

ILLINOIS DEPARTMENT OF CENTRAL MANAGEMENT SERVICES  
CLASS SPECIFICATION

INTERNAL AUDITOR SERIES

<u>CLASS TITLE</u>	<u>POSITION CODE</u>
INTERNAL AUDITOR TRAINEE	21726
INTERNAL AUDITOR I	21721

Effective: 07-01-2004

SERIES INCLUSIONS:

The Internal Auditor class series includes professional positions responsible for the independent, formal review, analysis and evaluation of the effectiveness of an agency's statewide internal operations and controls. Such positions serve top management in an agency, reporting directly to the chief executive officer of the agency or through supervisory internal audit staff to the chief internal auditor, who in turn reports to the chief executive officer of the agency. Through the internal audit process, management is provided with information as to the agency's operational effectiveness, as well as to the areas of inefficiency and noncompliance with policies and regulations. Internal auditing is a function regulated by statute in agencies required by the Governor to have a full-time program of internal auditing. External Auditing, as done in mixed internal/external auditing positions, is included in the Internal Auditor Series when 1) those auditors report to the chief internal auditor and when 2) their duties include both internal and external auditing. The internal and external audit work should be coordinated to ensure adequate audit coverage and to minimize duplicate efforts.

SERIES EXCLUSIONS:

This series does not include positions which perform specialized auditing outside the direct control and supervision of the chief internal auditor. Auditing work which is defined by other classification series such as the Financial Institution Examiners, Unemployment Insurance Auditors, and Revenue Auditors is not subsumed by the Internal Auditor Series, although it is not unusual for Internal Auditors to conduct financial and compliance audits of grantee service providers.

Positions in an internal audit program which require a specialized background and expertise and which are not directly involved in the entire audit process should be considered for placement in occupationally specific classes. For example, engineers and data processing analysts may be used as technical consultants and methods and procedures advisors may be used to prepare work flow charts. Positions serving as the chief internal auditor of a major and/or complex agency or those which manage a section of five or more Internal Auditors are properly allocated to the Senior Public Service Administrator classification.

The audit function is the term used to encompass all internal auditing operations and external auditing as defined above, including the staff responsible for conducting the audits, their goals, and their activities. The audit function is directed by the chief internal auditor of the agency.

SERIES DISCUSSION OF TERMS:

An audit plan is prepared annually by internal audit management and is approved by the director of the agency. This plan identifies the entities to be audited and the objectives of each audit.

The internal auditing program requires that all major systems are to be reviewed once every two years. Designs of new systems and major modifications of present electronic data processing systems are to be reviewed by Internal Auditors to insure that the systems provide for adequate audit trails and accountability. The chief executive officer of each designated state agency is to include a two-year plan of audits for the pending fiscal year. The chief internal auditor provides a written report by September 30th of how the audit plan for that year was carried out noting significant findings and the extent of changes implemented based upon previously recommended changes.

The audit process is the actual performance of the audit. The auditor examines evidence in order to reach conclusions about an operation under review.

The audit scope identifies the type of audit being performed and the parameters of the audit. There are basically four types of audits and a single audit may encompass elements of one or more of these types: financial, compliance, economy and efficiency, and effectiveness. Both the objectives of the audit and what is actually being audited distinguishes the type of audit. Financial accounts, documents and statements are audited in a financial audit, to determine their accuracy, integrity, and fair presentation. In a compliance audit, the auditor determines whether an entity is adhering to or conforming with laws, regulations, policies, and procedures. Acquisition, control and utilization of personnel, facilities, materials, and resources are evaluated during audits for economy and efficiency. Audits for economy and efficiency are frequently referred to as operational audits.

Audits for effectiveness are normally directed at program results. The auditor's attention is directed to programs, projects and activities (actual and potential) to measure such things as progress, success and impact. Audits for effectiveness are often called program audits.

For each specific audit, audit guidelines are prepared which identify the objectives of the audit, the scope, and the actual steps to be taken in conducting the audit. The audit guidelines provide an auditor with a direction regarding conduct of the audit, and provide a written record for the working papers to demonstrate that the audit was:

- planned in accordance with the objectives of the audit, and
- performed in accordance with generally accepted auditing standards through use of appropriate procedures especially designed for the audit.

