

Internal Auditing Charter

Purpose and Mission

The purpose of Northeastern Illinois University's Internal Audit department is to provide independent, objective assurance and consulting services designed to add value and improve Northeastern Illinois University's operations. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The internal audit department helps Northeastern Illinois University (NEIU) accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Standards for the Professional Practice of Internal Auditing

Northeastern Illinois University is committed to the professional practice of internal auditing. The Internal Auditing Department will function in compliance with the Illinois Fiscal Control and Internal Auditing Act (FCIAA) and follow the by-laws and requirements established by the State Internal Advisory Board (SIAAB). As required by SIAAB, the departments will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles of the Professional Practice of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing* and the definition of Internal Auditing. At NEIU the Director of Internal Auditing performs the role of the Chief Auditor/Chief Audit Executive. The Director of Internal Auditing will report periodically to the President of the University and the Board of Trustees (BOT) Audit Committee regarding the internal audit department's conformance to the Code of Ethics and the Standards.

Organization and Authority

The Director of Internal Auditing will report functionally to the President of the University and the BOT Audit Committee and administratively to the Vice President of Finance and Administration. To establish, maintain and assure that Northeastern Illinois University's Internal Audit Department has sufficient authority to fulfill its duties, the President and the Board of Trustee Audit Committee will:

- Approve the internal audit department's charter.
- Approve the two-year, annual internal *Audit Plan*.
- Approve the internal audit department budget and resource plan (following normal university procedures.)
- Receive communications from the Director of Internal Auditing on the Internal Auditing Department's performance relative its plan and other activities.
- Approve decisions regarding the appointment and removal of the Director of Internal Auditing.
- Approve the remuneration of the Director of Internal Auditing (following Normal University procedures).

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- Make appropriate inquiries of management and the Director of Internal Auditing to determine whether there are inappropriate scope or resource limitations.

The Director of Internal Auditing will have unrestricted access to, and may communicate and interact directly with the Board of Trustees' Audit Committee, including in private meetings, without management present.

- The Internal Auditing Department has full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- The Director is authorized to allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives and to issue reports.
- The Internal Auditing Department can obtain assistance from the necessary Northeastern Illinois personnel, as well as specialized services from within or outside NEIU in order to complete engagements. Management's approval will be obtained when it is deemed necessary for resources external to NEIU.

Independence and Objectivity

The Director of Internal auditing will ensure that the Internal Auditing Department remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Director determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgement on audit matters to others.

Internal auditors will not have direct operational responsibilities or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgement including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for NEIU or its affiliates.
- Initiating or approving transactions external to the Internal Auditing department.
- Directing the activities of any NEIU employee not employed by the Internal Auditing Department, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Director of Internal Auditing has or is expected to have roles and/or responsibilities outside of Internal Auditing, safeguards will be established to limit impairments to independence or objectivity.

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.

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- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgements.

The Director of Internal Auditing will confirm to Management and the Board of Trustees Audit Committee at least annually, the organizational independence of the Internal Auditing Department.

The Director of Internal Auditing will disclose to the appropriate governance level, any interference and related implications in determining the scope of internal auditing, performing work, and/or communication results.

Scope of Internal Audit Activities

Scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Board of Trustees Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for Northeastern Illinois University. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of Northeastern Illinois University's strategic objectives are appropriately identified and managed.
- The actions of Northeastern Illinois University's officers, directors, employees, and contractors are in compliance with the Northeastern Illinois University's policies, procedures, and applicable laws, regulations and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations of programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws and regulations that could significantly impact Northeastern Illinois University or its affiliates.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently and protected adequately.

The Director of Internal Auditing will report periodically to senior management and the Board of Trustees Audit Committee regarding:

- The Internal Auditing Departments purpose, authority and responsibilities.
- The Internal Auditing Departments plan and performance relative to its plan.
- The Internal Auditing Departments conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by the Board Audit Committee.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to Northeastern Illinois University.

The Director of Internal Auditing also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The Internal Auditing

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Department may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the Internal Auditing Department does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Primary Duties & Responsibilities

The primary responsibilities of the Internal Auditing Department include:

- Submitting, annually by June 30, to the President of the University and the BOT Audit Committee a two-year risk-based annual *Audit Plan* for review and approval.
- Communicating to the President of the University and the BOT Audit Committee the impact of resource limitation on the *Internal Audit Plan*.
- Review and adjust the *Internal Audit Plan*, as necessary, in response to changes in NEIU's business, risks, operational programs, systems, and controls.
- Communicate to senior management and the BOT Audit Committee any significant interim changes to the *Audit Plan*.
- Ensure each engagement on the plan is executed, including the establishment of objectives and scope, the assignment of appropriate resources, the documentation of work programs and testing results and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow-up on engagement findings and corrective actions, and report periodically to senior management and the BOT Audit Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality and competency are applied and upheld.
- Ensure the Internal Auditing Department collectively possesses or obtains the knowledge, skills and other competencies needed to meet the requirements of the Internal Audit Charter.
- Ensure that emerging trends and emerging issues that could impact NEIU are considered and communicated to senior management and the BOT Audit Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the Internal Auditing Department.
- Ensure adherence to NEIU's relevant policies and procedures, unless such policies and procedures conflict with the Internal Auditing Charter. Any such conflicts will be resolved or otherwise communicate to the President of the University and the BOT Audit Committee.
- Ensure conformance of the Internal Auditing Department with the *Standards* with the following qualifications:
 - If the Internal Auditing Department is prohibited by law or regulation from conformance with certain parts of the *Standards*, the Director of Internal Auditing will ensure appropriate disclosures and will ensure conformance with all other parts of the *Standards*.
 - If the *Standards* are used in conjunction with requirements issued by other authoritative bodies (i.e., Generally Accepted Governmental Auditing Standards (GAGAS), the Director of Internal Auditing will ensure the Internal Auditing Department conforms with the *Standards*, even if the

