

University of North Carolina School of the Arts
SAAB 306

COMMITTEE MEMBERS:

Peter Juran, Chair
Greer Cawood
Anna Folwell
Ches McDowell
Graydon Pleasants
Mark Land, ex officio

COMMITTEE STAFF:

Rod Isom, Chief Audit Officer
David Harrison, Vice Chancellor for Institutional Integrity and General Counsel
Jim DeCristo, Vice Chancellor for Economic Development and Chief of Staff
Wendy Emerson, Interim Vice Chancellor for Finance and Administration
Amanda Balwah, Associate Vice Chancellor for Institutional Integrity and Secretary of the University
Jarrett Bailey, Staff Council Representative
Jeff George, Faculty Council Representative

AGENDA

OPEN SESSION

1. Call to Order and Confirm Quorum.....Chairman Juran
2. Approval of Minutes from the February Meeting..... Chairman Juran
3. Matters of Governance, Risk and ComplianceRod Isom & UNCSA Management
 - a) Enterprise Risk Management**Jim DeCristo
 - b) Information Governance & Security.....Terry Harmon, Chief Information Officer
4. Discussion of Internal Audit's Activity.....Rod Isom & Internal Audit Staff
 - a) Recent Reports and Other Communications
 - b) Audit Plan Project Status and Updates
 - c) Other Activities and Matters
 - d) Results of IA Risk Assessment and Audit Plan Update for FY24**

❖ *Note: Information related to any internal audits or reviews released prior to the meeting will be provided at the meeting.*

*** Action Item*

CLOSED SESSION

- 5. Approval of Minutes from the March Meeting, (if any).....Chairman Juran
- 6. Discussion of Special Items, Reviews and Investigations (if any).....Rod Isom and David Harrison
 - a) Lawsuit Update

OPEN SESSION

- 7. Other Business.....Committee Members & Staff
- 8. Adjourn.....Chairman Juran

OPEN SESSION MINUTES

February 22, 2023

University of North Carolina School of the Arts

Zoom

TRUSTEES PRESENT

***Denotes voting committee members**

Peter Juran (Chair)*, Mark Land*, Graydon Pleasants*, Ralph Womble*

TRUSTEES ABSENT

Greer Cawood*

Anna Folwell*

Ches McDowell*

ADMINISTRATION & STAFF PRESENT

Rod Isom (Chief Audit Officer); David Harrison (Vice Chancellor for Institutional Integrity and General Counsel); Patrick Sims (Executive Vice Chancellor and Provost); Lissy Garrison (Vice Chancellor for Advancement); Cory Billings (Internal Auditor); Jim DeCristo (Vice Chancellor for Economic Development and Chief of Staff); Amanda Balwah (AVC for Institutional Integrity and Secretary of the University); Wendy Emerson (Interim Vice Chancellor for Finance and Administration); Claire Machamer (Vice Chancellor for Strategic Communications)

CONVENE OPEN SESSION AND CONFIRM QUORUM

Committee Chair Peter Juran convened the February 22, 2023 meeting of the University of North Carolina School of the Arts Audit, Risk, and Compliance Committee at 4:00 p.m. A quorum was present.

APPROVAL OF OPEN SESSION MINUTES

MOTION: Ralph Womble moved to approve the Audit, Risk and Compliance Committee open session minutes from December 2022 as presented. Graydon Pleasants seconded and the minutes were unanimously approved.

ENTERPRISE RISK MANAGEMENT (ERM)

Jim DeCristo, Vice Chancellor and Chief of Staff provided an Enterprise Risk Management (ERM) update on faculty and staff recruitment, retention, and salaries.

UNCSA has made progress in this area by establishing salary increases for faculty rank promotion. There was also a recent labor market reserve funding initiative from the UNC System Office that helped bring all eligible staff members to a minimum of 83% of the market rate. \$1M in recurring funds have been approved for the high school, which will aid in recruitment and retention. The overall goal is to get all employees, both faculty and staff, to their market rate.

INFORMATION GOVERNANCE & SECURITY

Rod Isom, Chief Audit Officer, gave the Information Governance and Security update in Terry Harmon's absence. UNCOSA's Chief Information Security Officer resigned effective February 10, 2023. The Information Technology (IT) division is currently assessing needs and how to best fill this role going forward.

IT recently completed a trial run of new security awareness training modules. 62% of 78 participants successfully completed the training. All remaining UNCOSA employees will be required to complete the training. IT views security awareness training as the top priority of the division to ensure the campus is protected from external cyber threats.

