

University System
Summary of Internal Audit Plans
For Year Ending June 30, 2007

Item 2

| Specific Audits | Number of Audits | Audit Status | | | | Material Reportable Conditions |
|---|------------------|--------------|------------|-----------|-----------|--------------------------------|
| | | Complete | In Process | Pending | Cancelled | |
| Information System Controls | | | | | | |
| Banner System | 11 | 2 | 3 | 5 | 1 | |
| Disaster Recovery Plans | 9 | 6 | 1 | 1 | 1 | 2 |
| Information Technology Center | 13 | 5 | 4 | 4 | | 4 |
| Peripheral Systems | 8 | 3 | 1 | 3 | 1 | |
| Internal Control Testing and/or Reviews | | | | | | |
| Accounts Payable and Disbursements | 3 | 2 | 1 | | | |
| Bank Reconciliations | 4 | 3 | | | 1 | |
| Capital Assets | 11 | 4 | 2 | 4 | 1 | 1 |
| Financial Aid | 3 | 2 | 1 | | | 1 |
| Inventory Verification | 7 | 6 | | | 1 | 1 |
| Payroll, Employee Pay and Separation | 4 | 2 | 1 | 1 | | |
| Petty Cash and Cashiering | 15 | 10 | | 4 | 1 | 1 |
| Policy Creation | 1 | 1 | | | | |
| Procurement Card | 6 | 3 | 1 | 2 | | 1 |
| Revenue and Expenses | 4 | 2 | | | 2 | |
| Self Assessment of Internal Control | 17 | 15 | 2 | | | 2 |
| Sponsored Programs | 1 | | 1 | | | |
| Travel | 3 | | | 2 | 1 | |
| Departmental Audits and/or Reviews | | | | | | |
| Academic Affairs | 1 | | | 1 | | |
| Admissions | 1 | | | 1 | | |
| Associated Entities | 2 | 2 | | | | |
| Athletics | 1 | 1 | | | | 1 |
| Business and Finance | 8 | 3 | 3 | 2 | | |
| Colleges, Schools, Camps and Centers | 19 | 7 | 5 | 6 | 1 | 1 |
| Development and Advancement | 3 | 2 | | | 1 | 1 |
| Human Resources | 3 | 2 | | | 1 | 1 |
| Student Activities | 3 | 2 | | 1 | | |
| Special Investigations (i.e. Misuse or Misappropriation of Assets) | | | | | | |
| Various | 80 | 58 | 17 | 2 | 3 | 11 |
| Special Assignments | | | | | | |
| Various | 23 | 14 | 5 | 3 | 1 | 2 |
| Audit Findings Follow-up | | | | | | |
| Internal Audit Issues | 53 | 37 | 9 | 7 | | |
| National Association of Student Financial Aid | | | | | | |
| Administrators Standards of Excellence Review | 2 | 2 | | | | 1 |
| Office of the State Auditor Findings | 12 | 12 | | | | 10 |
| Compliance Audits | | | | | | |
| Brody School of Medicine Regulatory Compliance Office | 1 | | | 1 | | |
| Business and Finance | 6 | 3 | 1 | 2 | | |
| Cellular Phone and Internet | 2 | 1 | | 1 | | |
| Contracts and Grants | 5 | 3 | | 1 | 1 | |
| Counseling Center | 1 | | 1 | | | |
| Design and Construction | 2 | 1 | 1 | | | |
| Development | 2 | 2 | | | | |
| Endowment and Gift Administration | 1 | | | | 1 | |
| Financial Aid | 4 | 2 | | 1 | 1 | |
| Human Resources | 10 | 3 | 4 | 2 | 1 | 1 |
| Information Privacy Standards | 5 | 1 | 4 | | | |
| National Collegiate Athletic Association | 5 | 3 | | | 2 | |
| Trust Fund | 1 | 1 | | | | |
| Lapsed Salary/Management Flexibility | | | | | | |
| Carry-forward, Lapsed Salary, and Management Budget Flexibility | 17 | 16 | 1 | | | |
| Total Audits | 393 | 244 | 69 | 57 | 23 | 42 |

Number of Audits above includes 108 audits added to the original plan.

Performance Reviews included in audits above total 14.

Appalachian State University
Audit Plan Summary
For Year Ending June 30, 2007

| Specific Audits | Number of Audits | Audit Status | | | | Material Reportable Conditions*** |
|---|------------------|--------------|------------|----------|-----------|-----------------------------------|
| | | Complete | In Process | Pending | Cancelled | |
| Information System Controls | | | | | | |
| Banner System | 1 | | 1 | | | |
| Disaster Recovery Plans | 1 | 1 | | | | |
| Internal Control Testing and/or Reviews | | | | | | |
| Self Assessment of Internal Control | 1 | | 1 | | | |
| Petty Cash and Cashiering | 1 | 1 | | | | |
| Capital Assets | 1 | 1 | | | | |
| Inventory Verification | 1 | 1 | | | | |
| Travel | 1 | | | 1 | | |
| Procurement Card | 1 | 1 | | | | |
| Accounts Payable and Disbursements | 1 | 1 | | | | |
| Bank Reconciliations | 1 | 1 | | | | |
| Policy Creation** | 1 | 1 | | | | |
| Departmental Audits and/or Reviews | | | | | | |
| Business and Finance | 3 | 2 | | 1 | | |
| Admissions | 1 | | | 1 | | |
| Colleges, Schools, Camps and Centers | 4 | 2 | | 2 | | |
| Athletics | 1 | 1 | | | | 1 |
| Special Investigations (i.e. Misuse or Misappropriation of Assets) | | | | | | |
| Various* | 4 | 4 | | | | 1 |
| Special Assignments | | | | | | |
| Audit Findings Follow-up | | | | | | |
| Internal Audit Issues | 2 | 1 | 1 | | | |
| Office of the State Auditor Findings* | 1 | 1 | | | | |
| Compliance Audits | | | | | | |
| Trust Fund | 1 | 1 | | | | |
| Human Resources** | 1 | 1 | | | | |
| Cellular Phone and Internet | 1 | 1 | | | | |
| Design and Construction | 1 | 1 | | | | |
| Lapsed Salary/Management Flexibility | | | | | | |
| Carry-forward, Lapsed Salary and Management Budget Flexibility | 1 | 1 | | | | |
| Total Audits | 32 | 24 | 3 | 5 | 0 | 2 |

* Five audits added to the original plan

** Performance or Operational Effectiveness Reviews

*** Findings, recommendations, and corrective actions attached

APPALACHIAN STATE UNIVERSITY
Summary of Material Reportable Conditions
Year Ended June 30, 2007

1. New River Light and Power

Finding:

The New River Light and Power General Manager used his University position to receive a direct benefit personally and misappropriate approximately \$20,000.00 of University funds. He did this while working as a part time temporary employee without proper authorization after he retired from this same position.

Recommendation:

Key management positions should be held by permanent full-time employees and established policies should be followed. In accordance with NC General Statute 114.15.1 the proper law enforcement agencies should be notified and restitution should be sought for the misappropriated funds.

Corrective Action:

The Vice Chancellor who allowed the general manager to work as a part time temporary employee has resigned and the general manager has been dismissed. Established policies are now being followed and the SBI has been notified and is currently conducting an investigation into the misappropriation.

2. Athletics

Finding:

The required "Agreed Upon Procedures Review" was not completed in the required time frame, therefore putting the University in a non-compliant status with NCAA Bylaws.

Recommendation:

Necessary information should be provided to the contracted CPA firm in order for them to complete this review and greater care should be exercised in the future to see that this requirement is met within the time frame allowed.