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Internal Auditing Department conforms to more restrictive requirement of other authoritative bodies.

- Ensure that by September 30, of each year that a written report detailing how the *Audit Plan* for the previous fiscal year was carried out, the significant findings and the extent to which recommended changes were implemented is provided to the President of the University and BOT Audit Committee.
- Ensure audits of major information systems of internal accounting and administrative control are considered for review at least once every two years. This includes review of the design of major, new information systems and major modifications of those systems before installation.
- Assist management in the coordinate the FCIAA certification of internal controls process.
- Assist in the investigation of potentially fraudulent activities and ensure due diligence is performed to identify fraud in planned audits.
- Coordinate with external auditors and regulatory agencies concerning the scope of work performed to reduce duplication and the optimization of audit coverage.

Quality Assurance and Improvement Program

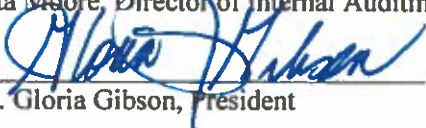
The Internal Auditing Department will maintain a quality assurance and improvement program that covers all aspects of the Internal Auditing Department. The program will include an evaluation of the Internal Auditing Department's conformance with the *Standards* and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the Internal Auditing Department's activities and identify opportunities for improvement.

The chief audit executive will communicate to senior management and the Board of Trustees Audit Committee on the Internal Audit Departments quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor from outside the Northeastern Illinois University organization.

Approval/Signatures



Rita Moore, Director of Internal Auditing



Dr. Gloria Gibson, President

9/30/2021
Date



10/7/21
Date

Jonathan Stein, BOT Audit Committee Chair

Date

Office of Internal Auditing

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Memorandum

DATE: September 30, 2021

TO: Gloria Gibson, President

FROM: Rita Moore, Director of Internal Auditing

CC: Jonathan Stein, Board of Trustees, Audit Committee Chair
Manish Kumar, Vice President for Finance and Administration

SUBJECT: Auditor Independence Statement

The purpose of this statement is to provide information regarding the independence of the Internal Auditing Office personnel of Northeastern Illinois University (NEIU). This information is necessary to:

- Provide documentary evidence that the Office of Internal Auditing is monitoring the independence of office personnel; and
- Properly determine that audit engagements are staffed with independent personnel.

I have read the rules of professional conduct promulgated by the Institute of Internal Auditors. I understand that independence is to be maintained in spirit as well as in fact. I have determined to the best of my knowledge and belief that I do not have a direct or material managerial or financial interest in any organization, activity or affiliate of NEIU. I have not been involved in any transactions that would in any way impair my organization, activity or affiliate of NEIU as promulgated by the rules of professional conduct of the Institute of Internal Auditors. I have not accepted personal benefits from any University personnel, organization or affiliates which would impair my credibility of my independence in the minds of a reasonable person familiar with the facts. I have no previous affiliations with the University, prior to being hired in September of 2017.

I am an authorized fiscal agent and perform other administrative duties only for the Internal Auditing Department of NEIU. I do not serve as an officer and/or director of any organizations that transact business with the University.

I have determined to the best of my knowledge and belief that no members of my close family or household (spouse, domestic partner, dependent and non-dependent children, step-children, brothers, sisters, parents, parents-in-law, grandparents and the respective spouses of any of the foregoing) have a direct or material indirect managerial or financial interest in any organization, activity or affiliate of the University and have not been involved in transactions that would in any way impair my independence as promulgated by the rules of professional conduct of the Institute of Internal Auditors. No members of my family or household have accepted personal benefits from any University personnel, organization or affiliate, which would impair the credibility of my independence in the minds of a reasonable person familiar with the facts.

If, at some future date, I become aware of a situation, which could possibly impair my independence, I will notify the President of the University and the Chairman of the Board immediately.

In the course of performing the audit function at NEIU, the department will periodically hire student workers. As they are hired, they are required to disclose in any organizations they belong to, along with programs they are taking or affiliated with at the University or acknowledge any relationships with known vendors or staff. They are prohibited from working on or being exposed to any work that would or appear to impair the independence of the department.



