication with Management** – The working papers should include documentation of correspondence, meetings, discussions, or other communication with management, including entrance and exit meeting agendas, engagement letters, questionnaires, memoranda, emails, and meeting or discussion notes.

**Communicating Results** – The communication of the audit results, conclusions, and opinion as well as the transmittal of the audit report should be documented in the working papers. Additionally, there should be documentation of management’s responses to any audit findings, observations, or recommendations.

**Follow-up Activities** – The auditor should follow-up on findings and observations to ensure that recommendations were implemented or errors corrected in relation to management’s response or corrective action plans. Follow-up activities and any subsequent reports should be included in the working papers.

#### **D. Organization**

- Working papers should be logically organized to facilitate supervisory review and document the supporting evidence for the audit results and conclusions. A table of contents should be included when appropriate.
- Individual documents within the working papers should be labeled with the name of the engagement and cross-referenced to demonstrate how audit program steps, work performed, and audit conclusions relate to one another.
- The working papers should include only the documents needed to support the results of the engagement. Informational documents may be maintained separately in a permanent file, as discussed in Section G.

#### **E. Working Paper Review**

Working papers should be prepared by the auditor who performs the work and reviewed by the management of the internal audit activity. The reviewer should ensure that the work performed is sufficient, the engagement conclusions are supported, and the working papers satisfy the professional quality standards described in this manual.



Audit checklists should be used for departments with one auditor or for a multi-person department when the director performs the work. See Appendix A for checklist examples and Appendix B for typical review activities and considerations.

Specific concerns raised by the reviewer during a working paper review should be documented and returned to the auditor. Such concerns are commonly called review points or review notes. The purpose of the points or notes is to request correction of errors in the working papers, to note insufficiencies in the work performed, or to request additional or clarifying information. The auditor who performed the work should answer all review points or notes and make any requested corrections. The reviewer should determine whether the points have been sufficiently answered.

## **F. Safekeeping of Working Papers**

**Custody** – Working papers should remain in the custody of the internal auditor during the engagement and the internal audit department following audit completion. Electronic audit files, whether on computers, flash drives, or other electronic devices, should be safeguarded with appropriate security protocols. Working papers should never be left where they might be accessible to others, and confidential information must be protected in accordance with Board or institution policies or state or federal laws.

Appropriate care should be taken with all entity records obtained during an audit to ensure they are protected. Records should be returned timely and intact to appropriate personnel. Particular care should be taken with sensitive records that may contain personally identifiable information, such as student or personnel records. It may be helpful to maintain a log of records obtained and returned to account for all records handled during an audit.

Internal audit departments are expected to cooperate with the Comptroller of the Treasury, Division of State Audit and grant them access to working papers as needed. Tennessee state law excludes internal audit working papers from open records requests (Tennessee Code Annotated 4-3-304(7) and (9)). Additionally, the departments are not required to show working papers to institutional personnel outside of internal audit. In some cases, however, it may be appropriate to provide copies of documents to members of management or others upon request. Internal auditors should consult the Chief Audit Executive of System-wide Internal Audit and senior management before releasing working papers to anyone outside of the institution. In the case of a subpoena or other request involving legal proceedings, internal auditors should consult legal counsel.

**Confidential Audit Information** – State law (Tenn. Code Ann. § 10-7-504 (a)(22) and § 49-14-103 (a)) states that working papers of internal auditors are confidential records. Working

papers include audit information, correspondence, documents, and data that are received, obtained, or created by internal auditors as part of an internal audit or investigation.

State law (Tenn. Code Ann. § 49-14-103 (a)) and TBR Policy 4:01:05:50, *Preventing and Reporting Fraud, Waste, or Abuse*, establish that correspondence and other information received that report allegations of fraud, waste, or abuse (FWA) are considered confidential working papers of internal audit. FWA information that is reported to management but immediately referred to the internal auditor for investigation is also considered confidential. Although every attempt will be made to keep information confidential, circumstances such as a court order or subpoena may result in disclosure.

The identity of individuals requesting anonymity will only be retained in the working papers and will not be shared without their permission unless there is a separate legal obligation to investigate the complaint (e.g., illegal harassment or discrimination). In these circumstances, anonymity or complete confidentiality cannot be guaranteed.

In matters that do not constitute FWA, the internal auditor may determine that another office should review such matters. These instances could be complaints regarding academic programs or behavioral issues. In these circumstances, internal audit should notify the person reporting the matter that it will be referred to another office for review.

If the internal auditor determines that it is necessary and appropriate to provide information considered confidential working papers to management during an investigation, that information retains status as confidential and should be clearly labeled as “Confidential Audit Information”.

The internal auditor should refer any public records request to management. The internal auditor may respond to requests for working papers and should provide appropriate references to state law in any response.

**Retention** – Internal audit must develop a suitable retention schedule for working papers that complies with Board policies and state or federal requirements. The Tennessee Secretary of State, Records Management Division, approves record retention and destruction authorizations. RDA SW11, *Internal Audit Reports and Internal Audit Working Papers*, is a statewide authorization and states that internal audit working papers and reports, whether paper or electronic, are to be cut off at the end of each fiscal year and maintained for ten years from the end of that year. Notwithstanding this guidance, working papers related to legal actions should be retained five years after the last appeal.

**Permanent Files** – Certain data gathered in relation to an audit may be of continuing interest for informational or background purposes and included in a permanent file. Audit directors at

each institution may determine specific items suitable for permanent files. Permanent files should be updated periodically, and the documents that are no longer of use discarded or destroyed.

**Section VI**  
**Report Development**

## Section VI. Report Development

### A. Introduction

IIA Standard 2400, *Communicating Results*, requires internal auditors to communicate the results of an engagement. IIA Standard 2410, *Criteria for Communicating*, lists several criteria required to be included in the communication. At a minimum, the communication must cover the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans.

The TBR policy 4:01:05:00, *Internal Audit*, requires the results of routine internal audits to be presented in a written report documenting the objectives, scope, and conclusions of the audit. The final report must be accurate, objective, clear, concise, constructive, complete, and timely.

### B. Report Contents and Form

To comply with TBR policy and the IIA *Standards*, a written audit report should include a cover letter, executive summary, objectives, scope, results, and when applicable, recommendations and action plans. Other sections that may be considered for inclusion in the report are title page, transmittal letter, table of contents, background/introduction, prior audit results, observations or opportunities for improvement, exhibits, and best practices. Below is a brief description of these sections.

**Title Page** – The title page should include institution, title and audit period or the last date of test work. The title should be descriptive of the area reviewed and should be the same or similar to that listed on the annual audit plan.

**Cover Letter** – A signed cover letter must be included in the report. Per the IIA Practice Advisory 2410-1, *Communication Criteria*, “The term ‘signed’ means that the authorized internal auditor’s name is manually or electronically signed in the report or on a cover letter.” It further states, “If engagement reports are distributed by electronic means, a signed version of the report should be kept on file by the internal audit activity.” The cover letter should be dated the date the report is released.

**Transmittal Letter** – A transmittal letter may be prepared that conveys the report from the institutional President to the Chief Audit Executive, but is not part of the report.

