

**Review of the Office of the Internal Audit for the First Quarter Fiscal Year 2012 Audit Report**

Internal Audit has completed and released the review for the First Quarter Fiscal Year 2012 Audit Report. The attached is for your review.



THE UNIVERSITY OF NORTH CAROLINA GENERAL ADMINISTRATION

**MEMORANDUM**

**TO:** Mr. Thomas W. Ross, President  
Mr. Walter C. Davenport, Audit Committee Chair, UNC GA Board of Governors

**FROM:** Mr. Jeffrey A. Henderson, Assistant Vice President Finance, Audit and Financial Reporting  
Ms. Jan-Rae D. Castillo, Internal Auditor

**SUBJECT:** Report for the Office of Internal Audit for the First Quarter FY 2012

**DATE:** October 2, 2012

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**Summary of Completed and Pending Engagements**

The annual audit plan is a dynamic document that may change during the fiscal year as circumstance warrant. Requests from management, hotline and other investigations, and changes in the organization or operations may result in changes to the plan and to priorities.

For the quarter ended September 30, 2012, Internal Audit completed and/or initiated the following four engagements:

**Completed- Scheduled Audits and Consultations**

**Assessment of Internal Controls over Financial Reporting FYE June 30, 2012:** As part of the annual certification of internal controls mandated by the Office of the State Controller, UNC GA is required to complete the Assessment of Internal Controls over Financial Reporting. It is Internal Audit's responsibility to review the completeness of the assessment and take note of any identified internal control deficiencies. This review was part of the fiscal year 2012 audit plan. Fieldwork began in mid June and continued through the beginning of fiscal year 2013. The assessment was found to be properly completed and all internal control and risk concerns appropriately addressed. A final memorandum was issued on July 3, 2012.

**Time and Effort Follow Up:** A follow up to the fiscal year 2011 Time and Effort Review was completed in July. The original audit yielded no findings however there were three suggested recommendations for improvements to operations. These recommendations related to policies and procedures and employee training. Internal audit evaluated the

corrective actions taken by Sponsored Programs management and determined that all recommendations have been addressed and resolved. A final memorandum was issued on July 17, 2012.

**President, Vice Presidents, and Chief of Staff Expenses Review:** A financial review was conducted to assess compliance to UNC GA expense policies and procedures and a reasonableness assessment of expense items. This review was part of the fiscal year 2012 audit plan. Fieldwork was completed in June. There was one audit finding related to outdated policies and procedures that did not represent current practices and did not conform to the North Carolina State Budget Manual. The final report was issued on September 18, 2012.

**Capital Assets Threshold Implementation Review:** In April, the Business Office adopted a new capitalization threshold of \$5,000. A financial review was conducted to assess the completeness of this implementation as it pertains to the transition of the official system of record for existing Information Technology sensitive equipment valued below the \$5,000 threshold to the Information Technology Service's FileMaker Pro Database. This review is part of the fiscal year 2013 audit plan and it was completed in September. The \$5,000 threshold was found to be generally implemented properly and no additional audit work is needed at this time. A final memorandum was issued on September 19, 2012.

### **Pending- Scheduled Audits and Consultations**

**UNC-TV PCard Review:** In September, we began the planning for an internal control review of the North Carolina Center for Public Television's Procurement Card program. Our testing includes a review of policies and procedures, compliance to those policies and procedures, and a reasonableness assessment of expense items. We expect to complete fieldwork in late November.

### **Other Projects:**

**UNC System Shared Services and Efficiency Initiative:** Internal Audit is participated in a study to determine potential process efficiency and effectiveness gains throughout the UNC System. This project has been determined to be a top priority goal for UNC GA in 2012. In cooperation with OSBM, UNC GA has identified three areas for organizational change efficiencies and three areas for policy and practice efficiencies. The final report was completed in August and presented to the Board of Governors in September.

**Advisory Services:** Internal Audit has provided approximately 14 hours of advisory services to UNC GA this quarter.

### **Professional Development**

State law requires the Office of Internal Audit to follow the *International Standards for the Professional Practice of Internal Auditing*. Standard 1230 states: "Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development." The internal auditor has become a Certified Public Accountant as of September 19, 2011. To meet the requirements of Standard 1230, the internal auditor has attended the following workshops and conferences:

## APPENDIX F

### *External Training:*

- Institute of Internal Audit “Information Technology Controls” webcast on September 12, 2012

JAH/JDC

Cc: Mr. Charlie E. Perusse, Chief Operating Officer