

Policy 1601

Auditing Program

Date of Current Revision: May 2025

Primary Responsible Officer: Director, Audit and Management Services

1. PURPOSE

Audit and Management Services (AMS) assists the JMU Board of Visitors (board) and university management in the discharge of their oversight, management, and operating responsibilities by providing internal auditing services to the university community. The purpose of the internal audit function is to strengthen the university's ability to create, protect and sustain value by providing the board and management with independent, risk-based and objective assurance, advice, insight and foresight. This policy defines the organizational relationships and responsibilities of AMS.

2. AUTHORITY

The Board of Visitors has been authorized by the Commonwealth of Virginia to govern James Madison University. See Code of Virginia § 23.1-1600; § 23.1-1301. The board has delegated the authority to manage the university to the president.

VA Code § 2.2-309 (2023) gives the State Inspector General the duty to coordinate and require standards for those internal audit programs in existence as of July 1, 2012. The State Inspector General requires that commonwealth internal audit programs comply with the Institute of Internal Auditors (IIA) Global Internal Audit Standards.

3. DEFINITIONS

Chief Audit Executive (CAE)

The highest-level executive with overall responsibility for internal audit. The working title of the CAE is Director, Audit and Management Services.

Institute of Internal Auditors (IIA)

The professional organization that establishes Global Internal Audit Standards (standards.) These mandatory standards establish basic requirements for the professional practice of internal auditing and for evaluating the effectiveness of internal audit.

Internal Auditing

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.

4. APPLICABILITY

This policy applies to all university departments, activities and personnel.

5. POLICY

AMS was established by the Board of Visitors and the president. It is the policy of the university to support AMS and its program of internal auditing. The responsibilities of AMS and the CAE are defined by the [Internal Audit Charter](#) and guidance from the Audit, Risk, and Compliance (ARC) Committee of the Board of Visitors (ARC Committee) as part of its oversight role. The program will govern itself by adherence to the IIA standards. The board authorizes the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance and other specialized services from within or outside the university to complete internal audit services.

6. PROCEDURES

6.1 Independence, Organizational Position, and Reporting Relationship

AMS will be independent, in organization and in function, from all university divisions. The Director of AMS reports directly to the ARC Committee and administratively to the president. The chief audit executive will confirm to the board, at least annually, the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the chief audit executive will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The chief audit executive will disclose to the board any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

AMS personnel will have complete, free and unrestricted access to all university departments, activities, data, records, physical property and personnel necessary for the completion of audits or special projects. Arrangements will be made for access to highly confidential information. AMS personnel are accountable for confidentiality and safeguarding records and information.

AMS personnel must demonstrate integrity, independence and objectivity and, therefore, will not be unduly influenced in selecting audit procedures, reporting and performing investigations. Internal auditors must disclose impairment of independence or objectivity to the CAE who will be responsible for reporting such situations to the president and the ARC Committee.

To maintain independence and objectivity, AMS personnel will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Performing operational duties for the university
- Initiating or approve accounting transactions external to the internal auditing department
- Directing the activities of any university employee not employed by the internal audit function

6.2 Board Oversight

The Audit, Risk and Compliance (ARC) Committee assists the Board of Visitors by ensuring that the university's internal audit function has sufficient authority to fulfill its duties. The ARC Committee Charter is included in the [Board of Visitors manual](#).

6.3 Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organization, including all university activities, assets, and personnel. See the [JMU internal audit charter](#) for additional information.

AMS may investigate complaints alleging fraud, waste, abuse or corruption, whether originating from the state hotline, reported internally or by other means. See Policy [1603](#) (Fraud, Waste and Abuse Reporting)

6.4 Proficiency and Due Professional Care

Audit staff will possess the knowledge, skills and other competencies needed to perform their individual responsibilities. Each auditor will be required to obtain appropriate continuing education each year to maintain professional proficiency, as evidenced by certifications and licenses. In addition, the department will collectively possess or obtain the knowledge, skills and other competencies needed to perform its responsibilities.