**Table of Contents** – A table of contents will assist the reader and is recommended for long reports.

**Executive Summary** – The executive summary is a condensed representation of the completed audit report and should be a balanced summary of information in the report. It should be brief while relaying the significant issues as concisely as possible. An executive summary should include key staff person(s), auditor(s), summarized objectives, total questioned losses or total questioned costs, total recoveries or total repayments, summarized findings and/or observations, and an overall conclusion or assessment. The executive summary may also contain relevant background information and a summary of key observations, recommendations, and action plans. A sample executive summary is included as Appendix C.

**Background** – The background section should identify the unit or activity audited, reason for the audit (scheduled or requested), and other relevant descriptive or explanatory information regarding the unit or activity. Other sections that may be included in the background section or in a separate section include:

**Status of Prior Audit Results** – The status of observations, conclusions, and recommendations from prior audit reports should be considered for inclusion in the report.

**Best Practices** – Acknowledgement of satisfactory performance or best practices may be included in this section, if appropriate; however, the auditor may choose to reserve this information for the conclusion.

**Objectives** – The objectives are short purpose statements identifying the goals the audit is expected to accomplish. The conclusion or opinion (optional) sections should address the purpose statements in the objectives.

**Scope** – The scope statements identify the audited activities and describe the nature and extent of work performed to accomplish the audit objectives. Additionally, the time period and testing methods used may be presented in the scope. The scope should also identify any limitations of the examination and disclose areas which were not covered.

IIA Attribute Standard 1321, *Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing”*, states that auditors may report that audit activities “conform with *the International Standards for the Professional Practice of Internal Auditing*” only if the results of the quality assurance and improvement program support this statement. Suggested wording for internal audit reports issued by TBR institutions: The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by The Institute of Internal Auditors. The scope is an appropriate place to insert this statement if the internal audit function complies with the IIA *Standards* as assessed through the quality assurance improvement program. If full compliance has not been achieved, a statement to this effect should be made in the report.

**Results** – Based on the results of audit tests performed and evidence gathered during the audit, the report should include a conclusion that addresses each purpose statement in each objective. Conclusions may include audit findings, observations or improvement opportunities, recommendations, and management’s action plans. An audit opinion may also be included here, if desired, as an alternative to a separate opinion section. If a separate opinion section will be included, the satisfaction of audit objectives may be addressed in that section rather than in the conclusion section.

The internal auditor communicates those matters necessary to support or prevent misunderstanding of the audit conclusions and recommendations, particularly findings or observations. The internal auditor may communicate less significant matters or recommendations informally or verbally, but should document that communication in the working papers.

When audit results indicate agreement between requirements or expectations that must be met and current activities, the auditor may acknowledge such satisfactory performance.

When audit results indicate the lack of agreement between requirements or expectations that must be met and current activities, such negative audit conclusions may be categorized as findings, observations, or opportunities for improvement.

- a. **Findings** – Findings are statements of fact, which are unfavorable and describe less than satisfactory conditions that need correction of prior actions or prospective processes or procedures. Findings are determined by comparing “what should be with what is.” A significant variance between requirements or expected actions and current activities indicate corrective action is needed, resulting in a finding. If more than one finding exists, each should be numbered. Consideration should be given to the order of findings in the report, generally with the most significant findings reported before those of lesser significance.

Specific attributes should be identified when considering a finding: criteria, condition, cause and effect. IIA Practice Advisory 2410, *Communicating Criteria*, defines these terms as follows:

- **Criteria** – The standards, measures, or expectations used in making an evaluation and/or verification (the correct state.)
- **Condition** – The factual evidence that the internal auditor found in the course of the examination (the current state.)
- **Cause** – The reason for the difference between the expected and actual conditions (why).

- **Effect** – The risk or exposure the organization and/or others encounter because the condition is not consistent with the criteria (impact.) In determining the degree of risk or exposure, internal auditors should consider the effect findings and recommendations might have on the organization’s operations.

The cause and effect (actual or potential) are often the most significant or pertinent attributes for management to understand and may result in enthusiastic, positive action. It may be beneficial to present these at the beginning of the finding to ensure the reader has information that is helpful in determining the importance and significance of the issue.

- b. **Observations or Opportunities for Improvement** – An observation may describe a weakness affecting internal or accounting controls, which could lead to a finding if not addressed. An observation may also represent a variance between the correct state and the current state of activities; however, the use of an observation should be limited to those cases where the variance is substantially less significant, less severe, or less prevalent than a matter warranting a finding. The auditor’s professional judgment must be used to evaluate these distinctions. An opportunity for improvement may highlight more efficient or effective processes or procedures that management should consider implementing. These matters may be communicated informally or included in the audit report if management action is needed and an action plan to improve the situation is desired. When more than one observation or improvement opportunity exists, the items should be numbered.

**Recommendations** – For each finding in the audit report, the auditor should make a recommendation to management that provides a reasonable means to correct the unfavorable condition or to improve operations. A recommendation should not only request correction of the existing condition, but should also include action to prevent the problem from happening again. Depending upon the situation, the recommendation may be specific or general.

**Management’s Action Plans** – Management’s action plans must be included with each finding and should begin by stating, “*We concur with the finding and recommendation*” or “*We do not concur with the finding and recommendation.*” The plan should address the cause and identify the actions management will take to correct the finding and/or implement the recommendation. Management should also assign responsibility and include a target or completion date in the plan.

If the internal auditor and management disagree about the finding and/or recommendation, the audit report may state both positions and the reasons for disagreement. This should only occur after every effort has been made to obtain agreement with the finding and/or recommendation.

**Exhibits and Attachments** – All exhibits and attachments should be clearly labeled and properly introduced. When possible, the information should be placed on the page where the



topic is discussed. Use of graphics, charts, or tables is encouraged to improve the readability, content, and visual appeal of the report.

### **C. Reviewing and Editing**

Reviewing and editing is an essential and expected part of the internal auditor's management responsibility. Quality communication requires an accurate, objective, clear, concise, constructive, complete, and timely report. After appropriate review, the final audit report should be distributed to management. If a significant error or omission is discovered after distribution of the final report, corrected information should be distributed to all who received the document.

### **D. Distribution of the Report**

According to IIA Standard 2440, "*Disseminating Results*," the internal auditor must communicate results to the appropriate parties. The final step in the audit report process is distribution of the report. The internal auditor should ensure that the report is distributed to personnel with the authority to make the changes sought in the audit report and to other appropriate staff of the institution involved in the review or with a need to know the results of the review. The names of the recipients may be included on the audit cover letter to the Chancellor or President, but at a minimum should be documented in the working papers.

An electronic copy of each report is submitted by the institution to the Chief Audit Executive of System-wide Internal Audit and copied to the Administrative Assistant III for System-wide Internal Audit. The report will be filed with the State Comptroller's Office by the Office of System-wide Internal Audit. Additional copies of reports may be required for certain audits. The President may delegate to the campus CAE (Chief Audit Executive) the responsibility for transmitting the electronic report to the Chief Audit Executive of System-wide Internal Audit. When transmitting electronic copies of the report to the Chief Audit Executive, the naming conventions described in Appendix D should be used. For additional report submission and distribution information, see Appendix G.

