AUDIT PROCESS

Overview and Conduct of the Audit Process

Although every audit project is unique, the audit process is similar for most engagements and includes the following steps:

a) Plan: Internal Audit will develop an audit plan based on a review of all pertinent information.

b) Notify: Internal Audit will prepare a scope memo documenting the objective, timing, and staffing of audit.

c) Test: Internal Audit will perform relevant testing of audit area.

d) Communicate: Internal Audit will keep the campus/department that is undergoing the audit, updated on a regular basis of the progress of the audit and whether there are any findings.

e) Draft: The report draft will include the audit Scope and Objectives, Findings and Audit Recommendations.

f) Campus/Department Response: Management of the campus/department being audited will receive the audit draft to confirm the facts and respond to the Audit Recommendations.

g) Review: The final version of the audit will be reviewed and all issues resolved by the VP of Internal Audit.

h) Distribute: The report is then released to the appropriate parties.

Audit Follow-Up Process

As required by Internal Auditing Standards (*Standards for the Professional Practice of Internal Auditing*, *2500*), a follow-up process has been established "to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action."

Before each final audit report is issued, management is required to submit a response on what actions will be taken to address the audit recommendation, a responsible party, and an expected date of implementation.

On a quarterly basis, a review of all findings in "pending" status, by project code is performed. A determination is made by Internal Audit management of which findings will be followed-up, based on the estimated completion date.

Internal Audit will then:

- Address the engagement observations and recommendations to appropriate levels of management responsible for taking action;
- Receive and evaluate management responses and obtain supporting documentation and/or perform additional testing to determine that the recommendation has been met;
- Document the results of the follow-up procedures and supporting documentation in CCH® TeamMate TeamCentral;
- Code the finding as one of the following:
  - **Closed – Verified** - Internal Audit has verified that the recommendation has been adequately implemented and additional follow-up is not required.
  - **Closed – Not Verified** – Internal Audit has not verified the implementation (ex: A separate follow-up may be performed and the results will be documented separately).
  - **Closed – Management Accepts Risk** – Management has accepted the risk and has not implemented the recommendation.
  - **Closed – No Longer Applicable** – The recommendation is no longer applicable or no longer valid; and
- If additional follow-up is required or the recommendation has not been met, the finding is left in "pending" status.

The results of the follow-up procedures are reported to the RF Board of Directors at the quarterly Audit Committee meeting.

Note: If certain reported observations and recommendations are significant, Internal Audit may issue a separate follow-up audit report.