Audit Division

The MIT Audit Division delivers internal audit services for the Institute through a risk-based program of process audits, targeted reviews, and advisory engagements. These services provide assurance to management and the Risk and Audit Committee of the MIT Corporation that adequate systems of internal controls are present and maintained and that assets are properly safeguarded. The division’s activities seek to promote good business practices and enhance the Institute’s governance structure.

Accomplishments and Highlights

The Audit Division is proud of another year of adding value through execution of the audit plan, partnering with business management to understand and enhance control structures, and working in support of the Committee. Fiscal year 2014 marked a year of transition in audit management as Deborah Fisher left her post as Institute auditor at the close of fiscal year 2013 to open the newly formed Office of Risk Management, reporting to the vice president and general counsel. During the search for Deborah’s successor, the associate audit directors, Michael Bowers and Martha Jane Gagnon, collaboratively managed audit operations and interacted with the Risk and Audit Committee and members of senior management to deliver audit results and related reporting. The search concluded in February 2014 when Michael J. Moody joined the division as Institute auditor.

Campus Audit Services

Campus Audit Services provides broad coverage of Institute processes while focusing on key operational risk areas of research and education. Its portfolio includes activities on the main campus and at off-campus locations (excluding Lincoln Laboratory), the Singapore–MIT Alliance for Research and Technology, and other major initiatives. Division staff must have a broad base of expertise, including operational, compliance, and information technology competencies.

Campus Audit Services substantially completed its FY2014 audit plan as of June 30, 2014. The FY2014 audit plan comprised 28 assurance reviews of various Institute business processes and 27 advisory engagements, including reviews of capital construction costs. An engagements can range from a single meeting with an audit client to assist with problem solving to a full-scope audit evaluating primary business processes or systems. Throughout the plan year, the portfolio of engagements is adjusted to address the current environment and shifting risk priorities of the Institute. Construction audit work continued to focus on new building activity.

Lincoln Laboratory Audit Services

Lincoln Laboratory Audit Services provides internal audit services to support Lincoln Laboratory operations. As a federally funded research and development center, Lincoln Laboratory represents a distinct and significant entity within the Institute’s audit universe. Lincoln Laboratory’s highly regulated environment and activities are framed by the prime contract, which requires an attitude that embraces an internal control
framework distinct from the campus. Division staff assigned to Lincoln Laboratory must have expertise in operations, compliance, and information systems processes in an environment of high security.

Fiscal year 2014 was the sixth year of an established internal audit function at Lincoln Laboratory. The division continued an initiative that had been launched earlier within the laboratory service departments to conduct a comprehensive controls assessment, synthesizing data elements within the risk environment to establish a risk and controls management database. During the year, the division completed an advisory review of the materials management accounting system and substantially completed fieldwork for a process audit of billing.

**Research Administration Compliance Program**

The Institute’s research and development processes operate in a distributed, cross-disciplinary model administered by more than 70 departments, laboratories, and centers (DLCs) that operate largely independently. The implementation of administrative processes and key local controls for research compliance and fiduciary management are managed predominantly at the DLC level. To monitor this diverse environment, the division operates the Institute’s *de facto* compliance monitoring program, which is known as the Research Administration Compliance Program. The Research Administration Compliance Program approach employs DLC site visits, complemented by data analytics and internal control questionnaires (surveys), to evaluate these processes and controls.

**Anonymous and Confidential Reporting System**

The division continues to administer the Anonymous and Confidential Reporting System, a hotline that supports the Institute’s commitment to responsible and ethical conduct. Incoming reports are relayed to appropriate members of management according to business process or area for address and resolution. The division ensures disposition accordingly.

**Division Resources**

**Staff Transitions**

During the first six months of FY2014, two new staff joined the division. Paul McIntyre, a certified information systems auditor, replaced Glenn Date, who had retired as senior staff auditor in FY2013. Nichole Valois, a certified public accountant and certified internal auditor, was hired to fill an additional open position.

During the first quarter of FY2014, Kelly McVey, a certified information systems auditor with an operational and information technology audit background, was reassigned full-time to Lincoln Laboratory Audit Services. Kelly had been focusing on support to the Research Administration Compliance Program and campus operational audit programs.

The newly appointed Institute auditor, Michael J. Moody, joined the Audit Division in February 2014. Mike has more than 25 years of audit, compliance, and financial experience in the public and private sectors. Most recently, he served as director of
compliance in the Office for Audit and Advisory Services at Northwestern University. Mike has earned the certified internal auditor, certified information systems auditor, and certified inspector general designations, along with a certification in risk management assurance. As Institute auditor, he is responsible for delivering audit services for the Institute through a risk-based program to assess the safeguarding of assets, adequacy of internal controls, compliance with laws and regulations, and ethical practices.

**Training, Certifications, and Peer Interaction**

The division emphasizes professional development for all staff members through opportunities for training in related professional disciplines and affiliations with industry peers through conferences, seminars, and group meetings. Professional certification for staff members is held out as a goal. Two-thirds of staff members maintain professional certifications, which are accompanied by continuing professional education requirements that the division supports. The staff currently holds 23 certifications in aggregate, with one-third of the staff holding multiple certifications. Additionally, performance of financial statement audit testing on behalf of the Institute’s external public accounting firm requires an annual minimum number of hours of industry-specific training.

In May 2014, the division hosted a full-day, all-staff training session with an experienced consultant from the Whole Person Project. The session, “Risk-Based Audit Planning and Testing: Going from Good to Great,” focused on the efficiency and effectiveness of audit methodology without compromising quality or incurring excessive audit risk.