Distribution of the report to parties outside the institution should be handled in accordance with IIA Standard 2410.A3, under *Criteria for Communicating*, by including in the communication the limitations on distribution and use of the results. Additionally, IIA Standard 2440.A2, under *Disseminating Results*, that if not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the organization the chief audit executive must assess the potential risk to the organization, consult with senior management and/or legal counsel as appropriate; and control dissemination by restricting the use of the results.

## E. Reports on Fraud, Waste or Abuse

Because of the sensitive nature of fraud, waste, or abuse audits, additional care should be exercised during the report preparation process. Fraud reports may vary in form to meet the specific circumstances of the situation as outlined below in the Special Reports section. Legal counsel may be consulted regarding the draft report before finalization. Audit reports addressing fraud, waste or abuse should be distributed internally as directed by the Chancellor or President. A copy will be submitted electronically to the Chief Audit Executive, the Administrative Assistant III for System-wide Internal Audit, and the Investigative Auditor IV. These audits will be filed with the State Comptroller's Office by the Office of System-wide Internal Audit.

## F. Special Reports

Auditors may be asked to provide management advisory or consulting services or may perform investigative audits. A report is usually issued at the conclusion of these projects. The format of special reports may vary in both form and content to fulfill the objectives of the assignment or request, which may cover unique subject areas and have specialized purposes. Below is a suggested format for such reports:

**Background**– The background should identify the subject area, explain the purpose of the study/project, provide relevant background information on the importance or impact of the subject area, and list any limitations on the extent of the work done.

**Details of the Review** – The main section of this type of report contains the results of the research and analysis. This section may be organized in a variety of ways depending on the objectives of the assignment. Information may be presented by department/division, subject area, chronological sequence, objectives, allegations received, or other appropriate categories. Typically, such a report may include explanations of the current conditions within the area, best practices in the field, policy or regulatory requirements, or other comparative data.

**Conclusion** – Important points of the report should be summarized or repeated, and any recommendations should be presented. Benefits from adopting the recommendations should be stated and quantified, if possible. If any significant issues related to risk management, control, or governance have arisen, proper communications should be included.

The special project report will be distributed internally as directed by the Chancellor or President. Distribution to the TBR may be optional for consulting projects; however, all investigation reports will be sent to the Chief Audit Executive of System-wide Internal Audit.

**Section VII**  
**Quality Assurance and Improvement Program**

## **Section VII. Quality Assurance and Improvement Program**

### **A. Introduction**

The System-wide Internal Audit Chief Audit Executive (CAE) must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The quality assurance and improvement program (QAIP) should encompass all aspects of operating and managing the internal audit activity – including consulting engagements—as found in the mandatory elements of the International Professional Practice Framework (IPPF). It is also beneficial for the QAIP to consider best practices in the college and university internal audit profession.

Implementation Guide 1300 states, “The QAIP is designed to enable an evaluation of the internal audit activity’s conformance with the *International Standards for the Professional Practice of Internal Auditing* (the *Standards*) and whether internal auditors apply the IIA’s Code of Ethics.” Through conformance with the *Standards* and the Code of Ethics, the internal audit activity also achieves alignment with the Definition of Internal Auditing and the Core Principles.

### **B. Requirements of the QAIP**

A QAIP is an ongoing and periodic assessment of the entire internal audit activity. Per the Implementation Guide for Standard 1310, both an internal and external assessment are required.

Internal assessments consist of ongoing monitoring and periodic self-assessments or assessment by other persons within the organization with sufficient knowledge of internal audit practices.

External assessments should occur at least once every five years by a qualified independent assessor or assessment team from outside the organization. The CAE should discuss with the board the frequency of the external assessment as well as the qualifications and independence of the external assessor or the assessment team. The purpose of the external assessment is to validate whether the internal audit activity conforms to the *Standards* and the Code of Ethics. This assessment may also identify operational or strategic comments.

### **C. Internal Assessments**

Internal assessments must include both ongoing monitoring of the performance of the internal audit activity, as well as periodic reviews performed through self-assessment or by other persons within the organization with sufficient knowledge of internal audit practices.

### **Ongoing Monitoring**

Ongoing monitoring is an integral part of day-to-day supervision, review, and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools, and information considered necessary to evaluate conformance with the Code of Ethics and the *Standards*. It is primarily focused on the performance standards at the engagement level and helps determine whether the internal audit process is delivering quality on an engagement-by-engagement basis. Tools used in ongoing monitoring may include:

1. Engagement supervision (See Appendix B)
2. Checklists and procedures (See Appendix A)
3. Feedback from audit customers and other stakeholders (See Appendix F)
4. Analyses of other performance metrics

### **Periodic Self-Assessments**

Periodic reviews are assessments conducted to evaluate conformance with the IIA *Standards* and Code of Ethics. The self-assessment may also include evaluation of:

1. Quality and supervision of work performed
2. Adequacy and appropriateness of internal audit policies and procedures
3. Ways in which internal audit adds value
4. Achievement of key performance indicators
5. Degree to which stakeholder expectations are met

The QAIP should document and define a systematic approach to the periodic self-assessment process, which may incorporate programs provided in the *IIA Quality Assessment Manual for the Internal Audit Activity*.

Beginning in July of 2018, the System-wide CAE will assess if all community college audit shops should perform some form of self-assessment on an annual basis to conform to IIA guidance. Prior to this time frame, self-assessments are performed at least twice within the five years between external assessments. The first assessment is a self-assessment checklist completed by each TBR audit shop. This checklist is based on the IIA *Standards*, Definition of Internal Auditing, Code of Ethics, and Core Principles for the Professional Practice of Internal Auditing, as well as the *IIA Quality Assessment Manual*. The second assessment is a full scale assessment completed prior to an external review and requires, at a minimum, that Appendix A-0, D-1, & D-2 of the *IIA Quality Assessment Manual* be completed by the System-wide CAE as well as each college audit shop.

The results of individual college assessments are communicated to college management by the college CAE and to the Tennessee Board of Regents Audit Committee by the System-wide CAE.

## **D. External Assessments**

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The assessor or assessment team must be competent in the profession of internal audit as well as the external assessment process. The assessor or assessment team must not have any real or perceived conflicts of interest.

External assessments may be accomplished through a full external assessment or a self-assessment with independent external validation. Regardless of the method chosen, the external assessor must conclude as to conformance with the Code of Ethics and the *Standards*. The external assessment may also include operational or strategic comments.

The type of external assessment to perform is determined based upon discussions between the System-wide CAE and the audit committee of the board. The System-wide CAE will request input from various college CAE's prior to his discussions with the audit committee. The CAE will discuss with the audit committee the form and frequency of the external assessment for all the community colleges that are part of the system. Below is a brief description of the two different types of external assessments.

