



Audit Interactive

A Higher Education Collaborative Experience
March 9-12, 2025 | Sheraton Hotel Downtown | Oklahoma City, OK



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Auditing Ethics/Environment using COSO

Objectives:

- Identify reportable issues
- Leverage available criteria
- Effectively communicate the results

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Definitions

Ethics


Culture


Conduct


Environment


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- **Ethics** is described as the **principles and expectations** governing the behavior of individuals and organizations in the conduct of their business.
- **Culture** represents the **invisible** belief systems, values, norms, and preferences of the individuals that form an organization.
- **Conduct** represents the **tangible manifestation** of culture through the actions, behaviors, and decisions of these individuals.
- **Environment** focuses on **people** – their individual **attributes**, including integrity, ethical values, and competence and includes management’s philosophy and operating style.



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Starting with Why

A culture of strong ethics can:

- Improve performance and productivity driven by highly engaged employees.
- Develop more effective communication and collaboration around strategic goals and values.
- Maintain a strong recruiting position and enhanced retention.
- Defend a positive reputation for the organization.
- Create more adaptability due to greater clarity about the organization's mission, expectations, and practices.



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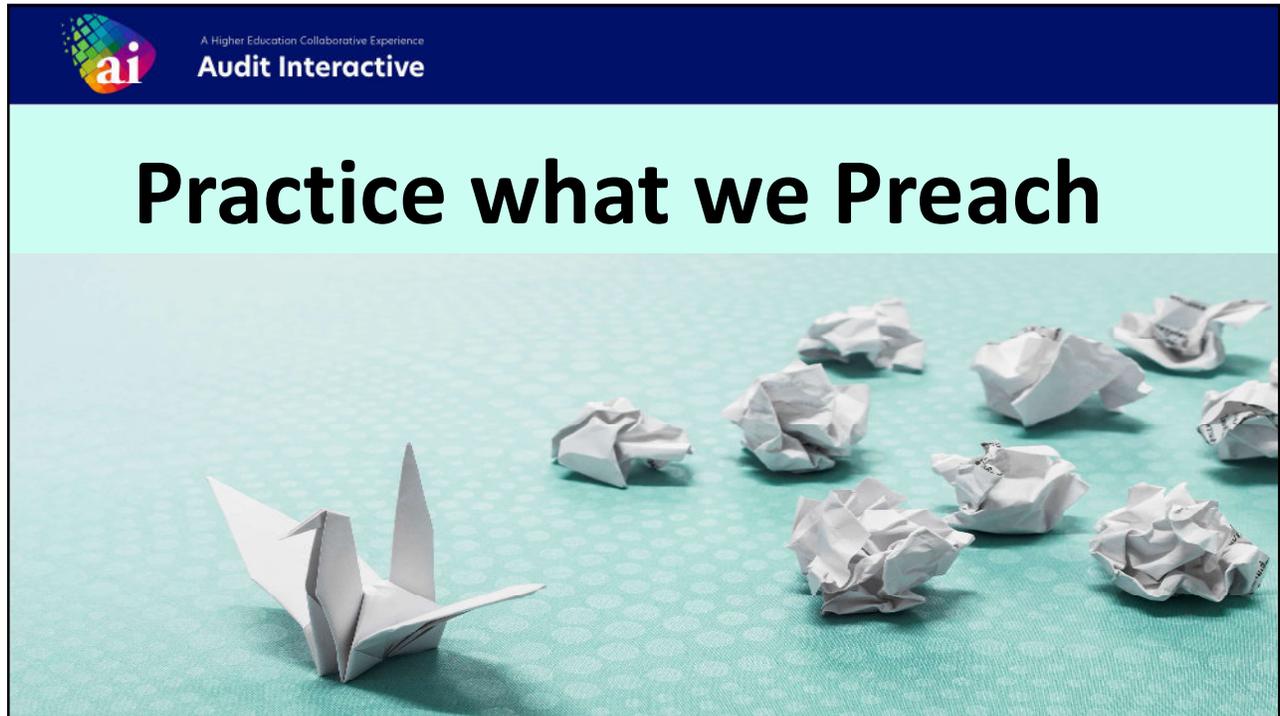
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The Standards

- Principle 1 – Demonstrate Integrity
 - Standard 1.2 Organization's Ethical Expectations
- Principle 9 – Plan Strategically
 - Standard 9.1 Understanding Governance, Risk Management, and Control Processes
 - Standard 9.4 Internal Audit Plan



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Audit Objectives

- Effectiveness of internal controls significant to management and financial processes.
- Effectiveness and efficiency of operations in their current environment.
- Determine extent of alleged misconduct and the factors which allowed the misconduct to occur and be undetected.
- Investigate claim of conflicts of interest and nepotism.



