

# INTERNAL AUDIT UPDATE



LaShonna Frederick  
Interim Director of Internal Auditing  
BOT RMAC Committee Meeting  
November 11, 2022

# INTERNAL ASSESSMENT FISCAL YEAR 2021-22



## Objectives:

- Assess conformance with the International Standards for the Professional Practice of Internal Auditing (*Standards*) and Code of Ethics;
- Evaluate the effectiveness in carrying out the mission; and
- Identify opportunities to enhance internal audit processes and the value the Office of Internal Auditing provides to the University.

## Scope included a review of:

- The IIA *Standards* and other IIA guidance;
- Internal policies and procedures;
- Audit charters and independence statements;
- Risk assessment and audit planning processes; and
- Engagement and staff management processes.

## Internal Audit Self-Assessment Maturity Model (SAMM)

- Implemented at the end of fiscal year 2020-21 by the North Carolina Office of State Budget and Management (OSBM) and the North Carolina Council of Internal Auditing.
- Used as a framework for assessing the capabilities of the internal audit function against professional internal audit standards and good practices.
- Identified potential gaps and development areas within the Office of Internal Auditing.
- Completed annually and the outcome must be discussed with functional and administrative reports of the Director of Internal Auditing.

## Internal Assessment Results

The OIA **generally conforms** to the IIA *Standards* and Code of Ethics.

“Generally Conforms” means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the *Standards* and the Code of Ethics.

# ANNUAL REPORT FISCAL YEAR 2021-22

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## Fiscal Year 2021-22 Annual Report

- Overview of Internal Audit Function
- Productivity
- Personnel
- Service to State and Profession
- Community Service



# **DASHBOARD & SUMMARY OF INTERNAL AUDIT ACTIVITY FISCAL YEAR 2021-22**



Summary of Internal Audit Activity July 1, 2021 to June 30, 2022										
	Planned	Added	Total Audits			In Process	Completed*	Carried To FY 2022 (Not Started)	Deferred	Total
<b>Audits</b>	15	3	18		<b>Audits</b>	8	9		2	19
<b>Advisory/ Special Assignments</b>	7	1	8		<b>Advisory/ Special Assignments</b>	1	7		0	8
<b>Investigations</b>	4	6	10		<b>Investigations</b>	2	8		0	10
<b>Other</b>	9	0	9		<b>Other</b>	2	6		0	8
<b>Total</b>	<b>35</b>	<b>10</b>	<b>45</b>		<b>Total</b>	<b>13</b>	<b>30</b>	<b>0</b>	<b>2</b>	<b>45</b>
Audits: Audits of Financial, Information Systems Controls, Internal Controls, Performance/Operational Review, Compliance, and Audit Finding Follow-up										
Advisory/Special Assignments: Consultative Engagements, Committees, Ethics Liaison, IT Security Committee, University Administrative Assessment										
Investigations: Various										
Other: Items that do not fall under the other categories including the risk assessment, audit plan, and quality assurance.										
* Completed audits and investigations resulted in 23 audit findings.										

- Completed 9 scheduled audits and 8 investigations in fiscal year 2021-22.
- Completed audits and investigations resulted in 23 audit findings.
- 8 scheduled audits and 2 investigations were in process as of June 30, 2022.

Summary of Internal Audit Activity April 1, 2022 to October 31, 2022		
	Completed	In Progress
<b>Audits</b>	5	5
<b>Advisory</b>	2	5
<b>Investigations</b>	3	3
<b>Other</b>	1	3
<b>Total</b>	<b>11</b>	<b>16</b>