Corrective Action:

The "Agreed Upon Procedures Review" was completed in June 2007 and the Athletic Dept. self-reported this infraction which they are required to do. Policies have been developed to address this requirement and will be adhered to in the future.

East Carolina University
Audit Plan Summary
For Year Ending June 30, 2007

| Specific Audits | Number of Audits | Audit Status | | | | Material Reportable Conditions*** |
|---|------------------|--------------|------------|----------|-----------|-----------------------------------|
| | | Complete | In Process | Pending | Cancelled | |
| Information System Controls | | | | | | |
| Banner System | 1 | | | 1 | | |
| Disaster Recovery Plans | 2 | 1 | | 1 | | 2 |
| Information Technology Center | 2 | 1 | | 1 | | 4 |
| | | | | | | |
| Internal Control Testing and/or Reviews | | | | | | |
| Self Assessment of Internal Control | 1 | | 1 | | | |
| Petty Cash and Cashiering | 1 | | | 1 | | |
| Accounts Payable and Disbursements | 1 | | 1 | | | |
| Financial Aid* | 3 | 2 | 1 | | | 1 |
| Bank Reconciliations | 1 | | | | 1 | |
| Sponsored Programs | 1 | | 1 | | | |
| Revenue and Expenses | 1 | | | | 1 | |
| | | | | | | |
| Departmental Audits and/or Reviews | | | | | | |
| Business and Finance | 3 | | 3 | | | |
| Colleges, Schools, Camps and Centers* | 5 | 2 | 3 | | | |
| | | | | | | |
| Special Investigations (i.e. Misuse or Misappropriation of Assets) | | | | | | |
| Various* | 32 | 21 | 8 | 1 | 2 | 4 |
| | | | | | | |
| Special Assignments | | | | | | |
| | | | | | | |
| Audit Findings Follow-up | | | | | | |
| Internal Audit Issues* | 34 | 24 | 7 | 3 | | |
| Office of the State Auditor Findings | 1 | 1 | | | | 1 |
| | | | | | | |
| Compliance Audits | | | | | | |
| Brody School of Medicine Regulatory Compliance Office | 1 | | | 1 | | |
| Information Privacy Standards | 2 | | 2 | | | |
| | | | | | | |
| Lapsed Salary/Management Flexibility | | | | | | |
| Carry-forward, Lapsed Salary and Management Budget Flexibility | 1 | | 1 | | | |
| | | | | | | |
| Total Audits | 93 | 52 | 28 | 9 | 4 | 12 |

* Twenty-nine audits added to the original plan

*** Findings, recommendations, and corrective actions attached

EAST CAROLINA UNIVERSITY
Summary of Material Reportable Conditions
Year Ended June 30, 2007

1. Information System Controls

Findings:

- The Recovery Time Objective and Recovery Point Objective for critical infrastructure and systems are not included in the Disaster Recovery Plan.
- The administrator did not appear to be using a documented procedure while testing the recovery process.
- Recruitment and retention of qualified programmers is a significant issue.
- Testing is performed in the developmental environment, with a very limited set of data, and then in the production environment, by a limited set of testing users.
- Sound audit trails are not available for the OneStop portal or its embedded applications. The audit trail should show when changes were moved into production, what specific changes were made, and by whom.
- The standards document procedures are not consistently applied to all application changes.

Recommendation:

Management should update the Disaster Recovery Plan, obtain qualified programmers, test in a test environment, maintain audit trails in all areas, and apply all guidelines included in the standards document.

Corrective Action:

Management has made significant progress addressing the above issues and continues to work toward full implementation.

2. Financial Aid and Audit Follow-up

Findings:

- A few student records sampled do not include all required eligibility and verification documentation.
- Weaknesses found at the Brody School of Medicine student financial aid office include improper segregation of duties, lack of policies and procedures, and conflicting satisfactory academic progress policies.
- The University has policies and procedures in place for the reconciliation of all Title IV federal aid funds except Federal Work Study.
- Numerous students and one employee in the student financial aid office exhibited a pattern of registering for hours, receiving federal funds, and dropping hours immediately after the 100% refund period.
- We found (1) a lack of clear policies and procedures for awarding State funded student financial aid, (2) a lack of oversight over student financial aid employees that award State

funded student financial aid, (3) and the ability to override the computer system control that limits the amount of State funded student financial aid that could be awarded.

Recommendations:

- Management should implement monitoring procedures to ensure all required documentation exists in the students' financial aid files.
- The Brody School of Medicine student financial aid office should report to the Director of Student Financial Aid and eliminate all weaknesses.
- Federal Work Study reconciliations should be completed timely.
- Management should consider updating policies and provide additional supervisory oversight.

Corrective Action:

Management has implemented the Banner System and made significant progress addressing the above issues and continues to work toward full implementation. Internal controls for State funded student financial aid were immediately implemented.

3. Athletics

Finding:

Our review found evidence to substantiate that one employee's travel records included falsified travel receipts/statements that had been submitted by the employee to the University between December 9, 2004 and February 10, 2007. In reliance upon these falsified documents, the University reimbursed the employee a total of \$11,373.70.

Recommendation:

This matter was referred to the ECU Police Department after consultation with the Office of the University Attorney.

Corrective Action:

The employee admitted to the fabrication of the travel records and paid full restitution to the University. The employee was arrested and charged with Obtaining Property by False Pretenses, and pled guilty to one count of Misdemeanor Common Law Forgery. The employee is no longer working with the University.

Elizabeth City State University
Audit Plan Summary
For Year Ending June 30, 2007

| Specific Audits | Number of Audits | Audit Status | | | | Material Reportable Conditions |
|---|---------------------|--------------|------------|----------|-----------|--------------------------------------|
| | | Complete | In Process | Pending | Cancelled | |
| Information System Controls | | | | | | |
| Peripheral Systems | 1 | | 1 | | | |
| | | | | | | |
| Internal Control Testing and/or Reviews | | | | | | |
| Self Assessment of Internal Control | 1 | 1 | | | | |
| Petty Cash and Cashiering | 1 | 1 | | | | |
| | | | | | | |
| Departmental Audits and/or Reviews | | | | | | |
| Student Activities | 1 | 1 | | | | |
| | | | | | | |
| Special Investigations (i.e. Misuse or Misappropriation of Assets) | | | | | | |
| Various | 1 | 1 | | | | |
| | | | | | | |
| Special Assignments | | | | | | |
| Various* | 1 | | 1 | | | |
| | | | | | | |
| Audit Findings Follow-up | | | | | | |
| Office of the State Auditor Findings | 1 | 1 | | | | |
| National Association of Student Financial Aid | | | | | | |
| Administrators Standards of Excellence Review | 1 | 1 | | | | |
| | | | | | | |
| Compliance Audits | | | | | | |
| Design and Construction | 1 | | 1 | | | |
| Human Resources | 1 | | | | 1 | |
| | | | | | | |
| Lapsed Salary/Management Flexibility | | | | | | |
| Carry-forward, Lapsed Salary and Management Budget Flexibility | 1 | 1 | | | | |
| | | | | | | |
| Total Audits | 11 | 7 | 3 | 0 | 1 | 0 |

