

## **Winthrop University Foundation Audit Process**

### **EXTERNAL AUDIT PROCESS OVERVIEW**

The Winthrop University Foundation (Foundation) is subject to an independent audit each year in which the examination of the Foundation's financial statements is conducted by an independent accounting firm. Periodic audits may also be conducted by the Internal Revenue Service, Office of the Legislative Audit Council, and granting agencies.

Completion of these requirements is met by:

- Compliance with the annual closing schedule;
- An understandable chart of account structure;
- Classification of transactions by funds, matching of costs to revenue and;
- Compliance with capitalization and depreciation procedures.

The audit process is designed to ensure that:

- The Foundation meets the needs of auditors/reviewers.
- Auditors understand the nature of the Foundation programs and processes they are examining.
- Audit/review activities are coordinated within the Foundation.
- The Foundation responds appropriately and timely to audit communications.
- The Foundation takes appropriate action to address deficiencies found by auditors/reviewers.

### **DEFINITION OF AN EXTERNAL AUDIT/REVIEW**

An audit or review is a group of activities performed by an external organization for the purpose of evaluating the Foundation's performance and/or compliance with program or financial rules and regulations. An audit or review generally results in the issuance of a report. The report may require the Foundation to perform corrective action.

The general process for audits and audit follow-up is described below. This process may not be followed precisely by all external auditors/reviewers. Some steps in the process are unique to a particular external organization. The Director of Financial Affairs coordinates the external audit process. The Foundation utilizes the Foundation Operations Committee to facilitate the external audit process.

### **RESPONSIBILITY OF THE OPERATIONS COMMITTEE**

The responsibility of the Foundation Operations Committee includes oversight of the annual audit process and selection of the auditor of the annual financial statements. The Operations Committee will conduct an RFP process to select an auditor every three years. The Operations Committee has the power to do internal auditing such as reviewing expenses and determining if spending is appropriate. The Operations Committee is charged to internally audit and/or review our records and documentation.

### **REQUEST TO PERFORM AN AUDIT/REVIEW BY AN EXTERNAL ORGANIZATION**

The audit process begins when an external audit agency notifies the Foundation of an upcoming audit/review.

The Director of Financial Affairs obtains information from the external organization concerning the scope of the audit/review, and other information relevant to the visit. The Director of Financial Affairs determines whether the external organization's described activities constitute an audit or review. In cases where the Director of Financial Affairs determines that the described activities constitute an audit or review, the Director of Financial Affairs coordinates all the activities of the audit/review process from the entrance conference to the issuance of the final report. The Director of Financial Affairs obtains

additional information from the external organization, and identifies the Foundation resources necessary to facilitate the audit/review in an efficient manner.

## **AUDIT/REVIEW ACTIVITY**

### **Conferences**

Audit fieldwork begins and ends with a formal meeting (conference). The Director of Financial Affairs schedules these as well as any interim meetings. The Director of Financial Affairs distributes audit information concerning scope and needed resources to the Executive Director of the Winthrop Foundation prior to the entrance conference. The Director of Financial Affairs informs the auditor/reviewer of the time and place for the conference.

### **Entrance Conference**

The Director of Financial Affairs notifies the Foundation personnel of planned audits. At the entrance conference, the auditors provide an overview of the audit, discuss the general scope of the audit, obtain information from audit committee representative(s) that may impact the scope of the audit/review, and establish contacts within the Foundation. Logistical arrangements also may be discussed.

### **On-Site Audit Work**

The auditor/reviewer performs on-site audit work. Audits/reviews may be performed solely at the Foundation office. The Director of Financial Affairs coordinates audit activities with the external audit organization.

Functions the Director of Financial Affairs performs during the on-site audit work include:

- Coordinate audit/review activities with audit committee representative.
- Coordinate activities for issues that impact more the Foundation
- Schedule all update meetings with the external audit organization.
- Inform the Executive Director of the Winthrop Foundation of relevant audit issues.
- Perform other activities, as needed, to facilitate the needs of external auditors/reviewers.

### **Status Updates**

The external auditors/reviewers may meet with the Foundation staff at the completion of major audit segments. They may issue written findings as they are identified. The auditors/reviewers are instructed to direct all audit findings that require a formal response to the Director of Financial Affairs.

The Director of Financial Affairs directs audit memorandums (which identify findings) to the Executive Director of the Winthrop Foundation and provides the auditors/reviewers with an official response from the Foundation.

### **Audit Finding Memorandums**

External auditors/reviewers may issue audit finding memorandums during the on-site fieldwork. Audit finding memorandums provide the Foundation unit with an advance notice of possible audit findings. The Director of Financial Affairs coordinates the compilation of all responses and submits the Foundation's response to the external auditor/reviewer by the agreed upon time frame.

### **On-Site Exit Presentation**

The on-site exit presentation is held at the conclusion of the audit/review fieldwork and prior to the issuance of the draft report. At this meeting the auditors/reviewers informally notify the Winthrop Foundation Operations Committee of their findings. Items of potential disagreement or factual misunderstandings are discussed at this conference. The auditors may also present other observations that

will not appear in the written report. This is an opportunity to request details on audit findings. Any disagreements with the audit findings or requests for clarifications should also be raised.

## **REPORTS**

### **Draft Reports**

Following the exit conference, the external audit agency may submit a draft report of the audit findings to the Executive Director of the Winthrop Foundation and the Director of Financial Affairs, requesting a written response to the report within a specified period of time.

### **Response to the Draft Report**

The Executive Director of the Winthrop Foundation submits an official Foundation response to the Director of Financial Affairs to be forwarded to the external auditors. The Director of Financial Affairs coordinates the collection of all response and submits the Foundation response to the external auditor/reviewer by the agreed upon time frame.

### **Response Content**

The response should include the following:

- a. Clear indication of agreement or disagreement with the audit findings or statements of conditions.
- b. Clear indication of agreement or disagreement with each of the recommendations. For those items disagreed with, the reason for disagreement must be explained.

For those items agreed with, indicate how compliance will be achieved and the estimated implementation date. If compliance has already been achieved, specify the date. Documentation of compliance, such as revised procedures or changed forms, may be attached. The response may indicate that compliance will be achieved when resources become available, provided that there is a plan to request the needed resources.

The drafted response is sent to the Director of Financial Affairs.

### **Final Exit Conference**

The final exit conference is the Foundation's last opportunity to request clarification or changes in the text of an audit report. The focus of the conference is disputed findings. Efforts are made to reach an agreement on the audit recommendations and the Foundation's response. The participants in the conference may include the Director of Financial Affairs, the Chair of the Foundation Operations Committee, audit committee representatives, and other designated Foundation staff.

### **Final Report**

After obtaining the Foundation's responses to the draft report, and/or having the final exit conference, the external auditor issues a final report to the Director of Financial Affairs. The deadline for this report is seven months after the year's end (July 31<sup>st</sup>). The Director of Financial Affairs distributes copies of the final report to the Executive Director of the Winthrop Foundation, the Foundation Board of Directors, and designated Foundation staff.

### **Corrective Action Plan**

A corrective action plan is required for all audits/reviews that contain findings and recommendations. The Operations Committee must approve the plan and review the implementation of the plan.