

A MESSAGE FROM THE PRESIDENT

There is nothing more important to the University of Illinois than our reputation for honesty and good management. That is why all of us in the University community must protect and advance the good name the University has earned over its long and distinguished lifetime. Our obligation as employees is clear: we must be careful guardians of the University's assets — its money, its equipment, its buildings and books — on behalf of the people of Illinois. In short, integrity is the bedrock of our institutional behavior.

We have an elaborate system of internal controls and administrative processes to help us all comply with both the letter and the spirit of laws. You may review the elements of a good control system in Section 9.1 of the Business and Financial Policies and Procedures at www.obfs.uillinois.edu/manual/central_p/sec9-1.html.

Professional staff in our audits office are experts on internal controls and I look to them to provide advice on management and control issues. So should you.

All across the University individual good decisions and best behavior keep us on the straight path. I appreciate your help in safeguarding all of our assets and working with our audit staff.

This pamphlet provides background information on the audits office; there is more at www.audits.uillinois.edu.

B. Joseph White

WHO SHOULD I CONTACT IF I HAVE QUESTIONS FOR OUR UNIVERSITY AUDIT OFFICE?

Please direct questions to:

- **Julie A. Zemaitis**

Executive Director
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- **Darla J. Hill**

Director at Urbana-Champaign,
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- **Neal F. Crowley**

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OFFICE OF UNIVERSITY AUDITS

The mission of the Office of University Audits (Office) is to protect and improve the University and its related organizations through independent, objective assurance and consulting services that evaluate the effectiveness of risk management, internal control, and governance processes.

The Office reports functionally to the President and to the Budget and Audit Committee and administratively to the Vice President and Chief Financial Officer. The Office assists all levels of administration in the achievement of University goals and objectives by striving to provide a positive impact on the efficiency and effectiveness of administrative functions. The information below answers some of the most commonly asked questions about internal audits.

WHY MIGHT I REQUEST AN AUDIT?

An audit is an opportunity to receive an independent appraisal of the effectiveness and efficiency of your unit's administrative activities. The timing of an audit can be an important factor in maximizing the resulting benefits. If you have recently assumed new or additional supervisory responsibilities, an audit can review administrative procedures to assess whether internal controls in your unit are adequate and to provide suggestions to improve the efficiency and effectiveness of your unit's administrative activities. Conversely, a periodic "checkup" to review your unit's administrative activity can help ensure that your procedures continue to provide the desired level of internal control and comply with University policy. It is also beneficial to assess system controls and new office procedures when computer systems are installed.

You may wish to coordinate an audit request with your Vice Chancellor's or Vice President's office or submit a request for an audit directly to the Office of University Audits.

WHY WAS I SELECTED TO BE AUDITED?

The University conducts a regular, ongoing examination of its internal controls, and as part of this process, the Office of University Audits conducts approximately 70 audits annually. Primary considerations in establishing which units will be audited include evaluation of risk, the results of previous internal and external audits, and specific requests and other input by administrators. Audits for many high risk units are routinely scheduled, while other units are randomly selected for audits of the internal controls over their administrative processes. In addition, internal audits are initiated to investigate possible irregularities.

WHAT SHOULD I EXPECT WHEN AN AUDIT IS SCHEDULED FOR MY UNIT?

Although unannounced audits are initiated where appropriate, typically a representative of the Office of University Audits will contact you to schedule a meeting to discuss the planned objective and scope of the review and the logistics of conducting the audit. At this initial meeting, you should take the opportunity to discuss any concerns or questions you may have about the audit, to identify any issues or areas of special concern that you would like the audit to address, and to determine how you can facilitate the audit process. A typical audit has several stages, including preliminary research; data collection (some by interview), analysis, and review; an exit conference; and preparation and distribution of an audit report. Control weaknesses identified during the audit will be noted in the audit report, and a follow-up review will subsequently be performed to determine whether corrective action has been taken.

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<http://www-audits.admin.uillinois.edu>

HOW LONG WILL AN AUDIT TAKE?

The audit team assigned to the audit of your unit will give you an estimate of the time anticipated to complete the audit. An audit will result in a certain amount of time being diverted from your unit's usual routine, but every effort will be made to keep this disruption to a minimum. We appreciate your assistance and cooperation.

HOW WILL AUDIT FINDINGS BE REPORTED?

The appropriate people will be kept apprised of the auditor's findings throughout the course of the audit. At the conclusion of the audit, you will be provided a draft of the audit report for your review before the final version is issued. You will also be given the opportunity to discuss the draft audit report at an exit conference with the audit team members. Once the report content has been agreed to, those individuals responsible for implementing any corrective action will be asked to sign a copy of the report acknowledging their agreement to implement the corrective action.

Final audit reports are distributed to the President, Vice President and Chief Financial Officer, the Vice President for Planning and Administration, the Chancellor on your campus, the applicable Vice Chancellor, and the unit head and staff of the audited area, as appropriate. In addition, the State of Illinois Auditor General has access to all audit reports. Audit reports and workpapers are exempt from external disclosure under the Illinois Freedom of Information Act.

WHAT IS INTERNAL CONTROL AND WHY IS IT IMPORTANT?

Internal control is a process in which all University employees participate. It is designed to provide reasonable assurance to unit management that:

- Management data used in decision making and reporting is reliable, accurate, and timely;
- Assets are accounted for and safeguarded from loss;
- Operations are effective and efficient; and
- Compliance with applicable laws and regulations is at an acceptable level.

Internal control is intended to:

- prevent, or lessen the risk of, errors or irregularities;
- identify problems; and
- ensure that corrective action is taken.

WHAT ARE SOME EXAMPLES OF INTERNAL CONTROLS?

Examples of common internal controls include:

- *policies and procedures* (at the University, campus, and unit level) that are communicated and that establish what should be done, how, and by whom;
- *approvals and authorizations* that include a thorough review of supporting information to verify the propriety and validity of transactions;
- *verifications and reconciliations* (e.g., review and reconciliation of Banner statements, petty cash verifications, comparison of budgeted to actual amounts);
- *supervision* including training, keeping employees informed of new policies and procedures, and performance reviews;
- *safeguarding of assets* (including passwords and other restricted information) against theft, destruction, deterioration, or misuse (for example by locking your office, depositing cash receipts timely, and limiting access to procurement cards); and
- *segregation of duties* (dividing authorization, custody, and record keeping duties among different people so that someone can't both perpetrate and conceal an error or irregularity).

RISK ASSESSMENT SURVEY

To conduct a self-assessment of internal controls in your unit using internal control questions as applicable to University of Illinois policies, you can access our self-assessment questionnaire from the following url:

<http://www-audits.admin.uillinois.edu/SAS/selfassessmentsurvey.html>

INTERNAL CONTROL TOOLS

Our Internal Control Tools Web site provides University units access to some of the tools they need to ensure internal controls are in place in their day-to-day business operations. It also provides a way to ask internal control-related questions, request an audit, and request customized internal control training.

<http://www-audits.admin.uillinois.edu/ICT/ICT-introduction.html>

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