UNIVERSITY OF NORTH CAROLINA
A SYSTEM OF HIGHER LEARNING

Annual Report

On

Internal Audit Activities

2013-2014

University of North Carolina

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Introduction and Executive Summary

On behalf of the internal audit functions within the University of North Carolina system, we are pleased to present the Annual Report on Internal Audit Activities for the fiscal year ended June 30, 2014. This report highlights the work and accomplishments of our internal audit departments across the University of North Carolina system for the period July 1, 2013 through June 30, 2014. The Annual Report contains the following sections:

- A current update to the **Internal Audit Shared Services Initiative** study that was completed during the 2013-14 fiscal year.
- A summary of **the Planned Audit Assignments for the 2013-14 fiscal year** as approved by campus Boards of Trustees and the Board of Governors Audit Committee.
- A summary of **Actual Audit Assignments Completed for the 2013-14 fiscal year** as reported by the campus Chief Audit Officers.
- An overview of **Common Internal Control Issues** that were identified through our body of internal audit work.
- Information about **Hotlines** that discusses accessibility of the public to report allegations of fraud, waste or abuse.
- An overview of **Internal Audit's Participation in University Initiatives**, including highlights of specific audits that have significantly impacted campus operations.

As with most public institutions of higher education, The University of North Carolina must constantly balance meeting its strategic objectives in consideration of available financial resources while at the same time maintaining a consciousness of risks that permeate the environment of higher education. Risks can result from regulatory changes promulgated by state, national and international regulators as well as the Board of Governors through UNC Policy change. Risks are also introduced into the environment when there is turnover of key executive and/or financial staff and when there are new system implementations or changes to existing IT infrastructure and IT security vulnerabilities.

While designed to promote a sense of order and control over behavior and conduct, new guidelines, rules, regulations and professional standards can present challenges in the University operating environment as well as to internal audit professionals. All parties must be responsive to the changes and remain aware of the impact on the overall risk profile that they bring. Internal auditors are key players in partnering with management to help create a risk-conscious climate and ensuring that risks associated with these constant changes are mitigated by thorough review and evaluation. By developing and implementing risk-based audit plans, internal auditors are focused and can offer feedback to management on those areas where risks and materiality of exposure are greatest.

Highlights

During the FY 2013-14, internal audit departments across the University of North Carolina system:

- Completed audits, advisory services and investigations resulting in 189 reports that produced 290 recommendations for improvements. Corresponding Management Corrective Actions were identified and agreed upon by campus leadership.
- Completed 35 written follow-up reports on prior year reports with audit findings. In addition, campus internal audit shops conducted numerous follow-ups that resulted in email or a memorandum communication rather than formal reports.

Internal Audit Shared Services Initiative – Our Time Our Future Strategic Plan

In February of 2013, the University of North Carolina System released its strategic plan for 2013 through 2018, "Our Time Our Future: The UNC Compact with North Carolina." The plan focused on five major goals with strategies and action steps to obtain those goals. One of those goals and action steps was to maximize efficiencies among the internal audit functions within the UNC System.

In April of 2013, an Internal Audit Advisory Team (IAAT) was formed and tasked with studying and recommending a model to maximize efficiencies among the internal audit functions within the UNC System. The IAAT was comprised of personnel from UNC General Administration and the Chief Audit Officers from five universities within the UNC System. The key goals established by the IAAT were: (1) establish best practices guidance that conforms to industry standards; (2) determine the most cost efficient and effective delivery of internal audit services across the UNC System; (3) increase access to specialized audit skill sets such as information technology and investigations; and (4) ensure adequate attention to unique risks at each University. Fulfilling these goals challenged the IAAT to understand the resources needed to provide quality internal audit services as well as to further determine how those resources should be deployed around the UNC system.

The results of this study were presented to management at UNC General Administration (UNC-GA) as well as the Audit Committee of the Board of Governors. Since the majority of this study was completed during the 2014FY, we are presenting it as part of our Annual Report of Internal Audit Activities for the 2103-14 fiscal year (See Appendix 1). Below is a status update on progress made in implementing the study's recommendations. Full implementation of the recommendations may not be realized for several years (especially in the area of staffing resources); however, our commitment to excellence in internal audit for the University is a cornerstone to maximizing the value of the internal audit function for not only each one of our institutions in the UNC system, but to the University as a whole.

The Internal Audit Advisory Team (IAAT) has remained intact and will continue to be representative of our internal audit departments across the system. Currently, the team consists of Chief Audit Officers at East Carolina University, UNC Pembroke, UNC Charlotte and Western Carolina University. In addition, the Vice President for Compliance and Audit Services at UNC-GA continues to serve as the primary representative from a system-wide perspective.

Progress on Recommendations:

Recommendation - Phase I: The first phase (to be completed by June 30, 2014) includes securing five new internal audit positions at an investment of $500,000. These five positions will be deployed at the one person internal audit departments. The literature researched by the IAAT supports the avoidance of one person internal audit departments due to the risk that it creates. This risk includes not having broad audit coverage as there needs to be a diverse skill set and not having continuity or sustainability of audit services should the employee in the one person internal audit department leave/retire or take a leave of absence due to illness. During Phase I, the best practices manual will also be implemented with a focus on internal quality assessments and risk assessment processes. The IAAT also recommends that a

financial commitment to training and funding of professional certifications be considered during this phase.

Status update: *A $500,000 allocation of funds was approved by the Board of Governors to be included in the budget for the University for the 2014-15 year. The allocation was to be used to strengthen internal audit for the university, specifically in the area of providing investigatory services to the campuses. Unfortunately, the allocation was removed from the final budget; however, we remain determined in our efforts to seek ways to achieve our goals of strengthening internal audit across the University. Several **collaborative projects** have been undertaken and have proven successful in helping campuses in need.*

*The **Best Practices Manual** has been developed and is available for all internal audit shops across the system to use. Compliance with the Institute of Internal Auditor's International Standards for the Practice of Internal Auditing is legislatively required in the State of North Carolina and is essential if the responsibilities of internal auditors are to be met. The purpose of the UNC Internal Audit Best Practices Guidance Manual is to provide examples of best practices that can be adapted by university internal auditors to help meet the Standards and ensure excellence and quality in providing internal audit services. We are committed to these best practices and will continue to uphold the professional standards expected from internal audit.*

Recommendation - Phase II: Phase II (to be completed by June 30, 2015) includes securing five more internal audit positions at an additional investment of $650,000. Two of the positions would be deployed at North Carolina State University based on the staffing analysis that was conducted by the IAAT. The other three internal audit positions, which will have specialized auditing expertise such as information technology, investigations, and advanced data analytics will regionally be located at three of the larger universities. These resources would be used to service the specialized internal audit needs in a defined region. Also during Phase II, computer assisted audit tools (CAATs) will be defined that can be implemented across the universities, which will further enhance the quality of internal audit services. Further, key performance indicators (KPIs) will be defined and standardized among the internal audit departments. The KPIs are a best practice that will provide a measure of operational effectiveness and efficiency for internal audit services in the UNC System and will provide feedback to key stakeholders. During Phase II, it is also recommended that a dotted line reporting relationship be defined and established between the Chief Audit Officers at each university and the Chief Audit Officer at the UNC System level. The Chief Audit Officers at each university would still report administratively to the Chancellor and functionally to their Board of Trustees Audit Committee.   This enhanced reporting structure, which has been established in other university systems, would facilitate communications and efficiency in the internal audit function system-wide and add another level of independence for internal audit services.
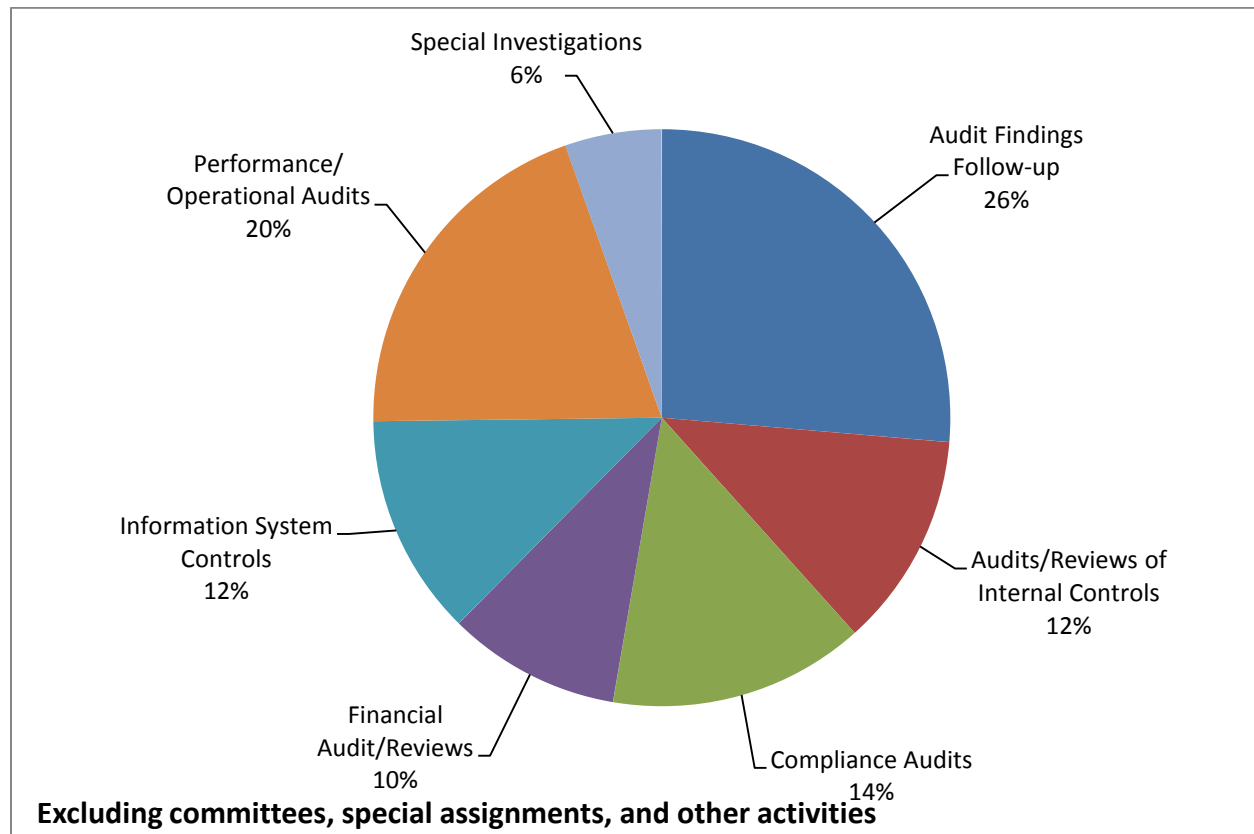
Status update: *Even though unsuccessful in the 2014-15 budget request for adding internal audit positions to strengthen internal audit, we will continue to request resources as outlined in the internal audit shared services study. As outlined in the plan above, **key performance indicators (KPIs)** have been defined. Among the KPIs where data are being collected**: Productivity measure of direct vs. indirect hours, completion of the audit plan, status of findings, staffing, qualifications and financial***

information. Our Chief Audit Officers are currently collecting data on these KPIs so we can report to our stakeholders starting for the 2014-15 fiscal year. In addition, the IAAT is working collectively with all Chief Audit Officers to define the reporting relationship of campus internal audit shops to UNC-GA.

Planned Audit Assignments for the 2013-14FY

In October 2013, campus internal audit plans were presented to the Board of Governors (BOG) audit committee for approval. Planned assignments ranged from financial, compliance and operational audits to reviews of general internal controls as well as information system controls. Based on the chart presented below, the majority of the planned work was in the area of audit findings follow-up, followed by performance/operational audits.

Special Investigations 6%

Performance/ Operational Audits 20%

Audit Findings Follow-up 26%

Information System Controls 12%

Audits/Reviews of Internal Controls 12%

Financial Audit/Reviews 10%

Compliance Audits 14%

**Excluding committees, special assignments, and other activities**

Annual internal audit plans are developed on each campus and result from a comprehensive risk-based analysis of specific operations in relation to campus operations as a whole. Once a plan is drafted on campus, it is forwarded to campus leadership for review and approval. Ultimately, the plan is presented to and approved by the campus Board of Trustees' audit committee. As per the BOG audit committee charter, these plans are then forwarded to UNC-GA for BOG audit committee approval.