The audit staff will apply the skill expected of a reasonably prudent and competent internal auditor. Auditors should be alert to the significant risks that might affect university goals and objectives, operations or resources. However, audit assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.

6.5 Audit Process and Report Issuance

Opportunities for improving internal controls, compliance, and financial management may be identified during audits. At the conclusion of test work (last phase of the audit), a draft report will be submitted to the relevant department head(s) or academic unit head, and a meeting may be held to discuss the report. Any necessary revisions to the report will be made and a revised draft will be sent to the department head, with the assistant vice president (or dean) receiving a copy. The department head will be asked to provide, within one-week, written responses to the report recommendations. Possible responses include the development of an action plan with an estimated completion date or acceptance of risk (based on a cost-benefit analysis). However, risks which jeopardize compliance with laws and regulations generally cannot be accepted.

Once responses are received, the draft report (with responses included) will be forwarded to the responsible vice president, with the department head and assistant vice president (or dean) receiving copies. Unless contacted by the vice president within one week, the final report will be issued to the president. The final report will also be distributed to the vice president, assistant vice president (or dean), and department head and presented to the ARC Committee at the next board meeting.

The final audit report will include an opinion on the effectiveness of internal controls for processes reviewed, possible recommendations to ensure compliance and establish or enhance controls, and management responses to the recommendations. Audit reports are prepared to assist the president and administration in their decision making. Therefore, report distribution will be restricted to individuals who are organizationally responsible for the activity.

6.6 Follow-up Review

AMS will perform follow-up reviews after audit reports are issued to determine the status of corrective action plans. The results of follow-up reviews will be included in action plan status reports, which will be annually submitted to the vice presidents, president, and ARC Committee.

6.7 Coordination with External Auditing Agencies

The director will coordinate the AMS's audit efforts with the Auditor of Public Accounts and other external auditors.

It may be necessary under certain circumstances for departments to request audits from external sources. After approval by the president, these requests will be coordinated through AMS. The director will help ensure that external auditors have access to appropriate personnel and information that is relevant, complete and accurate. Additionally, AMS will strive to minimize the time required by visiting auditors and limit disruptions to the conduct of normal business.

A copy of all audit reports issued by external auditors and responses to those reports will be provided to AMS. AMS may also perform appropriate follow-up on significant findings and provide status reports on implementation to the vice presidents, president and ARC Committee.

6.8 Implementation of New Systems and Major Modifications to Existing System

It is the responsibility of university management to establish adequate internal controls when information systems containing critical or sensitive information are implemented or modified. Upon request, AMS may provide consulting or advisory assistance to university officials involved with implementing controls for systems.

6.9 Quality Assurance

AMS will maintain a quality assurance and improvement program that covers all aspects of internal audit activities, as noted in the [Internal audit charter](#).

7. RESPONSIBILITIES

7.1 CAE role and responsibilities are included in the [Internal audit charter](#).

7.2 Internal audit staff responsibilities are included in the [Internal audit charter](#).

7.3 Academic and administrative department heads are responsible for:

- Allowing audit staff to have complete, free and unrestricted access to all university records and personnel necessary for the completion of audits and special projects
- Providing responses (including action plans and completion dates) in accordance with this policy
- Ensuring that action plans are completed in a timely manner

7.4 Vice presidents, Chief of Staff and Athletic Director, as applicable, are responsible for approving action plans included in audit reports and have ultimate responsibility for implementation of the action plans.

7.5 All departments, offices, and employees that generate, receive, or maintain public records under the terms of this policy are also responsible for compliance with Policy [1109](#) (Records Management).

8. SANCTIONS

Sanctions will be commensurate with the severity and/or frequency of the offense and may include termination of employment.

9. EXCLUSIONS

None.

10. INTERPRETATION

The authority to interpret this policy rests with the board of visitors and is generally delegated to the Director of AMS.

Previous version: February 2023

Approved by the president: April 2008

Approved by the ARC Committee of the Board of Visitors: September 2025