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Internal Audit UNO Annual Audit Report FY 2014-2015

UNO Office of the Chancellor

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Annual Audit Report

Fiscal Year 2014-2015

Shari Thompson, CIA

Chief Audit Officer

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Executive Letter

Chancellor Christensen and
The University of Nebraska Board of Regents Audit Committee:

The mission of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the University's operations. Internal Audit accomplishes this by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management and internal control.

The Charter of the Audit, Risk and Compliance Committee of the University of Nebraska requires that each campus audit director be accountable to their campus Chancellor. This Annual Report of the Office of Internal Audit is intended to be one of the mechanisms of providing that accountability.

Highlights of this report include:

- Mandatory disclosure per The Institute of Internal Audit's standard regarding independence of the internal audit function.
- Results of internal audit activities performed for fiscal 2014-2015.
- Risk assessment methodology and development of the 2015-2016 Audit Plan.
- The planned scope of internal audit activities for 2015-2016.

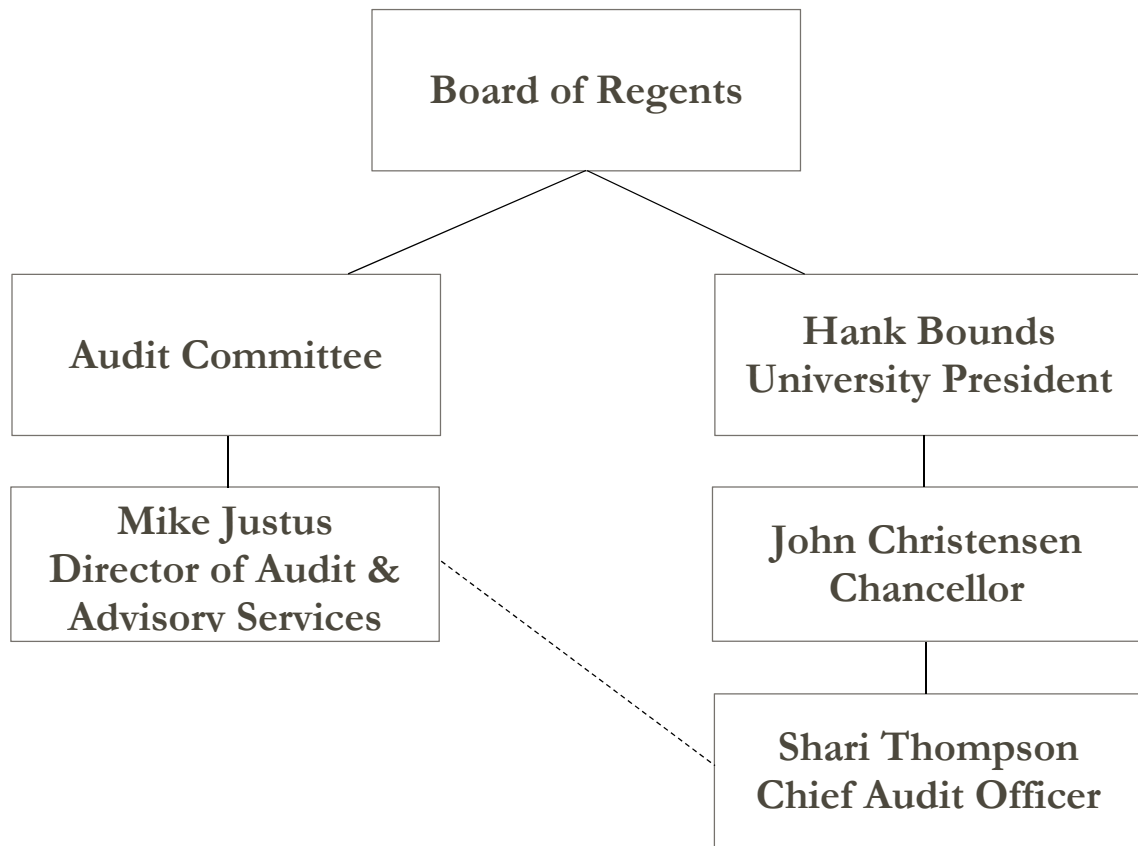
I appreciate your continued support in my efforts to add value and deliver quality, professional services to meet the University's needs.