DISCUSSION OF EXTERNAL AUDITS AND REVIEWS

Wendy Emerson, Interim Vice Chancellor for Finance and Administration, reported that UNCOSA's Financial Statement Audit for fiscal year 2022 was conducted by the NC Office of the State Auditor. The result was an unqualified opinion, or a clean audit, with no findings or issues to report. This is UNCOSA's 14th consecutive year with a clean audit. Ms. Emerson thanked her team and all of UNCOSA's departments and divisions for their hard work all year long to achieve this.

DISCUSSION OF INTERNAL AUDIT ACTIVITY

Mr. Isom and Corey Billings, Internal Auditor, provided an update on internal audit activity.

The Internal Audit (IA) division has partnered with WSSU's accounting department to establish an internship program, with one student interning during the spring semester. There has also been one new hire - Robert Davis recently joined the staff as an Internal Auditor and Investigator. Mr. Davis comes to WSSU from the State's Audit Office and has previous experience at NC Central University.

Two projects have been completed since the December committee meeting and two more are in progress.

Mr. Billings thanked Angela Mahoney and her team for providing the division with materials, information, and documentation regarding UNCOSA's onboarding and supervisory training processes. The project resulted in one observation and four recommendations. The full report is in everyone's packet.

Internal Audit standards are being updated by the Institute of Internal Auditors. The standards will be available for public comment on March 1st.

IA will soon begin its annual risk assessment process this quarter to assess the risk landscape and update the audit plan. A survey will soon go to the board and results will be presented at the April meeting.

Mr. Isom presented proposed updates to the Internal Audit Charter which governs the audit office's processes. Mr. Isom and IA are no longer responsible for ERM and compliance. A new position has been established at WSSU under a newly created Division of Institutional Integrity. The proposed revisions to the charter remove those duties and update the name of the office.

MOTION: Mark Land moved to approve the updates to the Internal Audit Charter as presented. Ralph Womble seconded and the motion was unanimously approved.

CLOSED SESSION

MOTION: Mark Land moved that the committee go into closed session

To prevent the disclosure of information that is privileged or confidential pursuant to Section 116-40.7 of the N.C.G.S. – Internal Auditor's work papers; and

To consult with our attorney in order to preserve the attorney-client privilege; and

To Consider and give instructions concerning the handling or settlement of:

- **A potential claim, judicial action, mediation, arbitration, or administrative procedure; and**
- **Alloways-Ramsey, et al. v. Milley, et al., Forsyth County Superior Court case 21 CVS 5899; and**
- **Soderlund, et al. v. University of North Carolina School of the Arts and The University of North Carolina, North Carolina Industrial Commission case numbers TA-29599 – TA-29605, and**

- **Mandzik v. UNC School of the Arts and Pegram v. UNC School of the Arts, North Carolina Industrial Commission case numbers TA-20157 and TA-29158**

RETURN TO OPEN SESSION AND ADJOURNMENT

With no further business to discuss, Chairman Juran adjourned the meeting at 4:43 p.m.

Respectfully submitted by:
Amanda Balwah, University Secretary

AGENDA ITEM

2023 UNCSA ERM Risk Register.....presented by Jim DeCristo

Summary: Review and approve UNCSA 2023 ERM Risk Register for submission to UNC System Office

Action: This item needs committee approval.

Institution: UNC School of the Arts

Examples:

Risk Categories	Major Risk	Risk Title	Description	Risk Owner	Is this risk sensitive or confidential?	Risk Impact	Risk Probability	Urgency
Operational	Cyber Security	Information/Data Security	Protection of personally identifying information (students, parents, donors, faculty, staff, etc.); unauthorized modification of data		No	Substantial (Medium)	Possible	Immediate
Financial	Financial	Dependency on Governmental Funding	Budget reductions/unpredictability of funding due to changing funding model; loss of state/federal funding;		No	Critical (High)	Possible	Long-term

Your Institutional Top 5 Risks (Required):