Actual Audit Assignments Completed for the 2013-14FY

In contrast to the previous chart which highlighted planned audit work for the 2013-14FY, the chart on this page presents the results of actual audit work for the 2013-14FY. Rarely will planned effort be exactly the same as actual effort. This is due to the fact that an internal audit plan is dynamic. It can, and most likely will, change based on crisis situations or changing circumstances on a campus. The Chief Audit Officers must continuously respond to new and/or changing risk factors on their campus. Accordingly, original plans may have to be changed and updated.

In capturing actual audit work completed in relation to planned assignments, the area of most change is in the area of special investigations. Six percent of the total number of audits planned was in the area of special investigations. Once audit plans were completed, twenty-two percent of audit reports were issued related to special investigations. Special investigations generally arise without warning and are very time sensitive. Accordingly, plans to conduct audits in other areas may have to be deferred or cancelled from the original annual plan to accommodate the need to pursue investigative matters. Responsiveness to the need to conduct more investigative audits resulted in fewer audits issued in the areas of performance/operational audits and audit findings/follow-up.

Excluding committees, special assignments, and other activities
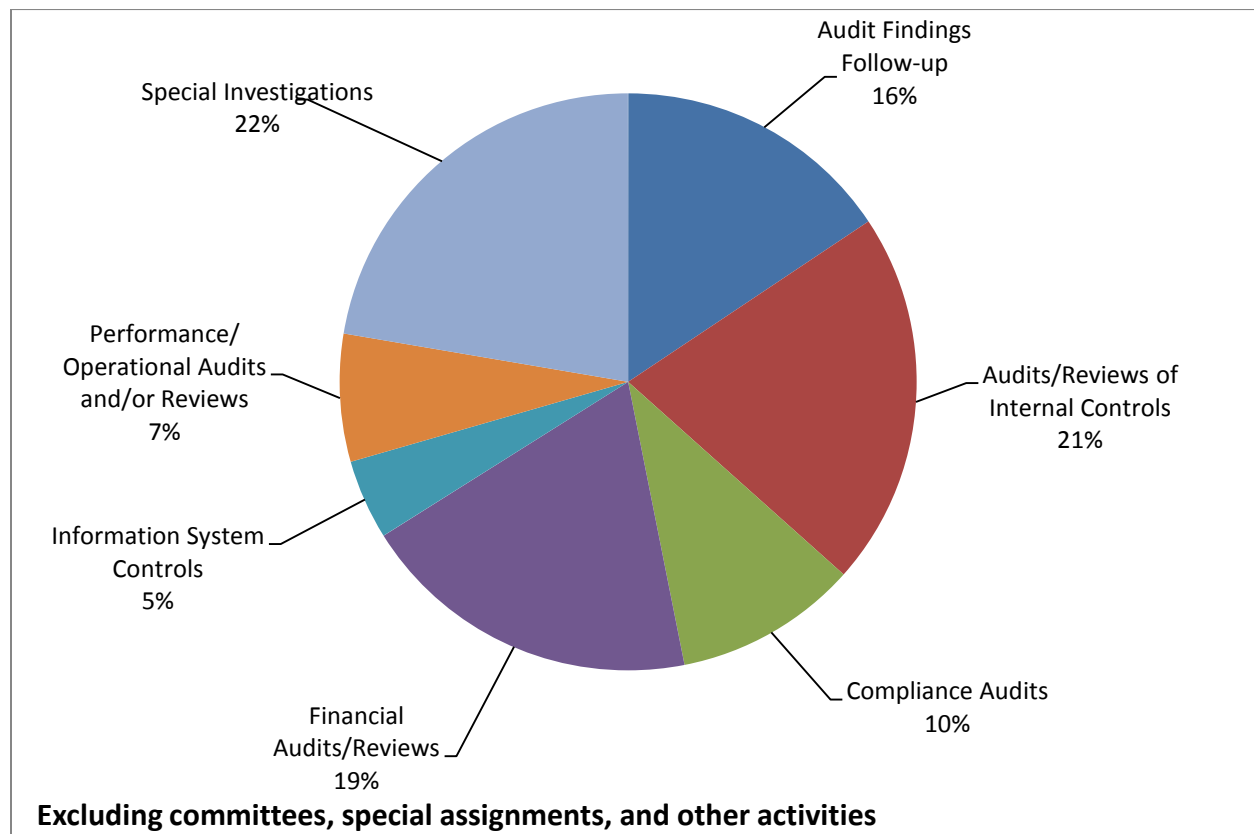
Common Internal Control Issues

Internal audit efforts from all of our campuses over the past fiscal year, including investigations, yielded common internal control issues. While these issues were not present at all of our campuses, some of the most prevalent themes of internal control issues are listed below. Many of these issues are subject to specific management corrective actions in the environment where the issues were identified and follow-up on these issues will be conducted in subsequent years. As required by the BOG Audit Committee Charter, see Attachment I for a detailed listing of all audit findings reported by our campuses and the current status of resolution.

Clery Act Compliance

A few of our campuses audited and/or followed-up on a previous audit for compliance with the Jeanne Clery Act. Although each audit indicates that the campus generally complies with the Clery Act, each original audit report observed areas of compliance that could be enhanced or improved including, but not limited to, completeness of policies and procedures; no back-up log in the event of technical problems; and identification and training of Campus Security Authorities. In addition to safety and reputational risks for not adhering to the Clery Act, the United States Department of Education can issue civil fines of up to $35,000 per violation for a substantial misrepresentation of the number, location or nature of the crimes required to be reported or for a violation of any other provisions in the safety and security-related Higher Education Act regulations. Management on campuses reporting issues associated with the Clery Act have either resolved or are working on a resolution for each item identified.

Procurement Cards

Procurement Card (P-card) audits were performed on several UNC campuses to either investigate or review compliance with institutional and external regulations. The audits resulted in findings including, but not limited to, unallowable purchases, incorrect account coding of the expenditure in the accounting records, lack of sufficient detail in receipts for purchases and tax being paid inappropriately on purchases. Common contributing factors in these deficiencies are inadequate internal controls over P-card purchases and the P-card holders' lack of understanding of University and State purchasing guidelines. Management across the campuses where these issues were reported is working to address the deficiencies through enhanced training and communication to staff of policies and procedures on the proper use of P-cards.

Information Technology

Information Technology audits were performed to either review the controls related to Information Systems or investigate information technology related concerns. The audits resulted in findings including, but not limited to, lack of business continuity testing and validation, lack of documented policies and procedures, and internal control over computer accountability. Campuses reporting issues associated with Information Technology are currently working towards resolving the items identified.

Hotlines

According to the *2014 Association of Certified Fraud Examiners Report on Occupational Fraud and Abuse*, "proactive detection measures — such as hotlines…are vital in catching frauds early and limiting their losses." Hotlines are considered a best practice and one of the most effective tools that organizations possess for detecting and preventing fraud and abuse.

Thirteen campuses have dedicated hotline and/or website links where improper conduct can be reported. On average, campuses receive four hotline calls per year. Allegations made through campus hotlines are evaluated and prioritized based on whether the allegation, if substantiated, would pose a high, medium or low risk to the University.

In addition to campus hotlines, the North Carolina Office of the State Auditor (OSA) has a toll-free hotline, an online web form, a hotline phone app, and their mailing address where reports of improper conduct can be sent. Per OSA's website, "The Office of the State auditor investigates allegations of improper governmental conduct by state agencies or state employees within our statutory authority. Improper governmental conduct includes alleged fraud, misappropriation, mismanagement or waste of state resources. It also includes alleged violations of state or federal law, rule or regulation in administering state or federal programs, and substantial and specific danger to the public health and safety." Under state law, the identity of the individual who reports fraud "must be kept confidential…and state law provides protection from retaliation or discrimination for employees who report improper or illegal activities to the State Auditor."

Internal Audit's Participation in University Initiatives

Campus Internal Audit departments have continued to partner with management to support key initiatives and priorities for their respective universities. This section highlights some of the key areas in which internal audit has participated and/or provided support.

External Audit Support - The Office of the State Auditor (OSA) performs annual audits of each University within the UNC system. These audits include financial audits and statewide federal compliance audits. The OSA also conducts investigative reviews as the need arises. On most campuses, the Chief Audit Officers meet and work with the State Auditors on an as needed basis to assist during the external audit process. The level of involvement will vary by campus; however, the Chief Audit Officers and their audit teams are ready to respond to requests for assistance. On the back-end of audits from the Office of the State Auditor, if audit findings are reported in the published report for the campus, Chief Audit Officers are involved in performing a 90-day follow-up to ensure that satisfactory progress is being made towards remediation of the issues reported.

Committee Participation – The expertise provided by the Chief Audit Officers and other professional internal audit staff is invaluable to the campus in the form of committee participation. The following highlights just a few opportunities, of many, where the internal auditors are involved:

- Enterprise Risk Management – The internal auditor's involvement:
  - Gives assurance on the risk management process
  - Gives assurance that risks are correctly evaluated
  - Evaluates the risk management processes
  - Evaluates the reporting of key risks
  - Presents quarterly to the committee and provides information to the members on any internal audit items of interest; also uses the work of this committee for annual audit planning purposes
- Information Technology – There are multiple types of committees under the Information technology umbrella including:
  - Information Security Councils – Internal Auditors provide consultation and input into the discussion of the University Information Security Plan and security issues and policies and the security plan's alignment with the strategic plan of the University. Internal Auditors also assure compliance with policies, correct alignment with strategies, etc.
  - Information Security Liaisons – A task force/committee of system administrators and IT security from across campus that meets to discuss IT security matters, concerns, and policy.
  - Enterprise Resource Planning – Advise decisions, etc. related to design, implementation, & conversion to the PeopleSoft system – or any other ERP system. The role of the Internal Auditors in this committee is an advisory one, and they monitor progress, comment and advise relative to control and functionality issues.
  - Institutional Data Governance Committee – The committee develops policy related to responsibility for all forms of data - storage, how access is granted, data dictionaries, reviews for bad data, categories of sensitive data, etc.
  - Information Assurance Committee – Focus is on compliance with IT standards and guidelines, assessment and mitigation of IT security risks, alignment of technology developments and practices with policies and guideline, and development of resource requests for assurance and security related improvements. The forum provides an opportunity for the CAO to interact with IT directors from all our colleges and divisions, to highlights trends in audit engagements, and to provide advice on proposed changes in university IT policy and guidelines. Recent committee accomplishments include the creation of a standard template for data Security Plans that support research projects using restricted access data sets, creation of university data classification standards, identification of mitigation projects to address risks noted in the latest IT security risk assessment.
  - IT Strategic Advisory Committee – A top-level committee of non-IT personnel whose focus is on ensuring that the university makes the best possible decisions in advancing the use of technology to meet its mission, vision, and goals. The committee also ensures that changes, new directions, and planning are done in a coordinated and collaborative fashion. The ITSAC is functionally-focused and considers all matters brought to it by the Vice Chancellor of Information Technology (VCIT), by the technically-focused Campus IT Directors Committee (CITD), and by its own six subcommittees in the areas of Academic Technology, Desktop & Application Support, Enterprise Applications, Infrastructure, Research Computing, and Security & Compliance. Additional consulting activities are

performed by the IT Audit Manager who provides objective, independent input to several of the ITSAC subcommittees.

Consultative Engagements

- Through a Memorandum of Understanding arrangement, ECU assisted ECSU with its annual risk assessment process, which resulted in completion of the 2014-15 internal audit plan. In addition, help was provided to ECSU as it prepared for its required Quality Assurance Review. This collaborative arrangement provided value to not only the two universities involved, but to the entire UNC System as a whole as it shows that these types of arrangements are feasible and can benefit the internal audit function on campuses with smaller internal audit shops.

