

_____ University
Audit Plan Summary
Year Ending [Ended] June 30, _____

Item 2

Specific Audits	Material Reportable Conditions*	Budgeted Hours	Expended Hours	Under (Over) ** Budget
Information System Controls				
Information Systems Technology Disaster Recovery Program	["Yes" or "No"]			0
State Education Authority Assistance Loan System				0
				0
Internal Control Testing and/or Reviews				
UNC Television - Asset Control				0
UNC Television Petty Cash				0
				0
Departmental Audits and/or Reviews				
Academic Affairs Contracts and Grants Compliance				0
				0
				0
Special Investigations (i.e. Misuse or Misappropriation of Assets)				
				0
Various - Fraud/Misuse Investigations				0
				0
Special Assignments				
Office of State Controller - Internal Control Questionnaire				0
Various - Special Projects and Requests				0
				0
Audit Findings Follow-up				
UNC Television Cash Receipts Follow-up				0
Various - Follow-up of Office of State Auditor Findings				0
				0
Compliance Audits				
Carryforward Funding				0
				0
				0
Lapsed Salary/Management Flexibility				
Management Flexibility - Lapsed Salary				0
				0
				0
Other				
				0
				0
				0

* Findings, recommendations, and corrective actions attached

** Explanation for significant budget overage attached

**UNC General Administration
Internal Audit Division
Risk Assessment Summary
Fiscal Year 2006-2007**

Introduction:

Like Corporations, Universities and governing institutions such as UNC General Administration and its many sub-agencies, are transforming the way in which business is conducted, managed and monitored. There are many factors contributing to the ever changing climate of business practices within the University environment. To effectively operate and manage UNC General Administration's environment, management must be aware of risks and create a risk-conscious climate within the entity as a whole and across individual divisions.

In order to develop and implement a risk-based audit plan, UNC General Administration Internal Audit has developed a risk analysis that incorporates areas identified by management, those mandated by the appropriate Associate Vice President for Finance, those deemed to be repeated annually or on an every so many year basis because of risk, areas of concern addressed by the State Auditor, and finally, those where risks and materiality of exposure are the greatest.

The development of a risk-based audit plan includes defining auditable sub-agencies and divisions within UNC General Administration, defining auditable units and cycles within the sub-agencies and divisions, establishing the risk criteria, and ranking those areas defined. In addition, the North Carolina Legislature has established many small sub-agencies as affiliates of UNC General Administration based on the agency's mission. For purposes of auditable units, the small, legislatively assigned agencies are combined as one auditable unit. However, audits would be performed on the sub-agency as an individual unit in the case where a special audit or material risk is identified. At a high-level evaluation, we based the establishment of UNC General Administration's audit population and risk framework on the following auditable units:

Auditable Units:

Services

- Accounts Payable
- Fixed Assets
- Cash Management
- Payroll

Finance

- Academic Affairs
- University Affairs
- Sponsored Programs
- Legal Affairs
- Human Resources
- Information Technology

Sub-Agencies:

- State Education Authority Assistance
- UNC Public Television
- NC Center for School Leadership
- Development
- Other Affiliated Sub-Agencies

Risk Framework:

- Regulatory Compliance
- Audit History
- Impact of Negative Publicity
- Organizational Goals/Change and Economic Impact
- Safeguarding Assets

**UNC General Administration
Internal Audit Division
Risk Assessment Summary
Fiscal Year 2006-2007**

Defining and Establishing Auditable Units:

The first step in the risk assessment process is to define auditable units. While auditable units can be defined as individual divisions or business units within UNC General Administration, this approach would result in limiting the scope of audit projects or broaden it beyond what can be reasonably managed, given the resources available and the scale of the project. UNC General Administration, albeit a part of the UNC 16 campuses has business units and an audit universe somewhat different than those of the affiliated UNC 16 campuses. Therefore, in trying to define the auditable units, we have used a combination of defining groups of business processes universal to UNC General Administration and the affiliated sub-agencies, defining those individual sub-agencies who operate under the umbrella of UNC General Administration, but whose organization's vision, mission, and business practices establishes them as a separate auditable unit, and defining units where management has identified a certain level of risk. In addition to the aforementioned approach, we reviewed the following as it relates to UNC General Administration and our sub-agencies:

1. Vision, mission, and strategic plan
2. Analysis of core business practices, including areas identifying potential for cost reductions
3. Annual internal control self-assessment questionnaires
4. Audit history; identifying areas that have not been audited within several years or reports of fraud and abuse
5. Areas of potential risk, particularly areas involving revenue, expenditures, purchases, fixed asset management
6. External Auditor reports (e.g. follow up audits on performance audits conducted by State Auditor's Office)
7. Emerging trends in educational environment

