

OFFICE OF INTERNAL AUDIT CHARTER

PURPOSE AND DEFINITION

The Office of Internal Audit provides independent, objective assurance and auditing, and investigative services designed to add value, improve internal controls and strengthen the University's operations. Internal Audit helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and compliance processes. The "independence" of Internal Audit means that its activities are conducted in a manner free from conditions that threaten its ability to carry out its responsibilities in an unbiased manner.

ROLE

The primary role of the Office of Internal Audit is to assist the Board of Trustees and management in the effective discharge of their responsibilities. Its responsibilities and oversight have been defined by the Audit Committee of the Board and management. The activities of the Office of Internal Audit assist the University in the assessment and improvement of the effectiveness of the internal control framework, risk management and compliance processes.

PROFESSIONAL STANDARDS

The University is committed to the professional practice of internal auditing. The Office of Internal Audit's responsibilities will be performed in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and Code of Ethics. Any aspects of financial auditing are conducted in accordance to Generally Accepted Accounting Principles (GAAP) or any other standards adopted by any governing authority such as FASB, AICPA and IIA.

AUTHORITY AND INDEPENDENCE

The Office of Internal Audit is authorized to direct a broad, comprehensive program of internal auditing within the organization. The Office of Internal Audit shall have full, free and unrestricted access to the University's records, physical properties, personnel, independent auditors and other individuals relevant to an area under review. The Associate Vice President of Internal Audit reports administratively to the Executive Vice President for Finance and functionally to the Chair of the Audit Committee. This charter provides the framework for the Office of Internal Audit, its activities and functions in the University as defined by the Audit Committee.

Internal Audit's objectivity and independence depends largely on having no responsibility for or authority over any of the activities or operations subject to its review. Further, the internal audit review and appraisal does not relieve other personnel in the organization of the responsibilities assigned to them.

Internal auditors should not perform any operational duties, develop and install systems and procedures, initiate or approve accounting transactions, prepare records, or engage in any other activity which they would normally review and appraise and which could reasonably be construed to compromise in appearance or fact, the independence and/or objectivity of the internal auditor.

SCOPE OF WORK AND RESPONSIBILITIES

The scope of work of internal audit is to determine whether the University's network of risk management, control, and compliance processes, as designed and represented by management, is adequate and functioning. The control frameworks are developed with reference to the Committee of Sponsoring Organizations model – COSO-ERM and ISACA's (Information Systems and Control Association) COBIT (Control Objectives for Information and related Technology). The structure is intended to ensure that:

- Risks are appropriately identified and managed.
- Significant financial, managerial, and operating information is accurate, reliable and timely.
- Employees' actions and transactions are in compliance with internal policies, standards, procedures, and external 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.
- Significant legislative and regulatory issues impacting the University are recognized and addressed appropriately.

The Office of Internal Audit has a responsibility to:

- Develop and execute a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, the independent audit firm, or the Audit Committee, and submit that plan as well as periodic updates to the Audit Committee for review and approval.
- Implement, as appropriate, any special tasks or projects requested by management and/or the Committee that are consistent with the department's mission and independence.
- Perform advisory services, beyond internal auditing assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design, and training.
- Assist General Counsel in the investigation of significant suspected fraudulent activities within the organization and notify management and the Audit Committee of the results.
- Communicate results of internal audits and recommendations for improvement to the Audit Committee and the most senior management responsible for implementing corrective action. Obtain written management responses as to corrective action planned or taken within a specified time from the issuance of the audit reports. Evaluate and monitor the disposition of the proposed actions and their expected effectiveness. Instances of residual risk that may be unacceptable to the University will be discussed with management and, if unresolved, reported to the Audit Committee.

- Issue periodic reports to the Audit Committee and management summarizing results of audit activities.
- Issue all audit reports to the Audit Committee Chair.
- The internal audit department will also regularly provide copies of activity reports to management and otherwise ensure that management is informed of the internal audit department's activities.
- The budget and staffing levels will be determined as part of the University's annual business planning and budgeting process. The Chief Audit Executive will report to the Committee on a regular basis regarding the adequacy of the department's staff and budget, and any adjustments that may be made to the audit plan or budget as appropriate during the course of the year.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter.
- Use outside services, where appropriate, to obtain specific expertise which is not available internally to meet the requirements of this charter.
- Coordinate with the external auditors, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.
- Coordinate with other control and monitoring functions within the organization.
- Keep the Audit Committee informed of emerging trends and successful practices in internal auditing. Provide a list of significant measurement goals and results to the Audit Committee.
- Review the organization's internal audit charter annually with management and the Audit Committee.

QUALITY ASSURANCE

The Chief Audit Executive shall develop and maintain a quality assurance and improvement program that covers all aspects of internal audit activity. This will enable the evaluation of the conformance of internal audit activities with the Institute of Internal Auditing International Professional Practices Framework (IPPF) and Code of Ethics. The program will also allow for the assessment of efficiency and effectiveness and identify opportunities for improvement of the internal audit practice.

The program will consist of periodic internal and external assessments. The external assessment will be conducted in accordance with requirements of *International Standards for the Professional Practice of Internal Auditing*. The Chief Audit Executive will present and discuss the results of any assessment with the Audit Committee and senior management. The Chief Audit Executive may state that the internal audit activity conforms to the *International Standards for the Professional Practice of Internal Auditing* only if results of the quality assurance and improvement program support the statement.

CHARTER APPROVAL

This charter represents the framework for the conduct of the internal audit function at the University. It is hereby recommended by the Associate Vice President of Internal Audit and is approved by executive management and the Audit Committee.

Recommended:

Associate Vice President Internal Audit
Mary S. Dalecki

Date: _____

Approved:

Executive Vice President for Finance
Anne Sullivan

Approved by the Audit Committee on October 9, 2009:

Chairman of the Audit Committee
Armen Avanesians