- Through a Memorandum of Understanding arrangement, ECU assisted UNCP with investigative audit work by performing forensic analyses of computers utilizing *EnCase* forensic software to investigate alleged employee misconduct. UNCP has a smaller internal audit shop and does not have the resources available to perform this level of work as a stand-alone campus. The services provided by ECU to UNCP proved to be beneficial in producing forensically sound evidence to support the recovery of approximately $7,000 in misused funds that were identified by the UNCP Chief Audit Officer.

- In preparation for NC State's 10 year reaffirmation of accreditation by the Southern Association of Colleges and Schools (SACS), NC State conducted a thorough self-evaluation to review compliance with each of more than 90 specific standards set forward the in Principles of Accreditation: Foundations for Quality Enhancement. For each standard, the University SACS Committee compiled and evaluated the relevant body of evidence to determine whether campus was in full compliance or non-compliance and presented that evidence in a report for each standard. The Internal Audit Director co-chaired the Resources and Control Compliance Team developing the strategy for presenting documentary evidence of compliance, drafting or editing the compliance reports, and reviewing the reports to ensure accuracy and consistency.

- During the closeout for the Center for Craft, Creativity and Design (CCCD) at UNCA, Internal Audit met with the administrative staff and worked as a partner to manage the closeout process. The activities included obtaining a closeout schedule and monitoring the activities to provide assurance each task was completed and the appropriate persons on campus were involved. Internal Audit inventoried the area both while the CCCD was preparing to move and then after the move was complete. A cash count of the remaining petty cash/change fund was conducted. After the cash/change fund count was complete, Internal Audit had the manager sign off and the funds were returned to the university's bursar. Internal Audit also met with campus security/police and facilities to make certain the building was secure. As well, Internal Audit worked with the communications area to provide assurance the phone lines were properly disconnected and IT access was disused; and with the HR area to make certain the transition was in compliance with university rules (e.g., regarding whether or not the area was discontinued by the university or the CCCD voluntarily terminated their agreement with the university). The difference revolves around unemployment compensation, severance pay, etc.

- At UNCC, there was a departmental administrative review requested by a key staff member for succession planning. The retiring Associate Vice Chancellor had identified several internal business processes for which she wanted to provide positive assurance to her successor. Internal Audit interviewed staff and reviewed records supporting the processes, concluding that the processes were indeed operating as intended.

- UNCP Internal Audit conducted an analysis of moving expenses, which saved the state $7,100. The savings was realized when the analysis revealed that campus had paid for some moving expenses for individuals who did not qualify according to state guidelines. The state funds in which those expenses had been paid were reimbursed with non-state funds. This analysis heightened awareness within the university controller's office's knowledge of allowable and non-allowable moving expenses. In essence, the review resulted in increased compliance with state regulations.

- At the request of management, Office of UNCW's Internal Audit facilitated discussions between two groups of developers in Information Technology Systems (ITS) regarding a merger of the individuals into a single developer team. The group met weekly over a period of about six weeks, and the group ultimately agreed a merger would be beneficial. Internal Audit's role included reviewing the proposed organizational structure and proper segregation of duties, adequate procedural documentation, cross training, and consistency with best practices were considered in the review. At the end of the six week period, management was provided with recommendations for reorganizing the developers and enhancing effectiveness and efficiency of the new group.

Internal Audit – Being Responsive to Change

Just as the University environment is one of continuous change, so is the internal audit profession. Chief Audit Officers, along with their audit teams, must constantly stay apprised of changes in the regulatory environment (both at the state and federal level) and be responsive to emerging risks on their campuses. These emerging risks may be slow growing or they could rapidly infiltrate the campus culture and environment. Part of the adaptability to addressing these risks lies in the way in which internal audit work is conducted and how internal audit shops are managed. This section outlines the status of work of our internal audit function across the University.

Quality Assurance Reviews (QAR) – The IIA standards require that external assessments be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. Some of our campuses have used outside firms, but most have used or requested the services of the NC Office of Internal Audit. All of our campuses have had Quality Assurance Reviews as required by the IIA standards or they have formally requested a QAR from the NC Office of Internal Audit. Of the campuses that have had their QAR's completed, all but one has been graded as Generally Conforms to the IIA Standards. Most internal audit shops have incorporated into their annual internal audit plans time to work on ensuring adherence with quality control standards required by the IIA.

UNC General Administration is due to have its five year QAR in 2015.

Use of Technology in Internal Audit Projects - As noted in the previous section, *Encase* is a powerful tool that can provide forensically sound evidence when an internal auditor is conducting an investigation. In addition to this type of tool, several of our internal audit departments use automated software to manage and store workpapers that are created through the engagement process. Seven campuses use data analytics tools such as ACL and IDEA.

Communication – Given the decentralization of the internal audit functions across the University, communication standards and protocols are essential in ensuring professional development and sharing of challenges and ideas for seeking solutions and addressing campus needs. With the exception of months when other university-wide internal audit events are taking place, a monthly conference call is facilitated by the Vice President for Compliance and Audit Services at UNC-GA with the campus Chief Audit Officers (CAO). Agendas are prepared and include standing reports from the NC Office of Internal Audit, the Lead CAO for the Internal Audit Advisory Team and the President of the UNC Auditors Association. In addition, the Vice President for Compliance and Audit Services at UNC-GA provides miscellaneous information related to updated or new UNC Policies, reports from the Board of Governors Audit Committee, status reports from the University Business Compliance Program and any other relevant information to the Chief Audit Officers that will be beneficial in the conduct of their work.

In addition to the monthly conference calls, an annual conference is hosted by a campus or region of campuses that provides up to 12 hours of continuing professional education to participants. Among the topics presented at the most recent conference held at Appalachian State University in October 2013 were "Contemporary Interview Dynamics" taught by Don Rabon, the President of Successful Interviewing Techniques, "Current Trends in Audit Results" presented by State Auditor, Beth Wood, and

a session titled "Internal Auditors: Not Just for Financial Statements Anymore" taught by Bailey Jordon, Partner in the Southeast Region Business Advisory Services Practice and leader of Grant Thornton's Governance, Risk and Compliance Practice. In addition, ASU staff presented sessions on Clery Act Compliance as well as understanding "The Relationship Between Internal Audit Professionals and the CFO."

During the 2014FY, UNC-GA sponsored a Chief Audit Officers Retreat held in Chapel Hill. All Chief Audit Officers attended and had the opportunity to hear presentations from President Tom Ross, Chief Operating Officer, Charlie Perusse and Chief Legal Counsel, Tom Shanahan. Office of the State Auditor Investigations Manager, David King attended as well and discussed fraud risk factors. The retreat was also a great opportunity to have all the Chief Audit Officers together to have working sessions to discuss key performance indicators for internal audit as well as to begin discussions on how a dotted line reporting relationship from the Chief Audit Officers to UNC-GA should be defined. Even though this was the first retreat of the group, it was unanimously agreed that this should be an annual event.

Professional Development – Per *International Standards for the Professional Practice of Internal Auditing* section 1230 – Continuing Professional Development, "Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development." A Certified Internal Auditor (CIA) who is performing internal auditing functions must complete a total of 40 hours of acceptable CPE every calendar year. Certified Public Accountants (CPAs) are required to complete 40 hours of CPE hours, including at least two hours of regulatory or behavioral professional ethics and conduct, by December 31 of each year. All of our UNC system internal auditors holding professional certifications met the professional requirements expected by their governing body.

Memberships – Memberships in professional organizations are a great way for internal auditors to not only enhance their professional network of contacts but broaden their knowledge in their field of work.

As of June 30, 2013, Internal Auditors in the University system cumulatively held 133 memberships.

Memberships	Total
Institute of Internal Auditors	38
Institute of Internal Auditors Audit Executive Center	1
Information Systems Audit and Control Association	13
American Institute Of Certified Public Accountants	5
North Carolina Association of Certified Public Accountants	7
Association of Healthcare Internal Auditors	3
Health Care Compliance Association	1
Association of Certified Fraud Examiners	18
Association of College & University Auditors	45
Other	2
Total	133

This concludes the University of North Carolina Annual Report on Internal Audit Activities for the fiscal year 2013-14. If you have any questions, please contact Lynne Sanders, Vice President for Compliance and Audit Services, at 919-962-4610.

APPENDIX 1- Our Time Our Future Strategic Plan

University of North Carolina System
"Our Time Our Future" Strategic Plan - Internal Audit Shared Services Study
Executive Summary

Introduction
In February of 2013, the University of North Carolina System released its strategic plan for 2013 through 2018, "Our Time Our Future: The UNC Compact with North Carolina." The plan focuses on five major goals with strategies and action steps to obtain those goals. One of those goals and action steps is to maximize efficiencies among the internal audit functions within the UNC System.

In April of 2013, an Internal Audit Advisory Team (IAAT) was formed and tasked with studying and recommending a model to maximize efficiencies among the internal audit functions within the UNC System. The IAAT is comprised of personnel from UNC General Administration and the Chief Audit Officers from five universities within the UNC System. The key goals established by the IAAT were: (1) establish best practices guidance that conforms to industry standards; (2) determine the most cost efficient and effective delivery of internal audit services across the UNC System; (3) increase access to specialized audit skill sets such as information technology and investigations; and (4) ensure adequate attention to unique risks at each University. Fulfilling these goals challenged the IAAT to understand the resource needs to provide quality and excellent internal audit services as well as to further determine how those resources should be deployed within the UNC system.

Current Staffing Size and Model
Currently, there are 53.25 staffed internal audit positions across the UNC system. Expenses related to internal audit for the 2013 fiscal year totaled $5.1 million, which constitutes .067% of the total UNC system expenses. The current model of delivering internal audit services includes sixteen stand-alone internal audit departments, two co-sourced arrangements, and a peer-to-peer collaboration between two campuses. The two co-sourced arrangements are between UNC General Administration and the North Carolina School of Science and Mathematics; and Winston-Salem State University and the UNC School of the Arts. The peer-to-peer collaboration is between Western Carolina University and UNC Asheville.

Analysis and Results
To adequately conduct the shared services study for internal audit, extensive research and analysis was conducted by the IAAT. This included reviewing numerous articles, books, and staffing methodologies; interviewing subject matter experts; reviewing other university system models of internal audit service delivery; gathering benchmarks from the Institute of Internal Auditors; and reviewing studies conducted by other agencies and companies. Based on the research conducted, it was found that there is no optimal methodology to determine adequate staff size of an internal audit department or optimal model to deliver internal audit services. The best and most objectively applied methodology and model will require an element of professional judgment.

The IAAT compiled and distributed a survey to each Chief Audit Officer in the UNC system to capture information related to staffing, training, audit plan hours and completion rates, memberships, financial

information, computer assisted audit tools, and risk assessment results.   One of the IAAT members also obtained the services of their campus' Institutional Planning, Assessment, and Research section to conduct a literary review of internal audit staffing models and methodologies.

 The IAAT reviewed twelve university system models across the United States. Research of these models included interviews with system personnel and a review of their organizational structures.   It was determined that our system most closely aligns with the University System of Georgia (USG). USG has approximately 75.5 internal audit positions with internal audit functions located on each campus. Each campus internal audit department has a reporting relationship to the campus Chief Executive Officer but also a reporting relationship to the Chief Audit Officer at the System level. It is important to note that although we most closely align with USG, it is difficult to compare university systems since no two systems are alike.

In addition to researching other higher education models, the IAAT studied the three most routinely applied staffing methodologies for internal audit which included the: (1) static approach, (2) risk analysis approach, and (3) benchmarking approach.   The IAAT also studied a tool, *Effective Sizing of Internal Audit Activities for Colleges and Universities.* This tool was developed through a research project conducted by accounting professors and sponsored by the Institute of Internal Auditor's (IIA) Research Foundation, the Association of College and University Auditors, a chapter of the IIA in Norway and a leading Chief Audit Executive. Due to limitations within the first three approaches identified, the *Effective Sizing t*ool was deemed the best measure of assessing staffing needs for the UNC system because of its ability to take into account unique variables that are specific to colleges and universities. The *Effective Sizing* tool revealed that 138 internal audit positions were needed in the UNC System.

Another study reviewed by the IAAT was an internal audit staffing analysis conducted by the North Carolina Office of State Budget and Management (OSBM) in 2008. This study was conducted when the Internal Audit Act of 2007 was first enacted by the North Carolina legislature. This study considered the size of the institution, risk factors, and professional judgment. The conclusion for the university system was that 75 internal audit positions would be needed.