Rita Moore, Director of Internal Audit



Date

INFORMATION ITEM: AUDIT FINDINGS PROGRESS REPORT

The University's 2020 Single Audit and Compliance Examination was released by Illinois Office of Auditor General 5/25/2021

The following summary provides the status of the individual finding and indicates if the audit is a recurring finding from previous years.

Here is the current status of the 2020 material findings:

- NEIU had 20 material audit findings
- 11 of 20 findings were repeated findings
- 11 of 20 findings have been reported as addressed; 9 findings are in progress.

#	Previous	Finding	Status	Expected Completion
001		Weakness in Census Data – inadequate review of pension and other postemployment benefits (OPEB) data.	Will develop an annual reconciliation process to monitor and audit the data reported to SURS and CMS.	6/30/2022
002		Weaknesses over Computer Security – safeguarding access environment (granting user access rights, updating servers, installing encryption software).	ISO hired. New hardware, supported operating systems and management/monitoring tools will replace systems that lacked controls.	10/31/2021
003	19	Lack of Adequate Controls over Review of Internal Controls over External Service Providers – monitor 3 rd party service providers to ensure data protection.	ISO to set up committee to periodically review vendor SOC reports.	12/31/2021
004	19	Student Notification of Disbursements of Direct Loans – did not timely notify students of loans credited to account.	Implemented a new workflow process	Complete
005		Reporting of Disbursements to the Common Origination and Disbursement System – delay in submitting Pell data to Department of Education.	Developed a method of error reporting.	Complete

Northeastern Illinois University Board of Trustees Audit Committee
October 25, 2021

#	Previous	Finding	Status	Expected Completion
006	19	Information Technology Risk Assessment Not Performed – University did not conduct a risk assessment to identify risk to security, confidentiality, and integrity of student data.	ISO will compile annual reports to CIO and VP. External forensics team performed an examination on network control and found no evidence of a data breach.	Complete
007	19, 18	Noncompliance with the Federal Perkins Loan Cohort Default Rate – failure to maintain default rate below 15% (currently at 35%).	The University is now in compliance with the Federal Perkins Loan Cohort Default Rate	Complete
008		Student Financial Assistance Cost of Attendance - adequate documentation to support manual changes in the student's cost of attendance information.	Continues to provide ongoing training relating to cost of attendance documentation within the ERP system.	Complete
009	19, 18	Failure to Communicate Required Information to Subrecipients	Implemented FDP form to include all relative information when contracting with subrecipients.	Complete
010	All years 19 - 05	Timesheets and Time and Effort Reports were not Submitted or Timely Submitted	All salaried (exempt) employees now required to submit electronic time sheets. Continue to monitor and address employees not adhering to deadlines.	Complete
011		Noncompliance with Grant Report Requirements – late reporting to the Illinois State Board of Education.	The Principal Investigators will develop schedule to document when reports are due to ensure timely submission.	Complete
012		Weaknesses over Purchasing Credit Card Transactions – late review and approval of purchases.	P-Card manual and procedures were revised in fiscal year 2020. P-card usage monitoring continues.	Complete
013	19, 18	Inadequate Controls over University Property and Equipment	Training is ongoing with current, and new inventory managers. Workflow will ensure Property Control tags items before distribution to Departments.	12/31/2021

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#	Previous	Finding	Status	Expected Completion
014		Weakness Regarding Clearing of Data from Electronic Devices – Clearing data before the EDP equipment is transferred to the Department of Central Management Services for surplus.	Property Control will not mark devices as surplus until UTS confirms data has been deleted.	Complete
015	19	Noncompliance with the College Student Immunization Act – student proof of adequate immunization.	Health Services informs students of the policy and noncompliance. Particular attention will be paid to new freshman admissions.	6/30/2024
016	19 - 13	Lack of Disaster Contingency Plan - contingency plan for critical applications to ensure the timely recovery of critical computer systems.	Ongoing infrastructure improvements procedures are being developed. The rebuild of the University's internal network will be completed in 2021.	12/31/2022
017	19, 18, 17, 16, 15	Noncompliance with Payment Card Industry (PCI) Security Standards - ensuring computer systems and cardholder data are protected from accidental or unauthorized disclosure.	Will engage an external consultant to perform an assessment of weaknesses in NEIU's PCI compliance and provide estimates for solutions, if any.	06/30/2022
018	19	Weaknesses in Cybersecurity Programs and Practices (GAS).- cybersecurity training for staff members was not completed	ISO developing a comprehensive security awareness and training program. A comprehensive solution has been purchased (KnowBe4). Training to begin in June 2021.	06/30/2022
019		Weaknesses over Maintenance of Employment Eligibility Verification Forms – maintaining employee U.S. Citizenship and Immigration Services (USCIS) Employment Eligibility Verification Forms (Form I-9).	Has implement I-9 self-audit procedures and processes to ensure New Hires complete Sections one and two of the I-9 form on their first days of work.	Complete
020		Noncompliance with the Illinois Articulation Initiative Act – University did not submit minimum of one course per major under the Illinois Articulation Initiative (IAI) for some majors offered by the University	Planning at least one course in every area, in the Fall. Needs to be reviewed internally, and then by IAI.	12/31/2021