* One audit added to the original plan

Fayetteville State University
Audit Plan Summary
For Year Ending June 30, 2007

| Specific Audits | Number of Audits | Audit Status | | | | Material Reportable Conditions |
|---|------------------|--------------|------------|----------|-----------|--------------------------------|
| | | Complete | In Process | Pending | Cancelled | |
| Information System Controls | | | | | | |
| Information Technology Center | 2 | 1 | | 1 | | |
| | | | | | | |
| Internal Control Testing and/or Reviews | | | | | | |
| Self Assessment of Internal Control | 1 | 1 | | | | |
| Petty Cash and Cashiering* | 1 | 1 | | | | |
| Accounts Payable and Disbursements** | 1 | 1 | | | | |
| Travel | 1 | | | 1 | | |
| Capital Assets** | 1 | | 1 | | | |
| Payroll, Employee Pay and Separation | 1 | | 1 | | | |
| Revenue and Expenses | 1 | 1 | | | | |
| | | | | | | |
| Departmental Audits and/or Reviews | | | | | | |
| | | | | | | |
| | | | | | | |
| Special Investigations (i.e. Misuse or Misappropriation of Assets) | | | | | | |
| Various* | 1 | 1 | | | | |
| | | | | | | |
| Special Assignments | | | | | | |
| | | | | | | |
| Audit Findings Follow-up | | | | | | |
| Office of the State Auditor Findings | 1 | 1 | | | | |
| | | | | | | |
| Compliance Audits | | | | | | |
| Financial Aid | 1 | | | 1 | | |
| Human Resources | 1 | | 1 | | | |
| | | | | | | |
| Lapsed Salary/Management Flexibility | | | | | | |
| Carry-forward, Lapsed Salary and Management Budget Flexibility | 1 | 1 | | | | |
| | | | | | | |
| Total Audits | 14 | 8 | 3 | 3 | 0 | 0 |

* Two audits added to the original plan

** Performance or Operational Effectiveness Reviews

North Carolina A and T State University
Audit Plan Summary
For Year Ending June 30, 2007

| Specific Audits | Number of Audits | Audit Status | | | | Material Reportable Conditions*** |
|---|------------------|--------------|------------|----------|-----------|-----------------------------------|
| | | Complete | In Process | Pending | Cancelled | |
| Information System Controls | | | | | | |
| Banner System | 2 | | 1 | 1 | | |
| Peripheral Systems | 1 | | | 1 | | |
| | | | | | | |
| Internal Control Testing and/or Reviews | | | | | | |
| Self Assessment of Internal Control | 1 | 1 | | | | |
| Petty Cash and Cashiering | 2 | 1 | | | 1 | 1 |
| Inventory Verification | 1 | 1 | | | | |
| | | | | | | |
| Departmental Audits and/or Reviews | | | | | | |
| Development and Advancement | 1 | 1 | | | | 1 |
| Human Resources | 1 | | | | 1 | |
| Colleges, Schools, Camps and Centers | 1 | | | 1 | | |
| | | | | | | |
| Special Investigations (i.e. Misuse or Misappropriation of Assets) | | | | | | |
| Various* | 2 | 2 | | | | 2 |
| | | | | | | |
| Special Assignments | | | | | | |
| Various* | 1 | 1 | | | | 1 |
| | | | | | | |
| Audit Findings Follow-up | | | | | | |
| Office of the State Auditor Findings | 2 | 2 | | | | |
| | | | | | | |
| Compliance Audits | | | | | | |
| Financial Aid | 1 | 1 | | | | |
| | | | | | | |
| Lapsed Salary/Management Flexibility | | | | | | |
| Carry-forward, Lapsed Salary and Management Budget Flexibility | 1 | 1 | | | | |
| | | | | | | |
| Total Audits | 17 | 11 | 1 | 3 | 2 | 5 |

* Three audits added to the original plan

*** Findings, recommendations, and corrective actions attached

NORTH CAROLINA A&T STATE UNIVERSITY
Summary of Material Reportable Conditions
Year Ended June 30, 2007

1. University Development Office Audit

Finding:

The overall effectiveness of the Development Office could not be measured because the overall operating costs could not be identified. Also, gift policies and procedures were inadequate, gift totals were not being reconciled, gifts were being received in multiple locations, and no one had been designated to ensure funds were used in compliance with donor intent. Unrestricted funds were used to pay for personal and non-mission essential expenses.

Recommendation:

The Development Office should account for all operating expenses, establish a single point of entry for gifts, perform monthly reconciliation's of the gifts received, establish gift policies and procedures, work with the Foundation to develop and document a set of basic spending guidelines for unrestricted funds, and designate someone as the responsible person(s) for ensuring that donor funds are used in compliance with the donor's intent.

Corrective Action:

Management has implemented new policies and procedures that will account for all of the Development Office's operating expenses and enhance the gifting process. Management has also developed guidelines for the expenditure of unrestricted funds.

2. Ethics Line Complaint - Facilities Department

Finding:

The Facilities Department failed to comply with policies and procedures relating to the bid process when a vendor was hired to perform daily maintenance on a fountain pool. Also, employees attended funerals in state vehicles while on University time.

Recommendation:

- Ensure that future work awarded to vendors does not create a conflict of interest and is in compliance with State and University purchasing policies and procedures.
- Employees should discontinue use of state vehicles for non University business and charge the appropriate leave while away from the University attending to personal business.

Corrective Action:

The Facilities Department strengthened management oversight of the purchasing process to ensure compliance with State & University policies and procedures related to Purchasing. Also, policies regarding leave usage, conflict of interest, and motor fleet management were

reiterated to employees. Employees who attended the funerals on University time charged the appropriate leave to their account.

3. Natural Resources & Environmental Design and Related Accounts Audit

Finding:

Adequate internal controls were not in place to assure proper segregation of duties and proper review and approval procedures. The Principal Investigators and the Responsible Persons for the accounts did not reconcile departmental records and source documents to financial records to verify that recorded transactions were approved and were made in accordance with prescribed procedures. Many transactions were not properly approved by the Supervisor. Forged signatures and/or a signature stamp were added to documents to show approval and establish responsibility.

Recommendation:

Strengthen internal controls over transactions so that no one individual controls all key aspects of a transaction or event. Also, the Principal Investigators and Responsible Persons should review their University account on a monthly basis. The use of signature stamps should not be permitted to replace a manual signature of an approving official.

Corrective Action:

- Natural Resources & Environmental Design has implemented new departmental purchasing policies and procedures that strengthen internal controls, allow for segregation of duties, and establish a reconciliation and approval process.
- The University has conducted several workshops for Principal Investigators, Project Directors, and Chairpersons to inform them of State & University policies and procedures.

4. Embezzlement of Funds from Housing & Residence Life

Finding:

Housing & Residence Life did not have proper internal controls for accepting and reconciling housing application fees.

Recommendation:

Develop written procedures for the reconciliation of housing applications to the daily deposit of funds with the Treasurer's Office. There should be segregation of duties to provide adequate internal control.

Corrective Action:

Housing & Residence Life has implemented new procedures to strengthen internal controls, which include segregation of duties and daily reconciliation. Cash is no longer accepted as a method of payment in Housing & Residence Life.

5. Telecommunication Services Office Follow-Up Audit

Finding:

Student Services telephone bills were not paid by the due date resulting in the University incurring \$1,448 in late payment charges. Also, University-issued cellular telephones are not used in the most efficient manner.

Recommendation:

Follow established procedures for reviewing and paying Student Services telephone bills in a timely manner. Also, establish procedures for tracking end user activity and remind the University community of State and University policy regarding the personal use of University-issued cellular telephones. Management should monitor cellular telephone usage in their respective areas to ensure cost efficiency.

Corrective Action:

The Telecommunication Services Office has modified its procedures to ensure timely processing of Student Services telephone bills. Management has updated the cellular telephone policy to include managerial oversight of end users and reminded users of this policy. New procedures have been established to assist with monitoring cellular telephone plans.