### **Full External Assessment**

A full external assessment requires the assessment team to evaluate the following:

- The level of conformance with the *Standards* and Code of Ethics. This may be evaluated via a review of the internal audit activity's charter, plans, policies, procedures, and practices. In some cases, the review may also include applicable legislative and regulatory requirements.
- The efficiency and effectiveness of the internal audit activity. This may be measured through an assessment of the internal audit activity's processes and infrastructure, including the QAIP, and an evaluation of the internal audit staff's knowledge, experience, and expertise.
- The extent to which the internal audit activity meets expectations of the board, senior management, and operations management and adds value to the organization.

The external assessment team typically relies upon planning information and documentation provided by the CAE, but they independently complete work programs and evaluate conformance with the *Standards* and Code of Ethics instead of just verifying the work completed as part of the self-assessment.

### **Self-Assessment with Independent Validation**

A self-assessment with independent validation includes a comprehensive and fully documented self-assessment process that requires the CAE (both campus and System-wide) to complete self-assessment work. The independent validation generally provides limited

attention to benchmarking, review, and consultation related to a successful internal audit practice. Essentially, the campus CAE prepares planning documentation, completes assessment work programs, evaluates conformance with the *Standards* and Code of Ethics, and produces a report summarizing assessment results. The self-assessment report will be presented to college management as well as the System-wide CAE. The independent external assessor or assessment team validates the work done as part of the internal assessment through review of assessment planning documentation, re-performing a sample of assessment program steps, conducting interviews with key stakeholders, and assessing the conformance conclusions report by the self-assessment team (in most community college shops this will just be the CAE).

### **Reporting**

Regardless of the external assessment method chosen, the external assessment team will provide a report to the System-wide CAE. The System-wide CAE will then provide the report to senior management and the audit committee. The System-wide CAE will also provide a corrective action plan to address any issues noted by the external assessment team. The audit committee may choose to provide the report to the full board.

**Section VIII**  
**Conducting Investigations**



## **Section VIII. Conducting Investigations**

### **A. Authority**

Through the Audit Committee Charter, the committee has the authority to conduct or authorize audits or investigations into any matter within its scope of responsibility. The Audit Committee employs the Chief Audit Executive to report directly to the committee and the Board of Regents. The Chief Audit Executive coordinates audit activities with the Tennessee Comptroller of the Treasury, with the campus internal auditors and with any other external auditors.

Internal auditors perform administrative investigations to provide information regarding allegations of improper activities to senior management, the Audit Committee, and the Board. Internal auditors have access to all necessary records, properties, and employees of the institution under review to investigate any allegations. An investigation may include gathering and verifying information, examining records and other documents, observing activities and processes, and conducting interviews. Results of investigations should include any findings, observations and recommendations. Administrative actions regarding recovery of misappropriated funds or property, disciplinary action regarding employees, or changes in operations are the responsibility of management.

The results of all administrative investigations are provided to the Comptroller of the Treasury, Division of State Audit. In the case of criminal activities, results of investigations should be provided to the District Attorney for consideration of criminal charges. Results of investigations should be provided to the Attorney General for consideration of civil action when appropriate. In some situations, it may be appropriate to coordinate investigations with law enforcement authorities during the course of the review. The TBR General Counsel should be consulted before submitting any reports for consideration of criminal or civil actions and before involving external law enforcement authorities.

### **B. Background**

Tennessee Board of Regents (TBR) Guideline B-080, *Reporting and Resolution of Institutional Losses*, as well as TBR policy 04:01:05:50, *Preventing and Reporting Fraud, Waste or Abuse*, reference the role of the internal auditors during investigations of fraud, waste, abuse, or institutional losses. The policy on fraud, waste, or abuse includes definitions of those terms. Fraud encompasses irregularities and illegal acts characterized by *intentional deception*. Persons inside or outside the institution may instigate fraud. Fraudulent acts may be perpetrated to benefit the institution or to the detriment of the institution. Waste and abuse involve deficient or improper behavior when compared to reasonable or normal business practices, but may not necessarily involve fraud. Waste is characterized by mismanagement or other inefficient or

ineffective uses of institutional resources. Abuse is characterized by misuse of one's position or authority in carrying out institutional business.

While there may be overlap in some situations, irregularities concerning an employee's moral, ethical, or behavioral conduct should normally be resolved by institutional or departmental management and Human Resources.

### **C. Responsibility of Internal Auditors**

It is management's responsibility to establish and maintain an effective internal control system, which should be designed to deter fraud. Internal auditors are responsible for assisting management by examining and evaluating the adequacy and the effectiveness of the internal control system. IIA Standard 2060 requires the Chief Audit Executive to periodically report to senior management and the board on significant risk exposures, including fraud risks.

Internal auditors must exercise due professional care when performing audits and be alert to the indicators of fraud. However, per the IIA *Standards*, internal auditors are not expected to have knowledge equivalent to that of a person whose primary responsibility is detecting and investigating fraud. Audit procedures alone do not guarantee that fraud will be detected.

Within the TBR system, allegations of fraud, waste, or abuse may originate from various sources such as phone calls, Comptroller's Hotline calls, web-based reports, emails, management observations, or auditor observations during audit engagements. TBR Policy 4:01:05:50, *Preventing and Reporting Fraud, Waste or Abuse*, provides guidance for management on the prevention and detection of fraud, waste, or abuse and provides guidance for management and employees on their responsibilities for reporting known or suspected incidents of fraud, waste, or abuse and for cooperating during investigations of such incidents.

System internal auditors are responsible for reporting allegations received to System-wide Internal Audit, who subsequently reports matters to the Comptroller of the Treasury, Division of State Audit, in accordance with state law. Tennessee Code Annotated, Section 8-19-501, requires the reporting to the Comptroller's Office immediately any shortages of moneys and unauthorized removal of state property, whether caused by malfeasance or misfeasance.

System internal auditors should communicate to management, staff, students, and others, the methods available for reporting instances of fraud, waste, or abuse to facilitate and encourage the reporting of such matters. Tennessee Code Annotated, Section 49-14-103(a), requires that the internal auditor establish a process where students, employees, taxpayers, or other citizens may confidentially report suspected illegal, improper, wasteful, or fraudulent activity.

All information regarding such allegations should remain confidential. Tennessee Code Annotated, Section 49-14-103(a), states information received as a report of fraud, waste or abuse or any on-going investigation of these activities are considered working papers of the internal auditor and are confidential. Internal auditors will make every attempt to keep such information confidential, except that in some circumstances, such as an order of a court or subpoena, may result in disclosure. Also, if TBR or one of its institutions has a separate legal obligation to investigate the complaint (e.g., complaints of illegal harassment or discrimination), TBR and its institutions cannot ensure anonymity or complete confidentiality.

#### **D. Considerations for Planning and Test Work**

Investigations performed as a result of reports of allegations should be properly planned, adequately staffed and performed in a professional manner. Appropriate institutional management should be informed about allegations received on a need-to-know basis, while also protecting the confidentiality of the source of information received. Investigations should be performed in a manner to cause the least disruption to operations. If necessary, legal, investigative or expert advice should be obtained prior to proceeding with the investigation.