Determining the risk assessment criteria:

The next step in the process was to identify the risk assessment criteria and apply these criteria to the auditable units in order to build an engagement plan. Although these can be considered somewhat subjective, we created a weighted risk average score to provide some objectivity as well to the process. The areas identified below and their corresponding percentages, have been determined through research of publications for establishing risk criteria, by evaluating UNC General Administration and its affiliated sub-agency's missions and goals, reviewing historical factors, analyzing the internal control environment, and analyzing the personnel population and stability within that population. The areas of risk identified and their weight are based on the following criteria:

1. Criticality of Unit - 20%
2. Regulatory Compliance - 20%
3. Audit History – 5%
4. Impact of Negative Publicity - 20%
5. Organizational Goals/Change and Economic Impact – 15%
6. Safeguarding Assets/Internal Control - 20%

Based on the weighted average, we then scored the auditable unit either low, medium, or high risk. Taking into consideration the weighted average, the determining factors for auditable units listed above, and resources available, we developed our annual internal audit plan.

RISK ASSESMENT MEASUREMENT CRITERIA

1. Criticality of Unit – 20%

In determining the percentage associated with “criticality of unit,” rating factors must be determined based on proper functioning of the unit, what happens if the unit is not adequately providing service or the unit is not performing services within the required time, or if the unit is unable to provide services at all.

2. Internal Control – 20%

For internal control percentage, rating factors must be determined based on previous audit history or previously identified weaknesses in any area of the internal controls, the Office of State Controller’s Internal Control Questionnaire certified annually, quality of internal controls, general observations, reported misuse of property due to weaknesses in internal controls, and other interactions (e.g. department heads)

3. Impact of Negative Publicity – 20%

It is critical to understand the sensitivity of a unit/sub-agency to public exposure of any internal issues, the level of public embarrassment that could be caused to UNC General Administration as a whole, but also to sub-agencies (e.g. UNC Public Television) and how the negative publicity would impact future operations. In some cases like UNC Public Television, integrity and public confidence is critical because of the financial impact public donations have on their operation. Also to consider is the level of dependency the unit/sub-agency is on external constituents (e.g., Legislature, Federal Agencies, Corporations (e.g., Bill/Melinda Gates Foundation)

4. Audit History – 5%

Audit history of a unit or sub-agency can be useful in evaluating potential risk, identify areas that have not been audited or are due to be audited.

5. Organizational Goals/Change and Economic Impact – 15%

Changes within organizations through change in structure of the organization, change in management, reorganization of key personnel, turnover rates, growth of the organization both financially and number of staff, and change in mission must all be evaluated for determining the level of risk. Have there been no changes, some turnover or management change, or excessive turnover and do these changes have some impact, high impact?

6. Regulatory Compliance - 20%

Regulatory compliance looks at what outside entities, policies etc. is a unit or sub-agency governed by or required to comply with (e.g. Federal, State, EPA, CPB (Public Broadcasting regulatory body for UNC Public Television), OSHA). Also to be considered is the exposure to potential litigation.

Annual Audit Plan:

Attached, you will find the annual audit plan for 2006-2007 that is based on the above mentioned methodology. Based somewhat on the previous year's internal audit activity and available internal audit resources (one FTE at 50%), we then budgeted an amount of that resource available to perform audits, special reviews, follow-ups and special investigative audits. Audit time tracking is in its infancy and this is the first year that budgeted hours are being specifically designated. It is still an ever evolving system. Currently, the Internal Audit position is devoted to auditing 50%, along with additional responsibilities as systems accountant for UNC General Administration. Seasonal responsibilities and special investigative audits will inevitably alter the budgeted vs. actual audit hours. Therefore, in designing an audit plan, it is important to take into consideration particularly, the seasonal (July – September) responsibilities that may impact the timing of a particular audit.

