



Noteworthy audit areas and risks in higher education

Considerations for your internal audit workplan

Assure. Advise. Anticipate.

Noteworthy audit areas and risks in higher education

The Higher Education environment is constantly moving, shaping, and shifting, just as quickly as the students who attend the institutions. As a result, the risk landscape in higher education is vast, diverse, and consistently evolving. Your institution's Internal Audit (IA) Department can help to manage these risks and support the institution to monitor what will come next. IA not only provides assurance of controls, policies, procedures, and processes are in place, but advises management on leading practices in risk management and controls and helps management anticipate emerging risks and assists the university in understanding and addressing those risks.



Assure. Advise. Anticipate.

Navigating the current environment:

Do now

As the "new normal" continues to develop, corners may be cut to "get it done." IA should gain a rapid understanding of newly introduced risks and relevant controls. IA can collaborate with the university's Enterprise Risk Management (ERM) program in key areas or support these areas if an ERM program is not in place.

Do next

Assess major areas of risk and recommend practical mitigation strategies that reduce impact to constrained resources. Keep leadership and the board apprised of the ever-changing risk profile.

Longer term

For areas which could not be recently assessed due to the global pandemic environment, develop "look back" plans to confirm internal controls returned to "as expected". Consider areas where lessons were learned and incorporate into the go-forward plan. For areas which could not be audited remotely due to hard copy documents, consider discussions of bringing documentation online.



Mental health / well-being

Student, faculty, and staff mental health and well-being concerns are an emerging risk topic in higher education that has only begun to capture the attention of the public, despite many years of negative impacts on the industry. Many institutions have found they lack sufficient resources to support the needs of students, faculty, and staff. With the arrival of the pandemic, mental health and well-being risks have only increased as students, faculty, and staff have faced increased financial challenges, stress, and anxiety both personally and professionally. IA can help assess programs, controls, and procedures designed to support campus mental health and well-being and advise campus management regarding ways to properly address the risks.

Potential internal audit areas: Counseling center, well-being programs, human resources (HR) policies and procedures.



Compliance risks

Compliance incidents in the Higher Education industry continue to make headline news and some institutions are finding themselves in the center of unwanted media attention and potential legal actions. Over the past few decades, the regulatory and compliance requirements for higher education institutions has continued to grow, including Title IX, Title IV, Clery Act, athletics, and Federal grant management regulations. More recently, in response to the pandemic, COVID-19 relief funds (such as Higher education emergency relief funds—HEERF) have become widely available but not without their own compliance requirements related to appropriate spending and reporting. Many institutions feel they understand these regulations and are meeting the requirements to later learn they do not have the necessary policies or procedures in place. Internal Audit can provide value to the institution, acting as the third line in evaluating the institutions compliance activities for appropriateness and bringing each school to proper compliance.

Potential internal audit areas: Compliance office, athletics office, Title IX, Title IV, Clery Act, research office, COVID-19 funding, export control, privacy.



Segregation of duties

A basic building block of sustainable risk management is segregation of duties. Sharing responsibilities of a key task across multiple users or groups helps reduce the risk of fraud and errors, but its value is often overlooked due to lack of resources or competency gaps. A lack of segregation of duties not only exposes an institution to potential intentional fraud risk, but it also increases the potential for human errors with more significant impacts such as faulty transactions or false information being posted. Further, separating duties helps prevent the misappropriation of assets which could result in financial loss and potential reputational and compliance risk.

Potential internal audit areas: Finance and IT key business processes and access.

Diversity, equity, and inclusion (DEI)

The approach to Diversity, equity, and inclusion (DEI) on college campuses is critical. The pandemic and social justice movements have been catalysts in bringing the issues of DEI to the forefront of national discussion. A successful DEI program starts at the top with leadership setting the stage and a comprehensive strategy focused on internal operations (e.g., hiring) and external communications and marketing. Internal Audit can help evaluate DEI policies, procedures, and processes and to provide insights regarding the current state of DEI programs, but also highlight the linkage between DEI programs and the mission and organizational priorities of the institution.

Potential internal audit areas: DEI related programs, policies, and procedures; inclusion office.



