ORGANIZATIONAL STRUCTURE

The Office of Internal Audits (OIA) is a vital part of Midwestern State University and functions in accordance with the policies established by the Board of Regents. The Director of Internal Audits is appointed by the Board of Regents and reports functionally (directly) to the Board of Regents and administratively to the President. All Office of Internal Audits personnel shall report directly to the Director of Internal Audits. The organizational status and the support accorded to the Director of Internal Audits by the executive management are major determinants of the scope and value of the internal audit function to the institution.

PURPOSE

The OIA provides independent, objective assurance, and consulting services designed to add value and improve the University’s operations. The OIA was established within the University to bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes as a service to the Board of Regents and the President to assist all entities in accomplishing their objectives.

The OIA is responsible for providing executive management with information about the adequacy and effectiveness of the institution’s system of internal administrative and accounting controls and the quality of operating performance when compared with established standards.

INDEPENDENCE

To provide for the independence of the Director of Internal Audits, she or he reports directly to the Board of Regents (through its Audit, Compliance, and Management Review Committee) and administratively to the President and must be free of all operational and management responsibilities that would impair the internal auditor’s ability to review independently all aspects of the University’s operation (per the Texas Internal Auditing Act – Texas Government Code, Chapter 2102).

AUTHORITY

The Director of Internal Audits must have a high degree of independence and not be assigned duties or engage in any activities that the OIA would normally be expected to review or appraise. To accomplish these activities the Director of Internal Audits is authorized to have full, free, and unrestricted access to all functions, activities, property, information systems, personnel, and records (including medical). The examination of patient medical records must serve a genuine audit need; and individual patients will not be identified in any audit report.

The Director of Internal Audits is not authorized to perform any operational duties, initiate or approve accounting transactions external to the OIA, or direct the activities of any employee not appropriately assigned to auditing teams or to otherwise assist the OIA.

SCOPE OF ACTIVITIES

The scope of work of the OIA is to determine whether the University’s network of risk management, control, and processes, as designed and represented by management, is adequate and functioning in a manner to help ensure:

- Risks, including strategic risks, are appropriately identified and managed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employees’ actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the University’s control process.

Opportunities for improving internal control may be identified during audits. These opportunities will be communicated to the appropriate level of management.

Consulting services means advisory and related client service activities, the nature and scope of which are agreed upon with the client and are intended to add value and improve the University’s operations. Consulting services include counsel, advice, facilitation, and training, and may range from formal engagements with defined scope and objectives, to advisory activities, such as participating in standing or ad hoc committees or project teams; consulting may also include informal guidance on an as needed basis. In all cases, the OIA functions only as an advisor, with the University’s management deciding on final direction.

RESPONSIBILITY

The Office of Internal Audits has responsibility to:

- Ensure compliance with the Texas Internal Auditing Act.
- Develop a flexible annual audit plan using an appropriate risk-based methodology and that identifies the individual audits to be conducted during the year, including any risks or control concerns identified by management, and submit that plan to the President for review and to the Board of Regents for approval; and submit any changes in the approved annual audit plan to the President for review and to the Board of Regents for approval.
- Implement the annual audit plan, as approved, including as appropriate any special projects requested by the Board of Regents or the President and time to follow-up on significant findings from previous audits; deviations shall be documented.
- Perform periodic audits of the University’s major systems and controls, including: accounting systems and controls; administrative (governance) systems and controls; and electronic data processing systems and controls. In accordance with the Public Investment Act (PFI), Texas Government Code Section 2256.005(n), at least once every two years the University is required to audit management controls on investments and adherence to its established investment policies.
- Annually assess whether the University has adopted the rules and policies relating to state agency contracting as required by S.B. 20 (2015), and shall submit a report of findings to the State Auditor. Such annual assessment shall be a systematic, disciplined approach to evaluate and improve the effectiveness of the University’s risk management, control, and governance processes related to contracts and to require risk-based testing of contract administration. The Director of Internal Audits shall have full and unrestricted access to all institutional property, personnel, and records.
- Have and maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter and the Texas Internal Auditing Act, and submit an annual staffing plan to the Board of Regents and the President reviewing the resources dedicated to the internal audit program to determine if adequate resources exist to ensure that risks identified in the annual risk assessment are adequately covered within a reasonable time frame.
- Communicate the results of engagements promptly and to the appropriate individuals.
• Issue periodic reports (on at least a quarterly basis) to the President and the Board of Regents summarizing results of audit activities, including progress on the annual audit plan, audit accomplishments, and highlights of any significant audit findings and recommendations.

• Conduct special audits and special consultations requested by the Board of Regents or the President (e.g., economy and efficiency audits and program results audits).

• Ensure that an appropriate internal quality control system (quality assurance review) is in place and undergoes a comprehensive external peer review of its auditing and attestation engagement practices at least once every three years by reviewers independent of the audit organization.

• Provide consulting and advisory services as appropriate.

• Guide the University on control self-assessments by assisting managers with self-assessments and conducting self-audits.

• Manage and direct the implementation of Enterprise Risk Management by assisting in the process of identifying and analyzing risk from an integrated, University-wide perspective, including assessing the potential risk of fraud, abuse, or waste (e.g., in the contractor selection process, contract provisions, and payment and reimbursement rates and methods for the different types of goods and services for which the University contracts) and the management of such risk.

• Assist in the investigation of suspected fraudulent activities at the University (e.g., defalcation, misappropriation, and other fiscal irregularities), including possible improvements (e.g., policies, procedures, and compliance reviews) to prevent the likelihood of potential frauds occurring, and notify the President and the Board of Regents of the results.

• File internal audit reports and related responses or action plans as required with the Office of the Governor, the State Auditor’s Office, the Sunset Advisory Commission, and the Legislative Budget Board within thirty days after presenting such reports for review by the University’s Board of Regents and President.

• Prepare the annual report required by the Texas Internal Auditing Act and submit the report before November 1 of each year to the Governor, the Legislative Budget Board, the Sunset Advisory Commission, the State Auditor, and the University’s Board of Regents and President.

STANDARDS OF AUDIT PRACTICE

In performing its internal audit activities, the Office of Internal Audits is required by the Texas Internal Auditing Act to conform to the Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing and the Code of Ethics, and generally accepted governmental auditing standards of the Government Accountability Office.

Approved by the Midwestern State University Board of Regents on: November 13, 2015