

# **Role of the Internal Auditor**

## **Governor's Grants Conference**

March 21, 2013

---

Presented by Joan Peacock, Manager, Audit Compliance Unit  
Department of Budget & Management  
jpeacock@dbm.state.md.us  
410.260.7079



## Internal Audit & Additional Resources

---

- The internal auditor role may vary, depending on the level of internal audit resources as well as the amount of Federal Funds received by the agency.
- The Internal Audit Forum and the Governor's Grants Office are available to assist agencies that may need additional guidance or that do not have an internal audit unit.



# Role of Internal Auditors

---

- Areas where Internal Audit may be involved:
  - Developing & Assisting with Monitoring
  - Audit Liaison for External Audits
  - Monitoring Progress on Corrective Action Plans



# When Grant is Awarded

---

- Before funds are spent, agencies should contact their Internal Audit Unit for assistance and guidance.
- Grant Program Administrators, along with the fiscal unit, should work together with the Internal Auditors to make sure there is an understanding of compliance requirements.
- The Internal Auditors should be consulted when developing the Monitoring Tool.



# The Monitoring Tool

---

- The Monitoring Tool must be consistent with:
  - Grant Assurances
  - Federal (OMB) regulations/policies
  - State Regulations/policies
  - Agency policies
- The Internal Audit Unit should review the Monitoring Tool.
  - Internal Audit may provide recommendations to enhance Fiscal Section of the Monitoring Tool.
  - Internal Audit may need to train grant program or fiscal/admin employees (the monitoring team) on testing procedures to properly verify for compliance.
- The results of all monitoring activities should be well documented.
- If areas of noncompliance are identified, a Corrective Action Plan (CAP) should be developed.
  - Internal Audit should review the plan to verify it adequately addresses the issue.
  - Internal Audit may be involved in monitoring or follow-up to ensure CAP is properly being implemented.



# Other Areas of Concern

---

- Internal Auditors can assist to verify that there are proper control in areas of concern or where there is potential for audit findings. Ensuring these steps are in place will better prepare the agency for the external audits.
  - Ensure supporting documentation is adequately maintained.
  - Ensure there is a procedure to review for unallowable costs.
- Internal Controls should be reviewed.



# Types of Audits of Federal Grants

---

- ❑ Monitoring Reviews (by Federal OIG)
- ❑ Federal OIG audits
- ❑ Single Audit
- ❑ Legislative Audit



# When External Audit Begins

---

- Once the audit has been selected for an audit, the Internal Audit Unit should be contacted.
- Appoint a member of the Internal Audit staff to serve as the contact for the audit.
  - All information requests and meetings between auditors and staff should be coordinated through the audit liaison.
- Internal Audit can help coordinate the Entrance meeting.
  - Have a representative from each of the areas or divisions being audited attend the Entrance Conference.
  - Make sure the external auditors explain the audit scope, the audit process and the opportunity you/your agency will have to challenge any findings with which you disagree.





# During the Audit

---

- During the audit, the internal auditor can assist with the following tasks:
  - Make sure the external auditors have access to appropriate records
  - Make sure document requests are complete and are accurately addressing what the external auditors need.
  - Ensure the external auditors are speaking to correct individuals.
  - Can attend meeting if agency staff is not comfortable talking with the external auditors.
  - Can help to clarify misunderstandings.
  - Obtain regular updates regarding any findings or areas of concern.



# End of External Audit

---

- At the end of an external audit, the internal auditors can assist with the following activities:
  - Review to ensure they issues are properly being addressed.
  - Review the agency responses to audit findings Corrective Action Plan (CAP) developed by management to make sure the action plan will resolved the finding, the implementation dates are reasonable, and responsible individuals have been identified.
  - Establish a schedule to periodically monitoring the CAP and steps taken to verify progress and that the findings have been resolved.



# Audit vs. Management Responsibility

---

- Auditors identify deficiencies, make recommendations, and help facilitate resolutions. Management is responsible for developing adequate policies and procedures, regularly training agency staff about the system of internal control and other processes, and ensuring that controls and procedures are properly implemented.
- Auditors make recommendations and monitor outstanding audit issues until they are resolved. It is management's responsibility to develop and implement the corrective actions.