**Preliminary Evaluation of Allegations** - Internal auditors should consider the following upon receipt of allegations.

1. Verify or gauge the validity of the allegations by:
  - a. considering the credibility of the complainant and the information provided
  - b. considering whether enough information is available to begin making inquiries
  - c. contacting the complainant, if needed and contact information is provided, to obtain additional or clarifying information
  - d. performing preliminary steps to assess documents, processes or activities related to the allegations
2. Determine the appropriate investigating office by considering whether the allegations identify:
  - a. institutional losses, fraud, waste, or abuse
  - b. programmatic, academic affairs, or student affairs issues
  - c. discrimination or harassment issues
  - d. personal behavioral issues
  - e. safety or security issues
  - f. other matters where consultation with legal counsel or other senior management is needed to identify the course of action
3. Make the necessary notifications when it is determined the allegations have validity and should be investigated by internal audit:
  - a. appropriate senior management on a need-to-know basis

- b. General Counsel and/or institutional legal counsel
- c. System-wide Internal Audit, who will notify the Comptroller of the Treasury, the Audit Committee, and system office management as needed. SWIA maintains an Audit Committee Decision Matrix to assist with determining when matters should be reported to the Audit Committee and management.

**Planning** - The investigation should be planned to address the allegations received and any significant related issues noted during the course of the review. The internal auditor should identify the:

1. Scope of the investigation, including the period to be covered.
2. Investigative procedures and interviews.
3. Timing of the test work and interviews.
4. Staff who are independent of the operations and qualified to conduct the review.
5. If needed, assistance from the Office of System-wide Internal Audit.
6. Other assistance needed.

As an investigation progresses, information may come to the internal auditor's attention that indicates the planned scope, investigative procedures, timing, and related matters must be altered. Significant changes should be communicated to the Chief Audit Executive and appropriate management.

An entrance conference with key management may not be necessary in all situations, but should be considered to explain the scope, planned test work schedule, reporting process and information and assistance needed. Even when an entrance conference is not conducted, it may be appropriate to communicate the same information to key management involved to ensure an understanding exists about the investigation process. Information should be shared on a need-to-know basis.

In the case of unannounced visits to a department or institution in relation to an investigation, the internal auditor should identify their office and position and explain the assistance or information needed. In such cases, the auditor should be sensitive to the circumstances and expect to also provide identification if requested.

**Test Work and Evidence** – Appropriate tests should be performed to either validate or disprove the allegations received. In some situations, it may not be possible to reach a conclusion regarding the allegations; in these situations, the auditor may present the pertinent evidence obtained but should make it clear in the working papers and the report that the information was not conclusive regarding the allegation.

Appropriate evidence should be obtained, labeled and documented in the working papers to support the conclusions of the investigation. Working papers should include sufficient

information to describe the procedures performed, the purpose of the tests, the source of documents used during the tests, any sampling procedures or 100% testing used, and conclusions regarding tests. Copies of documents should be considered for inclusion in the working papers as needed or anticipated in the case of legal proceedings.

In some situations, it may be necessary to retain original documents during an investigation. In these cases, management should be provided a copy of the documents retained and the originals should be placed in the working papers without placing any marks on the documents (a clear sheet protector may be used). A cover page indicating the source and any other relevant explanation is appropriate for such documents.

#### **E. Retrieving Electronic Equipment and Data to Preserve Evidence**

In some instances it may be beneficial to take possession of institution equipment to gather evidence. Once it has been determined by consultation with General Counsel, System-wide Internal Audit and management that a valid reason exists for taking possession of an institutional computer, these procedures should be followed.

1. If the employee is present, management should inform them that the computer must be removed along with any other instructions for the employee.
2. Photograph all computers and peripherals before they are touched, including close-up photographs of any monitors that are turned on.
3. Record the date, time, and the computer's state of operation when it is retrieved, as well as any other applicable information. It is best to record this information in your notes and also on an index card or other tag that should be attached to the outside of the computer. Once the equipment is tagged, take another photograph of the computer.
4. If the computer is running, disconnect it from the power source. Do not conduct a normal shutdown of the system since this could possibly alter evidence on the system. Recover the entire unit, not just the hard drive.
5. Prepare a chain of custody form to document movement of evidence. Receipts for the evidence by other authorities should be attached to the form.
6. Secure the unit until it can be forensically examined and a bit for bit copy of the hard drive made using specialized software. The System-wide Internal Audit Office should be consulted in advance to coordinate such an examination.
7. Results of the examination should be reviewed with General Counsel. If possible criminal activity is discovered, any examination must be stopped and the proper authorities contacted. If the suspected evidence possibly relates to child pornography, the Federal

Bureau of Investigation must be notified. TBR System-wide Internal Audit will coordinate activities with the Comptroller of the Treasury as needed to assist institution internal auditors with these procedures.

Refer to Appendix E of this manual for a Chain of Custody form to document the retrieval of electronic equipment or data.

## **F. Using Surveillance as a Tool during an Investigation**

The 2015 Fraud Examiners Manual, published by the Association of Certified Fraud Examiners, defines surveillance simply as the “planned observation of people, places, or objects (1.705).” The manual also states “carefully planned and properly executed surveillance can be of tremendous value in an investigation, conversely, lack of preparation, poor timing, and unsound surveillance can destroy an otherwise good case (3.506).” Used in a timely manner with great care, surveillance, both by visual and electronic methods, is a valuable tool that can produce results that cannot be achieved by other investigation tools.

With certain cases, such as theft of money, property, or time, surveillance may be the best tool to substantiate allegations. However, due to the sensitivity of surveillance and the cost of resources used during surveillance, other investigation tools should be considered which might be more cost beneficial and still provide evidence that is useful in resolving the case. Using an institution’s pre-existing resources, such as videotape, time-clock recordings, or computer usage does not fall within the authorization required by this procedure.

### **1. Implementing Surveillance During an Investigation**

Adequate probable cause must exist and be adequately documented in order to use surveillance. Probable cause has been defined in the 2015 Fraud Examiners Manual as “reasonable grounds to believe (2.813).” Justification for surveillance must be legally sound and defensible. Failure to exercise professional due care could damage the reputation of the internal audit function, as well as jeopardize the investigation.

The 2015 Fraud Examiners Manual states that when public employers conduct a workplace investigation, their interest is substantially different from law enforcement. The manual further states, “The goal of public employers is to ensure that their offices run efficiently, not to enforce the law (2.824).” Although consideration of criminal activity may be necessary in investigations, the primary nature of internal audit investigations is from an administrative viewpoint. Any potential criminal matters will be referred to appropriate law enforcement authorities.

### **2. Approval of Surveillance During an Investigation**

When considering the use of surveillance during an investigation, the auditor requesting surveillance should submit a memorandum to the Chief Audit Executive, clearly stating the (1)

information on which the request for surveillance is based, (2) information that is expected to be obtained by the surveillance, and (3) identities of targets or suspects, if any. The Chief Audit Executive will consult with General Counsel and as needed, the Audit Committee Chairperson for the Tennessee Board of Regents prior to approving the surveillance. The memorandum should be documented in the audit working papers.