Recommendations
As evidenced above, there is a wide variance from 75 to 138 internal audit positions needed in the UNC system.   In order to make a recommendation to address staffing needs for the UNC system, the IAAT utilized a combination of the OSBM 2008 study, the *Effective Sizing* tool and professional judgment. Employing this methodology took into consideration the unique missions and characteristics of the institutions within the UNC System and necessitating factors to ensure adequate audit coverage while promoting excellence and quality in the delivery of internal audit services. Using this methodology, the IAAT concluded that the UNC System needs an additional twenty-one (21) positions (for a total of 74.25 positions) to ensure adequate internal audit coverage.   The cost of staffing these additional internal audit positions is approximately $1.97M. Current expenses plus the additional investment in internal audit services would total .087% of UNC System expenses, which would bring the UNC System in line with industry benchmarks.

Given the results of the staffing analysis, the IAAT identified and evaluated potential models of internal audit service delivery. Consideration was given to consolidating internal audit resources through a regional or centralized model as well as expanding on the current model which has co-sourcing arrangements established between four institutions and a successful peer-to-peer collaboration between two western NC campuses. Several aspects of importance in making the determination include

internal audit needs based on feedback from each Chief Audit Officer in the UNC system, potential costs or cost savings of each model, qualitative characteristics to support quality and integrity of the internal audit function, and organizational governance. Through a careful and lengthy evaluation of pros and cons for each model, the IAAT recommends the UNC System retain its current model of delivering internal audit services with a phased-in deployment of regionally placed specialized resources to provide needed expertise in the areas of information technology audits, investigations, and advanced data analytics. This recommendation does not preclude the identification and implementation of future co-sourcing arrangements between universities for internal audit services.

In addition to evaluating the best way to allocate internal audit resources, the IAAT also identified further needs to promote continued excellence in the area of internal audit that includes: (1) establishing a data technology strategy to include the use of computer assisted auditing tools (CAATs); (2) implementing standardized key performance indicators (KPIs) across the UNC internal audit functions; (3) developing and implementing an internal audit best practices manual; and (4) support of training and membership resources across the UNC internal audit functions because some internal auditors are currently personally paying for these expenses.   A proposed implementation strategy for the recommendations is outlined below.

Implementation
The IAAT proposes that the above recommendations be implemented in three phases over an eighteen month period and then pause for a reassessment of resource needs.

Phase I: The first phase (within 6 months) includes securing five new internal audit positions at an investment of $500,000. These five positions will be deployed at the one person internal audit departments. The literature researched by the IAAT supports avoiding one person internal audit departments due to the risk that it creates. This risk includes not having broad audit coverage since there needs to be a diverse skill set and includes not having continuity or sustainability of audit services should the employee in the one person internal audit department leave/retire or take a leave of absence due to illness. During Phase I, the best practices manual will also be implemented with a focus on internal quality assessments and risk assessment processes. The IAAT also recommends that a financial commitment to training and funding of professional certifications be considered during this phase.

Phase II: Phase II (within 12 months) includes securing five more internal audit positions at an additional investment of $650,000. Two of the positions would be deployed at North Carolina State University based on the staffing analysis that was conducted by the IAAT. The other three internal audit positions, which will have specialized auditing expertise such as information technology, investigations, and advanced data analytics, will be regionally located at three of the larger universities. These resources would be used to service the specialized internal audit needs in a defined region. Also during Phase II, computer assisted audit tools will be defined for implementation across the universities, thereby further enhancing the quality of internal audit services. Further, key performance indicators will be defined and standardized among the internal audit departments. The KPIs are a best practice that will provide a measure of operational effectiveness and efficiency for internal audit services in the UNC System and will provide feedback to key stakeholders. During Phase II, it is also recommended that a dotted line reporting relationship be defined and established between the Chief Audit Officers at each university and the Chief Audit Officer at the UNC System level. The Chief Audit Officers at each university would still report administratively to the Chancellor and functionally to their Board of Trustees Audit Committee.   This enhanced reporting structure, which has been established in other

university systems, would facilitate communications and efficiency in the system-wide internal audit functions and add another level of independence for internal audit services.

Phase III: During Phase III (within 18 months), the CAATs and KPIs that have been defined will be implemented and reported to key stakeholders. Also, given that 10 positions will have been added during Phases I and II, Phase III will be an optimal timeframe for the IAAT to reassess the future resource needs of internal audit services across the UNC System.

Conclusion

In conclusion, the UNC System has always been a leader in the delivery of internal audit services. When determining the "right" size and delivery model for internal audit services to ensure excellence and quality, an organization has to determine what impact it wants to have and what investment it wants to make with regard to internal audit services. Internal audit is one of the four cornerstones of governance. The other three are board, senior management, and external audit. The IAAT is confident the above recommendations will enhance the delivery of internal audit services across the UNC System, ensure continued excellence and quality, and assist the University in meeting its strategic plan and commitment to the people of North Carolina.

APPENDIX 2- Summary of Reports Issued for FY2014 by Campus

Appalachian State University
Appalachian Real Estate Holdings, Inc.
Athletics Paid Attendance
Clery Report
Compliance State Ethics
Department of Athletics
Fixed Assets
Foundation Review
Investigation of allegations concerning
   Landscape Services
Monthly Fund Reconciliations Review
Monthly Fund Reconciliations Review
Procurement Card Review
Procurement Card Review
Quarterly Review of Travel Reimbursements
Review of Fixed Assets
Review of Foundation Disbursements
Risk Assessment_FundRecon
Risk Assessment_Travel
Sci-Quest / Yo-Mart e-procurement
Theatre and Dance Department Costume Sale -
   Follow Up to February Audit
Parking and Traffic Department
First Year Transition (Athletics)
Review of Foundation Disbursements
Review of Fixed Assets
Procurement Card Review
Quarterly Review of Travel Reimbursements
Financial Bookstore
Assessment Service of Athletic Camps, Fixed
   Asset, Inventory and Cell Phone policies
Investigative Housing Summer Hiring
Investigative Physical Plant
Review of Foundation Disbursements
Monthly Fund Reconciliations Review
Procurement Card Review
Procurement Card Review
Quarterly Review of Travel Reimbursements

East Carolina University
Academic Affairs Employee Conflict of
   Commitment
Academic Affairs Employee External Activities
   and Use of University Resources
Department of Athletics
ECU Physicians Cash Controls
ECU Physicians Policy Manual Review
Emergency Notification System
Employees' Use of University Computing
   Systems
Engagement Follow up - Audiology Clinic
   Patient Billing and Collection Process
Engagement Follow Up- Ledonia Wright Cultural
   Center
Engagement Follow Up Student Employment
   Pay Process
Engagement Follow Up-Operational Review:
   Office of the Continuing Studies
Engagement Follow-Up-Compliance Audit
   Report: University Accounts Receivable
   Collection Process
Engagement Follow-Up-Compliance Disclosure
   of Campus Security Policy and Campus Crime
   Statistics Act
Engagement Follow-Up-Emergency Notification
   System
Engagement Follow-Up-Operational Review:
   University Facility Use Process
Engagement Follow-Up-Personnel file
   compliance
Engagement Follow Up - HIPAA Systems
   Security
IT-Related recommendations Made by the NC
   OSA
Management Letter - 2013 Information
   Technology Disaster Preparedness and
   Functional Unit's Business Continuity Testing
Management Letter - Cash and Deposits
   Review, ECU Physicians
Management Letter - ECU Physicians Cash
   Discrepancy
Management Letter - Employee Resource Use

APPENDIX K

East Carolina University (Cont'd)

Management Letter - Employee Timekeeping and Use of University Resources
Management Letter - Health Sciences Departmental Hiring Decision
Management Letter - Nepotism, Health Sciences Department
Management Letter - University Cash Drawers
Management Letter - Use of University Resources, ECU Physicians Employee
Management Letter Employee Use of University Resources
Management Letter-ITCS Firewall Review
Management Letter-Medical Malpractice Insurance Purchase Process
Management Letter-Student Affairs Employee Allegations
Management Letter-Student Affairs Unit Payments and Resources
SODM Community Service Learning Center-Integrated Review
University Sponsored Youth Programs Operational Review
BSOM/ECU-P Clinical Trials Process
Management Letter-IT Implementation Projects - Cisco Identity Services Engine and AirWatch Mobile Device Management
5th Follow-Up University Policy Manual

Elizabeth City State University

International Calls to Senegal
Memorandum International Calls-Other
Follow up of State Auditor Investigative Audit Report Long-Distance Telephone Calls to Senegal

Fayetteville State University

Follow-up Review of Conflict of Interest and Commitment Requirements
iPad Accountability and Use
Review of Internal Control Questionnaire
Review of University and Foundation Processes and Procedures Related to the University Place Apartments, Audit Report 14-04
Follow Up Report on Financial Statements

North Carolina A&T State University

2009 Security Breach - 2013 Review
2012-13 Treasurers Office Year End Cash Count
2012-13 Year End Inventory
Allegation of a Department Chair Falsifying Faculty Evaluation Forms
Allegation of Nepotism
Criminal Justice Law Enforcement Automated Data Services Audit Review
Faculty workload analysis follow up audit
Follow up - Allegation of purchasing policies being violated at the university farm
Hotline complaints - various allegations against the chairperson of an academic department
International calls review
Review of assessment of internal controls over financial reporting for fiscal year ending June 30, 13
Review of cooperative extension support staff training retreats
Salary Payments Made to a Former Faculty Member
School of technology-unauthorized solicitation of funds
Surprise Cash Counts 3rd Qtr
Surprise Cash Counts and Treasurer's Office Cash Counts
Athletics Rules Compliance Review
Resolution of OSA Statewide Federal Compliance Audit Procedures Audit Finding
4th Qtr Surprise Cash Count
OSA Hotline Matrix Summary Audit

North Carolina Central University

Memo Law School - Career Services Investigation
Financial Statement/Year End Inventory
Special Review: Athletics – Volleyball
University Band
Institutional Advancement
Police Review

North Carolina School of Science and Mathematics

Student Records System Access/FERPA

North Carolina State University

College of humanities and social sciences (CHASS) - Department of social work - website/pcard investigation

COSciences Restricted Gifts Audit Report

Industrial Extension Service Allegation of Misuse of funds

Infrastructure, Systems and Operations: Virtual Computing Services

Non-Instructional Summer Salary Audit - 33.33% of earnings limit for summer 2013

Non-Instructional Summer Salary Compliance Audit-Payments after September 30

Third-Party Lodging Investigation

Kenan Institute Expenditure Investigation

Follow-Up Audit: Audit of Compliance to Federal Financial Aid Requirements (OMB Circular A-133)

Follow-Up Audit: College of Engineering, The Future Electric Energy Delivery and Management (FREEDM) Systems Center

Follow-Up Audit: Chemistry Invoices Investigation

Follow-Up Audit: Electrical and Computer Engineering (ECE) Faculty Performance Review Process

Follow-Up Audit: Office of the State Auditor - Fiscal Year 2013 Single Audit Report - Student Financial Assistance Compliance Cluster Portion

Follow-Up Audit: Office of the State Auditor - Fiscal Year 2013 Single Audit Report - Research and Development Compliance Cluster Portion

Follow-Up Audit: College of Humanities and Social Sciences (CHASS) - Department of Social Work - Website and Pcard Investigation

University of North Carolina at Asheville

Campus Safety Clery Act Audit

Center for Diversity Education

Special Review: Ordo Bos Canis

University of North Carolina at Charlotte

Academic Integrity

Boosters

Follow-Up to 2011 Review of Administrative Operations

Fundraising

FY2013 Internal Controls Self-Assessment Review

Motor Fleet vehicle and gas card use

Parking Services

Post Award Accounting and Reconciliation

Results of Data Use Agreement (DUA) Inspections

Review of Compliance with the Clery Act

Special Report, Lease Agreement with Time Warner Cable

Student Health Center Operations

Tax Compliance

University Communications: web, social media, brand compliance

A2014-5, Criminal Background Check Program

F2014-6 Follow-up to 2013 OSA IT Audit Findings

I2014-1 Investigation Report Jake at the Lake

I2014-2 Investigation Report Elm Engineering

I2014-3 Investigation Report Lake Electric

M2014-1 AVC Finance transition support (consulting)

Phase X Residence Hall final audit construction contract compliance (outsourced)

South Village Dining Facility interim audit construction contract compliance (outsourced)

Final Report, A2014-13, Purchase Card Transactions Review

International Admissions - Final Report, A2014

Final Report, A2014-14 Internal Controls Self-Assessment Audit

University of North Carolina at Chapel Hill

Department of African, African American, and Diaspora Studies

Cell Biology and Physiology

A-133 Audit Findings Follow-up

University of North Carolina at Greensboro

Weatherspoon Arts Foundation Audit Report
Travel Audit Report
Departmental Deposits Report FY 13
Intercollegiate Athletics Program
State Property - Misuse or Theft
Pcard Audit Report FY14

University of North Carolina at Pembroke

Esther G. Maynor Scholarship Audit
Friends of UNCW, Inc.