North Carolina Central University
Audit Plan Summary
For Year Ending June 30, 2007

| Specific Audits | Number of Audits | Audit Status | | | | Material Reportable Conditions*** |
|---|------------------|--------------|------------|----------|-----------|-----------------------------------|
| | | Complete | In Process | Pending | Cancelled | |
| Information System Controls | | | | | | |
| Banner System | 1 | | | 1 | | |
| Internal Control Testing and/or Reviews | | | | | | |
| Self Assessment of Internal Control | 1 | 1 | | | | |
| Petty Cash and Cashiering | 1 | 1 | | | | |
| Capital Assets | 1 | | | 1 | | |
| Departmental Audits and/or Reviews | | | | | | |
| Human Resources | 1 | 1 | | | | 1 |
| Special Investigations (i.e. Misuse or Misappropriation of Assets) | | | | | | |
| Various* | 2 | 2 | | | | |
| Special Assignments | | | | | | |
| Audit Findings Follow-up | | | | | | |
| Office of the State Auditor Findings | 2 | 2 | | | | 2 |
| Compliance Audits | | | | | | |
| Lapsed Salary/Management Flexibility | | | | | | |
| Carry-forward, Lapsed Salary and Management Budget Flexibility | 1 | 1 | | | | |
| Total Audits | 10 | 8 | 0 | 2 | 0 | 3 |

* Two audits added to the original plan

*** Findings, recommendations, and corrective actions attached

NORTH CAROLINA CENTRAL UNIVERSITY
Summary of Material reportable Conditions
Year Ended June 30, 2007

1. Office of State Auditor (OSA) – Invalid Social Security Numbers (SSNs) and not monitoring the Monthly Social Security Administration (SSA) Verification Report

Finding:

Social Security numbers of employees on payroll were identified as invalid. Payroll included non-student and student employees. SSN's were matched from the university's payroll file to the SSA's file of deceased persons.

Recommendation:

Management should follow-up on the employees that have used fraudulent documents to obtain employment and take appropriate action. Investigate monthly, employees appearing on the Monthly SSA Verification Error Report.

Corrective Action:

The university re-established monthly review of the Monthly SSA Verification report. A copy of the report is forwarded to the personnel units to submit corrective actions to the Office of State Controller (OSC) monthly. Training was provided by the Social Security (SS) representative on how to access and use the SS Business Online system.

2. Office of State Auditor (OSA) – Systems software standards and documentation needs improvement

Finding:

University systems software standards did not address software changes. All system changes were not documented. There was no supporting documentation for the Banner system software upgrades.

Recommendation:

University should make modifications to address the missing components to their existing system.

Corrective Action:

Changes to the Information Technology System (ITS) Change management procedural guide were implemented. New software was created to manage, control, and centrally track documentation. In addition, the system provides tracking and automation in a controlled, rule-based manner. This process ensures related communication workflow and processes are met.

3. University Student Payroll – Student Work-Aid

Finding:

University department was not verifying whether individuals employed were registered as students during time of employment. The manager paid students who did not qualify to earn income from the university as work-aid students.

Recommendation:

The department should establish a central person/location for all student workers within the division; verify individuals are registered students and maintain accurate student employee documentation.

Corrective Action:

The department has established an individual who has the responsibility of maintaining records for student workers. Periodic checks were implemented to verify whether individuals qualify to work as student workers.

**North Carolina School of the Arts
Audit Plan Summary
For Year Ending June 30, 2007**

| Specific Audits | Number of Audits | Audit Status | | | | Material Reportable Conditions*** |
|---|------------------|--------------|------------|----------|-----------|-----------------------------------|
| | | Complete | In Process | Pending | Cancelled | |
| Information System Controls | | | | | | |
| Banner System | 1 | | | 1 | | |
| Internal Control Testing and/or Reviews | | | | | | |
| Self Assessment of Internal Control | 1 | 1 | | | | |
| Bank Reconciliations | 1 | 1 | | | | |
| Payroll, Employee Pay and Separation | 1 | 1 | | | | |
| Inventory Verification* | 1 | 1 | | | | 1 |
| Procurement Card | 1 | | | 1 | | |
| Departmental Audits and/or Reviews | | | | | | |
| Student Activities | 1 | | | 1 | | |
| Colleges, Schools, Camps and Centers | 1 | | | 1 | | |
| Special Investigations (i.e. Misuse or Misappropriation of Assets) | | | | | | |
| Various* | 3 | 1 | | 1 | 1 | 1 |
| Special Assignments | | | | | | |
| Various* | 4 | 2 | | 1 | 1 | 1 |
| Audit Findings Follow-up | | | | | | |
| Internal Audit Issues | 1 | 1 | | | | |
| Compliance Audits | | | | | | |
| Lapsed Salary/Management Flexibility | | | | | | |
| Carry-forward, Lapsed Salary and Management Budget Flexibility | 1 | 1 | | | | |
| Total Audits | 17 | 9 | 0 | 6 | 2 | 3 |

* Seven audits added to the original plan

*** Findings, recommendations, and corrective actions attached

**NORTH CAROLINA SCHOOL OF THE ARTS
Summary of Material Reportable Conditions
Year Ended June 30, 2007**

1. Misuse of NCSA Facilities

Finding:

A School of Music employee used NCSA facilities for her private business.

Recommendation:

School of Music employees should be advised that the use of NCSA facilities and equipment while conducting a private business is a violation of NCSA policy and NC General Statute 14-91.

Corrective Action:

The employee is no longer using NCSA facilities to conduct her private business and the faculty and staff have been reminded of the policy prohibiting personal use of NCSA facilities and property.

2. NCSA Foundation Film Inventory

Finding:

Seventy-one films were mistakenly allowed to be transferred to the University of Miami because the School of Filmmaking film inventory records were not accurate.

Recommendation:

The School of Filmmaking should contact the University of Miami and request the films be returned to NCSA. Also, the School of Filmmaking should update the film inventory list and maintain accurate documentation of the film inventory.

Corrective Action:

The School of Filmmaking has requested the University of Miami return the films but none of the films have been returned as of yet. NCSA continues to work toward resolving this issue.

3. Executive Meal Plan

Finding:

NCSA provides free meals to a limited number of employees but does not include the value of the meals in the employees' taxable income as required by IRS regulations.

Recommendation:

Free meals are fringe benefits and the value of the meals should be included in an employee's taxable income unless specifically excluded by IRS regulations.

Corrective Action:

NCSA no longer provides free meals to employees unless the purpose of the meals meets the requirements for the fringe benefit to be excluded from taxable income.

North Carolina State University
Audit Plan Summary
For Year Ending June 30, 2007

| Specific Audits | Number of Audits | Audit Status | | | | Material Reportable Conditions*** |
|---|------------------|--------------|------------|----------|-----------|-----------------------------------|
| | | Complete | In Process | Pending | Cancelled | |
| Information System Controls | | | | | | |
| Peripheral Systems | 4 | 2 | | 2 | | |
| | | | | | | |
| Internal Control Testing and/or Reviews | | | | | | |
| Self Assessment of Internal Control | 1 | 1 | | | | |
| Capital Assets | 1 | | | 1 | | |
| | | | | | | |
| Departmental Audits and/or Reviews | | | | | | |
| Associated Entities* | 2 | 2 | | | | |
| Colleges, Schools, Camps and Centers | 1 | | | | 1 | |
| Development and Advancement* | 1 | 1 | | | | |
| Human Resources* | 1 | 1 | | | | |
| | | | | | | |
| Special Investigations (i.e. Misuse or Misappropriation of Assets) | | | | | | |
| Various* | 7 | 7 | | | | 2 |
| | | | | | | |
| Special Assignments | | | | | | |
| Various* | 1 | | 1 | | | |
| | | | | | | |
| Audit Findings Follow-up | | | | | | |
| Internal Audit Issues | 4 | 2 | 1 | 1 | | |
| Office of the State Auditor Findings | 1 | 1 | | | | 1 |
| | | | | | | |
| Compliance Audits | | | | | | |
| Contracts and Grants | 1 | 1 | | | | |
| Human Resources | 3 | 1 | 1 | 1 | | |
| | | | | | | |
| Lapsed Salary/Management Flexibility | | | | | | |
| Carry-forward, Lapsed Salary and Management Budget Flexibility | 1 | 1 | | | | |
| | | | | | | |
| Total Audits | 29 | 20 | 3 | 5 | 1 | 3 |

* Ten audits added to the original plan

*** Findings, recommendations, and corrective actions attached

NORTH CAROLINA STATE UNIVERSITY
Summary of Material Reportable Conditions
Year Ended June 30, 2007

1. Office of the State Auditor – Facilities Operations

Finding:

The Project Manager used his University position to derive a direct benefit for his private business. This was a follow-up review to the OSA report issued August 28, 2006.