### 3. Documentation of Surveillance During an Investigation

The auditor conducting surveillance should keep a detailed log and notes of the times, locations and observations made. This log, along with any photographs or other recordings, should be documented in the audit working papers.

Note: Citations regarding surveillance procedure are page references to the 2015 Fraud Examiners Manual, published by the Association of Certified Fraud Examiners.

## **G. Conducting Interviews**

During the course of an investigation, it will be necessary to conduct interviews to determine the specifics of the case. The auditor may consider recording interviews or having a third person, preferably another member of the audit staff, take notes. This process allows the interviewer to concentrate on performing the interview as opposed to documenting it and provides a witness to the information provided.

All interviews are non-custodial and voluntary. However, TBR Policy 4:01:05:50, *Preventing and Reporting Fraud, Waste, or Abuse*, indicates individuals involved in such matters should cooperate by providing the information requested and failure to do so may result in disciplinary action. It should be noted that an individual who misappropriates state money or property faces the possibility of criminal or civil, as well as administrative action. Because of the possibility of criminal action in such instances, the internal auditor should be cognizant of the constitutional right against self-incrimination. Therefore, if an interviewee indicates they want to remain silent, the auditor should stop the interview and inform management.

If an interviewee indicates their wish to have an attorney present, the interview should stop and consult the TBR General Counsel or institution legal counsel. If an interviewee indicates their wish to have someone else present during the interview, the person should refrain from answering questions on behalf of the interviewee.

Interviews of employees are classified as “information gathering interviews” or “admission seeking interviews.”

### 1. Information Gathering Interviews

Information gathering interviews are designed to gather facts that help the auditor determine the specifics of the case. These interviews may be informal and may not need to be witnessed.

However, when interviewing a member of the opposite gender, it is suggested that a witness of the same gender sit in on the interview.

## 2. Admission Seeking Interviews

Admission seeking interviews are designed to encourage an employee to admit to an action. These interviews should always be witnessed and documented.

It may be helpful to have the interviewee sign a statement attesting to the facts described by the interviewee. The statements should only include the facts as stated by the interviewee, or an agreed upon understanding of the facts as stated by the interviewee. The statement should be signed and dated by the interviewee, interviewer, and any witnesses. The interviewee signs to attest to the factual content of the statement. The interviewer and the witness sign to attest that the interviewee signed the statement.

## **H. Communication of the Results of Investigations**

Written or oral interim communications may be provided to management regarding the status of investigations, but such communications should be clear about the scope of any interim report. Internal auditors should exert caution in providing assurance regarding any activity where work is still in progress. A final report should be given to senior management and the board detailing the results of the investigation. The report should address each of the significant allegations received as the basis for the investigation and should summarize findings, observations and recommendations relevant to the review.

The internal auditor should be sensitive to the fact that once released, internal audit reports may be considered public documents. In addition, management will rely on the information reported to support their administrative decisions. The subjects of an investigation may be identified if there is sufficient evidence or signed statements regarding our statements or conclusions, but should be omitted if uncertainty regarding the allegations remains at the end of the investigation. Reports should be written with these considerations in mind. The report may indicate that pertinent information has been omitted because it is deemed privileged or confidential.

The internal auditor should consider submitting a draft of the proposed final communications on investigations to legal counsel for review. In those cases in which the internal auditor wants to invoke attorney-client privilege, consideration should be given to addressing the report to legal counsel. For more specific information on attorney-client privileged communications, consult TBR General Counsel.



Once an investigation is concluded, internal auditors should assess the facts known in order to:  
1) determine if controls need to be implemented or strengthened and 2) design engagement tests to help disclose the existence of similar activities in the future.

*Note: This procedure is intended as a guide to assist the internal auditor in conducting fraud, waste or abuse investigations. Since each investigation is unique, it is not practical to address each aspect of such a review in this procedure. However, additional guidance may be found in professional reference materials. The 2015 Fraud Examiner's Manual is available from the Association of Certified Fraud Examiners and a copy is available in the Office of System-wide Internal Audit. The Institute of Internal Auditors (IIA) has a practice guide, Internal Auditing and Fraud, dated December 2009, which is available on their website. For any investigation, it may be helpful to consult with the TBR Chief Audit Executive or the TBR Investigator.*

**Section IX**  
**TBR Related Policies, Guidelines, and Laws**

**Section IX. TBR Related Policies, Guidelines, and Laws**

- A. TBR Policy 4:01:05:00, Internal Audit
- B. TBR Policy 4:01:05:50, Preventing and Reporting Fraud, Waste, or Abuse
- C. TBR Guideline B-080, Reporting and Resolution of Institutional Losses
- D. Higher Education Accountability Act of 2004
- E. Audit Committee Act of 2005
- F. Financial Integrity Act, 2009 Revision

# Appendices

*Institution* WP \_\_\_\_\_  
*Audit* Date \_\_\_\_\_  
*Audit Check List* Auditor \_\_\_\_\_  
*Audit Period*

- Completed
1. All working papers are complete:
    - a. Working papers have a proper heading (audit name, subject, period) \_\_\_\_\_
    - b. Working papers contain preparer's initials and date. \_\_\_\_\_
    - c. Working papers include complete references. \_\_\_\_\_
    - d. Working papers contain appropriate scope, source, purpose, explanatory notes, and conclusions as needed. \_\_\_\_\_
    - e. Working papers contain descriptions of the sampling methodology used, as needed. \_\_\_\_\_
  2. All steps in the audit program have been initialed, dated, and referenced appropriately. \_\_\_\_\_
  3. The table of contents has been completed and included in the working papers. \_\_\_\_\_
  4. All findings and other audit exceptions are adequately supported. \_\_\_\_\_
  5. The audit report has been submitted to the President or other appropriate management and to TBR. \_\_\_\_\_
  6. A copy of the audit report has been included in the working papers and referenced to supporting working papers as necessary. \_\_\_\_\_
  7. The final list of non-finding items (observations, weaknesses) has been provided to the President and other appropriate management. \_\_\_\_\_
  8. Carry-forward suggestions or improvements for the next audit have been included in the working papers or permanent file. \_\_\_\_\_
  9. Follow-up audit for any findings has been scheduled. \_\_\_\_\_
  10. Electronic and hard-copy working papers have been appropriately files and/or back-up. \_\_\_\_\_

Institution \_\_\_\_\_  
 Audit \_\_\_\_\_  
 Audit Period: FYE 6/30/16

WP: \_\_\_\_\_  
 Date: \_\_\_\_\_  
 Auditor: \_\_\_\_\_

**Audit Checklist/Route Sheet**

Name of Audit: \_\_\_\_\_  
 Auditor(s): \_\_\_\_\_

Reason for Audit:      Risk-Based     Special Request     Investigation       Other

Engagement explanation: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Start Date: _____	Budgeted Hours in Audit Plan: _____		
End Date: _____	Actual Hours: _____	0.0	#DIV/0!
	Variance Over (Under) Budget: _____		

