



## INTERNAL AUDIT CHARTER

### INTRODUCTION

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Morgan State University ("University") Office of Internal Audit & Management Review ("Internal Audit") independently appraises the University's activities to assist the Board of Regents (the "Board") in exercising its authority and fulfilling its duties and responsibilities in accordance with Section 14-104 Powers and Duties of Board, of the ***Education Article of the Maryland Annotated Code***. Internal Audit also provides University officials and administrators with consultation services regarding University policies, procedures and practices to support the discharge of their responsibilities, effectively and efficiently.

This Internal Audit Charter ("IA Charter") provides the framework for Internal Audit's function and activities. The IA Charter is a formal document that defines the Internal Audit purpose, authority, and responsibility. The IA Charter shall be periodically reviewed and requires final approval by the Board. More specifically, the IA Charter:

- Establishes the Internal Audit purpose, authority, activities, responsibilities in support of the University;
- Authorizes Internal Audit access to: University records, elements within the University's governance structure (Board of Regents, President, etc.), University personnel, and physical properties relevant to the performance engagements;
- Defines the scope of Internal Audit activities, protections and reporting structure to assure independent audit authority within the parameters of the Internal Audit function, free of factors that could compromise Internal Audit's ability to freely fulfill the Internal Audit function.

## AUTHORITY

In general, within the parameters of applicable law, Internal Audit has the authority to audit and investigate all functional areas of the University and, on a need-to-know basis, shall have complete and unrestricted access to any of the University's records and documents, information systems and automated data processing equipment, physical properties, and personnel, which are pertinent to carrying out any engagement. To the extent that Internal Audit authority or access to pertinent University records is in question, Internal Audit shall consult with the General Counsel (or designee). As liaison to the Office of the Maryland Attorney General (OAG), the OGC will consult with the OAG, when such consultation or collaboration is indicated and appropriate. Documents and information given to Internal Audit will be handled in the same manner as by the employees with primary accountability for the records. Internal Audit shall be held strictly accountable for confidentiality and safeguarding records and information placed in its trust. Internal Audit is authorized to allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives. Internal Audit will exert special efforts to accommodate the University's daily operations in scheduling and conducting reviews. Internal Audit is authorized, but not limited, to perform the following engagements:

- Financial Audits
- Operational Audits
- Compliance Audits
- Investigative Audits
- Follow-up Audits
- Information System Audits
- Internal Control Reviews
- Consultation and Collaboration with appropriate University officials

The University is committed to fully cooperating with external auditors. In the furtherance of this objective, it is expected that external auditors and University personnel will observe certain procedures intended to facilitate orderly audits and to minimize disruption of normal departmental operations. As such, Internal Audit shall serve as the liaison to all external organizations seeking to conduct external audits of the University. Internal Audit shall serve as liaison between central administrative offices, University departments and external auditors or investigators of fraud, waste, or abuse. All initial contacts with external auditors should be arranged through the Director for Internal Audit. If any University personnel are contacted directly by an external auditor, they should direct the external auditor to Internal Audit and notify the Director for Internal Audit immediately. Internal Audit shall coordinate appropriate advance arrangements with supervisors of appropriate administrative offices within the University to ensure that: (1) proper persons are available to cooperate with the external auditors, (2) relevant records are gathered and made available in a timely manner, and (3) contact with external auditors is scheduled to minimize disruption of University administrative activities. University officials, administrators and their staff shall cooperate with Internal Audit. Internal Audit will be responsive and responsible to administrators and managers at all levels of the University. Similarly, each administrator

and manager will ensure the cooperation of their staff throughout the internal audit process. Internal Audit shall be notified in all cases where assets have been lost (or suspected lost) or there is a reasonable suspicion of fraud through misappropriation or security breaches in financial and operating systems.

Pursuant to the anonymous State Fraud, Waste, and Abuse Hotline established by the Governor of Maryland and administered by the Office of Legislative Audits, for cases referred to Internal Audit, the internal audit staff must maintain the confidentiality and integrity of the hotline referral and must not disclose any information regarding the allegations of the hotline referral to anyone except those individuals who are directly involved in conducting the investigation and/or have a need to know.

## **RESPONSIBILITY**

The scope of Internal Audit responsibilities includes, but is not limited to, the examination and evaluation of the adequacy, effectiveness, and quality of the University's governance, enterprise risk management, and internal controls of the University to achieve the University's stated goals and objectives. This includes:

- Evaluating risk exposure relating to achievement of the University's strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with policies, procedures, laws, and regulations applicable to the University.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the economy, efficiency and effectiveness in the administration of University programs and operations.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out efficiently and effectively.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the University's enterprise risk management processes.
- Evaluating the quality of performance of external auditors free of factors which would influence their objective evaluation and assessment of University processes and the degree of coordination with Internal Audit.
- Performing consulting and advisory services within the University related to governance, enterprise risk management and control as appropriate for the University.
- Reporting periodically on Internal Audit's activities, purpose, authority, responsibility, and performance.
- Reporting significant risk exposures and control issues, including but not limited to, fraud risks, governance issues, and compliance with applicable policies, laws, regulations.

- Evaluating specific operations at the request of the Board or management, as appropriate.