Sincerely,



Chief Audit Officer

Organizational Chart as of June 30, 2015



The Institute of Internal Auditors (IIA), Standard 1100 - Independence and Objectivity, states that "The internal audit activity must be independent, and internal auditors must be objective in performing their work." One of the missions of the Charter of the Audit, Risk and Compliance Committee of the University of Nebraska (the Committee) is to ensure that Internal Audit departments of each campus comply with the IIA Standards. As such, UNO's Internal Audit department has reporting and administrative responsibility to the Chancellor, and functional responsibility to the Board of Regents Audit Committee through the Director of Internal Audit and Advisory Services.

However, certain administrative matters for Internal Audit are approved by the Vice Chancellor and/or the Associate Vice Chancellor of Business and Finance. See mandatory disclosures on page 7 for IIA guidance on independence and objectivity of the internal audit function.

Summary of Prior Year

The following are summaries of how Internal Audit utilized audit resources during FY 2014 2015.

Description	Budgeted Hours	Actual Hours
Risk Based Audits	1,260	803
Follow-Up Audits	80	53
Fraud/ Investigative	160	160
Management Requests	40	196
Risk Assessment	120	279*
Quality Assessment Review Preparedness	80	161
Administrative**	340	428
TOTAL	2,080	2,080

* Includes 110 hours from 2014 risk assessment process, in addition to 2015's risk assessment hours

**Administrative hours include vacation, sick, holiday, professional development, staff meetings, e-mail and project time tracking

Narratives of Prior Year Audit Activity

The following narratives summarize major audit and investigative projects:

International Travel Audit Process Audit– Internal Audit reviewed processes in place over international travel and determined that—for students traveling abroad who are not in the Study Abroad program—no formalized or centralized process has been established.

To address the lack of formalized processes and concerns related to international health and security issues—the Senior Vice Chancellor for Academic and Student Affairs has appointed a task force charged with identifying international travel best practices, with implementation of a process to occur during Fall 2015 to Spring 2016.

Disaster Recovery/Business Continuity Plan– Internal Audit ascertained the status of UNO’s Disaster Recovery/Business Continuity Plan. UNO does not have a plan in place. The Department of Support Services has been charged with completing a template in July 2015, which will be distributed to the colleges so that college leadership may begin drafting their plans.

User Access Audit–Audit tests found that controls are in place to manage user’s access to SAP, PeopleSoft, Bosscars and Blackboard systems and applications. All four systems authenticate users through TrueYou, a Nebraska University-wide identity management system. Controls and practices over user authentication work well.

UNO must rely upon Central Administration to ensure the integrity of NU-wide operating systems TrueYou, as well as SAP and PeopleSoft. However, Central Administration does not provide documented assurance of systems’ operational integrity, as would be expected from a third-part provider, in the form of an SSAE16 report.* (Audit draft report currently in review with process owners.)

**An SSAE 16 report is used by providers of technology services to inform auditors of the user organization with detailed information about controls at the service provider’s organization that affect data and technology services provided to the user entity.*

UNL: NDOR Rail Transit Grant– Results of Internal Audit’s investigation found that improvements are needed in management and oversight of grant activities and expenses, although we found no evidence of intent to defraud the University. Internal Audit recommended improvements in grant management and oversight, including that grant consultant agreements should comply with provisions of UNO’s standard consulting agreement, approved by Nebraska

University’s legal counsel. And grant project directors should review—and sign-off evidence of their review of—consultant and other grant-related invoices to ensure only valid and appropriate expenses are billed to the University.

Mandatory Disclosures Relating to IIA Standards

The International Professional Practices Framework (IPPF) is the conceptual framework that organizes authoritative guidance promulgated by the IIA. The IIA provides internal audit professionals worldwide with authoritative guidance organized in the IPPF as mandatory guidance and strongly recommended guidance.

One component of the IPPF's mandatory guidance is the IIA's International Standards for the Professional Practice of Internal Auditing (Standards). Conformance with the Standards is essential in meeting the responsibilities of internal auditors and the internal audit activity. The following mandatory disclosures are based on the IIA Standards:

1000-Purpose, Authority and Responsibility

The internal audit activity's purpose, authority and responsibility, as defined in the Charter continue to be adequate to enable the activity to accomplish its objectives.