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 A photograph of a tiger's face peering through a dense thicket of green ferns. The tiger's eyes are visible, looking directly at the viewer. The background is a solid dark blue banner with the 'ai' logo and the text 'A Higher Education Collaborative Experience Audit Interactive'.

Risks

- Unreasonable expectations.
- Too much focus on the metrics, KPIs, etc.
- Incorrect usage of incentives.
- Employees' lack of knowledge about risks or potential impacts
- Inflexible hierarchy that doesn't allow for proper communication structures.
- Misunderstandings of how controls help the organization achieve its objectives.
- Mistrust of auditors and their feedback.
- Hubris, or the belief that the organization is immune from culture-related risks.
- Lack of accountability
- Failure to enforce policy, or failure to enforce equitably
- Unusual hiring/firing methods
- Long-term "interim" roles



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Risk ratings



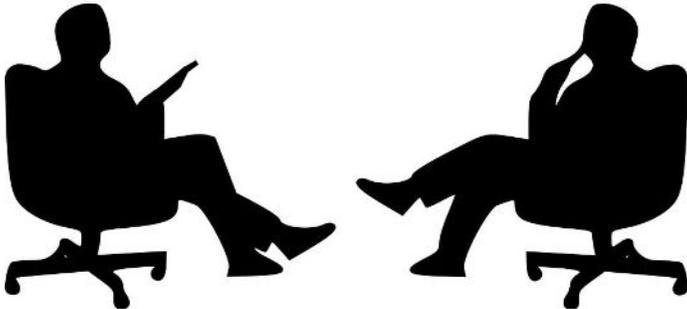
- Impact
- Likelihood
- Velocity
- Preparedness

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Audit procedures



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Audit procedures

- Ethics hotline & legal
- Interviews
- Surveys
- Policies & Strategic Objectives
- Review of organization structure