Several staff members have had the opportunity to serve in leadership roles for the benefit of the Institute as well as peer organizations. This year, the assistant manager for audit quality, Eileen Shea, volunteered to take on the role of program director for ACUA Leads, Cohort III [a cohort-based multi-month leadership program sponsored by the Association of College and University Auditors (ACUA)]. The division hosted a compliance forum, organized by Kallie Firestone, to which representatives from local college and university administrations were invited. The discussion featured leading practices within sponsored research administration. Kelly McVey was notably invested in her professional commitment to the Information Systems Audit and Control Association, New England, as membership director.

Peer group affiliation remained an important theme in FY2014. The Institute auditor is a member of the “Ivy+” association of Ivy League universities and other peer institutions that conduct research-intensive higher education. This year’s meeting of chief audit executives was held at Johns Hopkins University. The associate audit directors attended the annual direct reports peer group meeting, also hosted by Johns Hopkins University. The division was further represented at the Ivy+ Information Technology peer meeting, which was convened at the University of Rochester. The Institute auditor participated in the New England Audit Directors meeting, held at Olin College, where chief audit executives from colleges and universities in the region discussed current audit issues in an open and collegial forum.
Presentations at Industry Conferences and Other Venues

Members of the Audit Division are frequent contributors to industry conferences and supporting committees. Senior auditor Kallie Firestone actively contributes to the National Council for University Research Administrators (NCURA) as a contributing editor to *NCURA Magazine* and as a member of the Program Planning Committee for the NCURA Pre-Award Administrators Conference and of the NCURA Professional Development Committee. Mike Moody participated in the 2014 Chief Audit Executive Panel—Emerging Trends and Leading Practices in Internal Audit, organized by the Institute of Internal Auditors (Greater Boston chapter). The division was represented at an annual user conference in the fall sponsored by Pentana, the software vendor that produces and supports the Institute’s new audit system of record, Vision. The associate audit directors co-delivered a presentation at the conference, “Migration from Pentana PAWS to Vision.”

Other Initiatives

Practices, Tools, and Platforms

The division continues to improve internal audit practices, tools, and platforms. Significant effort was invested in the configuration and implementation of the next-generation audit system of record, Pentana’s Vision. Efforts included development of a revised audit universe and risk and control library. Compatible audit scheduling software was also procured for more efficient planning and tracking of audits. Dashboard data visualization efforts continued to leverage programming effectively for more efficient internal reporting. Reporting thus far has contributed audit results and productivity to Risk and Audit Committee updates. The division’s SharePoint electronic content platform continued to be extended this year to promote broad access and efficient use by audit management and staff members.

Throughout the spring, the division welcomed new neighbors to its location in 600 Technology Square. To accommodate several new operational groups, the Office of the Executive Vice President and Treasurer commissioned a study in 2014 to identify negotiable space. Such space was identified within the division’s assigned space and the division agreed to forgo this small portion of its operational area to support the reallocation of space. The division worked with the Department of Facilities throughout the period of interior construction.

Institute Committees and Collaborations

Division management was engaged throughout the year in planning and conducting an information technology infrastructure risk assessment. This effort was a collaboration with Information Systems and Technology and the Office of Risk Management, using an external consulting firm, Eminere Group LLC. Completion of the risk assessment is expected in the first quarter of FY2015.

The division analyzed and restructured the authorizations and roles for SAP to ensure reasonable and appropriate access to the Institute’s financial system of record. The project was completed in the spring. Division management has committed to reviewing these roles quarterly, with the intention of making modifications as necessary.
The effectiveness of an audit function is greatly enhanced through relationships of trust with administrators at all levels and through access to decision-making venues where information and opinions are openly shared. The Institute auditor and other division team members contributed to the work of several standing and ad hoc committees: the Uniform Guidance Team, the Research Administration Coordinating Council, the Administrative Systems and Policies Coordinating Council, the Budget and Finance Steering Group, the Policy and Procedures Coordinating Committee of the International Coordinating Committee, the MIT Risk Council, and the Institute Council on Environmental Health and Safety.

The division continues to participate in the User Advisory Group, representing the experience of central administration and offering guidance for the implementation of an administrative systems hub. The group is one of several strategic initiatives sponsored by the executive vice president and treasurer that support the Institute’s mission and foundation for the future.

**Goals and Focus**

In all its undertakings, MIT inherently accepts and manages risk. The Risk and Audit Committee and senior leadership continue to express their desire for mechanisms and structure that will inform the understanding of risk as a dimension of the Institute’s position—financially, operationally, legally, and reputationally. The Institute auditor and the Institute risk officer continue to collaborate regularly to define a process around strategy for risk data and assessment.

**FY2015 Division Plan**

The 2015 Audit Division plan comprises planned assurance engagements to be conducted on campus and at Lincoln Laboratory, including audits of processes and control maintained within the central administration and DLCs. The division’s goal is to provide risk-informed, broad coverage over the Institute’s many activities. Although assurance engagements focus on Institute activities that have identified processes and controls for mitigating risk, advisory activities are intended to partner with management in identifying and mitigating other top risks.

The division performs its work under the International Standards for the Professional Practice of Internal Auditing. To fully meet the standards, an external quality review must be performed at least once every five years by a qualified, independent reviewer from outside the organization. While the division has not previously engaged an external quality reviewer, preparation for such an assessment is part of the division’s plan for 2015. The 2015 plan is a guide; the division will be responsive to changing circumstances and priorities. It is expected that engagements will be added, deferred, or dropped from the division’s plan for 2015 as the year progresses.

Michael J. Moody  
Institute Auditor