

2005 Financial and 2006 Information System Audit Reports Released Since Last Meeting By the North Carolina Office of the State Auditor:

1. Elizabeth City State University: – (Financial Audit) – No Audit Findings

Report URL:

<http://www.ncauditor.net/EpsWeb/EDSreportdetail.asp?RepNum=FIN-2005-6086>

2. Elizabeth City State University: – Information System Audit – (One Public Finding)

Report URL:

<http://www.ncauditor.net/EPSWeb/Reports/InfoSystems/ISA-2006-6086.pdf>

**NO RISK ASSESSMENT HAS BEEN PERFORMED**

A risk assessment has not been performed and documented at ECSU. A risk assessment is an assessment of the risk faced by information technologies at ECSU. It is intended to supplement the University's IT disaster recovery plan and business continuity plan. This document should identify and classify potential risks to ECSU's central IT infrastructure and resources, document obstacles precluding elimination of these identified risks and recognize the University's acceptance of those risks. A risk assessment should be updated with the results of audits, inspections and identified incidents. A complete review of the risk assessment should be performed annually.

Recommendation: ECSU should perform a risk assessment. The plan should be updated on an annual basis.

Auditee's Response: Elizabeth City State University accepts the Office of the State Auditor's recommendation to perform a risk assessment.

3. The University of North Carolina at Pembroke: – (Financial Audit) – One Finding

Report URL:

<http://www.ncauditor.net/EpsWeb/EDSreportdetail.asp?RepNum=FIN-2005-6082>

## **DEFICIENCIES IN INTERNAL CONTROL OVER BOOKSTORE RECEIPTS**

The University did not have adequate controls in place to ensure proper segregation of duties and proper review of transactions in the bookstore.

- Cash handling responsibilities were not properly segregated. One individual was responsible for all aspects of the daily deposit including receipting money, processing returns without prior approval, running cash reports, reconciling the cash to reports, and preparing the deposit. There was no indication of review of this individual's work by management.
- The cash report summary generated daily from the system was used to balance with cash receipts. In order to generate this summary report, the individual responsible for running cash reports had to prompt the system with the register numbers used each day to include all register transactions in the summary. As a result, this report was susceptible to manipulation by not entering all of the register numbers used in a day when generating the report.
- All bookstore employees, including student employees, processed their own returns without prior approval.

Recommendation: We recommend that the University strengthen internal controls over bookstore receipts to include proper segregation of duties, evidence of management's review of the daily cash reports and deposit, and evidence of approval of returns. Management should design procedures to ensure that all transactions are included in the system generated reports that are used to balance with receipts.

University's Response: The University has strengthened internal controls within the bookstore to address all noted weaknesses. Additionally, procedures have been implemented to ensure all bookstore transactions are included in the system-generated reports used to balance with receipts.

Segregation of duties applicable to cash handling responsibilities has been reviewed and appropriate changes implemented.