Internal Audit Annual Report 2015

BIG IDEAS, BIG FUTURE

In February, The Department had the opportunity to make a presentation to the Board of Governors’ Audit Committee. In keeping with the University theme of “Big Ideas, Big Future”, we recounted the changes and progress made by the Department over the last several years in staffing, office resources, audit coverage, and campus visibility. We’ve grown from 3.5 FTE to 5, and two of our recent additions came with Certified Public Accountant credentials. Thanks to senior leadership that values professional development, our annual budget now allows each auditor to attend at least 40 hours of professional education. Our audit planning process now involves and incorporates all divisions within the University and we project our audit plans four years out. Instead of two classes a year, we present three training classes each semester through HR Learning and Development, participate in search committees, governance committees, and ad hoc task forces. By the end of the presentation, we had made a very positive impression on the Committee and had represented both the University and our system internal audit colleagues well. FY2015 was another successful year for Internal Audit. We implemented new key performance measures, completed all requests from management for special actions, and completed all but one planned audit engagement. In this new report format, we provide a brief account of our annual activities. We hope you like what you see and what you read. Write to us at Internal_Audit@uncc.edu and let us know what you think.

INTERN PROGRAM PAYS OFF

The Internal Audit Department participated in the University Professional Intern Program (UPIP) for the first time during FY2015 and the program was a great success. Our first intern was S. Taylor Simmons, a rising Junior Accounting major with a minor in Management Information Systems. Taylor worked ten hours a week in both the fall and spring semesters, assisting with planned audits where possible as well as completing assigned independent audit tasks such as petty cash and change fund cash counts. Our new intern for fall 2015 is Judy Davis, a rising Senior dual major in Accounting and Business Administration. She will start working two days a week in late August.

The Internal Audit Department was established at UNC Charlotte in September 1973 in response to a recommendation by the North Carolina Governor’s Efficiency Study Commission that internal auditing be coordinated and expanded at all state universities. D. Ronald Whitley, a former state auditor, was hired as the first Internal Auditor for the University.

MISSION

The Internal Audit Department serves the trustees and administrators of the University of North Carolina at Charlotte as an independent, objective assurance and consulting activity designed to add value and improve the University’s operations. The Department assists the University in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
Our FY2015 planned audits were an ambitious mix of new topics and revisited ones, with a continued emphasis on getting into places we have not been before. The list of new audits were: Accounts Payable, Vendor Management, Cash Management, Export Controls, NCAA Compliance with Recruiting Regulations, NCAA Football Attendance Verification, Advancement Division Business Operations, University College Business Operations, Housing and Residence Life, and Campus Police self-assessment validation.

Our repeat topics were our second College of Engineering Business Operations Review, an IT General Controls audit, a SEVIS audit, a construction contract compliance audit (PORTAL), purchase card transactions review, data security plan verifications, and the internal controls self-assessment validation. The Campus Police self-assessment was delayed, causing our planned engagement to be delayed as well.

In addition to the planned engagements, we completed eleven unplanned events, seven investigations and four management advisories. The investigation topics were unfair hiring practices (two engagements), embezzlement of student club funds, misuse of comp time, misuse of grant funds, personal services contracting, and misuse of auxiliary funds. Of the eight total allegations made, three were substantiated and five were not substantiated.

The four management advisory engagements dealt with the RA stipend payment process, concurrent employment of related persons, Conference Services payment process, and uses of institutional data.

You can always check the status of our audit plan on our website at the Audit Plans tab.
Our annual budget continued to reflect our senior leaders’ interest and commitment in professional development. Our FY2015 General Fund (GF) budget went heavily (75%) towards staff training, with basic services (e.g., telephones) and office supplies the next largest expenses. With the help of the Vice Chancellor for Business Affairs (VCBA), we were able to obtain a data analytics consultant who greatly assisted with the Accounts Payable audit. The VCBA also provided the funds to pay our intern and enabled an additional staff member to attend our primary professional association’s midyear conference. In salaries, supplies, and training, we remain one of the better resourced internal audit departments in the UNC system.

GF = General Fund appropriation
OTP = Other Than Personnel expenses
IFLX = Institutional Flex Spending Fund (VCBA)
With the arrival of the University Compliance Officer, Susan Burgess, we have begun the process to integrate internal audit, risk management, and compliance activities on campus. Working with Betty Coulter and Hank James from Risk Management, Safety, and Security, we have developed an initial taxonomy of risk management terms along with plans for a combined risk assessment and project plan. The goal for FY2016 is to conduct the combined risk assessment and create the first integrated project plan that displays internal audits, compliance audits, and risk management activities across campus for FY2017. While we are a long way from implementing a formal Enterprise Risk Management program, we are working to establish the “three lines of defense” approach to risk management (outlined in the box below).
FY2015 marked the beginning of new performance measures for all internal audit offices across the UNC system. One of the new metrics requires tracking where auditors are spending their time, both on direct audit related work (audits, investigations, advisories and consultations) and on indirect work (professional development, administration, leave, and holidays). Our first-ever time budget projected a division of direct and indirect time at 74%-26%. We ended the fiscal year with an actual split of 68%-32%. Significant differences were in added professional development time (Tara Pritchett’s onboarding process and Julie Earls prep for her CIA certification), added leave time for several unexpected personal events, over-estimating time for staff involvement in investigations and advising/consulting, and under-estimating administrative time for the Chief Audit Officer. Several of the staff had little experience in tracking time in this fashion and we learned many valuable lessons. Moving into FY2016, we expect to have a more realistic budget based on our FY2015 experiences.
PRITCHETT AWARDED ROYSTER SCHOLARSHIP

Tara Pritchett, a staff auditor in the Internal Audit Department, recently received a Janet Royster Scholarship to pursue specialized professional development in the field of internal audit.

Pritchett, who holds a master’s degree in accounting, plans to use the scholarship to obtain certification in internal controls self-assessment through the Institute of Internal Auditors.

“I have a passion for teaching and training others about what internal controls do for their departments and how proper controls can actually make their jobs easier,” said Pritchett. “Earning my certification will not only increase my credibility as an expert in internal controls but will also open more opportunities as a trainer and teacher about controls.”

EARLS EARNED CERTIFICATION

Julie Earls recently earned the Certified Internal Auditor designation after passing the final test in the three-part certification process. Earls, who already holds the Certified Public Accountant designation, has been with the UNC Charlotte Internal Audit Department for two years following three years with the Office of the State Auditor. According to the Institute for Internal Auditors, “The Certified Internal Auditor designation is the only globally accepted certification for internal auditors and remains the standard by which individuals demonstrate their competency and professionalism in the internal auditing field. (It) is the most highly sought after global certification for internal auditing professionals.”