POLICY Board of Trustees - Montgomery College **61005**

Chapter: Fiscal and Administrative Affairs Modification No. 002

Subject: **Internal Audit**

I. Purpose

A. The Internal Audit function is an independent, objective assurance and consulting activity, within Montgomery College, designed to add value and improve a department's operation. It is a managerial control that helps departments accomplish their objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

B. Internal Audit is intended to assist members of management in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations, and pertinent comments concerning the activities reviewed.

II. Authority

A. Internal Audit is authorized to direct a broad, comprehensive program of internal auditing within the College.

B. Internal Audit may be concerned with any phase of College activity that may be of service to management, a responsibility that involves going beyond the accounting and financial records, and policies and procedures, to obtain a full understanding of the operations under review.

C. In order to carry out assigned responsibilities, the Internal Auditor and designees are authorized full, free, and unrestricted access to all College activities, records, property, and personnel.

D. Internal Audit shall have no responsibility for the purchase, use, or disposition of college assets.

III. Responsibilities

Internal Audit is responsible for:

A. Establishing policies for the auditing activity and directing its technical and administrative functions.

B. Developing and executing a comprehensive audit program/plan for the evaluation of the management controls provided over College activities.

C. Examining the effectiveness of all levels of management in their stewardship of College resources in compliance with established plans, policies, and procedures, and sound management approaches.

D. Recommending improvement of management controls designed to safeguard College resources, promote achievement of College goals and objectives, and ensure compliance with governmental laws, regulations, and Board of Trustees policies.

E. Authorizing the publication and distribution of reports on the results of audit examinations, including recommendations for improvement.

F. Appraising the adequacy of the action taken by management to correct reported deficient conditions, acknowledging adequate corrective action, and continuing reviews with appropriate management personnel on action considered inadequate until the matter has been satisfactorily resolved.

G. Conducting special reviews at the request of management.

IV. Audit Reporting

The Board shall consider the auditor's findings and recommendations, the responses to the findings and recommendations, and the President's recommendations in the matter.

V. The President is authorized and directed to establish procedures to implement this policy.

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Board Approval: May 16, 2005; February 25, 2014

Chapter: Fiscal and Administrative Affairs Modification No. 008

Subject: **Internal Control & Audit**

I. Internal Auditing

Internal auditing is a staff function which serves College management as an independent, objective assurance and consulting activity designed to add value and improve organizational operations. Internal audits are conducted by the College Auditor who is directed by the Vice President of Audit and Business Process Management who reports directly to Senior Vice President for Administrative and Fiscal Services and, as circumstances warrant, to the President through the Senior Vice President for Administrative and Fiscal Services. Functioning under an annual audit plan approved by the President, the internal audit function supplements the annual external audit that is required by State law and conducted in accordance with prescribed requirements of the Maryland Higher Education Commission. The external audit is normally conducted by an independent certified public accountant of the College's selection (see policy on "Appointment of External Auditor").

II. Internal Audit Objectives

The objectives of each internal audit will be to provide:

A. An audit plan annually that evaluates the College's general business processes and determines risk of loss or waste due to potential noncompliance or ineffective processes and determines the value of an improvement and incorporation of recommendations of the President and Senior Vice President for Administration and Fiscal Services.

B. An independent review of the College's compliance with policies and procedures.

C. An independent appraisal of the business and operating controls and systems with the principal objectives of eliminating waste and minimizing the potential for improprieties and/or mismanagement.

D. A determination as to whether resources are being used effectively and efficiently.

E. An objective evaluation of and a written report on the internal controls over, and the support for, the collection, control, and disbursement of College funds and the safeguarding of the College's assets and its records.

F. Recommendations, where applicable, for improving the effectiveness of the areas audited.

III. Internal and External Audit Reports

A. The internal audit report represents the formalization of those audit findings and related recommendations which the College Auditor believes warrant management consideration, evaluation and action as appropriate to the circumstances. From the management point of view, an audit report should be

considered as a management tool and be utilized as such to the fullest extent applicable.

B. The internal audit report will usually consist of sections titled: Introduction, Scope, Findings, Conclusions and Recommendations. The Introduction and Scope sections will be brief and give general descriptions as to the activity audited and the extent of the audit. The internal audit report will be reviewed by the Senior Vice President for Administrative and Fiscal Services and distributed through the Office of Audit and Business Process Management.

C. Normally, the person directly responsible for the supervision of the activity audited and the immediate administrator will be the person to whom the internal audit report will be addressed.

D. In the case of an external audit, the auditor's findings and recommendations, if any, would be addressed to the Board of Trustees through the President; however, initial response to the recommendations will be by an appropriate administrator designated by Senior Vice President for Administrative and Fiscal Services. In each instance, that person is responsible for carefully considering each finding and recommendation, evaluating same in the context of how the particular activity could benefit, and then thoughtfully deciding on a proper course of management action as appropriate to the circumstances.

IV. Management Follow-Up on Reports

A. Within 10 calendar days after the date of receipt of an internal audit report or an external audit report containing findings and recommendations, the addressee will direct a memorandum of response to the Vice President of Audit and Business Process Management with a copy to the Senior Vice President for Administrative and Fiscal Services outlining as concisely as possible:

1. Whether there is general agreement with the overall report findings and recommendations.

2. Any lack of agreement and the reason why.

3. The management action taken or contemplated on each finding and/or recommendation (or a brief reference to the fact, if the report correctly summarizes such actions taken up to the report date).

4. Any specific finding or recommendation which may involve matters beyond the addressee's authority to correct.

B. The response will copy the appropriate direct administrator (if not the addressee) for review and concurrence, and be marked for prompt handling.

C. When additional time to consider a report or individual recommendation is necessary, an extension of time should be requested of the Vice President of Audit and Business Process Management by the appropriate administrator or vice president/provost.

D. When received, responses to reports of the external auditor will be promptly reviewed by the College Auditor and the Senior Vice President for Administrative

and Fiscal Services and then submitted to the President for transmittal to the Board of Trustees, with recommendations as appropriate to the circumstances.

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Administrative Approval: July 27, 1976; February 3, 1978; September 20, 1978; June 4, 1980; November 7, 1984; August 30, 1994; January 10, 2003**;** February 25, 2014