1110-Organizational Independence and

1130-Impairment to Independence or Objectivity

I confirm that I achieve organizational independence within the established structure by reporting to the Chancellor and to the Board of Regents Audit Committee. However, certain of Internal Audit's administrative matters are under the purview of the Office of the Vice Chancellor of Business and Finance (VCBF). In addition, Internal Audit's office is physically located in the suite of the VCBF. As such the VCBF may—in fact or appearance—infer undue influence over the Internal Audit function. Such impairment is not in accordance with the Audit, Risk, and Compliance Charter's mission to adhere to IIA Standards.

1111-Direct Interaction with the Board

I communicate and interact directly with the Audit Committee of the Board of Regents at least annually with the presentation of the campus Internal Audit Plan.

1210-Proficiency

I possess the knowledge, skills, and other competencies needed to perform individual responsibilities. I hold designation of Certified Internal Auditor (CIA) from the Institute of Internal Auditors.

1230-Continuing Professional Development

I continue to enhance the knowledge, skills, and other competencies through continuing professional development and membership in and involvement with professional organizations. This includes attending appropriate training offered by professional organizations such as the

Institute of Internal Auditors, the Association of College and University Auditors, the Association of Certified Fraud Examiners. These hours of continuing education not only enhance my knowledge and skills, but also satisfy the continuing professional education requirements of my CIA certification.

1300-Quality Assurance and Improvement Program

This standard states that Internal Audit must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. Per the University of Nebraska Audit Committee, UNO completed a Quality Assessment Review during the 2014-2015 fiscal year, the results of which are pending a report from the third-party firm (Protiviti) who performed the review.

RISK ASSESSMENT PROCESS

UNO's risk assessment is conducted annually and is the basis for UNO's risk-based internal audit plan. The risk assessment also provides insight on emerging risks, helping to identify and prioritize how UNO addresses and mitigates risks on our campus. The risk assessment process is conducted annually by Internal Audit, and includes the following activities.

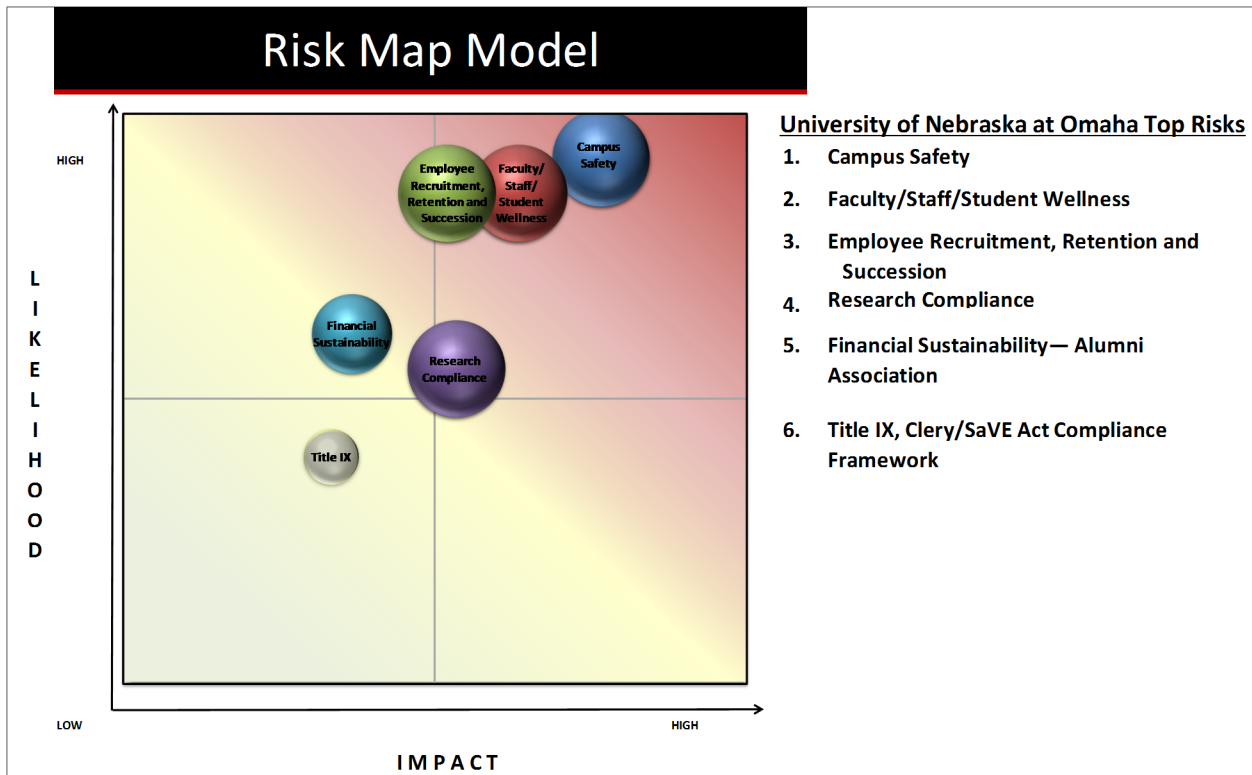
- Obtain information on risk universe and overall risk categories.
- Identify key faculty and staff to be surveyed for their insight and assessment of risks.
- Compile and analyze survey data, including identifying each risk's frequency of selection and average assessed impact, likelihood and velocity.
- Review risks identified/audited in the prior year and impact on current risk assessment.
- Discuss survey results with the Chancellor to prioritize risks and identify risks to be included in the annual audit plan.

