Office of Internal Audit

2014-15 Risk Assessment and Audit Plan

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Overview
This document provides an overview of the process used to assess risk and create an annual audit plan, or work plan, for the UNCW Office of Internal Audit. The process begins with a determination of the audit universe and the individual auditable units within the universe. Next, risk factors are determined, and a numerical risk assessment of the auditable units is completed. The results of the risk assessment and other factors are used to compile the annual audit plan. Finally, the audit plan is shared with campus leadership and then submitted to the Audit Committee of the Board of Trustees for approval.

Audit Universe
The annual risk assessment process begins each year with the establishment of an audit universe, or an inventory of all the departments, programs, and functions that can be audited. In order to build the audit universe, we:

- Review functional and financial organizational charts
- Meet with management to discuss their operations and responsibilities
- Utilize information provided by professional organizations such as the Association of College and University Auditors (ACUA) and the Institute of Internal Auditors (IIA) on emerging risks and trends
- Gain an understanding of current risks impacting higher education

This year’s risk assessment included 160 auditable units at UNCW.
Risk Assessment

Once the audit universe is established, we conduct a risk assessment in which each auditable unit is assigned a numerical score representing its overall risk profile from an audit perspective. Factors considered are updated each year based on the current risks of the university and information gained from professional reading, training, and relevant organizations.

For 2014-15, the following factors were considered:

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<tr>
<th>Factor</th>
<th>Definition</th>
<th>Weight</th>
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<tr>
<td><strong>Regulatory Compliance</strong></td>
<td>Degree to which the department or process must comply with external guidance of state and federal agencies</td>
<td>15%</td>
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| **Reliance Upon Information Technology** | Numerous factors are included such as:  
- Reliance on technology to conduct business  
- Web/social media presence  
- Credit card acceptance | 15%    |
| **Organizational Change**     | Risks caused by changes in:  
- Personnel  
- Organizational structure  
- The way operations are conducted (moving from manual to automated systems, changing automated systems) | 15%    |
| **Audit History**             | Several factors are considered including:  
- Time since last internal audit  
- Evaluation of internal controls during prior audits  
- Prior audit findings and management’s response to audit recommendations | 10%    |
| **Fraud Risk**                | The fraud tree established by the Association of Fraud Examiners (ACFE) is used to identify the risk of potential fraudulent activities such as:  
- Larceny  
- Fraudulent disbursements  
- Misuse and theft of assets  
- Conflicts of interest  
- Bribery  
- Falsified financial statements | 10%    |
| **Dollar Volume**             | The relative volume of annual financial activity in dollars.                                   | 10%    |
| **Transaction Volume**        | The relative volume of annual financial activity based on number of transactions.             | 10%    |
| **Public Scrutiny**           | Various factors are considered including the department’s role within UNCW, public interest, and media prominence. | 10%    |
| **Assets**                    | The relative value of assets. *(Note: Risks of asset theft or misuse is separately considered in fraud risk score)* | 5%     |
| **Total**                     |                                                                                               | 100%   |
Audit Plan Development

Once the risk assessment is complete, an audit plan is created. Auditable units with the highest overall risk scores and auditable units with the highest risk scores for each factor are the first areas considered for inclusion in the audit plan.

In addition to the risk assessment, the following factors are considered when developing the audit plan.

- **Audit Coverage Over Time** – Over the past five years, has audit coverage been consistent with the audit universe? Was a disproportionately high amount of time spent in any area? Were any areas lacking appropriate levels of audit coverage?
- **Core Business Practices** – Controls are often in place to ensure proper processing of core business practices such as processing of payroll or student admissions. Due to these controls, these areas rarely have the highest scores on the risk assessment. However, given their critical roles, they should still be considered for inclusion in the audit plan.
- **Management Discussions** – What does management view as critical risks?
- **Previous Internal Audit Findings** – The Office of Internal Audit tracks all audit findings in a database. Are there patterns of noncompliance? Does it appear that there are underlying issues that should be addressed?
- **External Audit Reports of Other Organizations** – What are current issues and trends reflected in external audit reports for other UNC institutions and other state agencies?
- **External Audit Reports for UNCW** – External audit reports for UNCW are reviewed to determine areas of need and to prevent duplication of efforts between external auditors and Internal Audit.
- **Resource Availability** – Based on data tracked historically, what is the availability of audit staff with necessary expertise to conduct engagements?
- **Other Requests and Needs** – What other engagements have been requested by management? Where is there a need for audit or consulting services?

The audit plan is carefully compiled using the items listed above. It should also be noted that time is reserved for engagements, including investigations and special projects, that arise during the year.

Approval

Once the audit plan is compiled, it is shared with campus leadership. This provides them with an opportunity to provide feedback and to alert Internal Audit to any risks or concerns that may have been overlooked. It also serves as an initial notification of the engagements that will occur over the year.

Finally, the audit plan is submitted to the Audit Committee of the Board of Trustees at UNCW for approval. Once approved, it is also submitted to the Audit Committee of the UNC Board of Governors for approval and is shared with the North Carolina Office of Internal Audit for informational purposes.
2014 – 15 Audit Plan

Based on the information described above, the following were selected for inclusion in the 2014-15 audit plan.

**Audits**

- Cameron School of Business Administration
- Campus Life Administration
- Campus Recreation Administration {b}
- Distance Education Compliance and Administration {b}
- Friends of UNCW Financial Audit
- Graduate School Administration
- Office of Research Services Compliance
- Office of the Vice Chancellor for Business Affairs Administration
- Purchasing Compliance

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<th>DIVISION {a}</th>
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**Audit Follow Ups**

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**Consultations**

- College of Health and Human Services
- Facilities - Special Project Process
- Committee Assignments

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<td>BA</td>
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<td>All</td>
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**Complete Prior Year Work**

- Internal Audit Quality Assurance Review
- ITS Developer Reorganization
- University Advancement Review

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**Special Projects/Investigations**

- Fraud Education {b}
- Host UNC Auditors Association Conference
- Risk Assessment/Audit Plan
- Quality Assurance Activities

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**Additional Engagement as Time Allows**

- Business Continuity/Disaster Recovery Planning

| BA          |

{a} Divisions are: AA (Academic Affairs), BA (Business Affairs), CH (Chancellor’s Division), SA (Student Affairs), UA (University Advancement). IA is Internal Audit, and it should be noted that IA is a department, not a division.

{b} Carried forward from 2013-14 audit plan.