Recommendation:

Responsibility to be transferred for administering convenience contracts to the Business Services Unit within Facilities Operations to segregate oversight. Facilities needs to implement additional controls to monitor and review activity.

Corrective Action:

Additional oversight has been implemented. Also, contract award payments exceeding \$20,000 require a higher level of review and approval than the project manager. All employees, SPA or EPA, are now required to complete a conflict of interest form. All supervisors have received ethics training. A new position of Contract Administrator has been developed to provide other oversight and self-audit within the unit.

2. A Professor's activities within the Department of Materials, Science, and Engineering

Finding:

The Professor did not disclose inventions as required by University policy. Some of these inventions appeared to have been made with University resources and subsequently assigned to another company. The Professor also entered into two separate consulting agreements that assigned all intellectual property rights to these outside companies.

Recommendation:

Recommunicate and educate all faculty on the University's conflict of interest, external pay for professional activities, and patent policies, especially related to consulting.

Corrective Action:

All disclosures were received and the Professor is disclosing all current inventions. Training sessions are being offered at the beginning of each semester to help make faculty aware of all policies and requirements.

3. University Housing – Western Manor

Finding:

Management did not have sufficient oversight or adequate internal controls for the apartment complex. This resulted in about \$20,000 unaccounted for.

Recommendation:

Implement internal controls to address each specific issue in the audit report.

Corrective Action:

Management has implemented new operating practices, appropriate oversight, and stronger internal controls.

The University of North Carolina at Asheville
Audit Plan Summary
For Year Ending June 30, 2007

| Specific Audits | Number of Audits | Audit Status | | | | Material Reportable Conditions |
|---|------------------|--------------|------------|----------|-----------|--------------------------------|
| | | Complete | In Process | Pending | Cancelled | |
| Information System Controls | | | | | | |
| Banner System | 1 | | | 1 | | |
| | | | | | | |
| Internal Control Testing and/or Reviews | | | | | | |
| Self Assessment of Internal Control | 1 | 1 | | | | |
| Petty Cash and Cashiering | 1 | | | 1 | | |
| Inventory Verification | 1 | | | | 1 | |
| Payroll, Employee Pay and Separation | 1 | | | 1 | | |
| | | | | | | |
| Departmental Audits and/or Reviews | | | | | | |
| Business and Finance | 1 | | | 1 | | |
| Colleges, Schools, Camps and Centers | 1 | | | 1 | | |
| | | | | | | |
| Special Investigations (i.e. Misuse or Misappropriation of Assets) | | | | | | |
| | | | | | | |
| | | | | | | |
| Special Assignments | | | | | | |
| Various* | 2 | 1 | 1 | | | |
| | | | | | | |
| Audit Findings Follow-up | | | | | | |
| | | | | | | |
| Compliance Audits | | | | | | |
| Human Resources | 1 | | 1 | | | |
| | | | | | | |
| Lapsed Salary/Management Flexibility | | | | | | |
| Carry-forward, Lapsed Salary and Management Budget Flexibility | 1 | 1 | | | | |
| | | | | | | |
| Total Audits | 11 | 3 | 2 | 5 | 1 | 0 |

* Two audits added to the original plan

The University of North Carolina at Chapel Hill
Audit Plan Summary
For Year Ending June 30, 2007

| Specific Audits | Number of Audits | Audit Status | | | | Material Reportable Conditions |
|---|------------------|--------------|------------|----------|-----------|--------------------------------|
| | | Complete | In Process | Pending | Cancelled | |
| Information System Controls | | | | | | |
| Information Technology Center* | 4 | | 4 | | | |
| Internal Control Testing and/or Reviews | | | | | | |
| Self Assessment of Internal Control | 1 | 1 | | | | |
| Petty Cash and Cashiering** | 1 | | | 1 | | |
| Capital Assets** | 1 | | | 1 | | |
| Payroll, Employee Pay and Separation | 1 | 1 | | | | |
| Departmental Audits and/or Reviews | | | | | | |
| Colleges, Schools, Camps and Centers* | 2 | | 2 | | | |
| Special Investigations (i.e. Misuse or Misappropriation of Assets) | | | | | | |
| Various* | 12 | 7 | 5 | | | |
| Special Assignments | | | | | | |
| Various* | 4 | 4 | | | | |
| Audit Findings Follow-up | | | | | | |
| Compliance Audits | | | | | | |
| Information Privacy Standards | 1 | | 1 | | | |
| Human Resources | 1 | | 1 | | | |
| Business and Finance** | 5 | 2 | 1 | 2 | | |
| Lapsed Salary/Management Flexibility | | | | | | |
| Carry-forward, Lapsed Salary and Management Budget Flexibility | 1 | 1 | | | | |
| Total Audits | 34 | 16 | 14 | 4 | 0 | 0 |

* Sixteen audits added to the original plan

** Performance or Operational Effectiveness Reviews

The University of North Carolina at Charlotte
Audit Plan Summary
For Year Ending June 30, 2007

| Specific Audits | Number of Audits | Audit Status | | | | Material Reportable Conditions |
|---|------------------|--------------|------------|----------|-----------|--------------------------------|
| | | Complete | In Process | Pending | Cancelled | |
| Information System Controls | | | | | | |
| Banner System | 1 | | 1 | | | |
| Information Technology Center | 1 | | | 1 | | |
| Disaster Recovery Plans | 1 | 1 | | | | |
| | | | | | | |
| Internal Control Testing and/or Reviews | | | | | | |
| Self Assessment of Internal Control | 1 | 1 | | | | |
| Petty Cash and Cashiering | 1 | 1 | | | | |
| Bank Reconciliations | 1 | 1 | | | | |
| Capital Assets | 2 | 1 | | 1 | | |
| | | | | | | |
| Departmental Audits and/or Reviews | | | | | | |
| Business and Finance* | 1 | 1 | | | | |
| Student Activities* | 1 | 1 | | | | |
| | | | | | | |
| Special Investigations (i.e. Misuse or Misappropriation of Assets) | | | | | | |
| Various* | 1 | 1 | | | | |
| | | | | | | |
| Special Assignments | | | | | | |
| Various | 1 | 1 | | | | |
| | | | | | | |
| Audit Findings Follow-up | | | | | | |
| | | | | | | |
| Compliance Audits | | | | | | |
| Information Privacy Standards** | 1 | 1 | | | | |
| Contracts and Grants** | 1 | | | 1 | | |
| Business and Finance** | 1 | 1 | | | | |
| Development** | 1 | 1 | | | | |
| National Collegiate Athletic Association** | 1 | 1 | | | | |
| Financial Aid** | 1 | 1 | | | | |
| | | | | | | |
| Lapsed Salary/Management Flexibility | | | | | | |
| Carry-forward, Lapsed Salary and Management Budget Flexibility | 1 | 1 | | | | |
| | | | | | | |
| Total Audits | 19 | 15 | 1 | 3 | 0 | 0 |