Upon completion of the audit an audit report is prepared to furnish a written record of the audit process. The audit report normally identifies what was done; communicates auditor's observations regarding conditions noted; and recommendations for corrective action (if appropriate).

## SERIES DISCUSSION OF TERMS (Continued)

1. Agency operations in regard to the adequacy and efficiency in achieving the agency's goals.
2. The soundness, adequacy and use of operational (including financial) controls toward the goal of effective control at reasonable cost.
3. The reliability and integrity of reporting systems.
4. Agency operations deemed inappropriate resulting from actions by employees which are believed to be fraudulent.
5. The agency's compliance with local, state and federal statutes and regulations, agency policies, plans and procedures, and good business practices.

A Major and Complex Agency is an agency ranking near the top of those agencies having a chief internal auditor, in the areas of annual budget, total employees, number of internal auditing staff and with complexity of audits because of numerous and interacting statutes and regulations, and because of impact of decisions.

The Internal Auditor Series recognizes different levels of analytical and communications skills required to perform audits of varying complexities. There are four kinds of audit complexities within an audit program:

1. Routine audits of simply structured programs where the audit procedures are straightforward and uncomplicated, fact gathering using basic research and the findings and recommendations are minor. There are few questioned costs, and they require only a fundamental ability for audit analysis and report writing. These audits check for basic compliance with stated procedures given by law or regulation. Simple audits are characterized by small size of organizations, small dollar value, good internal controls, no prior audit problems and one contract. Typical examples are: Office Supply Fund pricing policies and internal controls, special audits of Communications Revolving Funds expenditures and selected master contracts, travel vouchers, reviews of timekeeping procedures with attendance records, Highway Safety Grant Audits, and small day care providers.
2. Routine audits of complex programs. These audits would use past audit work plans for the same functions, and would be performed according to formulated audit guidelines, although the program audited is a complex program involving an audit trail through several divisions in an agency and activities, records or documentation of several interacting units or functions. This requires an analytical ability to interrelate the identified processing or function weaknesses in one area of the program with control aspects of the total program. It requires perception and communication skill that can, in the context of complex program interaction, clearly state the real problems (and not just symptoms of the problems), the causes of these problems, the risk exposures and recommended action that allows management to take the recommended corrective action with the assurance that such action will be necessary, effective and adequate. Typical examples would be: resolution of subgrantee audits with administrative findings and routine deficiencies done annually with little or no change, an audit of more than one contract in a medium organization or an audit of several divisions in a large sized organization having good controls and having a good accounting system, financial and compliance audit of an agency's revolving funds.

## SERIES DISCUSSION OF TERMS (Continued)

3. Nonroutine audits of simply structured uncomplicated programs in one area in one agency. These audits are usually required because of suspected problems in the program. The audit approach required is one that challenges almost all assumptions. This requires an analytical ability to make creative association of identified program weaknesses so as to anticipate larger uncovered risks. It also requires a perception and communication skill that, although dealing with relatively simple programs, allows for the possibility of complex solutions, and can simply and vividly state these problems, the risk exposures, and recommended action that allows management to completely and realistically correct the problem by managerial action suggested by the auditor. Typical examples would be an audit of overtime abuse, of suspected fraud or mismanagement in agency. Each audit requires different audit procedures.
  
4. Nonroutine audits of complex programs. These are usually required because of known or suspected problems of programs which involve the complex interacting of several units, processes, function, and departments. It requires the utmost in analytical skills that challenges all assumptions, cross-relates challenged assumptions across programs, units or functions to anticipate larger risks, and is able to relate identified processing or function weaknesses with all other assumptions and control aspects of the entire program. It requires the perception and communication skill that can, in the context of complex program oriented operations, simply and clearly state the real problems, the causes of these problems, the risk exposures and recommended action that allows management to take recommended corrective action that is necessary, effective and adequate. Examples would include audits in new areas in large organizations with large dollar amount and/or suspected problem areas, fraud or mismanagement, involving several units or divisions or even several agencies and several different statutes and regulations.