Data management

The Higher Education industry has historically focused on information sharing and maintaining open data standards; but in recent years, the industry has found itself to be the target of numerous cyber attacks and breaches. These incidents have led institution leaders to consider whether it's time to crack down on data sharing. Implementing and maintaining a mature and agile data management program can allow institutions to continue the historic collaborations which have led to so many research discoveries and growth in the industry while also maintaining security and control of critical and sensitive data. Effective data management and cyber risk-based mitigation practices and strategies are crucial to protecting an institution's crown jewels. Internal Audit can identify leading practices and evaluate if a university has the agile workforce and proper resource allocation to meet the risks of today's data threats. Proper training and qualifications are needed to protect a school's most significant information. Data integrity is vital when it comes to research data, student, and employee personal data and clinical health information and Internal Audit can help reduce and mitigate data loss.

Potential internal audit areas: Data management lifecycle, data security, data loss prevention.



Cyber security

A cyber breach has impacts far beyond the cyber and Information Technology (IT) environment. Financial, compliance, and reputational impacts of a cyber breach can reach much further than just the IT environment, including areas from Family educational rights and privacy act (FERPA) or Health insurance portability and accountability act (HIPAA) violations to financial loss to negative front-page news. Internal Audit can help protect against cyber breaches through evaluating effectiveness of incident response and recovery and protection against ransomware and phishing attempts. Internal Audit can assess an incident response plan and identify areas of improvement to achieve a leading plan and consider the institution's efforts to carryout the plan in tabletop exercises and cyber wargaming.

Potential internal audit areas: IT, information security, disaster/incident recovery testing, vulnerability scanning, penetration testing, threat management, clinics handling Protected health information (PHI).



Campus safety

Through the trials of COVID-19, campus safety is at a peak of importance to any institution. Internal Audit can help ensure campus compliance with the institution's COVID-19 policies and student and employee health and safety. Internal Audit can assess campus safety through a lens of security and protection as well as well-being, DEI, health equity and belonging. Internal Audit can evaluate campus safety services such as patrolling, dispatch, schedule to arm/disarm buildings and documentation of campus safety reports. Internal Audit can also assess emergency response plans and evaluate the institution's efforts to carryout plans related to physical security concerns in tabletop exercises.

Potential internal audit areas: Public safety, COVID-19 procedures and enforcement, crisis management and business continuity.



Third-party risk

Many institutions have found outsourcing to third parties to be cost effective and often a quality improvement due to specialization. However, outsourcing comes with its own set of new risks associated with business interruption, cyber, and remote work. Internal Audit can help to evaluate a third party's adherence to standardized practices and use of automated technologies. While third parties can provide some assurance through a System and Organization Controls (SOC) report, Internal Audit can help close the gap by evaluating controls which are not covered or addressed by the SOC report.

Potential internal audit areas: Procurement, IT, third-party risk management (TPRM).



The hybrid student experience

Strategic risk and Enterprise Risk Management

The sudden shift to virtual learning during the 2019–2020 academic year jumpstarted a number of institutions' online learning programs. Especially for more traditional campuses, administrators and faculty were left scrambling to find the best platforms for learning and to develop policies and procedures to match the new learning experience. Additionally, institutions had to quickly assess whether their students and faculty were prepared for a virtual experience, including broadband accessibility and availability of technology. Now that many schools are moving to a hybrid environment, it's important to consider whether there are opportunities to develop improved controls and processes related to online learning. Internal Audit can help leadership assess potential risks and gaps in the institutions online learning strategy and program, such as availability of resources, security of online learning data, and appetite for online learning.

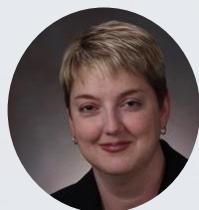
Potential audit areas: Online learning vendor assessments, data security of online learning portal(s), online learning strategy assessment.

Internal Audit can ask important questions, help find the correct answers, and reach the final destination for topics such as “what is the institution’s dependency level on tuition fees?,” “do we have the right education delivery mix?,” and “are we prepared for a decline in public funding?” These questions and answers can help shape the school and ensure preparedness for new business risks along the way. Internal Audit can evaluate recruiting and targeting strategies for effectiveness and ensure alignment with the strategic objectives of the school. Internal Audit can also evaluate talent management to confirm effective hiring and retention practices. Facilities management internal audits ensure functionality, safety, and efficiency of the built environment and an asset management assessment evaluates the maturity of current practices and identifies gaps in the security or effectiveness of the asset’s lifecycle.

Potential internal audit areas: Strategic initiatives and operating practices including, but not limited to: HR, asset management, funding management, grants management.



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