* Three audits added to the original plan

** Performance or Operational Effectiveness Reviews

The University of North Carolina at Greensboro
Audit Plan Summary
For Year Ending June 30, 2007

| Specific Audits | Number of Audits | Audit Status | | | | Material Reportable Conditions |
|---|------------------|--------------|------------|----------|-----------|--------------------------------|
| | | Complete | In Process | Pending | Cancelled | |
| Information System Controls | | | | | | |
| Internal Control Testing and/or Reviews | | | | | | |
| Self Assessment of Internal Control | 1 | 1 | | | | |
| Petty Cash and Cashiering | 1 | 1 | | | | |
| Procurement Card | 1 | 1 | | | | |
| | | | | | | |
| Departmental Audits and/or Reviews | | | | | | |
| | | | | | | |
| Special Investigations (i.e. Misuse or Misappropriation of Assets) | | | | | | |
| Various* | 1 | 1 | | | | |
| | | | | | | |
| Special Assignments | | | | | | |
| Various* | 1 | 1 | | | | |
| | | | | | | |
| Audit Findings Follow-up | | | | | | |
| Internal Audit Issues | 1 | 1 | | | | |
| | | | | | | |
| Compliance Audits | | | | | | |
| Contracts and Grants | 2 | 2 | | | | |
| National Collegiate Athletic Association | 1 | 1 | | | | |
| Information Privacy Standards | 1 | | 1 | | | |
| Development | 1 | 1 | | | | |
| | | | | | | |
| | | | | | | |
| Lapsed Salary/Management Flexibility | | | | | | |
| Carry-forward, Lapsed Salary and Management Budget Flexibility | 1 | 1 | | | | |
| | | | | | | |
| Total Audits | 12 | 11 | 1 | 0 | 0 | 0 |

* Two audits added to the original plan

The University of North Carolina at Pembroke
Audit Plan Summary
For Year Ending June 30, 2007

| Specific Audits | Number of Audits | Audit Status | | | | Material Reportable Conditions*** |
|---|------------------|--------------|------------|----------|-----------|-----------------------------------|
| | | Complete | In Process | Pending | Cancelled | |
| Information System Controls | | | | | | |
| Banner System | 1 | 1 | | | | |
| Disaster Recovery Plans | 1 | | | | 1 | |
| Information Technology Center | 1 | | | 1 | | |
| | | | | | | |
| Internal Control Testing and/or Reviews | | | | | | |
| Self Assessment of Internal Control | 1 | 1 | | | | |
| Petty Cash and Cashiering | 1 | 1 | | | | |
| Inventory Verification | 1 | 1 | | | | |
| Procurement Card | 1 | | | 1 | | |
| | | | | | | |
| Departmental Audits and/or Reviews | | | | | | |
| Colleges, Schools, Camps and Centers | 1 | | | 1 | | |
| | | | | | | |
| Special Investigations (i.e. Misuse or Misappropriation of Assets) | | | | | | |
| Various* | 1 | 1 | | | | |
| | | | | | | |
| Special Assignments | | | | | | |
| Various* | 5 | 3 | | 2 | | |
| | | | | | | |
| Audit Findings Follow-up | | | | | | |
| Internal Audit Issues | 2 | | | 2 | | |
| Office of the State Auditor Findings | 2 | 2 | | | | 6 |
| | | | | | | |
| Compliance Audits | | | | | | |
| Cellular Phone and Internet | 1 | | | 1 | | |
| | | | | | | |
| | | | | | | |
| Lapsed Salary/Management Flexibility | | | | | | |
| Carry-forward, Lapsed Salary and Management Budget Flexibility | 1 | 1 | | | | |
| | | | | | | |
| Total Audits | 20 | 11 | 0 | 8 | 1 | 6 |

* Six audits added to the original plan

*** Findings, recommendations, and corrective actions attached

THE UNIVERSITY of NORTH CAROLINA at PEMBROKE
Summary of Material Reportable Conditions
Year Ended June 30, 2007

1. Office of the State Auditor – FY '06 Financial Statement Audit

Finding:

Information system access rights were inconsistent with adequate segregation of duties. This was a follow-up review to the OSA report dated January 31, 2007.

Recommendation:

Information system access rights should be limited to assure that employees are only assigned access rights necessary to perform their jobs and that adequate segregation of duties is achieved.

Corrective Action:

An Electronic Information Management and Security Policy was approved by the University's Board of Trustees on April 19, 2007, which documents the duties and responsibilities of the University's Data Stewards/Managers. This policy requires Data Stewards to annually review the access granted to University Data under their purview and make adjustments as necessary. Procedures are to be documented to provide direction for Data Stewards and help ensure consistency regarding this annual review. Policy training will be provided to appropriate individuals and in the future supervisory approval will be required before an employee can request information system access rights. During the 90-day review meeting it was determined that the University had made satisfactory progress towards resolving this finding. University Computing and Information Services (UCIS) is currently experiencing a transition in leadership, with the new leadership expressing an absolute commitment regarding prompt and complete resolution of the audit finding. UCIS has assembled the necessary information, pending full review, and is working to resolve minor issues to fully complete the audit process.

2. Office of the State Auditor – April 2007 Audit of the Information Systems General Controls

Finding:

The University has established a reasonable security program that addresses the general security of information resources. However, the following security issues were not addressed in its security program:

- The University's Security Policies are currently in draft format. As a result, management's security intentions may not be followed and security may be implemented in an inconsistent manner.

- There is no formally written baseline configuration for securing the University's critical operating system. As a result, security may be implemented in an inconsistent and insecure manner.
- No risk assessment has been performed for the University's critical operations. As a result, critical risks may not be identified and addressed.

This was a follow-up review to the OSA report issued April 23, 2007.

Recommendation:

Management should develop and adopt a set of formal standards to ensure that all critical security issues are addressed in its policies and procedures. Also, it should have a mechanism in place to periodically review these standards for any new critical areas that should be addressed and include policies and procedures regarding these areas in its security policies. Management should also develop a baseline configuration for securing the University's network and computer devices. The University should also perform a risk assessment.

Corrective Action:

The following corrective actions were taken regarding the security issues not addressed in the University's security program:

- The following information security policies were adopted by the University Board of Trustees, effective April 19, 2007:
 - UCIS 01 07 Electronic Information Management and Security Policy
 - UCIS 02 07 Information Classification and Security Policy
 - UCIS 03 07 Network Policy

Currently UCIS is in the process of documenting the mechanism in place to periodically review these policies for any new critical areas that should be addressed.

- UCIS defined and documented baseline configurations for all network devices, including desktop/laptop computers and their peripherals. UCIS has addressed clarification of Internal Audit's issues/concerns, which is pending full review.
- While UCIS took corrective action regarding the performance of a risk assessment, the resolution of this issue was discussed in great detail with a representative from OSA during the 90-day review meeting, which UCIS stated provided significant clarification. Currently UCIS is in the process of assembling the necessary information.

During the 90-day review meeting it was determined that the University had made satisfactory progress towards resolving the security program issues. UCIS is currently experiencing a transition in leadership, with the new leadership expressing an absolute commitment regarding prompt and complete resolution of the audit finding. UCIS has assembled the necessary information, pending full review, and is working to resolve minor issues to fully complete the audit process.

3. Office of the State Auditor – Sensitive Findings Letter Regarding April 2007 Audit of the Information Systems General Controls

Findings:

Conditions related to the following were addressed in a sensitive findings letter:

- Community Strings
- Critical and Sensitive Data
- Oracle Database
- Database Administrators

This was a follow-up review to the OSA letter dated April 20, 2007.

Recommendation:

Appropriate recommendations were provided for each finding.