FISCAL YEAR 2006- 2007 UNC GENERAL ADMINISTRATION WEIGHTED MATRIX RISK MEASUREMENT ANALYSIS			(1) Criticality of Unit		(2) Regulatory Compliance		(3) Audit History		(4) Impact of Negative Publicity		Organization al Goals Change and Economic		(6) Control Environment		Total Risk Factor
Weight			20%		20%		5%		20%		15%		20%		
GA and Sub-Agencies	Division	Department/Program	Risk Level	Score	Risk Level	Score	Risk Level	Score	Risk Level	Score	Risk Level	Score	Risk Level	Score	
UNC - General Administration	Academic Affairs	AA, Faculty Support, International Programs													
		Academic Planning	3	0.6	2	0.4	1	0.05	2	0.4	1	0	2	0.4	1.85
		Sponsored Programs	3	0.6	3	0.6	2	0.1	3	0.6	1	0	2	0.4	2.30
		Student Affairs	3	0.6	2	0.4	1	0.05	2	0.4	1	0	2	0.4	1.85
	Business Affairs	Business Affairs	3	0.6	3	0.6	1	0.05	2	0.4	1	0	1	0.2	1.85
	Finance	Cash and Revenue	3	0.6	3	0.6	1	0.05	3	0.6	2	0	2	0.4	2.25
		Fixed Assets	3	0.6	3	0.6	2	0.1	2	0.4	2	0	2	0.4	2.10
		Accounts Payable	3	0.6	3	0.6	1	0.05	2	0.4	2	0	2	0.4	2.05
		Accounts Receivable	3	0.6	3	0.6	1	0.05	3	0.6	2	0	2	0.4	2.25
		Budget	3	0.6	3	0.6	2	0.1	2	0.4	2	0	2	0.4	2.10
		Purchasing	3	0.6	3	0.6	2	0.1	3	0.6	2	0	2	0.4	2.30
	Human Resources	Payroll	3	0.6	3	0.6	2	0.1	3	0.6	2	0	2	0.4	2.30
	Information Resources	Information Resources	3	0.6	2	0.4	2	0.1	2	0.4	2	0	2	0.4	1.90
	Legal Affairs	Legal Affairs	3	0.6	3	0.6	1	0.05	3	0.6	1	0	2	0.4	2.25
	Office of the Secretary	Board of Governors	3	0.6	2	0.4	1	0.05	3	0.6	1	0	1	0.2	1.85
		Office of the Secretary	3	0.6	2	0.4	1	0.05	3	0.6	1	0	2	0.4	2.05
	Physical Plant and Auxiliary	Central Stores	2	0.4	2	0.4	1	0.05	1	0.2	1	0	1	0.2	1.25
		Duplication Center	2	0.4	2	0.4	1	0.05	1	0.2	1	0	1	0.2	1.25
		Financial Record System	2	0.4	2	0.4	1	0.05	1	0.2	1	0	1	0.2	1.25
		Mail Center	3	0.6	2	0.4	1	0.05	1	0.2	1	0	1	0.2	1.45
		Physical Plant	2	0.4	2	0.4	1	0.05	1	0.2	1	0	1	0.2	1.25
	President's Office	Economic Development	3	0.6	2	0.4	1	0.05	3	0.6	1	0	1	0.2	1.85
		President's Office	3	0.6	2	0.4	2	0.1	3	0.6	2	0	2	0.4	2.10
	Strategy Development and Analysis	Strategy Development and Analysis	3	0.6	2	0.4	1	0.05	2	0.4	2	0	1	0.2	1.65
	University Affairs	University Affairs	3	0.6	2	0.4	1	0.05	2	0.4	2	0	1	0.2	1.65
	University School Programs	University School Programs	3	0.6	2	0.4	1	0.05	2	0.4	1	0	2	0.4	1.85
UNC - General Administration Total															
UNC Information Technology	Information Resources	UNC Network Services	3	0.6	2	0.4	2	0.1	2	0.4	3	0	2	0.4	1.90
	Learning Through Technology	Teaching and Learning Through Technology	3	0.6	2	0.4	1	0.05	2	0.4	1	0	1	0.2	1.65
	UNC Decision Support Systems	UNC Decision Support Systems	3	0.6	2	0.4	1	0.05	2	0.4	1	0	1	0.2	1.65
	UNC Information Resources Collaborative Procurement	UNC Information Resources Collaborative Procurement	3	0.6	2	0.4	2	0.1	3	0.6	2	0	1	0.2	1.90
	UNC Shared Service Alliance	UNC Shared Service Alliance	3	0.6	2	0.4	2	0.1	2	0.4	2	0	1	0.2	1.70
	UNC Supercomputing and NC Regional	UNC Supercomputing and NC Regional Education Network	3	0.6	2	0.4	2	0.1	2	0.4	1	0	1	0.2	1.70
	UNC Distance Education Technology Support	UNC Distance Education Technology Support													
			2	0.4	2	0.4	1	0.05	2	0.4	1	0	1	0.2	1.45
UNC Information Technology Total															

