About the Rice University Office of Internal Audit
So what is Internal Audit?

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.
Who is Internal Audit?

Janet Covington, Director  Since March 2003
Lolita Gray, Internal Auditor  Since November 2007
Stacey Unger, Internal Auditor  Since June 2010
Ana Robledo, Department Assistant  Since September 2011
What do we do?

Internal Audit reviews the reliability and integrity of information, compliance with policies and regulations, the safeguarding of assets, the economical and efficient use of other resources, and established operational goals and objectives.
So how does Internal Audit decide what to audit?
In God We Trust

All Others Are Subject to Audit!
Annual risk assessment interviews are conducted with key leadership and operational personnel (about 50 people) to determine the relative priority among the myriad of processes and activities on campus that should be given based on a set of components.

These risk rankings are assigned based on the interviews and other financial and operational information.

Assumptions are made based on available Internal Audit resources and a rolling two-year plan has been created and maintained.

The internal audit plan and all reports are reviewed by the Audit Committee of the Board of Trustees.
GENERAL PHASES OF AN AUDIT

Preliminary plan for audit

Notification given to client management

Hold entrance conference (aka kick-off meeting)

Perform audit fieldwork

Develop audit observations and the related risk and recommendations

Review of audit work performed by audit management

Hold exit conference (aka closing meeting) with client management

Determine if a supplementary report is needed and draft a report, if necessary

Obtain management action plans to respond to audit observations

Finalize and distribute the report

Follow up on status of management action plans

Annual client satisfaction survey
What is Risk?

The possibility that an organization will NOT:

- achieve its goals
- operate effectively and efficiently
- protect itself from loss
- provide reliable financial data
- comply with laws and defined policies
What is a Control?

A process or other mechanism that provides reasonable assurance that errors and/or irregularities are found and corrected in the normal course of business.
There’s a balancing act between risks and controls...
What are the key controls?

- Segregation of Duties
- Control Environment
- Authorization, Approvals, Verifications
- Control Over Assets
- Monitoring
Control Conscious Environment

- Integrity and ethics
- Commitment to competence
- Leadership’s philosophy
- Organizational structure
Segregation of Duties

Functions are divided so that no one person has control over all parts of a transaction.

Segregation of duties is a preventive control that aids in the timely detection of errors and irregularities in the normal course of business.

The duties to be segregated are:
- Custody of assets
- Recording of transactions
- Reconciling of transactions
Authorizations, Verifications, and Approvals

- Limit authorization authority
- No “Rubber Stamping” – never sign anything you don’t understand
- Secure access to electronic signatures or other signatory devices
- NEVER, NEVER, NEVER sign a blank form
- Develop written procedures outlining delegation guidelines
Control Over Assets

- Periodic asset counts
- Periodic comparisons
- Investigation of discrepancies
- Physical safeguards against theft and fire
Monitoring

Monitoring is a detective control that aids in identifying losses, errors or irregularities.

But I’m so busy!!!!!
The Dreaded “F” Word...
**Fraud Fast Facts:**

- It is estimated that organizations lose 5% of their revenues to fraud. Globally, that’s more than $3.7 trillion.

- Most perpetrators are first-time offenders.

- Amount of loss is directly related to fraudster’s position in the organization.

- Most frauds are detected by tips.

- Deterrence is key.

_Source: ACFE’s 2014 Report to the Nation on Occupational Fraud and Abuse_
Fraud Triangle

Opportunity

Non-shareable Financial Problems

Rationalization
What are the “Red Flags” of Fraud?

• No vacation
• Voluntary overtime
• Unexplained variances
• Complaints
• No reconciliation
• One employee “does it all”
• Documentation is not original
• “Rush” requests
How is Fraud Typically Found?

Source: ACFE’s 2014 Report to the Nations on Occupational Fraud and Abuse
Concerns held by the Rice community regarding possible breaches of ethics or university policy have always been taken seriously by university leadership. There are several campus offices involved in the handling of such concerns. They include, among others:

- General Counsel
- Risk Management
- Internal Audit
- Human Resources
- Equal Employment Opportunity/Affirmative Action
What kinds of things should be reported?

- Accounting, auditing, or internal control process issues including financial misconduct
- Inappropriate employment practices and actions
- Research misconduct
- Sexual harassment
- Workplace violence
- Unsafe work conditions
- Other unethical behaviors or violations of law or university policy affecting the Rice community.
You are strongly encouraged to call or visit any one of these offices to report a concern.

However, in March 2005, an external anonymous hotline was implemented to supplement our existing communications in those cases that would otherwise not be reported face-to-face by those wish to remain anonymous…

The Rice Ethicsline
So how can I reach the Rice EthicsLine?

www.rice.edu/ethics
Links are on the staff and faculty homepages

or

1-866-294-4633 (toll free)

Either way, your communication is confidential and your identity protected (unless you choose to identify yourself).
No retaliatory action will be taken against anyone for reporting or inquiring in good faith or for seeking guidance on how to deal with potential or suspected breaches.

This is true whether the concern is communicated in a face-to-face meeting or using the Rice Ethicsline.

(Policy 813 Whistleblower Protection)
Controls are everybody’s business. This means we all need to work together toward mutual accountability for internal control. If you are aware of a problem that needs to be addressed, let’s put our heads together and come up with a way to make it better.
So who audits the auditors?

The Institute of Internal Auditors has Standards of Professional Practice which our department aspires to meet or exceed.

The Internal Audit department underwent a quality assessment in July 2011.

The assessor’s opinion was that Rice’s Internal Audit function fully complies with the standards of professional practices.

....which is not to say there weren’t a few constructive recommendations for improvement!
How do I reach Internal Audit?

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