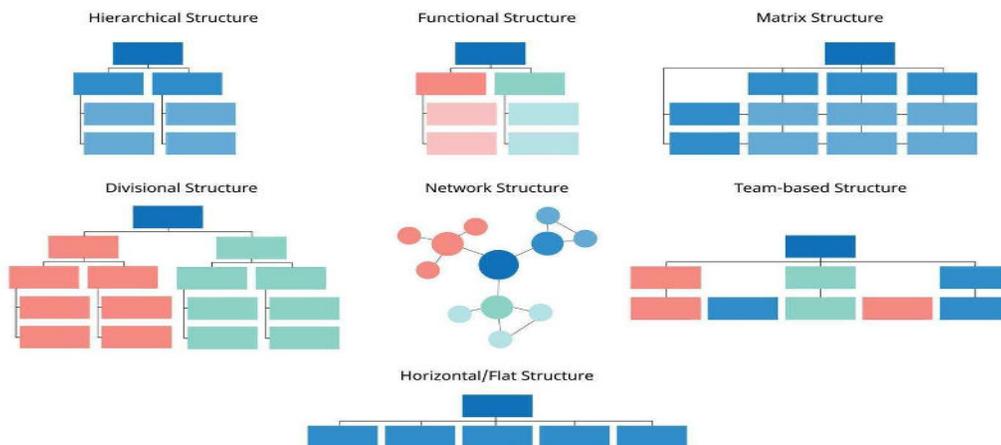


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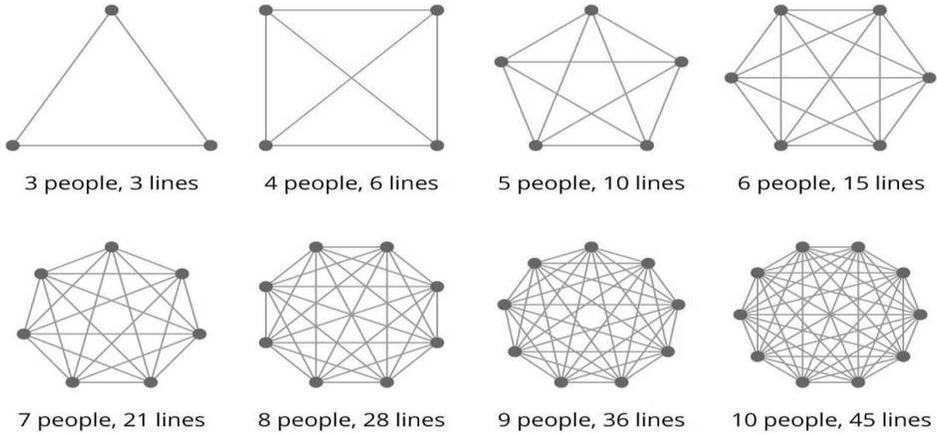
Types of organizational structures



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Communication Charts



Number of People	Number of Lines
3	3
4	6
5	10
6	15
7	21
8	28
9	36
10	45

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Audit procedures

- Ethics hotline & legal
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- Review of organization structure
- Review positional history

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Hiring, Promotion, Termination



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Audit procedures

- Ethics hotline & legal
- Interviews
- Surveys
- Policies & Strategic Objectives
- Review of organization structure
- Review positional history
- Review annual performance review information



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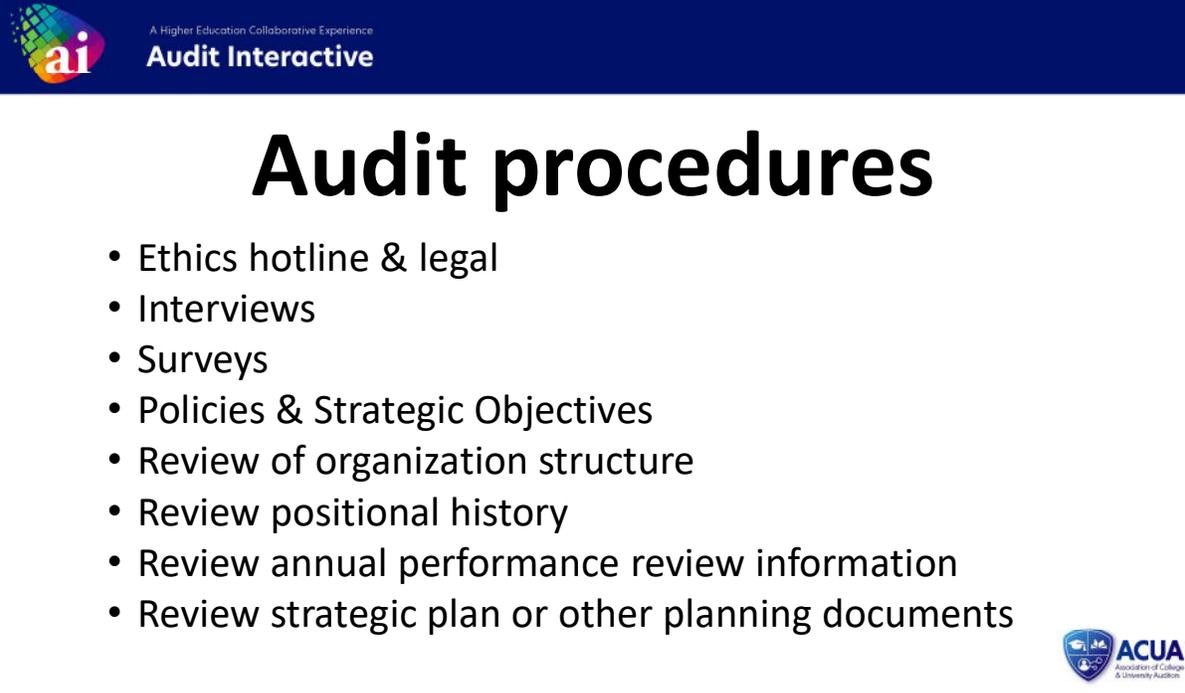
Performance Appraisal