University of North Carolina School of the Arts

Cash Counts
Follow Up to OSA Investigative audit report -
    CIO Misuse
Vendor Contracts

University of North Carolina at Wilmington

AiM (work order processing) System Review
Banner Disaster Recovery Testing
Center for Marine Science Research
    Investigation
Fraternity and Sorority Investigation
FY13 Senior Management Travel and
    Entertainment Review
FY14 Business Entertainment Review
Physical Access Review
Security Standards
UNCW Police Department Administrative
    Review
Information Technology Systems (ITS)
    Reorganization Summary Memo
Internal Quality Assurance Review

Western Carolina University

Purchase Card Audits (4 reports)
Conflict of Interest Follow-up
Fixed Assets Audits (5 reports)
Follow up review on the audits of fund raising
    activity within athletics, phase one and two
Follow up review on the audits of fund raising
    activity within development, phase one and
    two
Petty Cash Audits (24 reports)
Review of Files and Documents, Email, Voice
    Mail, Telephone Log on Employees Laptop
    and Work Phone
Investigative Report Bookstore and Catamount
    Clothing and Gifts

Winston-Salem State University

Concerns Regarding Overtime Payments to
    Temporary Employee
Concerns Regarding University Fundraising
Follow up to OSA Investigative Audit Report -
    Vehicle Use
Fraudulent P-Card Transactions
Internal Control over Computer Accountability
Internal Control over Fuel
Nepotism
P-Card Analytics
Response to OSA Pope Center Article
Surprise Cash Count
University's Business Continuity Management
    Program

**University of North Carolina – General
    Administration**

Banner Hosted Services Audit Follow Up Report
Improper Use of P-card and Missing Property
    Concerns at UNC-TV
Internal Audit of Carry Forward Funds
Internal Audit of Petty Cash Funds
UNC-TV Pcard Review Audit

Campus Name	Report Name	Audit Type	Date of Report	Included in Original Audit Plan (Yes/No)	Number of Findings	Findings (Detail)	Status of Resolution
ASU	Clery Report	Compliance Audits	9/19/2013	Yes	3	1. Completeness of Policies and Procedures in the Annual Security Reports (ASRs). 2. Law Enforcement Agencies (LEA) — Request for Statistics and Inclusion of Statistics. 3. Crime Statistic Reporting — Accuracy in Reporting and Maintenance of Records.	Resolved - Follow-up Pending
ASU	Compliance State Ethics	Compliance Audits	3/17/2014	Yes	1	Timeliness of training	Resolved
ASU	Monthly Fund Reconciliations Review	Audits/Reviews of Internal Controls	5/2/2014	Yes	3	1. For one request, there was some confusion by the reconciler concerning the actual close-out date of a grant fund and when the department should stop completing the Fund Reconciliation 2. One fund reconciliation was not completed at this point, but will be sent upon completion 3. No response for one fund reconciliation request	Resolution in Process
ASU	Monthly Fund Reconciliations Review	Audits/Reviews of Internal Controls	1/30/2014	Yes	1	We did not receive one fund reconciliation form due to that department having a vacant administrative position. We were told that the recons were scheduled to be completed by another staff member but that staff member had not had the time available to complete the task. We were told that the recons had not been completed from July through December 2013.	Resolution in Process
ASU	Procurement Card Review	Audits/Reviews of Internal Controls	12/13/2013	Yes	5	4 cardholders failed to provide sufficient detail with receipts 5 cardholders were asked t provide additional detail to document the purpose of the expense 2 cardholders were advised to use correct account codes on future purchases 2 cardholders needed to provide the Entertainment Expense form to substantiate food purchases for a meeting 1 reconciliation form was lacking an approver signature	Resolution in Process
ASU	Procurement Card Review	Audits/Reviews of Internal Controls	3/14/2014	Yes	5	1. 1 cardholder failed to provide a receipt for the transaction 2. 2 cardholders incurred tax charges on their purchases 3. 3 cardholders were requested to do entries to correct account codes on purchases 4. 2 cardholders needed to provide the Entertainment Expense form to substantiate food purchases for a meeting 5. For two reconciliations, Purchasing did not have the original documentation in their files to send for review. Purchasing obtained copies from those departments for review. The transactions that were reviewed appear to be in compliance, but we cannot attest that the original receipts were received or that all approval signatures were obtained without viewing the original submission.	Resolution in Process
ASU	Quarterly Review of Travel Reimbursements	Audits/Reviews of Internal Controls	2/28/2014	Yes	10	1. One traveler only submitted photocopies of taxi receipts.; 2. One traveler submitted receipts four months after the end of their trip.; 3. One traveler received a meal reimbursement outside of the time allowance as set in the policy.; 4. Four travelers lacked arrival and departure times on the reimbursement request.; 5. Three travelers had errors that led to overpayments to them (not including the meal mentioned above).; 6. One traveler did not obtain prior approval to use third party lodging.; 7. Two travelers paid for lodging for others on the trip, but did not list their names or the business purpose for covering their expense.; 8. One traveler was requested to staple instead of taping receipts as the tape obliterates the writing under it.; 9. One reimbursement lacked the "Paid" stamp on the documentation which was contained in an attached envelope.;10. Supplies and postage expense were paid to the account "other travel"	Resolution in Process
ASU	Review of Foundation Disbursements	Audits/Reviews of Internal Controls	2/14/2014	Yes	1	One instance of overstatement of mileage reimbursement on a Travel Expense request	Resolution in Process

Attachment I: Resolution of Audit Findings
FY 2013-2014

Campus Name	Report Name	Audit Type	Date of Report	Included in Original Audit Plan (Yes/No)	Number of Findings	Findings (Detail)	Status of Resolution
ASU	Risk Assessment_FundRecon	Audits/Reviews of Internal Controls	8/13/2013	Yes	1	1. Out of a random sample of 15 funds, noted one exception. One of the reconciliation forms was signed by the preparer but was not signed by the approver or supervisor.	Resolution in Process
ASU	Risk Assessment_Travel	Audits/Reviews of Internal Controls	9/19/2013	Yes	4	1. A reimbursement was missing a hotel receipt 2. An authorization and Reimbursement request were each completed and approved by the department admin using her initials. 3. One traveler was reimbursed for breakfast outside of the time allowance guideline 4. One traveler had an $8.00 breakfast reimbursed outside the time allowance guideline (he left at 10am). The same traveler did not included taxes on a hotel charge for which he only claimed 1 of the 2 nights billed.	Resolution in Process
ASU	Review of Fixed Assets	Audits/Reviews of Internal Controls	5/7/2014	Yes	3	1. Original asset tags were not seen during the review. 2. Three assets were located in a different site. 3. One asset was not in use and management was preparing it for surplus.	Resolution in Process
ASU	Procurement Card Review	Audits/Reviews of Internal Controls	6/10/2014	Yes	6	1. Cardholder failed to provide a receipt for several transactions. 2. Cardholders did not provide sufficient receipts. 3. 5 Cardholders were requested to do entries to correct account codes on purchases. 4. 1 Cardholder had a charge for additional travel insurance on an airfare. 5. 2 Cardholders needed to provide additional explanation as to the business purpose for the expense. 6. 1 Cardholder split an over dollar limit transaction into three parts for processing.	Resolution in Process
ASU	Quarterly Review of Travel Reimbursements	Audits/Reviews of Internal Controls	5/30/2014	Yes	4	1. One traveler only submitted a credit card statement to substantiate a receipt and did not indicate what the business purpose was. 2. One traveler received a meal per-diem for a lunch that was included in their conference registration fee. 3. One traveler claimed the number of round trip miles on each leg of the trip instead of half for the departure and half for the return. 4. One traveler included the cost of a hotel restaurant charge in their lodging expense.	Resolution In Process
ASU	Assessment Service of Athletic Camps, Fixed Asset, Inventory and Cell Phone policies	Compliance Audits	10/24/2013	Yes	4	1. Reimbursement by Athletic Campus for the use of ASU Facilities. 2. Insurance Coverage for Athletics Campers hosted at ASU Campus. 3. Electronic Mobile Device Fixed Asset and Inventory Policy. 4. Allocation/Usage of University-Owned Cell Phones	Resolution in Process
ASU	Investigative Houseing Summer Hiring	Special Investigations	11/8/2013	No	1	University Housing Summer Employment Program	Resolved - follow-up Completed
ASU	Investigative Physical Plant	Special Investigations	11/8/2013	No	1	1. Compensation to Employee	Resolved - follow-up Pending
ASU	Procurement Card Review	Audits/Reviews of Internal Controls	10/31/2013	Yes	10	1. 2 cardholders failed to provided receipts 2. 1 cardholder purchased gift cards for ASU employees on the p-card 3. 1 transaction was outside the usual allowable expense guidance and we have requested the appropriate Vice Chancellor approval documentation on it 4. 5 requests were made for detail on how plaques, books, hats, uniforms, or trac phones were distributed 5. 1 transaction showed the purchaser being credited with "Super Points" for their order — we requested to know the use of those points 6. 1 cardholder/reconciler also signed (by initials) as the approver 7. 1 transaction did not match the amount of the invoice 8. 1 cardholder purchased an Amazon gift card for a faculty member to purchase research books 9. 1 cardholder had an identical purchase to another cardholder in the department. 10. Documentation was not readily available from Purchasing on 1 cardholder from our original sample of 30, so that cardholder will be added to a future review.	Resolution In Process
ASU	Procurement Card Review	Audits/Reviews of Internal Controls	10/31/2013	Yes	6	1. 1 cardholder provided copied receipts instead of originals 2. 1 cardholder with tax charges 3. 1 transaction was missing an entertainment expense form 4. 2 requests were made for additional information about business purpose of purchases 5. 1 transaction comment stated that the charge would be reimbursed by the cardholder, and we requested the cardholder to show where that had been done since it did not show in that account in Banner (it has now been reimbursed) 6. Documentation was not readily available from Purchasing on 3 cardholders	Resolution In Process
ASU	Quarterly Review of Travel Reimbursements	Audits/Reviews of Internal Controls	11/20/2013	Yes	3	1. One traveler lacked arrival and departure times on the reimbursement request. 2. One traveler had an email confirmation regarding an airfare amount	Resolution In Process