FISCAL YEAR 2006- 2007 UNC GENERAL ADMINISTRATION WEIGHTED MATRIX RISK MEASUREMENT ANALYSIS			(1) Criticality of Unit		(2) Regulatory Compliance		(3) Audit History		(4) Impact of Negative Publicity		Organization al Goals Change and Economic		(6) Control Environment		
Weight			20%		20%		5%		20%		15%		20%		
GA and Sub- Agencies	Division	Department/Program	Risk Level	Score	Risk Level	Score	Risk Level	Score	Risk Level	Score	Risk Level	Score	Risk Level	Score	Total Risk Factor
Higher Education Student Aid Programs	State Education Assistance Authority	Federal Student Loan Reserve Operating Fund	3	0.6	3	0.6	2	0.1	3	0.6	2	0	2	0.4	2.30
		NC Student Loan	3	0.6	3	0.6	2	0.1	3	0.6	2	0	2	0.4	2.30
		State Education Assistance Authority	3	0.6	3	0.6	1	0.05	3	0.6	2	0	2	0.4	2.25
		Higher Education Student Aid Programs Total													
Other UNC Programs	Education Pathways	Education Pathways	2	0.4	2	0.4	1	0.05	2	0.4	1	0	1	0.2	1.45
	Higher Education Facility Commission	Higher Education Facility Commission	2	0.4	2	0.4	1	0.05	2	0.4	1	0	1	0.2	1.45
	NC Center for International Understanding	NC Center for International Understanding	2	0.4	2	0.4	1	0.05	2	0.4	1	0	2	0.4	1.65
	NC Center for Nursing	NC Center for Nursing	3	0.6	2	0.4	1	0.05	2	0.4	2	0	1	0.2	1.65
	NC Progress Board	NC Progress Board	2	0.4	2	0.4	1	0.05	2	0.4	1	0	1	0.2	1.45
	Student Services/Licens	Student Services/Licensure	2	0.4	2	0.4	1	0.05	2	0.4	1	0	1	0.2	1.45
	UNC Association of Student	UNC Association of Student Government	2	0.4	2	0.4	1	0.05	2	0.4	1	0	1	0.2	1.45
	UNC Federal Programs	UNC Federal Programs	2	0.4	2	0.4	1	0.05	2	0.4	2	0	2	0.4	1.65
	UNC Foreign National Tax Compliance	UNC Foreign National Tax Compliance	2	0.4	3	0.6	1	0.05	2	0.4	1	0	1	0.2	1.65
	UNC in Washington DC Intern Program	UNC in Washington DC Intern Program	2	0.4	2	0.4	1	0.05	2	0.4	1	0	1	0.2	1.45
	Other UNC Programs Total														
Public School Programs	Center for School Leadership Development	Center for School Leadership Development	3	0.6	2	0.4	2	0.1	3	0.6	2	0	2	0.4	2.10
	Hunt Institute	Hunt Institute	3	0.6	2	0.4	1	0.05	3	0.6	2	0	2	0.4	2.05
	National Paideia Center	National Paideia Center	3	0.6	2	0.4	1	0.05	2	0.4	1	0	1	0.2	1.65
	NC Math Science Education Network	NC Math Science Education Network	3	0.6	2	0.4	1	0.05	2	0.4	2	0	1	0.2	1.65
	NC Model Teacher Education Consortium	NC Model Teacher Education Consortium	3	0.6	2	0.4	1	0.05	2	0.4	2	0	2	0.4	1.85
	NC Principal Fellows Program	NC Principal Fellows Program	3	0.6	2	0.4	1	0.05	3	0.6	2	0	2	0.4	2.05
	NC Teach	NC Teach	3	0.6	2	0.4	1	0.05	3	0.6	1	0	1	0.2	1.85
	NC Teacher Academy	NC Teacher Academy	3	0.6	2	0.4	2	0.1	3	0.6	2	0	2	0.4	2.10
	Principals' Executive Program	Principals' Executive Program	3	0.6	2	0.4	1	0.05	3	0.6	2	0	2	0.4	2.05
	Turning Points	Turning Points	2	0.4	2	0.4	1	0.05	2	0.4	1	0	1	0.2	1.45
Public School Programs Total															
UNC Center for Public Television	UNC Center for Public Television														
		Contributor Funds	3	0.6	3	0.6	2	0.1	3	0.6	2	0	2	0.4	2.30
		Corporate Giving	3	0.6	3	0.6	2	0.1	3	0.6	2	0	2	0.4	2.30
		CPB Grant	3	0.6	3	0.6	2	0.1	3	0.6	2	0	2	0.4	2.30
		UNC Ctr for Public TV													
		Fixed Assets	3	0.6	3	0.6	2	0.1	2	0.4	2	0	2	0.4	2.10
		Accounts Payable	3	0.6	3	0.6	1	0.05	2	0.4	2	0	2	0.4	2.05
Receivable	3	0.6	3	0.6	2	0.1	3	0.6	2	0	2	0.4	2.30		
Purchasing	3	0.6	3	0.6	2	0.1	3	0.6	2	0	2	0.4	2.30		