Advantages
Motivation
Competition
Scrutiny of Employees
Statistical Information
Development of Employees

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The graphic features a silhouette of a person in a suit walking up a series of six ascending rectangular blocks. Each block is labeled with a key concept related to performance appraisal. The blocks are colored in shades of green, red, brown, and grey. The text 'Performance Appraisal' is written in large blue letters at the top right. The 'ai' logo and 'A Higher Education Collaborative Experience' are in the top left, and 'educba.com' is in the bottom right.

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Audit procedures

- Ethics hotline & legal
- Interviews
- Surveys
- Policies & Strategic Objectives
- Review of organization structure
- Review positional history
- Review annual performance review information
- Review strategic plan or other planning documents

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The slide has a dark blue header with the 'ai' logo and 'A Higher Education Collaborative Experience' on the left, and 'Audit Interactive' on the right. The main content area is white with the title 'Audit procedures' in large black font. Below the title is a bulleted list of seven audit procedures. In the bottom right corner is the ACUA logo, which includes a shield with a scale and a book, and the text 'ACUA Association of College & University Auditors'.

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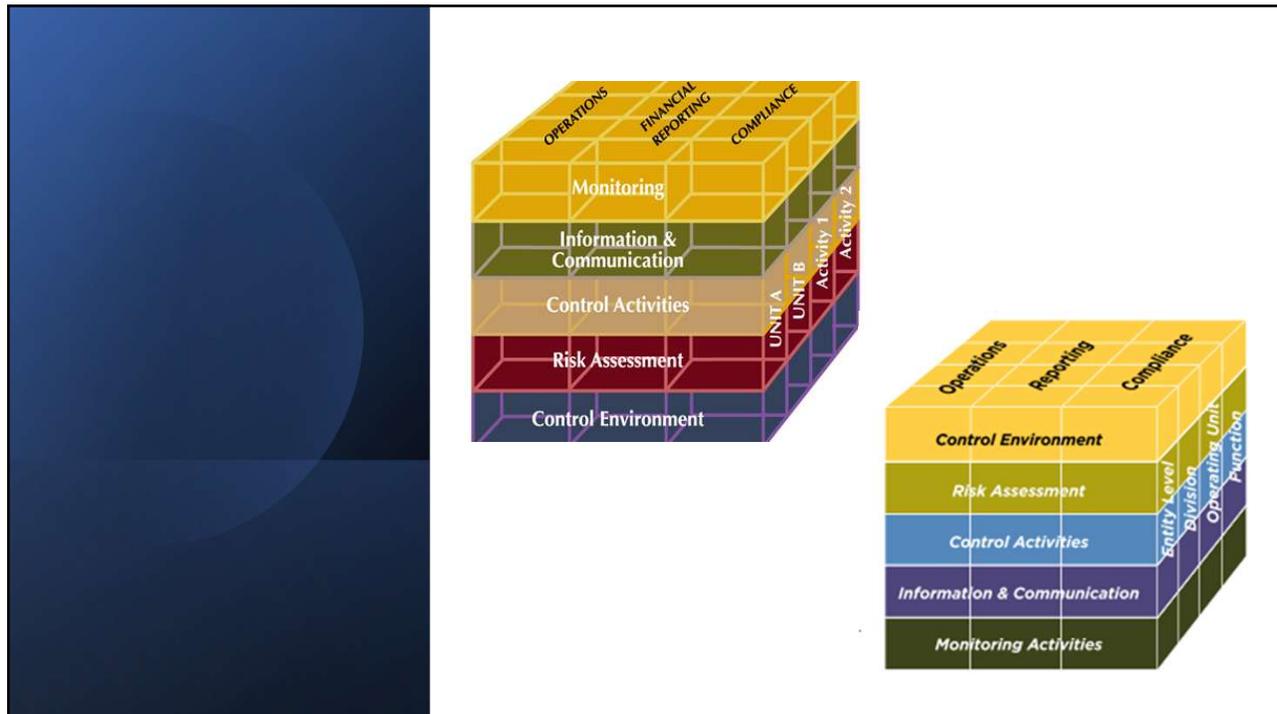