Campus Name	Report Name	Audit Type	Date of Report	Included in Original Audit Plan (Yes/No)	Number of Findings	Findings (Detail)	Status of Resolution
ECSU	International Calls to Senegal	Audits/Reviews of Internal Controls	11/20/2013	Yes	3	1. Management should establish controls to identify, track, allocate, and manage long distance calls. The University should change cost allocation procedures so the originating department pays for its actual long distance telephone charges.; 2. Current review procedures do not provide adequate assurances that possible abuses are not taking place. There is no detail ongoing review program over long distance calls.; 3. The current University policy does not include regulations on long distance telephone use.	Resolved - Follow-up Completed
ECSU	Memorandum International Calls Other	Audits/Reviews of Internal Controls	11/21/2013	Yes	1	From September 2009 to August 2013, a University employee misused state property to call family members and other associates. The employee identified the phone numbers that he/she had called, totaling more than $6,000.	Resolved - Follow-up Completed
ECSU	Follow up of State Auditor Investigative Audit Report Long-Distance Telephone Calls to Senegal	Audit Findings Follow-up	6/13/2014	Yes	1	The audit recommendation related to detail billing for long distance calls is considered partially resolved	Resolution in Process
ECU	Academic Affairs Employee Conflict of Commitment	Special Investigations	11/11/2013	No	1	1. External Professional Activities for Pay that had not been properly disclosed and approved, and appears to present a conflict of commitment with assigned University duties.	Resolved - Follow-up Completed
ECU	Academic Affairs Employee External Activities and Use of University Resources	Special Investigations	10/19/2013	No	3	1. Faculty member entered into contract without delegated authority; combined external professional activities for pay with University functions; derived personal gain from use of University resources and students. 2. Lack of full compliance with policies on Conflicts of Interest and External Professional Activities for Pay. 3. Inaccurate information provided on Vendor Registration Form	Resolved - Follow-up Completed
ECU	Department of Athletics	Performance/Operational Audits and/or Reviews	4/24/2014	Yes	10	1. Development and Implementation of PRR and Standard Operations Procedures Manual. 2. Opportunities to strengthen internal controls: Athletic Guarantees, Athletic Student Fees, Bowl Games, Concessions, C-USA NCAA Distributions, Facility Rental Income, Game Day Parking Income, Licensing/Logos, Sports Marketing, Ticketing,. 3. Athletic Travel 4. Athletics signature authority 5. Athletics web-based software management 6. Athletic facilities security of equipment and apparel 7. Security of the web-based software management system 8. Fixed Assets 9. Human Resources 10. Compensation	Resolution in Process
ECU	ECU Physicians Cash Controls	Special Investigations	10/23/2013	No	1	1. Opportunity for stronger controls and accountability over cash	Resolved - Follow-up Completed
ECU	ECU Physicians Policy Manual Review	Performance/Operational Audits and/or Reviews	1/24/2014	Yes	2	1. Opportunity to strengthen the communications of new and revised policies and to maintain documentation of executive summaries. 2. Opportunity to strengthen the review process of existing policies.	Resolution in Process
ECU	Employees' Use of University Computing Systems	Special Investigations	10/31/2013	No	1	1. Four employees have used a specific University Information System for personal purposes to an extent that exceeds incidental use; Nature of some employee use of the system is inappropriate and unprofessional.	Resolved - Follow-up Completed
ECU	Management Letter - 2013 Information Technology Disaster Preparedness and Functional Unit's Business Continuity Testing	Information System Controls	3/6/2014	Yes	2	1. ITCS Risk Assessment May Not Be Current 2. Lack of Business Continuity Testing and Validation for Functional Units	Resolution in Process
ECU	Management Letter - Cash and Deposits Review, ECU Physicians	Special Investigations	1/13/2014	No	2	1. Employee accepted cash from a customer as a "gift" despite being previously directed not to engage in this activity 2. Cash shortages confirmed, but controls should be strengthened to allow for accountability	Resolution in Process
ECU	Management Letter - ECU Physicians Cash Discrepancy	Special Investigations	6/13/2014	No	2	1. Cash drawer assigned to Employee A was $20 short 2. Failure to follow proper policies and procedures regarding cash control	Resolved - Follow-up Completed
ECU	Management Letter - Employee Resource Use	Special Investigations	5/18/2014	No	2	1. External Professional Activities for Pay were not completely and properly disclosed and approve. 2. Use of University Time and Other University Resources in conjunction with external activity.	Resolved - Follow-up Completed

Attachment I: Resolution of Audit Findings
FY 2013-2014

Campus Name	Report Name	Audit Type	Date of Report	Included in Original Audit Plan (Yes/No)	Number of Findings	Findings (Detail)	Status of Resolution
ECU	Management Letter - Employee Timekeeping and Use of University Resources	Special Investigations	2/24/2014	No	5	1. Internal Audit cannot conclude if overtime hours recorded on the timesheets in question are accurate due to inaccurate timekeeping practices and inconsistent statements made by employees; however, there is evidence to support non-compliance with Federal and University policy regarding the recording of actual time worked 2. Use of University Resources (computer, e-mail system, work time) for purposes related to employee's secondary employment in violation of University policy 3. Non-Disclosure of Secondary Employment 4. Evidence to support the violation of University ProCard policy 5. Lack of management oversight and failure to follow Federal and University policy regarding overtime hours worked.	Resolved - Follow-up Completed
ECU	Management Letter - Health Sciences Departmental Hiring Decision	Special Investigations	1/24/2014	No	2	1. Communications from chair regarding spouse's temporary employment that could be perceived as violating the intent and spirit of the anti-nepotism Policy; possible violation of N.C. Gen. Stat. 14-234 2. Chair of department did not recuse him/her-self from the hiring process when his/her spouse applied for a permanent position in the chair's department	Resolution in Process
ECU	Management Letter - Nepotism, Health Sciences Department	Special Investigations	9/5/2013	No	1	1. Temp Employee approved by Human Resources to work in same department as Perm Employee based on inaccurate information and inadequate monitoring of the Perm Employee having influence over the Temp Employee.	Resolved - Follow-up Completed
ECU	Management Letter - Use of University Resources, ECU Physicians Employee	Special Investigations	6/9/2014	No	1	University property removed and given to friends & family members without authorization	Resolution in Process
ECU	Management Letter Employee Use of University Resources	Special Investigations	5/30/2014	No	1	Use of university time and computers related to secondary employment	Resolved - Follow-up Completed
ECU	Management Letter-ITCS Firewall Review	Information System Controls	2/10/2014	Yes	3	1. Consultant's recommendations not yet fully implemented 2. Lack of Documented Policies & Procedures for Firewall Management 3. Additional Personnel May be Needed in Order to Strengthen Controls and Security	Resolution in Process
ECU	Management Letter-Medical Malpractice Insurance Purchase Process	Special Investigations	2/10/2014	No	1	1. Opportunity to strengthen documentation and process for malpractice insurance approval	Resolved - Follow-up Completed
ECU	Management Letter-Student Affairs Employee Allegations	Special Investigations	6/23/2014	No	2	1. Employee engages in one-on-one meals with students. 2. Use of University E-mail in relation to a private external business, and potential conflict of interest.	Resolved - Follow-up Completed
ECU	Management Letter-Student Affairs Unit Payments and Resources	Special Investigations	6/23/2014	No	3	1. Former Unit Director/Principal Investigator (PI) Approved Payments that were not Allowable per the Sponsor's Guidelines. 2. Employees have derived personal benefit from the units programs and resources. 3. Opportunities to strengthen controls over time and leave reporting.	Resolution in Process
ECU	SODM Community Service Learning Center-Integrated Review	Audits/Reviews of Internal Controls	6/13/2014	Yes	9	1. Specific programs to further the SoDM and CSLC mission to provide dental care to the underserved have not yet been implemented. 2. Periodic reviews of CSLC cash controls are not being performed as required by SoDM policy. 3. Opportunities to strengthen review of exception reporting. 4. Opportunities to improve teaching case documentation and approval process. 5. Opportunities to strengthen the patient billing process. 6. Collections processes are not yet implemented. 7. Opportunities to improve the process of allocating insurance payments to patient accounts. 8. Patient Consent Forms not reviewed by University Counsel and not updated as required. 9. User Access not documented and reviewed as required by policy.	Resolution in Process

Attachment I: Resolution of Audit Findings
FY 2013-2014

Campus Name	Report Name	Audit Type	Date of Report	Included in Original Audit Plan (Yes/No)	Number of Findings	Findings (Detail)	Status of Resolution
ECU	University Sponsored Youth Programs Operational Review	Performance/Operational Audits and/or Reviews	6/27/2014	Yes	12	1. Lack of policies and standard operating procedures to govern University sponsored youth programs and no centralized office to oversee University sponsored youth programs; 2. Collection of Social Security Numbers and Personal Identifying Information without prior approval from the Identity Theft Protection Committee; 3. Lack of medical insurance or proof of medical insurance as required by ECU Risk Management and Insurance; 4. Lack of background checks for some youth program staff and volunteers. 5. Questionable classification of youth program staff as independent contractors; 6. Youth program director hired his/her son to work youth program; also no background check conducted; 7. Inadequate training of youth program staff and volunteers; 8. Lack of standards and requirements for the supervision of youth participants; 9. Instances of non-compliance with the University Cash Management. 10. Instance of non-compliance with University Payment Card Processing Compliance Standards; 11. Instances of not maintaining adequate receipts for payments received and lack of reconciling the payments to deposit in Banner; 12. Instances of expenditures that did not have adequate supporting documentation, questionable business purpose, or could not conclude because youth program expenses comingled with other funds.	Resolution in Process
ECU	Management Letter-IT Implementation Projects - Cisco Identity Services Engine and AirWatch Mobile Device Management	Information System Controls	6/27/2014	Yes	2	1. Lack of Formally Documented Roles, Responsibilities, and Guidelines for the ITCS Central Project Office. 2. Lack of a Comprehensive University Mobile Device Policy.	Resolution in Process
FSU	iPad Accountability and Use	Compliance Audits	1/27/2014	Yes	1	1. The University needed to improve the accountability and inventory controls over its purchased iPads	Resolved - Follow-up Pending
FSU	Review of University and Foundation Processes and Procedures Related to the University Place Apartments, Audit Report 14-04	Performance/Operational Audits and/or Reviews	3/20/2014	Yes	1	The housing foundation and university had not adequately documented roles and responsibilities for all parties associated with the operations of the University Place Apartments.	Resolution in Process
NCAT	2009 Security Breach - 2013 Review	Special Investigations	11/5/2013	No	3	1. The OIA recommends that DoIT develop an official University policy and procedures that address security breaches. 2. The OIA recommends that once the University receives the results of the forensic analysis, DoIT with the assistance of the University General Counsel should contact the North Carolina Attorney Generals Office to determine what the University is required to do to comply with NC General Statute. 3. The OIA recommends that DoIT require all University email users to change their default passwords.	Resolved - Follow-Up Pending
NCAT	Hotline complaints - various allegations against the chairperson of an academic department	Special Investigations	5/30/2014	No	3	External Employment, Administrative Ineffectiveness, hostility towards faculty.	Resolution in Process
NCAT	International calls review	Audits/Reviews of Internal Controls	2/10/2014	No	2	1. OIA concluded that managers had difficulty identifying callers who made international calls using Centrex lines. 2. The review of international calls by Management and OIA identified 52 unauthorized personal international calls. The callers subsequently reimbursed the costs of these calls to the University.	Resolved - Follow-Up Pending
NCAT	Salary Payments Made to a Former Faculty Member	Special Investigations	4/10/2014	No	1	Salary payment continued to the former faculty member after separation from the university	Resolved - Follow-Up Pending
NCAT	School of technology-unauthorized solicitation of funds	Special Investigations	11/11/2013	No	1	The OIA concluded that policies and procedures related to cash handling / operations were not followed, but there was no evidence of malicious intent.	Resolved - Follow-Up Pending
NCAT	Athletics Rules Compliance Review	Compliance Audits	6/17/2014	Yes	6	1. Auditors were unable to review the Certification of Compliance for Staff Members of Athletics Departments. 2. The appointment letters for twenty-five athletics department personnel could not be located by the Athletics Department or the Division of Human Resources. 3. Lack of documentation related to the authorization for the camp/clinic to operate on campus and the duties and responsibilities of camp counselors. Lack of real-time monitoring or spot checks by the Compliance Office during camps and clinics. Lack of processes pertaining to monitoring prospective student-athletes participating in camps and clinics. 4. Cash receipted for the summer 2011 Women's Basketball Camp registration fees not deposited with the NC A&T University Foundation. 5. Athletically-Related Activities Logs for the sampled sports lacked an Office of Compliance Services signature. Logs for Women's Bowling, Women's Basketball, Men's Cross Country, and Football could not be located. One instance of the sport of Baseball exceeding the 4 hours per day limit on practice activities. Lack of documentation that would assist in determining whether student-athletes in certain sports missed class. Lack of preparticipation physical documentation for two prospects who signed National Letter of Intent forms for the sport of football. 6. The Athletics Department does not have a written rules education policy.	Resolved - Follow-Up Pending

