

# **Fiduciary Responsibilities**

April 24, 2007



# Biography

- Jim Kennedy, CPA, CISA
  - Chief Auditor – State Region; Auditor of State
  - Audit responsibilities for state agency and state university engagements; oversee the AOS information technology group
  - 23 years of experience in state government
- Cindy Klatt, CPA
  - Assistant Chief Auditor – State Region; AOS
  - 20 years of experience in state government

# Overview of Presentation

- Auditor of State role in state universities and community colleges
- Principles of Governance
- Role of Auditors
- Common issues found in state university and community college audit reports

# Fiduciary Responsibilities

- Auditor of State role in state universities and community colleges
  - Charged with performing the audits or overseeing the selection of independent public accountants (IPAs)
  - IPA contracts are typically for a five year period
  - The same IPA firm may be selected for two consecutive contracts

# Fiduciary Responsibilities

- Auditor of State role in state universities and community colleges
  - The Auditor of State has a Quality Assurance group which reviews the audit reports and performs periodic reviews of IPA working papers
  - IPA audits are to be completed within six months
  - Fiscal watch provisions
  - Ohio Revised Code Section 3345.72

# Fiduciary Responsibilities

- Principles of Governance
  1. Setting Direction
    - Policies to guide an organization
    - Strategic goals with limited resources
  2. Instilling Ethics and Integrity
    - Ethical values
    - Tone at the top

# Fiduciary Responsibilities

- Principles of Governance
  3. Overseeing Results
    - Policies are implemented as intended
    - Overall performance within laws and regulations
  4. Accountability
    - Financial reporting
    - Performance reporting

# Fiduciary Responsibilities

- Principles of Governance
  5. Correcting Course
    - When problems are detected; identify cause
    - Determine corrective action and follow up
  6. Transparency
    - Openness of actions and information
    - Erosion of public trust is a slippery slope

# Fiduciary Responsibilities

- Principles of Governance

- 7. Equity

- How fairly government officials exercise the power entrusted in them

Source: [www.theiia.org/guidance/standards-and-practices/](http://www.theiia.org/guidance/standards-and-practices/)  
The Role of Auditing in Public Sector Governance

# Fiduciary Responsibilities

- Role of Auditors
  - Why are they important to me?
    - You are not daily management
    - You may be part of an audit committee
    - Auditors bridge the gap between management and the governing board
    - An effective audit presence can reduce your risk

# Fiduciary Responsibilities

- Role of Auditors
  - Internal Auditors
    - Report directly to the audit committee
    - Independent of management
    - Charged with assessing risk, design & effectiveness of internal controls, and provide recommendations for improvement
    - Conduct internal audit work in accordance with authoritative standards (IIA, AICPA, or GOA)

# Fiduciary Responsibilities

- Role of Auditors
  - Common Obstacles for Internal Audit
    - Undefined internal audit function: management directing their scope or special projects
    - Internal audit does not have IT audit resources or the ability to contract for this work (general control reviews)
    - Expanded responsibility for monitoring or auditing external contracts

# Fiduciary Responsibilities

- Role of Auditors
  - External Auditors
    - Independent of the organization but are contracted by them
    - Primary mission is to issue an annual audit opinion on the financial statements
    - Have mutual interests with internal auditors although the scope and timing of their work may be different

# Fiduciary Responsibilities

- Common issues found in state university and community college audit reports

Financial Statements

Information Technology

Federal Single Audit

Ohio Revised Code Requirements

# Fiduciary Responsibilities

- Common issues found in state university and community college audit reports

## Financial Statements

- Allowance for Doubtful Accounts/Aging of Accounts Receivable
- Alternative Investments

# Fiduciary Responsibilities

Allowance for Doubtful Accounts/Aging of Accounts Receivable

- Recommend University Perform a Retrospective Review of Uncollectibles

Alternative Investments

- Increased monitoring and consistent valuation

# Fiduciary Responsibilities

- Common issues found in state university and community college audit reports

Information Technology

Password Parameters

Access Rights

Disaster Recovery

# Fiduciary Responsibilities

## Password Parameters

- Length of password, mandatory changing of password, timeout of multiple attempts

## Access Rights

- Monitoring what rights employees have and whether it is necessary for their position

## Disaster Recovery

- Written plan, test of plan and annual update

# Fiduciary Responsibilities

- Common issues found in state university and community college audit reports

## Federal Single Audit

### Various types of comments

- Indirect Cost Plan
- Title IV comments

# Fiduciary Responsibilities

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## Ohio Revised Code Requirements

### Untimely Deposits

- Some Colleges and Universities need to deposit monies more timely

# Contact Information

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