

GRAMBLING STATE UNIVERSITY

Risk Assessment – Annual Audit Plan

Fiscal Year 2016-17

Each year the Internal Auditor considers an assessment of risk in conjunction with the completion of the annual audit plan. The results of that assessment are summarized within this document. This document seeks to prioritize that assessment. Internal Audit recognizes that this document, while titled Risk Assessment – Annual Audit Plan, is informal in nature. This document strives to allocate scarce audit resources to individual audits and tasks.

This document forms the basis of the annual Audit Plan, which provides the overall plan for annual audit coverage. A list of potential audit areas will be compiled, identifying the source from which it was derived. The list will be prepared with input from the President, System Director of Internal & External Audit, Vice Presidents, other management level employees, and other sources as deemed appropriate (e.g., Louisiana Legislative Auditor). The listed audit areas will be prioritized. Consideration will be given to the available audit hours, the source (e.g. System Director), the requirement to audit (e.g. State law, System policy, etc.), and the nature and type of audit risk, among other things.

Ideally, audit plans should focus on areas of significant risk. Risk, which is measured in terms of consequences and likelihood, is defined as the uncertainty of an event occurring that could impact the achievement of the University's goals and objectives.

While there are innumerable ways to describe the risks inherent in the University environment, the method used at Grambling State University is to separate risks by type, into five categories:

Operational (O): [Operational risks affect an ongoing management process.](#) Are University resources being used in an effective and efficient manner? How could the operations be improved [internally (departmental and within University community) and externally]?

Financial (F): [Financial risks may result in the loss of assets \(monetary or physical assets\).](#) Are cash receiving, purchase requisitions, accounts payables and other University financial processes handled as intended? Are assets maintained and protected in an appropriate manner? Are financial reports created by management reliable? Are accounting records kept timely and correctly?

Compliance (C): [Compliance risks affect compliance with laws, regulations, or internal policies.](#) Is the department in compliance with state and federal laws and regulations, with System policies and procedures, with grants and other contractual requirements, and applicable University policies?

Reputational (R): [Reputational risks affect the reputation of the University.](#) Since the University's reputation has a direct impact upon student recruitment and retention, fundraising efforts, and the ability to attract well-qualified faculty and staff, it is important to be sure that no department is engaged in any activity which might reflect adversely on the University. Activity which gives the appearance of being inappropriate can be as damaging as activity which actually is inappropriate.

Strategic (S): Strategic risks affect the ability to achieve goals and objectives. At an individual, departmental, and institutional level, the University must consider the "big picture", and take steps to ensure that all mission, goals, and objectives are being met. Some activities may be viewed as counter-productive to the University's strategic plan.

Once the inherent risks and risk type are identified, an attempt will be made to estimate the probability of a significant negative event occurring that will severely impact the University. Next, a determination of the perceived urgency of such an event to the University will be assessed, followed by an assessment of fraud potentiality. This information (probability, urgency, and fraud potentiality) will be analyzed and compiled in such a manner to prioritize the auditable areas. Of the three information types, fraud potentiality will carry the most weight, followed by the probability of a negative event occurring, and then urgency.

Finally, the auditable areas will be prioritized into a *low* risk (L), *medium* risk (M), and *high* risk (H) ranges, followed by a numerical priority ranking. High risk will include all those audits required by law or policy, and those warranting such placement as a result of the prioritizing process.

Those audit areas appearing on the annual Audit Plan will be based on ranking, **limited to the available audit hours**, which includes an allowance of hours for the effective administration of the internal audit function. This would include such things as audit planning, training, administrative tasks (e.g., time sheets and travel documents), supervising and reviewing working papers, and special and/or unscheduled projects, among other things. It is not necessary to numerically rank or estimate required audit hours for all potential audit areas, as all cannot be included on the annual audit plan (limited available audit hours).

The Audit Plan is fluid in nature, and is subject to change.

Prioritize the following potential areas for inclusion on annual audit plan (limited to available hours):

Potential Audit Area	Risk Type	Probability of Occurrence (A Negative Event)	Criticality to University	Fraud Potentiality	Est. Hours	Source	Audit Required by Law or Policy? (System or GSU)	Priority	
		High Moderate Low	High Moderate Low	Strong Moderate Low				Range	Assign #
<p>Student Technology Fee</p> <p>Determine that fiscal years 2015 and 2016 (1) Student Technology Fees are assessed, collected, and/or expended in accordance with statute and the University's Technology Plan; (2) expenditures are in compliance with purchasing guidelines; (3) asset management and dispositions follow property control regulations; and, (4) salary expenditures are in compliance with ULS guidelines.</p>	O/F/C/R	L	M	L	400	ULS policy	Yes FB.IV.V.-1 STF Exp. Guidelines	H	1
<p>Vault Reconciliations</p> <p>Assess internal control procedures for University assets through unannounced cash count, to include cashier's advance, for each cash collection/vault site. Determine if compliance exists with written policy and procedures on handling of vault. Determine if assets are properly safeguarded.</p>	O/F/C/R	L	H	S	80	ULS policy	Yes VII-22 Departmental Vault/Safe Control	H	2
<p>Athletic Ticket Sales and Reconciliations</p> <p>Review athletic (football only) ticket sales (including complimentary tickets) to determine compliance with University policy and procedures, existence of internal controls and identify best practices within the Athletics Department and the Controllers' Office. NOTE: The outstanding issues from the 4th follow-up review completed July 2011 will be included in this review.</p>	O/F/C/R	M	H	S	480	Internal Auditor	Board Rule C-V Section IV and NCAA Bylaws (complimentary tickets)	H	3
<p>Key Control Audit</p> <p>Review the key control process to determine that authorized access to, and security of, all university facilities are in place, as well as to ensure that the integrity of all University keys have not been compromised while addressing the needs of the users for appropriate access</p>	O/F/C/R	H	H	M	400	Management	NO	H	4

