



Audit Hot Spots

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Message from the Internal Auditor

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Welcome to the first edition of "Audit Hot Spots"! You might be wondering why the Office of Internal Audit is publishing a newsletter. Well, I believe that communication is a very important and effective internal control. The flow of information, guidance and policy both to and from employees allow us to share our knowledge with one another and assist our organization in its success. I often receive inquiries requesting procedural guidance and recommendations or interpretation of policy. Many of the questions are not unique and the information may be beneficial to many University employees. The goal of this newsletter will be to disseminate this information to MSU employees to increase awareness of responsibilities and assist you in implementing effective controls in your area of operations. I will also include articles regarding good business practices, internal controls, and responsibilities. You will be given the opportunity to gain answers to your specific questions with articles like "Ask the Auditor". I look forward to getting to know each of you, to provide you with valuable information that will serve to be beneficial for your area, and to provide an environment of open communication and awareness.

Victoria M. Roach, CPA, CICA
Internal Auditor



While many of you are familiar with my office, some of you may not know that an Internal Audit Department exists or what they do. Here are some facts about the Office of Internal Audit.

What is the function of the Office of Internal Audit?

One of the primary functions of an internal auditor is to examine their organization's internal control structure and evaluate how adequate and effective it is. Internal auditors assist management in the effective discharge of their duties and responsibilities. They help their organization accomplish its objectives by bringing a systematic, disciplined approach to the evaluation and improvement of risk management activities, control activities and governance processes.

Do you work for McNeese State University?

Yes. There are internal and external auditor classifications. Examples of external auditors are those from governmental agencies and public accounting firms. The Internal Audit Department works for the University, and therefore are Internal Auditors.

What or Who do you audit? What types of audits are there?

In accordance with the university Policy on Internal Auditing, (found on the auditor's webpage, see pg. 4) the general scope of audit coverage is University-wide and no function, activity or department of the University is exempt from audit and review. There are six types of audits that can be performed:

1) **Administrative Internal Control Reviews**—focus on the departmental-level activities that are components of the university's major business affairs activities. Areas such as payroll and benefits, cash handling, inventory and equipment and their physical security, grants and contracts, and financial reporting are usually subject to review.

2) **Compliance Audits**—evaluate a unit's adherence to external laws, regulations, policies and procedures. Examples of external requirements include federal and state laws, NCAA regulations and federal and state OSHA regulations. Recommendations often call for improvements in processes and controls that would ensure compliance with regulations.

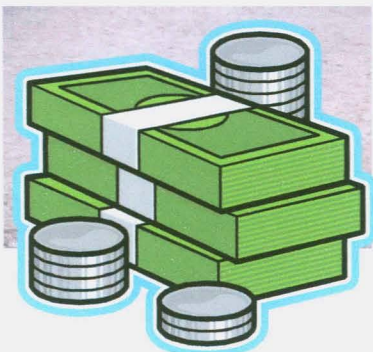
3) **Financial Audits**—address questions of accounting and reporting of financial transactions. This would include commitments, authorizations and receipts, and disbursement of funds. The intent is to verify that there are sufficient accounting controls over cash and similar assets, and that there are adequate process controls over the acquisition and use of resources.

4) **Operational Audits**—examine the use of departmental resource facilities to evaluate whether those resources are being used in the most efficient and effective manner possible. An operational audit includes elements of a compliance audit, a financial audit and EDP audit in the fact-finding phases.

5) **Electronic Data Processing (EDP) Audits**—address the internal control operations of automated information processing systems and how people use those systems. EDP audits typically evaluate system input, output, processing controls, backup and recovery plans, system security and computer facility reviews. EDP auditing projects can focus on existing systems as well as systems in the development stage.

6) **Investigative Audits**—focus on alleged civil or criminal violations of state or federal laws or violations of University policies and procedures that may result in prosecution or disciplinary action. Internal theft, white-collar crime, misuse of university assets and conflicts of interest would prompt the performance of an investigative audit.

Cash Handling Policies and Procedures



As you know, cash is a very sensitive and risky asset. Therefore, establishing effective internal controls over the collections and disbursements of cash is extremely important. Some questions that you can ask to determine whether your department or office is in compliance with university cash policies are as follows:

- A. Did you obtain approval to collect payments in your area?
- B. Upon receipt of check payments, are checks immediately restrictively endorsed?
- C. Do you make daily deposits?
- D. Does campus police pick up the deposits to bring to the cashier's office?
- E. Do you or someone in your area perform reconciliations?
- F. Are funds adequately secured prior to making a deposit?
- G. Are all deposits made to a university or foundation account?

If you have answered NO to any of these questions, you may not be in compliance with university policies and procedures. I encourage you to contact my office so that together we can take the appropriate steps to regain compliance with university policies and procedures. Now's the time to do it! So let's work together to help McNeese Succeed!

**"Responsibility—
We're in this
together"**

Ask the Auditor

In the upcoming issues of the "Audit Hot Spots", I would like to include a Q&A section. I invite you to ask any question that you may have regarding the University – from auditing, policy, procedures, to internal control issues. If you have a question, you can be sure that someone else on campus is wonder-

ing the same thing. So feel free to ask any question that you may have. I will do my best to provide you with the best advice and guidance. You can send your questions to: vroach@mcneese.edu Be sure to include "Ask the Auditor" in the subject line.



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Did you know...



.....that the majority of University policies can be found on the University website at: <http://www.mcneese.edu/policy>

Take a look – and please let us know if you're aware of a policy or procedure that is currently not listed. We'll ensure that it gets added as soon as possible.