COSO FRAMEWORK



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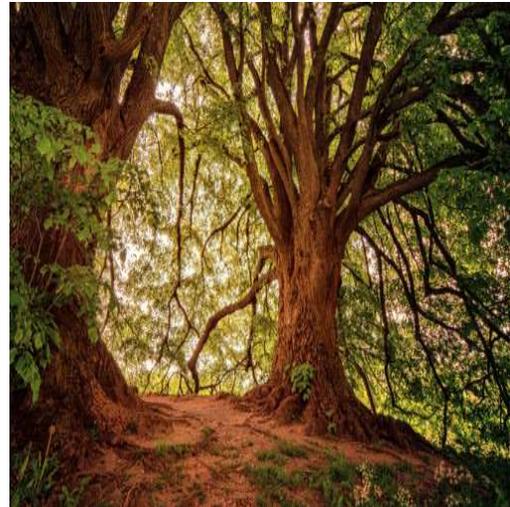
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Control Environment

1. The organization demonstrates a commitment to integrity and ethical values.
2. The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control.
3. Management establishes, with board oversight, structures, reporting lines and appropriate authorities and responsibilities in the pursuit of objectives.
4. The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.
5. The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.



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The organization demonstrates a commitment to integrity and ethical values.



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The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.



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The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.



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The Standards

- Principle 11 – Communicate Effectively
 - Standard 11.1 Building Relationships & Communicating with Stakeholders
 - Standard 11.2 Effective Communication
 - Standard 11.3 Communicating Results
 - Standard 11.5 Communicating the Acceptance of Risk



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Reporting

- Pick the appropriate reporting method and audience.
- Ensure open communication has occurred throughout the audit and the topic is not a surprise to any level of management (other than possibly the Board).
- Write what is necessary.
 - Use verified quotes.
 - Just the facts.
 - Lean on criteria.
 - Educate the audience.
- Build support for your criteria.
- Recommendations should be open so management can take the best action.



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Recommendations

1. Work with applicable university leadership to strengthen the control environment through communication with all parties involved..., empowerment of employees, and enforcement of adopted policies.
2. Consider revising the current internal organizational structure of the office and ensure authority and responsibility are properly delegated and communicated. Management should also consider if certain functions or programs may have parallel objectives to operations outside of the office and may operation more efficiently or effectively if combined.
3. Build additional communication structures and collaboration opportunities. This could be accomplished in a variety of ways including cross-training of employees between programs or team building exercises where all employees work together on a program advancement. This provides operating efficiencies and a greater understanding for other program goals and objectives.



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Recommendations

4. Develop well-written departmental policies and procedures for significant activities and unique issues. These documents add value to the operations, especially with significant turnover. In addition, these documents provide a standard of which performance can be measured equally.
5. Properly hire and train new employees. Ensure job descriptions are clear and accurate, and when changes are necessary, communicate those changes to all impacted employees as soon as possible.
6. Utilize evaluations to both praise good performance but also provide constructive feedback. Openly address failure to meet performance standards and encourage leadership training, especially for new supervisors.
7. Hold employees accountable for non-compliance with policies or expected behavioral standards and discipline when necessary. Investigate issues of inaccurate leave reporting and sharing of credentials and take necessary action to correct leave balances and ensure all users have needed access.

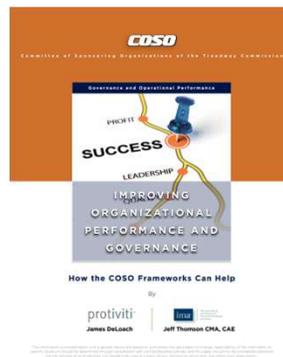
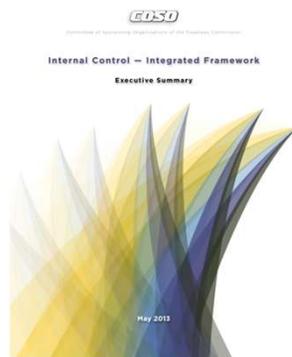


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Reference Materials



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