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		High Moderate Low	High Moderate Low	Strong Moderate Low				Range	Assign #
to university space. Determine if accountability for all keys issued exists to ensure the personal safety and physical security of the university's staff, faculty and students.									
NCAA Document Review Follow-up Grambling State University's 2012-13, 2013-14 and 2014-15 NCAA Division I Academic Performance Program data review focused on the areas of cohort composition, delayed graduation points and Graduation Success Rate of student-athletes. Review the report which is a comprehensive review of all issues found in those areas including Receipt of Athletically Related Financial Aid (excluding Cross Country/Track), Term Athletically Related Financial Aid Awarded, Exhausted Eligibility and Graduated, Teams Awarding Athletically Related Financial Aid to Multisport Participants, Receipt of Athletically Related Financial Aid for Cross Country/Track, APR Retention, Delayed-Graduation Points, and Graduation Success Rate (GSR), and determine if athletic department and enrollment management staff have implemented the recommendations.	O/F/C/R	H	H	M	400	Management	NO	H	5
Follow-up on Prior Internal/External Audit Findings: *Travel Card Audit and Program Review *2 nd Follow-up of Investigation of Fraudulent Acquisition of Meal Plans – Spring 2015 *2015-16 Junior Class President Eligibility Investigation *2015 Single Audit Report by LLA	Depends on nature of original finding	Depends on nature of original finding	Depends on nature of original finding	Depends on nature of original finding	380	Internal Auditor	YES 2500.A1 IIA Standards FB.IV.(1-a) Internal Audit Charter	N/A	

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		High Moderate Low	High Moderate Low	Strong Moderate Low				Range	Assign #
Management Requests, Investigations and Special Projects/Audits	Depends on nature of request or unscheduled audit	Depends on nature of request or unscheduled audit	Depends on nature of request or unscheduled audit	Depends on nature of request or unscheduled audit	500	Internal Auditor	NO	N/A	
Supervision and Review	Not applicable	Not applicable	Not applicable	Not applicable	400	Internal Auditor	YES 2340 – Engagement Supervision IIA Standards	N/A	
General Administration, Planning, CPE and Other Training	Not applicable	Not applicable	Not applicable	Not applicable	400	Internal Auditor	NO	N/A	
Personnel Actions Review Determine University compliance with system policy concerning employment actions for new hires.						ULS Auditor	Consider FS.III.II.B,C,D-1 Personnel Actions		
University Endowments Determine compliance with policies and procedures; reconcile the total asset value for each; identify additional income (<i>interest earned</i>) for further investments and supplementary expenditures.						Management Faculty			
Review of Service Contracts Determine if appropriate internal controls have been established to monitor and ensure commissions and charges; determine if there are audit provisions; review reimbursement provisions.						Management			

Calculate items to include on Annual Audit Plan (limit to available audit hours):

Potential Audit Area	Available Hours
	3440
Less:	
General Administration, Planning, CPE and Other Training	-400
Supervision and Review	-400
Management Requests, Investigations and Special Projects/Audits	-500
Follow-up on Prior Audit Findings	-380
NCAA Document Review Follow-up	-400
Key Control Audit	-400
Athletic Ticket Sales and Reconciliations Review	-480
Student Technology Fee Review	-400
Vault Reconciliations	-80
Available hours remaining	0

Comment 1:

The University has allocated two fulltime auditor positions to the Office of Internal Audit. Available audit hours were determined to be **3440** (4160 total hours less 720 annual leave, holidays, sick leave, and University closures hours). Given the number of available audit hours, annual audits required by System policy, and follow-up audits, a more formal risk assessment is not prepared. Completion of a more formal risk assessment is not expected to significantly impact the annual audit plan, or audits actually performed, given the limited available audit hours. Also, completion of a more formal risk assessment will further reduce available audit hours.

Standard Hours Available for FY 2016-17		4160
<i>Less:</i>		
Vacation Leave (80 hrs x 2 auditors)	160	
Paid Holidays & University Closures	384	
Sick Time (88 hrs x 2 auditors)	176	<u>720</u>
<i>Audit Hours Available</i>		3440

Comment 2

Internal Audit solicited input from the President, Vice Presidents and other management level employees regarding “areas of risk that you believe warrant attention by Internal Audit”. A few members of management expressed concerns about University Endowments, University Key Controls, and general attendance and timeliness of employees reporting to work.