## **ROLE**

The functional component of Internal Audit is responsible for ensuring that assets are safeguarded properly, internal controls are established and are sufficient to ensure the University's compliance with applicable laws, regulations, policies and procedures, and that internal controls are adequate to promptly detect errors, fraud, non-compliance, and risks to the University enterprise. The Director of Internal Audit is a member of the University's Cabinet and administratively reviews financial and operating activities, analyzes internal control structures, policies and procedures, and recommends corrective measures to the Board, University officials and administrators and operating managers. Internal Audit is also responsible for providing input to the annual risk assessment and internal audit plan ("Audit Plan") and for assuring the effective and timely resolution of all audit findings.

The University is committed to the professional practice of internal auditing. Internal Audit is established to furnish executive management with impartial, independent analyses, appraisals, recommendations, and pertinent comments on the business activities of the institution to assist it in maintaining and improving the overall control environment and discharging its fiduciary duties. Internal Audit's responsibilities are defined by the Board, upon receipt and consideration of recommendations from the President, as part of their oversight and fiduciary responsibilities.

## **PROFESSIONALISM**

Internal Audit auditors are expected to consistently demonstrate high standards of conduct, independence, and appropriate judgement. Internal Audit strives to meet or exceed the professional practice standards established by the IIA, Information System Audit and Control Association (ISACA), Association of Certified Fraud Examiners (ACFE), the American Institute of Certified Public Accountants (AICPA —promulgates Generally Accepted Auditing Standards or GAAS and Code of Ethics), and the United States General Accounting Office (GAO-promulgates the "Yellow Book"/Generally Accepted Governmental Auditing Standards or "GAGAS"). Internal Audit shall adhere to all applicable Maryland and federal laws and regulations (including but not limited to ethics, privacy, etc.) and University policies and procedures.

## **ORGANIZATION**

The Director of Internal Audit will report functionally to the Board and the Audit Committee and administratively directly to the President of the University. The Internal Audit activity will also have free and unrestricted access to communicate and interact directly with the Chair of the Board, the Chair of the Audit Committee, and the Audit Committee. Upon the recommendation of the President, the Audit Committee shall review and approve the appointment, replacement, reassignment and/or termination of the Director of Internal Audit. This reporting structure promotes independence and full consideration of audit recommendations and management action plans. All internal audit activities shall remain free of influence by any element in the University, including matters of audit selection, scope, procedures, frequency, timing, or report content. Upon the recommendation of the President, the Audit Committee shall review and/or approve the Internal Audit Charter and risk-based Audit Plan and any changes that may be required to either.

## **INDEPENDENCE AND OBJECTIVITY**

Internal Audit is an independent, objective assurance and internal consulting activity designed to add value and improve the University's operation, therefore, its opinions, conclusions, judgments, and recommendations must be viewed as objective and free of conflicts of interest or bias. Internal Audit shall have no direct responsibility or authority for any of the activities or operations they review and shall respectfully decline any assignments which would cause it to have such direct responsibility or authority. In carrying out its mission, Internal Audit shall have full, free and unrestricted access to all University activities, including records, reports, property, and personnel. They should not jeopardize their independence by developing and installing procedures, preparing records, or engaging in activities that are subject to review or audit by Internal Audit. Furthermore, Internal Audit's exercise of its responsibilities does not in any way relieve University officials, administrators and their staff for primary responsibility of their administrative units. Internal Audit shall exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Audit shall make informed, balanced, and objective judgments and assessment based on reasonably reliable, relevant, and complete information and not be unduly or inappropriately influenced by their personal or irrelevant factors in performing their duties.

## **INTERNAL AUDIT PLAN**

At least annually, the Director of Internal Audit shall submit to the Audit Committee an Audit Plan for review and feedback. The Audit Plan will consist of a work schedule as well as budget and resource requirements for the next fiscal year. The Director of Internal Audit will communicate the impact of any impediments to its audit functions (e.g., non-cooperation, resource limitations affecting the audit work, or interim changes to senior management affecting the audit work).

The Audit Plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management and the Audit Committee. The Director of Internal Audit will review and adjust the Audit Plan, as necessary, in response to changes in the University's business, risks, operations, programs, systems, controls and progress in completing the Audit Plan objectives. Any significant deviation from the Audit Committee-approved Audit Plan will be communicated to senior management and the Audit Committee through periodic activity reports.

## REPORTING AND MONITORING

A written report summarizing the significant findings that are identified by Internal Audit and external parties will be presented by the Internal Audit or external auditors to the Audit Committee at least annually. Management is responsible for submitting written corrective action plans and related timetables to the Audit Committee for anticipated completion to each finding identified by the Internal Audit and/or any external auditors in each audit report. Internal Audit shall report to the Audit Committee its follow-up assessment results regarding the status of proper implementation of the corrective action plans provided by Management. If any part of a corrective action plan submitted by Management has not been implemented, Management must provide to the Audit Committee detailed explanations and reasons why it was unable to or did not implement the corrective action plan as presented in the report.

  
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Audit and Institutional Assessment  
Committee Chair

10/20/2021  
Date

  
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President of Morgan State University

10/19/21  
Date

  
\_\_\_\_\_  
Director of Internal Audit

10/13/21  
Date

Approved by the Board of Regents – September 25, 2021, effective September 27, 2021