What Do Internal Auditors Do?

Here at IACA, we often find that the university community, and people in general, are not quite sure what internal auditors do. The objective of this article is to shed some light on this topic. As internal auditors, we are independent of the activities we audit, yet we are integral to the organization and provide ongoing monitoring and assessment of all RIT activities. We are employees of RIT.

As defined by the Institute of Internal Auditors, "internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

Internal auditors are charged with examining and evaluating the policies, procedures, and systems which are in place to provide an opinion on: the reliability and integrity of information; compliance with policies, laws, and regulations; the safeguarding of assets; and the economical and efficient use of resources. When there is room for improvement, our exception-based reports communicate recommendations for enhancing internal controls and mitigating business risks.

Working in partnership with operational management, we provide the Audit Committee of the RIT Board of Trustees and RIT senior management an assessment of the internal controls and the exposure of business risks in the areas we audit.

RIT’s policies are designed to help ensure we all comply with applicable laws and regulations and operate efficiently. By following these policies, we all help protect the university from unnecessary risks and help ensure that sound business practices are employed consistently throughout the university.

(continued on p. 2)
An IACA annual work plan is developed and approved by the Audit Committee based on an annual assessment of risk across the university. The IACA auditors are assigned the engagements identified in this work plan. In addition to performing audits, and financial fraud investigations when necessary, IACA assists management by providing a fresh perspective utilizing analytical and research skills. These advisory services may include:

- Reviewing the reliability and integrity of financial and operating information, reports, and systems
- Determining whether operational results are consistent with established objectives and standards
- Reviewing the means for adequately safeguarding and verifying the existence of assets
- Reviewing the systems established to ensure compliance with policies, plans, procedures, laws, and regulations
- Working in a consultative role to improve and/or benchmark processes and controls

We do our best to accommodate all advisory service requests. We're also available to provide presentations and training customized to your department and we offer a training session on Internal Controls and Fraud in the Workplace on a quarterly basis through the Continuing Professional Development (CPD) office.

The IACA mission captures what we do - Institute Audit, Compliance & Advisement promotes a strong internal control environment by objectively and independently assessing risks and controls; evaluating business processes for efficiency, effectiveness, and compliance; providing management advisory services; and offering training to the University community. We focus on preserving the resources of the University for use by our students as they prepare for successful careers in a global society.

In a nutshell, we are a resource for RIT managers; we are here to help RIT and its operational units achieve their objectives. If you would like additional information on the services that we can provide to your area of responsibility, contact any of the IACA staff. Our contact information is on the last page of this newsletter.

~~ Contributed by Patrick Didas, Associate Director, IACA

Ask the Auditor

What is internal auditing's role in preventing, detecting, and investigating fraud?

Internal auditors support management's efforts to establish a culture that embraces ethics, honesty, and integrity. They assist management with the evaluation of internal controls used to detect or mitigate fraud, evaluate the organization's assessment of fraud risk, and are involved in any fraud investigations.

(continued on p. 3)
Although it is management’s responsibility to design internal controls to prevent, detect, and mitigate fraud, the internal auditors are the appropriate resource for assessing the effectiveness of what management has implemented. Therefore, depending on directives from management, the board, audit committee, or other governing body, the internal auditors might play a variety of consulting, assurance, collaborative, advisory, oversight, and investigative roles in an organization’s fraud management process.

Competent professional internal auditors are highly proficient in techniques used to evaluate internal controls. That proficiency, coupled with their understanding of the indicators of fraud, enables them to assess an organization’s fraud risks and advise management of the necessary steps to take when indicators are present.

**Prevention**

Establishing a culture of integrity is a critical component of fraud control. Executive management must set the tone at the top and model the highest level of integrity. The internal auditors may advise management on methods to ensure integrity and may become involved in communicating or interpreting those methods. They also may help develop training related to integrity policies and fraud.

As a part of their assurance activities, internal auditors watch for potential fraud risks, assess the adequacy of related controls, and make recommendations for improvement. They also can help benchmark statistics related to the probability of occurrence and consequences of fraud.

**Detection**

Because the internal auditors are exposed to key processes throughout the organization and have open lines of communication with the executive board and staff, they are able to play an important role in fraud detection. In many organizations, the chief audit executive (CAE) is responsible for responding to issues raised on the ethics hotline or through another process that may lead to detection of fraud.

When developing their annual audit plan, the internal auditors consider the organization’s assessment of fraud risk, and periodically might make assessments of management’s fraud detection capabilities. They design tests that use audit techniques like data mining to ensure the controls in place are effective.

**Investigation**

Internal audit skills relate to gathering evidence, analyzing the breakdown in controls that could enable a fraud, and making recommendations for improvement. Additionally, reporting directly to the board or governing body provides the internal auditors with a level of independence and objectivity necessary for them to undertake investigations of a sensitive nature.

Although the internal auditors may either have a direct role in investigating fraud incidents, or act as a resource to those with the investigating responsibilities, they generally are not expected to have the expertise of those whose primary responsibility is detecting and investigating fraud. When the internal auditors have the primary responsibility for fraud they must have the key competencies for this work — typically obtained through specialized training and related experiences. They also may be certified as fraud or forensic examiners.

