

COLORADO COMMUNITY COLLEGE SYSTEM

AUDIT COMMITTEE PROCEDURE

CHARTER AND MISSION STATEMENT

Date: July 1, 2007

Reference:

Board Policy 2-10, Board Committee Structure
Board Policy 7-01, Audit Committee Charter
State Controller's Office Fiscal Rule1-8

Application:

This policy applies System-wide.

Basis:

Rule 1-8 of the State of Colorado Fiscal Rules requires the State Board for Community Colleges and Occupations Educations (the "Board") to implement internal accounting and administrative controls, which reasonably assure financial transactions, are accurate, reliable, and conform to State Fiscal Rules. The Board has charged the Colorado Community College System (the "System") President with this responsibility.

In fulfillment of that requirement, Board Policy 2-10 establishes the Audit Committee to assist the Board in fulfilling its fiduciary responsibilities System-wide. Fiduciary responsibilities include assessing risk and addressing matters including financial statement reporting, internal controls, compliance with applicable laws, regulations and Board policies, as well as System and College policies and procedures. The internal audit department is established to assist the Audit Committee in carrying out this responsibility.

Mission:

The Department of Internal Audit is established within the Colorado Community College System to independently examine and evaluate the activities of the thirteen colleges, the system office and Colorado school districts that participate in the Colorado Vocational Act. The objectives of the Department of Internal Audit are to assist the Audit Committee and the college system in the effective discharge of their responsibilities by furnishing them with analysis, appraisals, recommendations, counsel, and information concerning the activities audited and to promote effective systems of fraud prevention, internal control and a culture of ethical conduct.

Procedure:

Role of Internal Audit Department:

The Department of Internal Audit is established by the Board. The Director of Internal Audit (“Director”) shall be appointed by and shall report functionally to the Audit Committee Chairman (“Committee Chair”) and administratively to the President of the Community College System.

The functional reporting responsibility requires that the Director provide information directly to and take direction from the Committee Chair and the Committee. This includes but is not limited to such items as department strategy, goals, and on going performance reporting. Communications should be of sufficient substance to allow the Committee to fulfill their responsibilities under the Audit Committee Charter, BP7-01.

Administrative reporting includes matters related to budget and management accounting, procedural human resource administration, administration of the organization’s internal policies and procedures such as expense approvals, leave approvals, office space, etc.

Authorization:

The Audit Committee delegates to the Director of Internal Audit the following authority.

The Director may conduct, or cause to be conducted, audits, reviews, and investigations for any matter that, in the Director’s professional judgment, may pose a risk the System. All investigations will be reported to the Committee Chair prior to the initiation of fieldwork. Should the Committee Chair be unreachable, the Director will contact at least one other Audit Committee member prior to initiation of fieldwork. The Committee Chair will be notified as soon as is practicable. Audits shall be approved during the annual plan process; any significant deviation shall be reported to the Audit Committee Chair. The Director shall be held accountable to the Audit Committee for deployment of resources and effective use of the same.

In the performance of audits, reviews and investigations, with stringent accountabilities of safekeeping and confidentiality, the Department of Internal Audit shall have unrestricted access to all organizational activities, records, property, and personnel. Records may be accessed whether electronic or in other formats, with or without advance notification.

In the supervision of staff, the Director shall have the authority to hire, evaluate and terminate employees within the policies and procedures of System Human Resources. Vacation, sick leave and other leave shall be approved by the Director.

In the operation of the Internal Audit Department, the Director shall have the authority to approve purchases within the policies, procedures and authorization limits of the System office.

To ensure the independence and objectivity of the internal audit function, the Department of Internal Audit shall have no direct responsibility or authority for activities or operations that may be audited or reviewed.

Operations:

The Director of Internal Audit shall:

- Be qualified for the position by, in addition to experience requirements, maintaining appropriate licensure;
- Maintain independence and adhere to the standards of ethical and professional conduct;
- Provide the Committee Chair with assistance as necessary in the completion of the Committee Chair's responsibilities;
- Provide the Committee Chair reports at least monthly on the progress and activities of the department;
- Provide the System President with reports on the progress and activities of the department;
- Prepare an annual risk assessment and audit plan;
- Identify resources necessary to conduct planned activities and notify the Committee when those resources are not available internally;
- Receive notice of all audits and investigations in advance, if possible;
- Receive results of all audits and investigations;
- Monitor the System Concerns Hotline;
- Identify and plan for audits and investigations as deemed appropriate or necessary;
- Notify the Committee Chair and management of the outcome of internal audit activities;
- Notify the Committee Chair of any disputes with management during audits or investigations;
- Develop department policies and procedures for the operation of the audit function;
- Be responsible for the day-to-day operations of the internal audit department, including allocation of resources, operating within budget, and other duties as assigned or included in the Director's position description.

The Director may delegate tasks to appropriate internal audit staff as necessary to ensure the efficient operation of the department.

Audit Standards, Scope and Reporting:

The Department of Internal Audit derives its scope from the charge assigned to the Audit Committee in BP 7-01. The Department assists the Committee in achieving its mission through its activities.

The Department will conduct its activities in accordance with applicable standards for the professional practice of internal auditing. The scope of internal auditing includes assessing risk and addressing matters including financial statement reporting, internal controls, compliance with applicable laws, regulations and Board policies, as well as System and College policies and procedures. These responsibilities are to include fraud prevention and detection. Activities are to include, but are not limited to the following.

- Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information;
- Review the system's established procedures to ensure compliance with applicable policies, plans, procedures, laws and regulations and determine compliance;
- Review the means of safeguarding assets and, as appropriate, verify the existence of such assets;
- Review and appraise the economy and efficiency with which resources are employed;
- Review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned;
- Perform special reviews and investigations as necessary;
- Perform fraud prevention and detection activities as necessary;
- Use a risk based approach in developing an annual audit plan for audit coverage that fulfills the responsibility of the Department of Internal Audit;
- Coordinate and interact with external auditors in the accomplishment of the Department mission;
- In order to meet the standards of the Institute of Internal Audit, the department will seek Peer Reviews after establishing a fully-functional department, at the latest for fiscal year 2012.

At the conclusion of each audit, the Department of Internal Audit will issue a report to which the responsible college, system office, or school district administration will respond. The Department of Internal Audit may conduct follow-up reviews to ascertain the status of actions taken with regard to the recommendation(s).