	Start Date	End Date	Initials
Planning	_____	_____	_____
Engagement Letter provided to Management w/Scope	_____	_____	_____
Entrance Conference held	_____	_____	_____
Fieldwork	_____	_____	_____
Report Writing & Audit Wrap-up	_____	_____	_____
Working papers reviewed by preparer before submitting to Director for review	_____	_____	_____
Findings/Observations/Recommendations adequately supported, discussed with management & input/responses obtained**	_____	_____	_____
Audit Program - All steps completed, initialed & dated	_____	_____	_____
Exit Conference held (if necessary)	_____	_____	_____
Working Papers & Draft Report saved & backed-up	_____	_____	_____
Working Papers & Draft Report submitted to CAE	_____	_____	_____
Working Papers reviewed by CAE	_____	_____	_____
Draft Report reviewed by CAE	_____	_____	_____
Draft Report submitted to Legal Counsel (if necessary)	_____	_____	_____
Draft Report submitted to Management for written responses	_____	_____	_____
Report Distribution List prepared & placed in working papers	_____	_____	_____
Final Report printed, signed & bound	_____	_____	_____
Report transmitted to appropriate personnel (see Distribution List)	_____	_____	_____
Adobe of signed Report saved & backed-up. Adobe of Report and Word version of Executive Summary sent to SWIA Admin Asst.	_____	_____	_____
Working Papers updated with signed, referenced report, then filed	_____	_____	_____

\* Working papers include a proper heading, initials of the preparer & date prepared, accurate & complete references, sources, objectives, sampling techniques, & conclusions as needed. Table of Contents completed

\*\* Applicable sections of any statutes, policies, or other regulations cited sufficiently referenced & documented

### **Planning**

- Audit program objectives support the standard assurance areas
- Program steps support objectives
- Internal controls are documented
- Risks of potential control weaknesses are noted
- Risks of fraud, waste or abuse are considered and noted
- Tests are adequately designed to test controls
- Tests are adequately designed to test for incidences of fraud
- Tests are adequately designed to determine the effect of known weaknesses
- Overall scope and time period are adequate and appropriate to support objectives

### **Fieldwork**

- Audit program shows disposition of each audit step
- All findings are referenced to supporting audit tests
- Each working paper is sufficiently labeled, initialed and dated
- Each working paper is referenced to a program step
- Each working paper is sufficiently explained (source, purpose, scope, conclusion, notes)
- Working papers do not contain blanks or other indicators of missing information
- Audit test populations and sampling methods are clearly documented
- Audit tests are adequate and support the auditor's conclusions
- Scope and nature of audit tests aligns with audit objectives
- Test results indicating potential fraud were noted and followed up

### **Conclusions/Communications with Management**

- Findings are adequately descriptive and include the condition, criteria, cause and effect
- Recommendations adequately address the finding and acknowledge input from appropriate management
- All exceptions were followed up with appropriate disposition noted in working papers (finding, observation, weakness, discussed with management, housekeeping item, etc.)
- The reasons for dropping or downgrading findings are documented
- The audit report includes all findings, with lesser exceptions appropriately segregated in the report or included in a separate memo to management
- Findings and conclusions in the audit report or management letter are supported by the working papers

### **Engagement Management**

- Time budgets are completed
- Notes of problems, future improvements are included
- Meeting agendas, memos, etc. relating to opening and exit conferences are included
- Working papers include a copy of the final report and other communications with management
- Draft reports are cleared from the file, or if kept, clearly labeled.
- Findings are scheduled for later follow-up

**Institution**  
**Report Name**  
**Audit Period**  
**Report Date**  
**Executive Summary**

<b>Key Staff Personnel</b>		<b>Internal Auditor</b>	
<b>Introduction</b>			
<b>Objectives</b>			
<b>Scope</b>			
<b>Conclusion</b>			
<b>Recommendations</b>			



**Institution**  
**Report Name**  
**Audit Period**  
**Report Date**  
**Executive Summary**

<b>Auditee</b>		<b>Auditor</b>	
<b>Objectives</b>			
<b>Scope</b>			
<b>Questioned Costs</b>			
<b>Analysis of Issues</b>			
<b>Recommendations</b>			

### **Internal Audit Reports**

- Adobe Copy of Signed Report  
Naming: Institution-Type of Report-Name of Report-Release Date (MMDDYYYY)  
Example: ChSCC-IAR-Human Resources-07012017.pdf
- Word Copy of Executive Summary  
Naming: Institution-Type of Report-EXS-Name of Report-Release Date (MMDDYYYY)  
Example: ChSCC-IAR-EXS-Human Resources-07012017.docx

### **Internal Audit Investigation Reports\***

- Adobe Copy of Signed Report  
Naming: Institution-Type of Report and Tracking Number-Name of Report-Release Date (MMDDYYYY)  
Example: ChSCC-INV1504-Stipends-07012017.pdf
- Word Copy of Executive Summary  
Naming: Institution-Type of Report-EXS-Name of Report-Release Date (MMDDYYYY)  
Example: ChSCC-INV1504-EXS-Stipends-07012017.doc(x)

\*On occasion, an investigation matter may be reported in a Case Resolution Report or a memorandum rather than an audit report. In these instances, the same naming convention should be followed.

### **Internal Audit Reports on Comptroller Hotline Calls (Adobe)**

If an investigation originated from a Comptroller's Office Hotline call, use the same information as noted above for internal audit investigation reports, except at the end add FWAH and the Comptroller's Hotline Reference Number (from original hotline transmittal) to distinguish it from other sources. (In this example, the Comptroller's Office assigned case number 10-073 to the call, but the institution's case number is 10-1004).

Naming: Institution-Type of Report and Tracking Number-Description of Report-Release Date (MMDDYYYY)-FWAH and Comptroller's Reference Number

Example: ChSCC-INV1004-Purchasing Card-07012017-FWAH10073.pdf

### **Internal Audit Investigation Administrative Closure Memos (Adobe)**

These memos are considered working papers since no report is released. These should be labeled as “Confidential.”

Naming: Institution-INVCase Number-ACM-Date Closed (MMDDYYYY)-FWAH and Comptroller’s Reference Number (if applicable)

Example: ChSCC-INV1402-ACM-07012017  
ChSCC-INV1402-ACM-07012017-FWAH10073

### **Risk Assessment Documents**

Naming: Institution-Type of Document-Date (MMDDYYYY)

Example: ChSCC-IA Letter MRA-07012017.docx

### **Notes and Acronym Legend**

#### **Acronym Legend:**

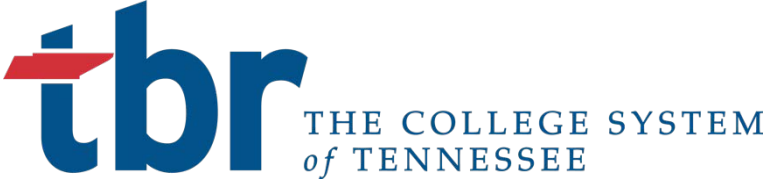
IAR	Internal Audit Report
EXS	Executive Summary
INV	Internal Audit Investigation
CRR	Case Resolution Report
ACM	Administrative Closing Memo
FWAH	Comptroller’s Fraud, Waste, or Abuse Hotline
FU	Follow-Up
ILOG	Investigation Log
APLAN	Internal Audit Plan
RAPLAN	Revised Internal Audit Plan
YESR	Year-End Status Report on Internal Audit Plan
IA Letter MRA	Internal Auditor’s Letter for Management’s Risk Assessment

#### **Notes:**

1. Use dashes between naming elements, except do not use a dash between INV and tracking number or FWAH and tracking number. Do not use spaces between dashes.
2. Release Date should be in this format (MMDDYYYY).
3. Adobe versions of reports must include the auditor’s signature.