Corrective Action:

During the 90-day review meeting it was determined that the University had made satisfactory progress towards resolving each of the above findings. UCIS is currently experiencing a transition in leadership, with the new leadership expressing an absolute commitment regarding prompt and complete resolution of the audit findings. UCIS has assembled the necessary information, pending full review, and is working to resolve minor issues to fully complete the audit process.

The University of North Carolina at Wilmington
Audit Plan Summary
For Year Ending June 30, 2007

| Specific Audits | Number of Audits | Audit Status | | | | Material Reportable Conditions |
|---|------------------|--------------|------------|----------|-----------|--------------------------------|
| | | Complete | In Process | Pending | Cancelled | |
| Information System Controls | | | | | | |
| Banner System | 1 | | | | 1 | |
| Peripheral System | 1 | 1 | | | | |
| Information Technology Center | 1 | 1 | | | | |
| Disaster Recovery Plans* | 1 | 1 | | | | |
| | | | | | | |
| Internal Control Testing and/or Reviews | | | | | | |
| Self Assessment of Internal Control | 1 | 1 | | | | |
| Petty Cash and Cashiering | 1 | 1 | | | | |
| Inventory Verification | 2 | 2 | | | | |
| Capital Assets | 1 | | | | 1 | |
| Revenues and Expenses | 2 | 1 | | | 1 | |
| Procurement Card | 1 | | 1 | | | |
| | | | | | | |
| Departmental Audits and/or Reviews | | | | | | |
| Colleges, Schools, Camps and Centers* | 2 | 2 | | | | |
| Development and Advancement | 1 | | | | 1 | |
| | | | | | | |
| Special Investigations (i.e. Misuse or Misappropriation of Assets) | | | | | | |
| Various* | 3 | 3 | | | | |
| | | | | | | |
| Special Assignments | | | | | | |
| Various* | 1 | 1 | | | | |
| | | | | | | |
| Audit Findings Follow-up | | | | | | |
| Internal Audit Issues* | 4 | 4 | | | | |
| Office of the State Auditor Findings | 1 | 1 | | | | |
| | | | | | | |
| Compliance Audits | | | | | | |
| National Collegiate Athletic Association | 2 | | | | 2 | |
| Counseling Center | 1 | | 1 | | | |
| Financial Aid | 1 | | | | 1 | |
| Contracts and Grants | 1 | | | | 1 | |
| Endowment and Gift Administration | 1 | | | | 1 | |
| | | | | | | |
| Lapsed Salary/Management Flexibility | | | | | | |
| Carry-forward, Lapsed Salary and Management Budget Flexibility | 1 | 1 | | | | |
| | | | | | | |
| Total Audits | 31 | 20 | 2 | 0 | 9 | 0 |

* Seven audits added to the original plan

Western Carolina University
Audit Plan Summary
For Year Ending June 30, 2007

| Specific Audits | Number of Audits | Audit Status | | | | Material Reportable Conditions*** |
|---|------------------|--------------|------------|----------|-----------|-----------------------------------|
| | | Complete | In Process | Pending | Cancelled | |
| Information System Controls | | | | | | |
| Disaster Recovery Plans | 1 | 1 | | | | |
| Information Technology Center | 2 | 2 | | | | |
| | | | | | | |
| Internal Control Testing and/or Reviews | | | | | | |
| Self Assessment of Internal Control | 1 | 1 | | | | 1 |
| Travel | 1 | | | | 1 | |
| Capital Assets | 1 | 1 | | | | 1 |
| | | | | | | |
| Departmental Audits and/or Reviews | | | | | | |
| Colleges, Schools, Camps and Centers | 1 | 1 | | | | 1 |
| | | | | | | |
| Special Investigations (i.e. Misuse or Misappropriation of Assets) | | | | | | |
| Various* | 5 | 4 | 1 | | | |
| | | | | | | |
| Special Assignments | | | | | | |
| Various* | 1 | | 1 | | | |
| | | | | | | |
| Audit Findings Follow-up | | | | | | |
| Internal Audit Issues | 3 | 3 | | | | |
| | | | | | | |
| Compliance Audits | | | | | | |
| Human Resources* | 1 | 1 | | | | 1 |
| | | | | | | |
| Lapsed Salary/Management Flexibility | | | | | | |
| Carry-forward, Lapsed Salary and Management Budget Flexibility | 1 | 1 | | | | |
| | | | | | | |
| Total Audits | 18 | 15 | 2 | 0 | 1 | 4 |

* Seven audits added to the original plan

*** Findings, recommendations, and corrective actions attached

WESTERN CAROLINA UNIVERSITY
Summary of Material Reportable Conditions
Year Ended June 30, 2007

1. I-9 Audit – Graduate School and Academic Affairs

Finding:

Employment Verification Forms (Form I -9) for graduate assistants and part time faculty are not being completed in conformity the Immigration and Reform and Control Act.

Recommendation:

Staff responsible for completion of the form I-9 in the two identified areas should be adequately trained in form I-9 process. Procedures in these areas should be formulated whereby all employees subject to form I-9 completion are done so in full compliance of the federal requirements.

Corrective Action:

University training for all employees responsible for form I-9 completion will be conducted. Areas identified as noncompliant will revise procedures to ensure proper completion and retention of the form I-9.

2. Fixed Asset – University

Finding:

The annual inventory process is not operating effectively as an internal control over fixed assets. Additionally, assets are not always adequately safeguarded.

Recommendation:

The University must strengthen internal controls including procedures to ensure accurate financial reporting, implement procedures that enhance management oversight and accountability, and enhance the safeguarding of assets.

Corrective Action:

The University will complete a comprehensive risk assessment of the entire fixed asset process that will incorporate the findings and recommendations documented in the fixed asset audit. New controls to be implemented will at minimum include corrective actions in response to the weaknesses identified in the audit.

3. Cash Receipts – Athletic Camps

Finding:

Athletic staff responsible for receipting and depositing funds for athletic camps are not in full compliance with General Statute 147-77 or in full compliance with University Campus Receipt Book procedures.

Recommendation:

Staff responsible for preparing receipts and depositing of monies attend training regarding proper preparation and depositing of funds and proper documentation of this training be retained for audit.

Corrective Action:

The Athletic Business Officer will be responsible for training prior to the 2008 camp season.

4. Internal Controls – IT

Finding:

An alternate site (offsite) for backups of computer files is limited only to financial system data. No formal agreement exists with another compatible data center that would provide for the execution of WCU's critical applications in the event of a natural disaster or other emergency situation. User passwords on identified systems are not changed periodically.

Recommendation:

An alternative site for all backups of all critical University data should be identified. It should identify, negotiate and sign a formal agreement with a compatible data center assuring execution of critical applications in the event of disaster or other situation. Setting for all centrally managed systems should be modified whereby user passwords must be changed every 90 days for normal privileges and every 30 days for extra privileges.

Corrective Action:

IT is in the process of identifying and contracting with a firm that specializes in physically picking up backup tapes and storing them in a secure off-site facility. Additionally, we are in discussion with ASU and UNCA to develop and execute a formal agreement where we will host each other's critical applications in the event of a disaster. Additionally, an Identity Management Analyst has been hired and is developing the first phase of a signal sign-on system. As part of this development, the password changes will be incorporated.