An Internal Auditor can be held accountable for an entire internal audit function, i.e., chief internal auditor of an agency, a particular part of the audit function, an entire audit, or a particular phase of an audit. The more comprehensive the audit responsibility is, the greater need there is for: 1) demonstrated knowledge of the agency's structure and operation, 2) organization and 3) independence. The one responsible for the entire audit (and all the more so for one responsible for the entire audit function) has a far heavier responsibility than one reviewing an audit process. The one responsible for the entire audit function is responsible for what was not looked into and what was not found and was not included in the audit report, and carries the ultimate responsibility regarding the effectiveness and success of the internal audit function. Erroneous audit facts may serve to discredit the quality of the audit findings, and a failure to note or properly explain significant findings may result in financial losses, program inefficiencies, or costly and embarrassing litigation.

INTERNAL AUDITOR TRAINEE

POSITION CODE: 21726

## DISTINGUISHING FEATURES OF WORK:

Under direct supervision for a period of 6 to 12 months, participates in an agency sponsored internal auditing training program; receives classroom and on-the-job training to learn auditing techniques and procedures, formal review, analysis and evaluation of the effectiveness of an agency's statewide internal operations and controls; participates in on-the-job training in how to conduct internal/external audits by programs in accordance with audit guidelines; learns how to prepare audit reports, detail findings and deficiencies, and make recommendations for corrections; learns how to provide management with information as to the agency's operational effectiveness and to make recommendations about areas of inefficiency and noncompliance with policies and regulations.

This classification has been selected for inclusion in the employee Upward Mobility Program, wherein qualifying state employees may complete the appropriate credentials for this profession.

## ILLUSTRATIVE EXAMPLES OF WORK:

1. Receives on-the-job training to learn the skills necessary to perform specialized professional and analytical reviews and audits of systems, processes, and services to determine if policies and programs are being efficiently and economically administered and if program requirements and objectives are being effectively fulfilled; attends and participates in specialized training programs, workshops, and seminars relative to data processing, auditing and operational analysis; receives training in the development of data and research techniques, and in written and oral reports and presentations; uses software packages and programming languages to extract information in computer generated reports; applies research and analysis techniques; participates in assignments, of limited difficulty, to enhance skills, knowledges and proficiency in the area of computer software applications for EDP audits and/or basic internal auditing.
2. Under direct supervision of an Internal Auditor receives working assignments designed to develop knowledge, understanding and practical skills of internal auditing; assists in preparing detailed reports, summaries, questions to be asked during the audit, audit guideline work schedules and supporting documents. Participates in entrance conferences; learns to identify applicable laws, policies, regulations, standards and other requirements. As training progresses, performs audit assignments of increasing difficulty for the purpose of gaining experience and developing audit skills.
3. Receives on-the-job training to achieve the skills necessary to conduct audit field work; develops documentation of audit tests and statistical samples, analyzes all relevant data and prepares a summary of the criteria.
4. Receives on-the-job training to learn how to organize and index work papers to support findings and recommendations and to facilitate easy reference; participates in exit conferences with supervisory staff; provides explanations and information from work papers as required.

## INTERNAL AUDITOR TRAINEE (Continued)

5. Receives on-the-job training to acquire knowledges to be able to review auditee comments and incorporate them into the final report; participates in follow-up activity by determining implementation status of recommendations, and by reviewing auditee reports to determine if the implementation has achieved the intent of the recommendation.
6. Works toward completing requirements for the Certified Internal Auditor or the Certified Public Accountant.
7. Attends training classes provided by the agency and prepares an evaluation report, reviews available periodicals and publications pertaining to the internal audit profession. Attends staff meetings, conferences, workshops, institutes and other activities which will provide meaningful learning experiences.
8. Performs other duties as required or assigned which are reasonably within the scope of the duties enumerated above.

## DESIRABLE REQUIREMENTS:

Education and Experience

General Option: Requires a bachelor's degree with coursework in business management, public administration, economics, computer science, or other related subjects. Preferably requires twelve semester hours in accounting.

Accounting Option: Requires a bachelor's degree in the field of accounting and fiscal administration.

This class is included as an Upward Mobility Program credential title.

Knowledges, Skills and Abilities

Requires elementary knowledge of auditing theory and procedures.

Requires elementary knowledge of the agency's programs, policies and regulations.