*Source: Institute of Internal Auditors: https://na.theiia.org/Pages/IIAHome.aspx*

*References: International Professional Practices Framework: Practice Advisories on Fraud*
Inform RIT

Inform RIT is a recurring column provided by the RIT Information Security Office. The column highlights current issues and initiatives that impact the RIT community. In this issue, we’ll talk about securing private information.

Data Privacy Month: Private Information Disposal

Did you know that January is Data Privacy Month? For the last two years we’ve focused on remediation and disposal of Private Information resident on RIT computers and we’ve made great progress. Have you thought about disposing of Private Information that’s not on your computer? We encourage you to review “hard-copy” materials, disks, CD/DVDs, video tapes, and any other type of storage media containing Private Information and dispose of those containing unnecessary Private Information appropriately. Don’t forget that retention of RIT information is also governed by the Records Management Policy (C22.0).

Hard-copy materials containing Private Information pose a risk both to RIT and to the individuals whose information is in the materials. For example, on April 14th, 2011, Central Ohio Technical College found that course information had been left in a filing cabinet at an off-campus storage facility, compromising the Social Security Numbers of over 600 registered students. RIT used a similar system with Social Security numbers until June 2006, when University IDs became the main means of registration and identification on campus. DataLoss DB (http://datalossdb.org/statistics) indicates that almost 25% of breaches have been due to the inadvertent loss of Private Information, in both hardcopy and digital formats. Disposing of unnecessary Private Information will help ensure RIT complies with Private Information laws, policies, and procedures.

New York State defines Private Information (PI) as:

any personal information concerning a natural person combined with one or more of the following data elements: Social Security number (SSN), driver’s license number, account number, or credit or debit card number in combination with any required security code. These combinations of information are often used in identity theft.

The New York State Information Security Breach and Notification Act requires that RIT notify affected consumers if their Private Information is compromised.

If you’re not sure of whether or not to dispose of Private Information on your computer, check with your manager or consult the Private Information Decision Tree here: https://www.rit.edu/security/content/private-information-decision-tree

For more information about the Private Information Management Initiative, check out our PIMI FAQ page: https://www.rit.edu/security/content/private-information-management-initiative-pimi-faq and our Document Destruction page: https://www.rit.edu/security/content/document-destruction

~~ Contributed by Ben Woelk
Policy and Awareness Analyst
Information Security Office
On behalf of the Government & Community Relations team, I would like to thank IACA for their courtesy and professionalism in conducting the internal audit process with us earlier this year. They laid out the process for us in advance, were understanding in terms of timing of the audit to work around the needs of our staff and provided us with helpful recommendations and feedback. In the case of several observations they made with regard to processes, the issues they identified were due to our not being aware of the level of detail needed and these clarifications will be helpful in ensuring our full compliance with Institute policies going forward. We had some constructive dialogue back and forth during the process so that they were also able to understand our needs. We are in the process of implementing the final recommendations that IACA made to us. Our staff felt that the IACA staff were very professional and constructive throughout the process, and we thank them for that and for giving us some thoughtful and useful advice as part of the audit process.

~~ Contributed by Debbie Stendardi  
Vice President, Government and Community Relations

IACA’s Internal Controls and Fraud in the Workplace class is two and one half hours in length and is a required class in the RIT Accounting Practices, Procedures and Protocol Certificate Program. However, anyone interested in learning about internal controls and fraud prevention is encouraged to attend.

To learn more about these important topics, sign up for IACA’s Internal Controls and Fraud in the Workplace class at the CPD website:  
http://www.rit.edu/fa/cpd/leadership/internalcontrolsandfraud.html

Upcoming Sessions:
April 30, 2013  
9:00 - 11:30 am  
2140 Louise Slaughter Hall
July 30, 2013  
9:00 - 11:30 am  
2140 Louise Slaughter Hall
Oct 15, 2013  
9:00 - 11:30 am  
2140 Louise Slaughter Hall

What about ethics in the workplace?

To learn more about RIT’s Code of Conduct and the RIT Ethics Hotline, check out http://www.rit.edu/fa/svp/content/ethics-and-compliance-hotline-whistleblower
Pop Quiz Challenge

Take the Pop Quiz Challenge! Correctly answer the question below and you will be entered in a drawing to win a prize valued at $15. One lucky winner will be chosen randomly and notified by email.

Question: The internal auditor's responsibility for the prevention of fraud includes all of the following, except:

A. Determining if the organizational environment fosters control consciousness
B. Ensuring that fraud will not occur
C. Being aware of activities in which fraud is likely to occur
D. Evaluating the effectiveness of actions taken by management to deter fraud

Post your answer to our Quiz webpage at:
https://www.rit.edu/fa/iaca/content/quiz

The winner’s name and answer will be included in the Spring ’13 Quaestor Quarterly Newsletter.

**********************************************

Congratulations to Gayle Macias, NTID Liberal Arts Interpreting Team, for correctly answering the previous issue’s Pop Quiz question.

The question and the correct answer was:

Question: What is the role of internal audit?

Correct answer:
A. Providing management with advice on strengthening the control environment
B. Evaluating whether the university has adequate processes in place to monitor compliance with federal and state regulations
C. Evaluating whether there are adequate controls in place to mitigate departmental risks
D. All of the above