Campus Name	Report Name	Audit Type	Date of Report	Included in Original Audit Plan (Yes/No)	Number of Findings	Findings (Detail)	Status of Resolution
NCCU	Investigative Report	Special Investigations	12/6/2013	No	4	1. Non-Compliance with University Travel Policy 2. Non-Compliance with University Travel Policy Regarding Travel Charge Cards 3. Inadequate Internal Controls 4. Inappropriate Use of Foundation Fund	1. Resolution in Process 2. Resolved - Follow-Up Pending 3. Resolved - Follow-Up Pending 4. Resolved - Follow-Up Pending
NCSSM	Access FERPA Audit Report	Audits/Reviews of Internal Controls	4/23/2014	Yes	3	1. Periodic Review of Access Rights to Student Records not Being Performed, 2.Process for Allowing Access to Student Records not Documented, 3. Training not Provided to Those with Access to Student Records	Resolution in Process
NCSU	College of humanities and social sciences (CHASS) - Department of social work - website/pcard investigation	Special Investigations	4/15/2014	No	2	1. Inadequate internal controls over CHASS' Pcard and Purchasing processes resulting in non-compliance with University and State purchasing guidelines. 2. University resources were used for non-University purpose resulting in non-compliance with NCSU Reg 08.00.02-Computer Use Regulation.	Resolved - Follow-Up Completed
NCSU	Infrastructure, Systems and Operations: Virtual Computing Services	Information System Controls	10/31/2013	Yes	7	1. Inadequate Security Control: Technical Security Configuration Weaknesses and Lack of Security Configuration Baseline. 2. Inadequate Security Control: Use of Less Secure Default System-Generated Digital Certificates for Encrypted Secure Layer (SSL) Communication. 3. Inadequate Security Control: Excessive Administrative Privilege Assignment. 4. Inadequate Security Control: Lack of Recurring Review Process 5. Process Weakness: Lack of Disaster Recovery Planning and Restoration Testing. 6. Process Weakness: Lack of Definition and Documentation of Standard Operating Procedures. 7. Inadequate Security Control: Excessive Default Privileges Assigned to Default Update Manager Database User Login Accounts	Resolution in Process
NCSU	Third-Party Lodging Investigation	Special Investigations	4/29/2014	No	5	1. Non-Compliance with Office of State Management's Travel Policies related to 3rd party lodging requests and payments. 2. Non-salary compensation was paid on State funds violating UNC policy manual. 3. No process compliant with university and state policy is in place for the university to handle current and future housing and food allowance payments to the employee. 4. Incomplete guidance from the university for processing long-term stay arrangements for faculty or staff working away from their primary duty stations. 5. The university has not obtained delegated authority from OSBM for 3rd party lodging.	Issues 1, 2, 3, & 5: Resolved - Follow-Up in Progress Issue 4: Resolution in Process
NCSU	Follow-Up Audit: Office of the State Auditor - Fiscal Year 2013 Single Audit Report - Student Financial Assistance Compliance Cluster Portion	Audit Findings Follow-up	6/5/2014	Yes	1	Follow-up review and testing completed. The reported issue has been satisfactorily resolved. 1. Untimely Notice to Lenders of Changes in Enrollment Status	Resolved - Follow-Up Completed
NCSU	Follow-Up Audit: Office of the State Auditor - Fiscal Year 2013 Single Audit Report - Research and Development Compliance Cluster Portion	Audit Findings Follow-up	6/5/2014	Yes	1	Follow-up review and testing completed. The reported issue has been satisfactorily resolved. 1. Lack of Controls over the Required Reporting of Federal Grant Data (specifically, the monthly Federal Funding Accountability and Transparency Act [FFATA] subaward report)	Resolved - Follow-Up Completed
NCSU	Internal Controls over University Procurement Card	Audits/Reviews of Internal Controls	8/13/2014	Yes	4	1. No defined assignment of responsibility and authority for promoting and enforcing compliance with State and University requirements. 2. Internal Controls within the process and related guidance for reviewing and approving Pcard expenditures need improvement. 3. Reports meant to be used by units to monitor and minimize non-compliances have not been effective. 4. 29% of sampled PCard expenditures were non-compliant with State and University spending requirements.	Resolution in Process
UNCA	Campus Safety Clery Act Audit	Compliance Audits	6/30/2014	Yes	8	1. No back up log in the event of technical problems. 2. All campus security authorities not completing CSA training. 3. Unable to determine employment status of all campus CSA's. 4. Emergency response procedures not in place for faculty and staff. 5. No written timely warning policy at UNCA. 6. Notice of Clery to prospective employees. 7. Policy regarding procedures for reporting criminal actions. 8. Lack of a university policy and procedure for missing student notifications.	1. Resolved - Follow-up Pending 2. Resolved - Follow-up Pending 3. Resolved - Follow-up Pending 4. Resolved - Follow-up Pending 5. Resolution in Process 6. Resolved - Follow-up Pending 7. Resolution in Process 8. Resolution in process

Campus Name	Report Name	Audit Type	Date of Report	Included in Original Audit Plan (Yes/No)	Number of Findings	Findings (Detail)	Status of Resolution
UNCA	Center for Diversity Education	Compliance Audits	6/13/2014	Yes	1	Checks written within the CDE commonly are not sequentially numbered	Resolved - Follow-up Completed [Note: The CDE is now part of the university. It is no longer an affiliated entity.]
UNCA	Special Review: Ordo Bos Canis	Special Investigations	11/15/2013	No	3	1. Ordo Bos Canis is not a registered student organization at UNC Asheville 2. Ordo Bo Canis receives funding from the UNC Asheville Foundation Account 3. University resources used for Ordo Bos Canis activities	1. Resolved - Follow-up Pending 2. Resolved - Follow-up Pending 3. Resolved - Follow-up Pending
UNCC	Academic Integrity	Performance/Operational Audits and/or Reviews	2/4/2014	Yes	1	A finding was identified related to one of the new Board of Governors regulations regarding registrar and student records best practices and evaluation of academic performance of student athletes. The University is not currently in compliance with these parts of the new regulation which were effective September and December 2013, respectively.	Resolution in Process
UNCC	Follow-Up to 2011 Review of Administrative Operations	Performance/Operational Audits and/or Reviews	6/20/2014	Yes	1	Business Continuity Planning	Resolution in Process
UNCC	Fundraising	Financial Audits/Reviews	8/20/2013	Yes	1	1. University Policy 602.2 does not establish sufficient guidance for the University's fundraising function.	Resolution in Process
UNCC	Motor Fleet vehicle and gas card use	Compliance Audits	9/13/2013	Yes	3	1. Lack of separation of duties within ARCHIBUS motor fleet module allows inappropriate billing adjustments. 2. 13 of 32 (41%) annual vehicle inspections were performed after due date. 3. 69 of 592 (12%) of motor fleet work orders closed in FY2013 had billing totals inconsistent with published rates.	1. Resolved - Follow-up Completed 2. Resolved - Follow-up Completed 3. Resolved - Follow-up Completed
UNCC	Parking Services	Performance/Operational Audits and/or Reviews	5/20/2014	Yes	2	1. Information security procedures and practices are not documented. 2. Backed up data is not tested for business continuity	1. Resolution in Process 2. Resolution in Process
UNCC	Post Award Accounting and Reconciliation	Audits/Reviews of Internal Controls	4/23/2014	No	2	1. Noncompliance with Internal Policy regarding Government-Furnished Property 2. Internal policy and collection attempts are noncompliant with State guidelines	1. Resolution in Process 2. Resolution in Process
UNCC	Special Report, Lease Agreement with Time Warner Cable	Special Investigations	9/5/2013	No	1	1. The University owes an amount to be determined to the State Property Office and possibly to the State Treasurer.	1. Resolved - Follow-up Completed
UNCC	Student Health Center Operations	Performance/Operational Audits and/or Reviews	3/6/2014	Yes	4	1. Assess business practices, especially cash management 2. Assess information security practices 3. Assess process over the acquisition, storage, and issuance of medications 4. Concern - Analyze student health insurance payment practices	1. Resolved - Follow-up Pending 2. Resolved - Follow-up Pending 3. Resolved - Follow-up Completed 4. Resolution in Process
UNCC	Tax Compliance	Financial Audits/Reviews	11/25/2013	Yes	1	Finding: Reporting 1098-Ts to the IRS with missing TINs.	Resolved - Follow-up Completed
UNCC	University Communications: web, social media, brand compliance	Performance/Operational Audits and/or Reviews	10/2/2013	Yes	1	The current communications function has a weak governance structure that inhibits compliance with established standards.	Resolved - Follow-up Completed
UNCC	I2014-3 Investigation Report Lake Electric	Special Investigations	4/3/2014	No	1	Supervisor of the High Voltage Shop, has inappropriately conducted business with Lake Electric Company by dividing service requests to avoid the competitive bidding threshold, a violation of University and State Purchasing Office requirements.	Resolution in Process
UNCC	South Village Dining Facility interim audit construction contract compliance (outsourced)	Compliance Audits	1/24/2014	Yes	1	The Construction Manager's representative agreed the Insurance and Bonds had been billed to the Owner at 100% of the Schedule of Values amount ($427,947.00). This represented an overbilling of $209,338.86 based on the variance between the actual costs incurred and the amount billed. This amount was credited back in the January '14 Payment Application.	Resolution in Process
UNCC	Final Report, A2014-13, Purchase Card Transactions Review	Financial Audits/Reviews	7/23/2014	Yes	2	1. Transactions allowed for purchases of items listed as non-allowed 2. Expense account coding does not accurately reflect nature of expense.	1. Resolved - Follow-up Pending 2. Resolved - Follow-up Pending

Campus Name	Report Name	Audit Type	Date of Report	Included in Original Audit Plan (Yes/No)	Number of Findings	Findings (Detail)	Status of Resolution
UNCC	International Admissions - Final Report, A2014	Performance/Operational Audits and/or Reviews	7/24/2014	Yes	2	1. Proof of financial responsibility is not obtained from international students admitted to Graduate School programs before an I-20 is issued 2. Cost of attendance is not consistently represented to international graduate student applicants	1. Resolution in Process 2. Resolution in Process
UNCC	Investigation Report	Special Investigations	8/25/2014	No	2	1. Failure to account for time away from work with appropriate leave. 2. Performed external activities for pay that create a conflict of commitment	1. Resolution in Process 2. Resolution in Process
UNCCH	Department of African, African American, and Diaspora Studies	Special Investigations	4/17/2014	No	4	1. Receipts were not deposited timely 2. Approvals of Documents 3. Unauthorized Purchases 4. Personnel Actions not processed timely	Resolution In Process
UNCCH	Cell Biology and Physiology	Special Investigations	6/6/2014	No	3	1. Office supplies, FedEx, monthly copy charges, and other items typically classifed as F&A costs were being direct charged to sponsored projects. 2. We found instances where computers or peripherals were purchased using sponsored funds but could not locate documentation showing that the sponsor had approved this use of the funds or advance approcal by OSR. 3. There was no contract documenting an arrangement where the department provided services to another university. Charges for these services were not being billed monthly as required. Fee revenue was not recorded in the account where the related costs were recorded.	Resolution In Process
UNCG	Travel Audit Report	Compliance Audits	8/12/2013	Yes	1	It was determined that seven Travel Authorization/Expense Reports from five individuals were submitted to accounts payable beyond ten business days following the completion of travel.	Resolved - Follow-up completed
UNCG	Departamental Deposits Report FY 13	Compliance Audits	12/2/2013	Yes	1	1. Timeliness	Resolved - Follow-up completed
UNCG	Pcard Audit Report FY14	Compliance Audits	4/17/2014	Yes	3	1. Internal Audit identified three occurrences of splitting payment for a single purchase to avoid the default limit of $2,500. 2. Internal Audit noted that sales tax was paid ($40.50) on a purchase by the Music Research Institute within the School of Music. The department responded that a second attempt would be made to obtain a refund. 3. Internal audit noted four reconciliations that were inadequate relative to the required (dated) approval signatures.	Resolved - Follow-up completed
UNC-GA	Improper Use of P-card and Missing Property Concerns at UNC TV	Special Investigations	4/25/2014	No	1	1. Internal controls in the outreach area, both for purchasing and for inventory controls, need significant strengthening.	Resolved
UNC-GA	UNC-TV Pcard Review Audit	Audits/Reviews of Internal Controls	8/20/2013	Yes	1	Food purchases are not processed according to UNC GA policy	Resolved
UNCP	Esther G. Maynor Scholarship Audit	Audits/Reviews of Internal Controls	3/24/2014	Yes	1	The university did not comply with a gift and trust agreement when awarding scholarships to ineligible recipients. The need based scholarship was intended for students with financial need but awarded in some cases (5 of 19 in our sample tested) to students who did not have financial need.	Resolved
UNCSA	Cash Counts	Financial Audits/Reviews	12/16/2013	Yes	1	Internal Controls over cash handling are insufficient to ensure that cash is properly safeguarded.	Resolution in Process
UNCSA	Vendor Contracts	Audits/Reviews of Internal Controls	6/2/2014	Yes	1	Internal Controls over vendor contracts are insufficient to ensure that the University's resources are properly safeguarded and handled in compliance with governing regulations and university policy.	Resolution in Process