Winston-Salem State University
Audit Plan Summary
For Year Ending June 30, 2007

| Specific Audits | Number of Audits | Audit Status | | | | Material Reportable Conditions*** |
|---|---------------------|--------------|------------|----------|-----------|---|
| | | Complete | In Process | Pending | Cancelled | |
| Information System Controls | | | | | | |
| Disaster Recovery Plans | 1 | 1 | | | | |
| Banner System | 1 | 1 | | | | |
| Internal Control Testing and/or Reviews | | | | | | |
| Self Assessment of Internal Control | 1 | 1 | | | | 1 |
| Procurement Card** | 1 | 1 | | | | 1 |
| Capital Assets | 1 | 1 | | | | |
| Petty Cash and Cashiering | 1 | 1 | | | | |
| Departmental Audits and/or Reviews | | | | | | |
| Special Investigations (i.e. Misuse or Misappropriation of Assets) | | | | | | |
| Various* | 2 | 2 | | | | 2 |
| Special Assignments | | | | | | |
| Various* | 1 | | 1 | | | |
| Audit Findings Follow-up | | | | | | |
| Internal Audit Issues | 1 | | | 1 | | |
| National Association of Student Financial Aid Administrators Standards of Excellence Review | 1 | 1 | | | | |
| Compliance Audits | | | | | | |
| National Collegiate Athletic Association | 1 | 1 | | | | |
| Human Resources | 1 | | | 1 | | |
| Lapsed Salary/Management Flexibility | | | | | | |
| Carry-forward, Lapsed Salary and Management Budget Flexibility | 1 | 1 | | | | |
| Total Audits | 14 | 11 | 1 | 2 | 0 | 4 |

* Three audits added to the original plan

** Performance or Operational Effectiveness Reviews

*** Findings, recommendations, and corrective actions attached

WINSTON-SALEM STATE UNIVERSITY
Summary of Material Reportable Conditions
Year Ended June 30, 2007

1. Student support services – allegations of fiscal impropriety

Finding:

Internal audit received allegations of fiscal impropriety surrounding the director of student support services and a work-related trip taken on February 10, 2007.

Recommendation:

It was determined based upon internal audit's review there were no material discrepancies surrounding the February 10, 2007 trip taken by the director of student support services with university students as reported by an employee to UNC-GA. Similarly, when reviewing the documentation surrounding the four trips taken by the director between July 27, 2006 and February 10, 2007, sufficient and reliable documentation could be located for each activity. Minor immaterial departures from the internal policies and procedures were noted in the documentation reviewed, however it appeared as though each trip was well documented and properly supported. In sum, internal audit recommends university management re-emphasize the importance of employees following the university's published policies and procedures to reduce the risk of transactions appearing incomplete and not in line with the rules. When working together, properly communicating, and following established policy and procedure university management and employees can make certain the organization is strong and moving in the right direction.

Corrective Action:

University management concurred with internal audit's findings and recommendations and during the fiscal year ending on June 30, 2007 began reinforcing travel policies and procedures to all faculty and staff through regularly scheduled budget managers' meetings and intra-office email messages.

2. Information Resources - Lack of current information

Finding:

Internal audit noted that the Information Resources Department lacked current organizational charts; policies and procedures; and, job descriptions.

The organizational charts provided internal audit were last updated on May 8, 2006. The internal control system had changed within the area and new policies and procedures governing internal operations had not been developed, implemented or effectively communicated to the staff. Lastly, the staff did not have job descriptions available which reflected current responsibilities.

Recommendation:

It is recommended that the university Information Resources department update their organizational charts, develop policies and procedures governing operations, and prepare job descriptions which accurately reflect the day-to-day responsibilities of the internal staff.

Corrective Action:

Information Resources management developed and published, new organizational charts, policies and procedures, and job descriptions during the fiscal year which ended on June 30, 2007. These documents were placed in an access controlled site on the university server. Also, the policies and procedures were prepared for review and approval by the university's Board of Trustees (the policies and procedures were to be approved by the BOT at the September 2007 meeting). Once the policies and procedures are approved by the BOT they will be properly placed on the university's web site.

3. Purchasing/Accounts Payable – Violation of PurCard policies**Finding:**

A number of purchases made using purchasing cards funded by discretionary accounts were either prohibited by the State or university's purchasing card policies.

Recommendation:

It is recommended the university administration and designated personnel adhere to the State of North Carolina, The University of North Carolina, and internal university policies and procedures regarding the use of State funds and purchasing cards.

Corrective Action:

The university's purchasing card policy was revised at the end of the 2007 fiscal year. The revisions included sanctions that beginning in the 2008 fiscal year will be imposed upon university departments failing to follow established policies. With each violation, purchasing card privileges will be temporarily suspended (and at the third offense, the privileges will be revoked) and a form will be sent to the department indicating the level of offense. These offense levels include:

- First Offense – Reinstatement (of the purchasing card privileges) will occur one week after the receipt of delinquent documents and a memo with a sufficient explanation of the offense from the unit's director or supervisor.
- Second Offense – Reinstatement (of the purchasing card privileges) will occur four (4) weeks after the receipt of delinquent documents, with a memo explaining the reasons for the deficiencies from the divisional vice chancellor.
- Third Offense – All purchasing card privileges will be revoked.

4. Purchasing/Accounts Payable – Untimely invoice payments

Finding:

The university is not paying invoices in a timely manner.

Recommendation:

University departments need to work in conjunction with the accounts payable department to rectify this situation of the university failing to properly pay vendors. Departments should insure receipts and invoices are forwarded to accounts payable in a timely manner. This will reduce the risk of balances remaining open, outstanding and unpaid for long periods.

Corrective Action:

Beginning with the fiscal year ending on June 30, 2008, university management is enhancing their oversight of the accounts payable aging process. Similarly, in mid-September 2007, the assistant controller developed a web-based report that calculates the aging of invoices by vendor. As a result of the information produced by this aging report, follow-up letters are being communicated to university departments, soliciting any absent information needed to support invoice payments. Scanning and other devices are being incorporated by the assistant controller in this process, as a mechanism to electronically communicate with user departments historical data regarding outstanding invoices. The assistant controller is also requiring the accounts payable staff to complete daily production metrics. These metrics are designed to measure daily volume and the dollar amounts of invoices received, coupled with any departmental communication regarding invoices. Punitive measures are also being implemented by the accounting department against university areas failing to comply with established procedures. These measures include requiring senior university management to contact unresponsive department(s) after two successive attempts have been made by accounts payable to contact the area to resolve outstanding items.

The University of North Carolina-General Administration
Audit Plan Summary
For Year Ending June 30, 2007

| Specific Audits | Number of Audits | Audit Status | | | | Material Reportable Conditions |
|---|------------------|--------------|------------|----------|-----------|--------------------------------|
| | | Complete | In Process | Pending | Cancelled | |
| Information System Controls | | | | | | |
| Peripheral Systems | 1 | | | | 1 | |
| Disaster Recovery Plans | 1 | | 1 | | | |
| | | | | | | |
| Internal Control Testing and/or Reviews | | | | | | |
| Self Assessment of Internal Control | 1 | 1 | | | | |
| Petty Cash and Cashiering | 1 | | | 1 | | |
| Capital Assets | 1 | | 1 | | | |
| | | | | | | |
| Departmental Audits and/or Reviews | | | | | | |
| Academic Affairs | 1 | | | 1 | | |
| | | | | | | |
| Special Investigations (i.e. Misuse or Misappropriation of Assets) | | | | | | |
| Various* | 3 | | 3 | | | |
| | | | | | | |
| Special Assignments | | | | | | |
| | | | | | | |
| Audit Findings Follow-up | | | | | | |
| Internal Audit Issues | 1 | 1 | | | | |
| | | | | | | |
| Compliance Audits | | | | | | |
| | | | | | | |
| Lapsed Salary/Management Flexibility | | | | | | |
| Carry-forward, Lapsed Salary and Management Budget Flexibility | 1 | 1 | | | | |
| | | | | | | |
| Total Audits | 11 | 3 | 5 | 2 | 1 | 0 |

* Three audits added to the original plan