Summary of Completed Audits & Investigations		
Audit Title	Issue Date	Findings
Resolution of the Aggie Athletic Foundation Financial Statement Audit for FY 20	6/23/2022	N/A
UNC System Office Hotline Complaint - Hiring Process Concerns	6/30/2022	N/A
Human Resources Process Review	6/30/2022	8
4th Qtr Review Statewide Federal Compliance Audit Procedures Audit Findings (Cash Management)	6/30/2022	N/A
Resolution of the Aggie Athletic Foundation Financial Statement Audit for FY 21	7/27/2022	N/A
FY 2021-22 Assessment of Internal Controls Over Financial Reporting	8/5/2022	N/A
Investigation: Several Allegations in a University Department	8/29/2022	N/A
FY 2021-22 Internal Assessment Review	9/30/2022	N/A
4th Qtr Review - Post Award Contracts & Grants Follow-Up Audit	10/31/2022	N/A

# NC OFFICE OF THE STATE AUDITOR INVESTIGATIVE AUDIT UPDATE

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## Allegations

The NC Office of the State Auditor received four allegations through its Hotline concerning North Carolina A&T State University (University) and the purchasing of services without contracts in violation of University policy.

## Audit Finding

From July 2019 through June 2021, the university purchased painting services totaling \$100,210 from G.S. Painting and Home Improvement without seeking competition. It appeared that the purchases may have been split to avoid the threshold for requesting quotes or formal bids.

The University's Purchasing Procedures Policy states that purchases over \$5,000 but below \$25,000 require a written request for quotes. In addition, the policy states that purchases over \$25,000 but below \$100,000 require formal bids.

Further, the policy prohibits departments from splitting purchases into smaller purchase orders to avoid seeking competition.

## Audit Recommendations

- The University should determine if the jobs were split to intentionally avoid seeking competition. If so, the University should consider disciplinary action against the employees that split the job to avoid seeking competition.
- The University's Chancellor should ensure that the Director of Procurement Services has procedures in place to detect or prevent departments from violating the Policy.
- The University's Chancellor should determine if the University has an unethical relationship with G. S. Painting and Home Improvement.

## Audit Recommendations (Continued)

- The Director of Procurement Services should ensure competitive prices are obtained for all purchases by:
  - Implementing procedures to detect departments attempting to circumvent the Policy.
  - Enforcing the existing Policy by requiring a written request for quotes be issued for purchases that exceed \$5,000 but are less than \$25,000.
  - Enforcing the existing Policy by conducting the formal bid process for purchases between \$25,000 and \$100,000.



## Corrective Action Plan

- The Division of Business & Finance will conduct an additional review of the transactions and the supplier relationship to ascertain if there were irregularities in the university's procurement practices. *October 31, 2022*
- Procedures will be implemented to better equip the Procurement Services Office to detect any irregularities:
  - Assignment of one individual in Procurement Services to manage all Facility-related procurement requisitions. *October 1, 2022*
  - Procurement Services Team invited to weekly meetings held by the Facilities Team to discuss all outstanding projects. *September 1, 2022*
  - Procurement Services Team perform quarterly reviews of vendors to identify any trends related to certain vendors and services. The Procurement Services, Facilities, and Campus Enterprises Teams will meet to discuss the report and resolve any issues. VCBF will receive an update on the results on a quarterly basis. *November 1, 2022*

## Corrective Action Plan (Continued)

- Division of Business & Finance will conduct an additional review of the vendor relationship to ascertain if there were irregularities in our business dealings with the supplier. *October 31, 2022*
- Procedures will be implemented to ensure competitive prices are obtained for purchases:
  - Staff responsible for procuring services on Facilities and Campus Enterprises Teams will receive refresher training on procurement processes. *October 31, 2022*
  - A standardized procurement form will be designed by the Procurement Services team to promote consistency, compliance, and completeness. *October 1, 2022*
  - Procurement Services Team will develop a preferred vendor list that will be updated by Facility-related discipline. *November 30, 2022*

## Corrective Action Plan (Continued)

- In 2022, the State of North Carolina increased procurement thresholds. As it relates to these new thresholds, the Facilities Team will implement the following departmental requirements:
  - Requisitions up to \$10,000 will require 1 quote.
  - Requisitions from \$10,001 to \$25,000 will require 2 quotes.
  - Requisitions above \$25,000 will go through the procurement bid/quote process.

*September 1, 2022*

# QUESTIONS?

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