In the 2015 risk assessment, Internal Audit surveyed the Chancellor's Council as well as staff from the offices of the Vice Chancellor of Student Affairs and Enrollment Management, and the Vice Chancellor of Business and Finance. A total of 41 faculty and staff were surveyed.

The risk assessment survey contained nine categories of roughly seventy potential risks. A tenth category "Other" allowed survey recipients to risk not already included in the survey. Internal Audit referred to the Committee of Sponsoring Organizations Internal Control Framework, and the Association of Governing Boards of Universities and Colleges Accountability Guide for guidance in developing the survey. The survey was distributed electronically, and used algorithms to calculate selected risks overall rating based on the survey recipients' assessments of impact, likelihood, and velocity.

The heat map identifying the critical risks and the resulting proposed Audit Plan are in the Appendix.

Appendix A: Identified Risks and Heat Map for Fiscal Year 2015-2016



Appendix B:

Proposed Audit Plan for Fiscal Year 2015-2016

Risk-Based Audits	Focus of Audit	Budgeted Hours
Audits Identified in the 2015 Risk Assessment		880
Campus Safety	Evaluate existing processes and controls, and determine additional controls needed to ensure safety and well-being of youth on campus.	
Faculty/Staff/Student Wellness	Evaluate UNO's implementation of eight dimensions of wellness model (for students only, since this has not been implemented for faculty or staff).	
Employee Recruitment, Retention and Succession	Review processes in place to attract and retain staff (for example, salary/benefits compared to similar sized universities/ corporations).	
Research Compliance	Review processes and controls established to ensure compliance with export laws.	
Financial Sustainability— Alumni Association	Evaluate controls and accountability processes of the Alumni Association and the Alumni Foundation.	
FY2014 Audits Continued in FY2015-2016		120
Title IX, Clery/SaVE Act	Evaluate framework in place to ensure compliance with Title IX investigation and reporting requirements.	
Follow-Up / Review Risks Identified in Prior Years		240
Information Security and Compliance	Follow-up on status of Disaster Recovery/Business Continuity Plan.	
Students - Retention/ Graduation Rates/ Employment	Complete 2014-15 audit, currently underway, to evaluate processes in place to maintain student enrollment, and to aid students obtain meaningful employment after graduation.	
Disaster Recovery/Business Continuity Plan	Follow-up on status of delivery of Business Continuity Plan template to the colleges and departments.	
Emergency Response & Crisis Communication Plan	Follow-up on Management's action plans developed during the prior year's audits.	
Arena Ticket Sales Accountability	Review processes and controls over accounting and reporting of ticket sales revenue.	
Risk Assessment, Audit Plan, Annual Audit Report		120
Fraud / Investigative		60
Management Requests		100
Administrative		560
Professional Development	To maintain continuing professional education, and participate on non-profit boards.	
Quality Assurance and Improvement	Update/create Internal Audit manuals, procedures, or other requirements per the Quality Assessment Review.	
Other Administrative	Staff meetings, project time tracking, and other administrative tasks.	
Leave	Vacation (120) / Sick (40) / Holiday (96)	
Total Budgeted Hours 2015-2016		<u>2,080</u>