**Institution Legend**

ChSCC	Chattanooga State Community College
ClSCC	Cleveland State Community College
CoSCC	Columbia State Community College
DSCC	Dyersburg State Community College
JSCC	Jackson State Community College
MSCC	Motlow State Community College
NaSCC	Nashville State Community College
NeSCC	Northeast State Community College
PSCC	Pellissippi State Community College
RSCC	Roane State Community College
STCC	Southwest State Community College
VSCC	Volunteer State Community College
WSCC	Walters State Community College
TBR	Tennessee Board of Regents
Athens	Tennessee College of Applied Technology – Athens
Chattanooga	Tennessee College of Applied Technology – Chattanooga
Covington	Tennessee College of Applied Technology – Covington
Crossville	Tennessee College of Applied Technology – Crossville
Crump	Tennessee College of Applied Technology – Crump
Dickson	Tennessee College of Applied Technology – Dickson
Elizabethton	Tennessee College of Applied Technology – Elizabethton
Harriman	Tennessee College of Applied Technology – Harriman
Hartsville	Tennessee College of Applied Technology – Hartsville
Hohenwald	Tennessee College of Applied Technology – Hohenwald
Jacksboro	Tennessee College of Applied Technology – Jacksboro
Jackson	Tennessee College of Applied Technology – Jackson
Knoxville	Tennessee College of Applied Technology – Knoxville
Livingston	Tennessee College of Applied Technology – Livingston
McKenzie	Tennessee College of Applied Technology – McKenzie
McMinnville	Tennessee College of Applied Technology – McMinnville
Memphis	Tennessee College of Applied Technology – Memphis
Morristown	Tennessee College of Applied Technology – Morristown
Murfreesboro	Tennessee College of Applied Technology – Murfreesboro
Nashville	Tennessee College of Applied Technology – Nashville
Newbern	Tennessee College of Applied Technology – Newbern
Oneida	Tennessee College of Applied Technology – Oneida
Paris	Tennessee College of Applied Technology – Paris
Pulaski	Tennessee College of Applied Technology – Pulaski
Ripley	Tennessee College of Applied Technology – Ripley
Shelbyville	Tennessee College of Applied Technology – Shelbyville
Whiteville	Tennessee College of Applied Technology – Whiteville



**Tennessee Board of Regents  
Office of System-wide Internal Audit**

**CHAIN OF CUSTODY**

Date: \_\_\_\_\_ Case: \_\_\_\_\_

**RECEIVED BY SYSTEM WIDE INTERNAL AUDIT**

School: \_\_\_\_\_ Location: \_\_\_\_\_

Name of individual who released the evidence: \_\_\_\_\_

Individual's Title: \_\_\_\_\_

Description of Evidence: \_\_\_\_\_

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Individual's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Auditor's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**RETURNED TO SCHOOL**

Auditor: \_\_\_\_\_ Returned Location: \_\_\_\_\_

Receiving Individual: \_\_\_\_\_ Title: \_\_\_\_\_

Description of Evidence Returned: \_\_\_\_\_

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Individual's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Auditor's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**Institution  
Internal Audit Department  
Client Satisfaction Survey**

Department: \_\_\_\_\_

Audit Subject: \_\_\_\_\_

*Please circle the response that best reflects your rating of the audit in the following areas:*

	<b>Excellent</b>	<b>Good</b>	<b>Fair</b>	<b>Poor</b>	<b>N/A</b>
<b>Independence</b>					
1. Objectivity of the auditors	4	3	2	1	0
<b>Professional Proficiency</b>					
2. Technical proficiency of auditors	4	3	2	1	0
3. Professionalism of auditors	4	3	2	1	0
4. Communication skills of auditors	4	3	2	1	0
<b>Scope and Performance of Work</b>					
5. Notification of the audit purpose and scope	4	3	2	1	0
6. Audit focused on key areas	4	3	2	1	0
7. Duration of the audit	4	3	2	1	0
8. Feedback sought on exceptions during the audit	4	3	2	1	0
<b>Audit Report</b>					
9. Timeliness of the audit report	4	3	2	1	0
10. Accuracy of the audit findings	4	3	2	1	0
11. Value of the audit recommendations	4	3	2	1	0
12. Clarity of the audit report	4	3	2	1	0
13. Overall value of the audit	4	3	2	1	0

14. Was there anything about the audit you especially liked? \_\_\_\_\_

\_\_\_\_\_

15. Was there anything about the audit you especially disliked? \_\_\_\_\_

\_\_\_\_\_

16. Additional comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*Please sign and return this survey to the Internal Audit Department.*

Signature: \_\_\_\_\_

Date: \_\_\_\_\_



**Tennessee Board of Regents  
Internal Audit Report Submission and Distribution Requirements**

Please submit all audit reports to the System-wide Internal Audit (SWIA) Chief Audit Executive and Administrative Assistant III. For investigative reports, also submit to the SWIA Investigative Auditor IV. Distribution to state or other TBR offices will be handled by SWIA. The Comptroller of the Treasury, Division of State Audit, receives an electronic copy of each internal audit report issued.

**Internal Audit & Investigation Reports<sup>1</sup>:**

- Adobe Copy of Signed Report
- Word Copy of Executive Summary<sup>2</sup>
- Reports prepared in response to a Comptroller Hotline call are provided electronically to Scott Udulutch at State Audit

**Internal Audit Follow-Up Reports on State Audit Findings:**

- Adobe Copy of Signed Report
- Word Copy of Executive Summary<sup>2</sup>
- Reports are provided to Legislative Fiscal Review and TBR Business and Finance

**CCTA/Funding Formula Audit Reports**

- Adobe Copy of Signed Report
- Word Copy of Executive Summary<sup>2</sup>
- Reports provided to TBR Research Office and THEC

**Presidents' and Chancellor's Expense Audit Reports**

- Adobe Copy of Signed Report
- Word Copy of Executive Summary<sup>2</sup>

Note: For internal audit or investigation reports with management recommendations, a follow-up date should be determined and communicated to SWIA with the electronic submission of the report. The determination to perform a follow-up and the date for its completion is at the discretion of the internal auditor, but should normally be scheduled within a year of the report on the issue. The date may be revised when necessary, but revised dates should also be provided to SWIA. A status report on audit recommendations is provided to the Audit Committee each quarter, in accordance with their request to be apprised of the resolution of these matters.

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<sup>1</sup> On occasion, an investigation matter may be appropriately reported in a Case Resolution Report or a memorandum, rather than an audit report. In these instances, the same submission procedures for audits and investigations should be followed.

<sup>2</sup> Do not use headers and footers in the Executive Summary.