Campus Name	Report Name	Audit Type	Date of Report	Included in Original Audit Plan (Yes/No)	Number of Findings	Findings (Detail)	Status of Resolution
UNCW	Physical Access Review	Compliance Audits	12/19/2013	Yes	6	1. Key Issuance: Key Control requests for keys must be submitted to the Physical Plants Locksmith Shop using the Key Request Form available from the Physical Plant website. 2. Key Records: Maintaining current and accurate records of all Level 1, 2, and 3 keys and locks at UNCW. 3. Key Audits: Locksmith Service will initiate a Key Audit by providing each Department with a listing of keys issues to the Department. 4. Key Control Responsibility: Key Control outlines many responsibilities for campus departments and their designated key controllers. Department heads are responsible for the control of keys issued, DKC's will administer the departments key control program by preparing key-related forms, department heads are responsible for ensuring that keys are returned by their employees upon transfer or termination. 5. Policies and Guidelines: There is not currently a UNCW policy or any written guidelines. 6. Communication: User Departments of the stand-alone door access system maintained by Locksmith should be informed of information that may affect their operations.	Resolution in Process
UNCW	Security Standards	Compliance Audits	12/19/2013	Yes	1	1. SACS comprehensive standard requires an institution to exercise appropriate control over all its physical resources. There is not currently a set of written guidelines defining the level of security needed in different areas across campus. Security levels are determined by departmental discretion and are not part of a formal risk assessment process. Without standards in place, there is a potential that risk may not be consistently assessed and the security of certain areas may not be adequate.	Resolved - Follow-up pending
UNCW	UNCW Police Department Administrative Review	Compliance Audits	7/2/2013	Yes	6	1. The department should maintain computer inventory information in accordance with UNCW Policy 07.200.05, Purchase, Inventory, Replacement and Disposal/Surplus of IT Resources and UPD General Order 212, Fiscal Management. 2. Departments are responsible for maintaining inventory information regarding equipment and supplies when combined values exceed $1,000. 3. The assignment and periodic audit of keys issued within a department should adhere to UNCW Policy 05.120, Key Control. 4. The budget authority should review and sign purchasing card statements for all departmental staff in accordance with UNCW Policy 05.160, Purchasing Card Program. 5. Departments should maintain accurate records of the issuance of the cell phones and of air cards used for wireless access of laptops to each of its employees to ensure accountability and proper use of university resources. 6. Exit procedures should provide assurance that employees who separate from the department have returned all university property and equipment and all relevant computer access has been terminated.	Resolution in Process
WCU	Petty cash Base Camp Cullowhee, Last Minute Productions, and the University Center	Financial Audits/Reviews	5/29/2014	No	4	1. Revenue for special events, such as the Dance Marathon, were not supported by documentation such as receipts or register tapes to indicate number of attendees or the amount of revenue that had been collected. 2. An overage of $517.22 was found at the University Center. According to the Director of the University Center, these were Dance Marathon revenues that had been collected and stored in the safe but not deposited for over a month and a half. 3. A portion of petty cash was stored in the unlocked portion of the safe which was stored in an unlocked closet. 4. The safe combination had not been changed and thirteen students and or employees had access to the safe and closet to where the safe is kept. Failure to accurately account for revenue, combined with the failure to deposit revenue timely, place petty cash in a secure area, and limit access to petty cash has already resulted in a loss of state funds.	Resolved - Follow-up Completed
WCU	Petty cash Geosciences and Natural Resources Department	Financial Audits/Reviews	5/28/2014	No	1	Petty cash receipts dated over 30 days had not been submitted for reimbursement. Per the University Petty Cash Policy, "petty cash receipts must be submitted for reimbursement within 30 days of date of purchase."	Resolved - Follow-up Completed
WCU	Petty cash Mountain Heritage Center	Financial Audits/Reviews	5/28/2014	No	2	1. There was an overage of $18 which was a result of funds not being deposited timely. Not depositing funds timely could lead to misappropriation of state funds. It should be noted that this occurred during a time when there was a change in personnel. The new petty cash custodian had not been trained at the time of the audit. 2. There was only one key to the locked cabinet where the cash box is stored.	Resolved - Follow-up Completed

Campus Name	Report Name	Audit Type	Date of Report	Included in Original Audit Plan (Yes/No)	Number of Findings	Findings (Detail)	Status of Resolution
WCU	Petty Cash Controllers Office	Financial Audits/Reviews	5/27/2014	No	1	Cash count confirmed a shortage of $10. This shortage was appropriately substantiated by a receipt that documented the shortage. In addition to this, the shortage was promptly reported to management.	Resolved - Follow-up Completed
WCU	Petty cash Library Services	Financial Audits/Reviews	5/28/2014	No	1	The Head of Access Services and six circulation staff members had a key to the Circulation department closet as well as the cash drawer where petty cash was located. This could lead to misappropriation or loss of petty cash and/or change funds.	Resolution In Process
WCU	Petty cash Orientation	Financial Audits/Reviews	5/29/2014	No	1	Petty cash receipts that were older than 30 days and had not been submitted for replenishment.	Resolved - Follow-up Completed
WCU	Petty cash School of Art and Design	Financial Audits/Reviews	5/28/2014	No	1	Petty cash was removed from the fund for no specific purpose. Although there was a hand written note documenting that petty cash had been removed from the fund, purpose of removal was described as "For Odds and Ends."	Resolved - Follow-up Completed
WCU	Petty cash Speech & Hearing Clinic	Financial Audits/Reviews	5/28/2014	No	1	Petty cash receipts that were older than 30 days and had not been submitted for replenishment.	Resolved - Follow-up Completed
WCU	Review of Files and Documents, Email, Voice Mail, Telephone Log on Employees Laptop and Work Phone	Special Investigations	2/28/2014	No	1	It appeared that the employee utilized Western Carolina University's equipment to conduct some personal business, however the technology available in the Microsoft Suite did not provide internal audit with the tools to determine the extent of said activity. While, an examination of the voice messages and outgoing phone calls did reveal use of the employee's work phone and voice mail for personal gain, such use did not seem to be extensive.	Resolved as employee is no longer working in that division and HR handled any action that needed to be taken
WCU	Petty Cash Audit-Athletics Department	Performance/Operational Audits and/or Reviews	6/27/2014	Yes	2	1. Petty cash was being used for awarding cash prizes during events. 2. Invoice to reimburse petty cash for award monies used, had not been created or submitted to the event sponsor for reimbursement well over 30 days.	Resolved - Follow-up Completed
WCU	Petty Cash and Change Fund Audit - Catamount Clothing and Gifts Petty Cash Custodian	Financial Audits/Reviews	6/2/2014	Yes	3	1. We found that petty cash on hand was over $108 from amount allocated by the Bursar's office. The overage was resolved and documented in the auditor's presence. 2. We found that register drawers are closed at days end and placed in the safe with the End of Shift Reports however content of the drawers is not counted until the following morning. 3. We found that the safe combination had not been changed and seven full time employees had access to the safe.	Resolved - Follow-up Completed
WCU	Petty Cash and Change Fund Audit - Catamount Bookstore Petty Cash Custodian	Financial Audits/Reviews	6/2/2014	Yes	4	1. Cash count confirmed a shortage of $85.96 which was reported to management the day prior to the count but was not substantiated by a receipt or reported to Campus Police. 2. Receipts for three shortages which occurred between August, 2013 and January 14, 2014 had not been submitted for reimbursement. 3. Petty cash and the cash in the change fund (in the safe) had not been counted since August 3, 2013. 4. Safe combination had not been changed and seven full time employees had access to the safe, the office where the safe was located as well as to the Bookstore. These same employees also had access to Catamount Clothing and Gifts, the safe in Catamount Clothing and Gifts, as well as the office where the safe is located. Failure to perform regular cash counts, submit requests for reimbursement, combined with not limiting access to the safe or changing the combination to the safe contributed to the $85.96 loss of funds.	Resolved - Follow-up Completed
WCU	Investigative Report Bookstore and Catamount Clothing and Gifts	Special Investigations	6/2/2014	No	2	1. A petty cash reimbursement request was documented on the face of the petty cash and change fund count that occurred on August 3, 2013. This request represented a reimbursement request in the amount of $134.35. The Controller's office had issued a check in this amount to the Director of Catamount Stores on June 13, 2013. Per conversation with staff in the Controller's office, this check had not been cashed as of May 5, 2014. 2. Register drawers are closed at days end and placed in the safe with the End of Shift Reports; however content of the drawers is not counted until the following morning.	Resolved - Follow-up Pending
WSSU	Concerns Regarding Overtime Payments to Temporary Employee	Special Investigations	3/19/2014	No	1	The University's current practices regarding temporary employees and overtime compensation are not consistent with its policies.	Resolution in Process
WSSU	Concerns Regarding University Fundraising	Special Investigations	6/4/2014	No	1	Internal Controls are not sufficient to ensure that funds raised in the name of the university are handled appropriately and in compliance with university policy.	Resolution in Process

Campus Name	Report Name	Audit Type	Date of Report	Included in Original Audit Plan (Yes/No)	Number of Findings	Findings (Detail)	Status of Resolution
WSSU	Fraudulent P-Card Transactions	Special Investigations	4/17/2014	No	2	1. Members of management and the business staff within the facilities management department did not fulfill their responsibilities concerning P-Card reconciliation. 2. The facilities department has insufficient inventory control and has not adopted procedures to implement existing work order management policies to ensure safe handling of University resources.	Resolution in Process
WSSU	Internal Control over Computer Accountability	Information System Controls	10/23/2013	Yes	1	Critical components of internal control are not in place to ensure that computer equipment assets, valued at less than $5,000, are appropriately identified and tracked from purchase through disposal.	Resolution in Process
WSSU	Internal Control over Fuel	Audits/Reviews of Internal Controls	2/24/2014	Yes	4	1. Stored fuel oil quantities exceed the university's requirements. 2. The University does not use controls to prevent unauthorized access to diesel fuel. 3. The fuel inventory spreadsheets were incomplete and contained measurement data that the university could not verify. 4. The University has no documented policies or procedures for the safeguarding and accountability of stored fuel.	Resolution in Process
WSSU	P-Card Analytics	Audits/Reviews of Internal Controls	6/3/2014	Yes	1	P-Card Policy and procedural deficiencies	Resolution in Process
WSSU	Response to OSA Pope Center Article	Special Investigations	5/21/2014	No	3	Due to the sensitive nature of the report, this report will not be released. Findings were reported to management.	Not Resolved
WSSU	Surprise Cash Count	Financial Audits/Reviews	1/13/2014	Yes	1	Internal Controls over cash handling are insufficient to ensure that cash is properly safeguarded and handled in compliance with state and university policy.	Resolution in Process
WSSU	University's Business Continuity Management Program	Information System Controls	8/13/2013	Yes	1	Internal Controls over Business Continuity, IT Disaster Recovery and Pandemic plans are insufficient to ensure that plans are effectively implemented and managed.	Resolution in Process