Requires elementary knowledge of management principles and techniques, including organization, management, program accountability, governmental operations, and systems analysis.

Requires elementary knowledge of state government.

Requires ability to prepare documentation and written reports.

Requires ability to understand and to follow oral and written instructions.

Requires ability to develop and maintain satisfactory working relationships with other employees and agency representatives.

Requires ability to learn to develop routine and nonroutine audit guidelines of operational, compliance and financial audits.

Requires ability to learn to prepare for, attend and conduct entrance conferences to outline audit plans with agency personnel, attend exit conferences, and participate in the discussion of audit findings prior to the issuance of the final report.

Requires ability to learn to exercise sound judgment in appraising and evaluating programs of an operational and procedural nature.

Requires ability to learn to note deficiencies in control procedures and suggest corrective action.

Requires ability to learn to document and support audit findings and recommendations.

May require an appropriate valid driver's license and ability to travel to remote audit sites.

INTERNAL AUDITOR I

POSITION CODE: 21721

## DISTINGUISHING FEATURES OF WORK:

Under general supervision, conducts internal or internal/external audits of simple and complex programs including financial, operational and compliance audits; in accordance with approved audit guidelines and completes specific phases of complex audits; prepares audit reports for review by a higher level auditor; compiles and analyzes internal audit data; prepares audit reports, summarizing the work performed, detailing the findings, detailing the deficiencies and developing recommendations for correcting the deficiencies.

## ILLUSTRATIVE EXAMPLES OF WORK:

1. Independently conducts routine and nonroutine fiscal and/or programmatic audits of simply structured uncomplicated programs; reviews reference material, and confers with other staff members relative to previous audits which have been conducted in the assigned area; identifies level of problems, and prepares questions to be asked during the audit.
2. Performs fiscal and operational audits, as a team member, to verify the accuracy of records, to ensure conformance of activities to fiscal and legal constraints and requirements, and to identify managerial and/or administrative problems and weaknesses.
3. Plans and writes audit guidelines for assigned audits or audit segments; prepares working papers, supporting schedules and materials, and preliminary audit reports; prepares reports of audit results, recommending improvements in accounting and operational methods, and internal controls.
4. Applies standard testing techniques in auditing and evaluating an agency's accounting system and management controls; analyzes organizational structure to determine lines of authority, span of control and workload distribution; notes deficiencies in control procedures.
5. For assigned audits, prepares for, attends and conducts entrance conferences to outline the scope of the audit with agency personnel; attends conferences, and participates in the discussion of audit findings prior to the issuance of the final report.
6. Reviews existing computer-based accounting and information reporting systems; verifies the existence and strength of internal controls and security systems in both existing and proposed data processing systems; determines if data processing managers and operating technicians have designed and administered data processing systems in accordance with established policies, practices and procedures.
7. Works toward completing requirements for the Certified Internal Auditor or the Certified Public Accountant.
8. Performs other duties as required or assigned which are reasonably within the scope of the duties enumerated above.

## INTERNAL AUDITOR I (Continued)

## DESIRABLE REQUIREMENTS:

Education and Experience

Requires a bachelor's degree, with coursework in auditing, business management, public administration, economics, computer science, accounting or other related subjects. Preferably requires twelve semester hours of accounting.

Requires completion of Internal Auditor training as an Internal Auditor Trainee or, requires two years of professional auditing experience.

Knowledges, Skills and Abilities

Requires working knowledge of auditing theory and procedures.

Requires working knowledge of the agency's programs, policies and regulations.

Requires working knowledge of management principles and techniques, including organization, management, program accountability, governmental operations, and systems analysis.

Requires working knowledge of state government.

Requires ability to develop routine and nonroutine audit guidelines of operational, compliance and financial audits.

Requires ability to prepare for, attend and conduct entrance conferences to outline audit plans with agency personnel, attend exit conferences, and participate in the discussion of audit findings prior to the issuance of the final report.

Requires ability to exercise sound judgment in appraising and evaluating programs of an operational and procedural nature.

Requires ability to note deficiencies in control procedures and suggest corrective action.

Requires ability to document and support audit findings and recommendations.

May require an appropriate valid driver's license and ability to travel to remote audit sites.