Risk Categories	Major Risk	Risk Title	Description	Risk Owner	Is this risk sensitive or confidential?	Risk Impact	Risk Probability	Urgency
Financial	Financial	Scholarships and Salaries	Scholarship, financial aid, and compensation packages offered by UNCSCA may not be sufficiently competitive to attract top student, faculty, and staff talent, making it increasingly difficult to maintain the School's national reputation resulting in decreased enrollment.	Chancellor	No	Substantial (Medium)	Likely	Immediate
Operational	Student Retention	Equity, Diversity, Inclusion, and Belonging (EDIB)	UNCSCA may be unable to attract sufficiently diverse faculty, staff, and students needed to evolve and prosper as an institution. Combined with the lack of infrastructure for training faculty and staff to create a curriculum that directly addresses diverse perspectives, cultures, and lived experiences, UNCSCA risks repeating past mistakes that will further erode trust and confidence in the Institution, especially from minoritized communities.	Provost	No	Substantial (Medium)	Possible	Near-term
Health & Safety	Mental Health	Health and Wellness	The rigorous workload, external cultural upheaval, mental health trends, and economic uncertainty experienced by students, faculty, and staff at UNCSCA may have a significant negative effect on their mental health. UNCSCA may have difficulty achieving the right balance of rigor, intimacy, transparency, and diversity necessary to maintain a balanced campus culture that promotes excellence, open-mindedness, and well-being alike.	VP of Student Affairs	No	Substantial (Medium)	Likely	Immediate
Legal, Regulatory & Compliance	Regulatory Compliance	Title IX	UNCSCA, as an arts conservatory, poses unique challenges to ensuring compliance with Title IX regulations and institutional policies on harassment and discrimination due to the nature of the curriculum. As an arts conservatory, the level of physical and emotional intimacy inherent in the performing arts can create an environment that leads to difficulties in defining and upholding appropriate professional boundaries and ensuring student safety. As a result, violations of Title IX regulations or institutional policies may occur that severely damage the School's reputation.	VC of Institutional Integrity	No	Critical (High)	Likely	Immediate
Operational	Cyber Security	Cyber Security	In the current environment of rapidly expanding and increasingly sophisticated cyber security threats, UNCSCA's efforts to secure our information and platforms may not be adequate to avoid a potentially serious loss of data and systems availability. A serious breach would also result in a loss of trust and negatively affect UNCSCA's reputation.	VC of Finance and Administration	No	Critical (High)	Possible	Immediate

Additional information about your Institution's top 5 you would like to share (Optional):

As noted last year, UNCSCA's top five risk priorities were determined after a survey was sent to four constituent groups: Chancellor's Cabinet, Deans, Board of Trustees, and Student Government Leadership. Our survey had a 90% response rate, with the five risk priorities categorized above rising to the top. These risk priorities have been vetted by UNCSCA's Executive Team, the Audit, Risk, and Compliance Committee of the Board of Trustees, as well as the full Board of Trustees. All five risks align with UNCSCA's strategic priorities and continue to be our 2023 top 5 risks. Without any unexpected change, we plan to work on these risks for 3 years and will reevaluate the risks fully in FY24.

Free-Response Questions (Required)

1. How does your institution implement and execute action plans related to the Top Risks?

The UNCSCA ERM Steering Committee provides leadership of the process. The group meets regularly to review progress and assess changing threats. Each risk has an assigned owner who is responsible for developing strategies and tactics to mitigate the risk. Risk owners report progress to the Steering Committee. Regular updates are provided to the Executive Leadership Team and the Board of Trustees.

2. Please discuss significant achievements of the ERM program at your Institution.

Scholarships and Salaries - Available LMAR funding along with a small amount of university resources we were able to bring most SHRA and EHRA-NT employees to 83% of market. In addition for faculty, UNCSCA implemented funded salary increase in coordination with rank promotion. Lastly, a special recurring appropriation received to support our high school operations allowed us to increase high school faculty salaries. **EDIB**- UNCSCA hired a Chief Diversity Officer starting April 2023 to lead our work in this area. **Health and Wellness** - A special recurring appropriation received to support our high school allowed us to hire additional counseling and resident support personnel for our high school students. **Title IX** - UNCSCA implemented a new Title IX and sexual harassment training program for all employees which included online modules and in-person training. The new program resulted in thousands of hours of training for employees across the institution. **Cyber Security** - Implement mandatory phishing recognition training for all employees.

Designated Point of Contact at your Institution (Required):

Name:	Jim DeCristo and Amanda Balwaha
Email Address:	decristoj@uncsa.edu balwaha@uncsa.edu
Phone number:	336-734-2862 336-770-1321

AGENDA ITEM

Topic for discussion.....presented by Terry Harmon, CIO

Summary: Security Awareness Training and CISO

Our inaugural annual security awareness training was conducted starting on February 15 and continuing through April 21. There are 480 users currently enrolled in the training, and 58% have completed all content. We would like for that percentage to be higher and are currently working on strategies to improve participation.

Our newly hired Chief Information Security Officer (CISO) decided to step down after less than three months on the job for personal reasons. Because of the competitive nature of hiring someone in this position, UNCOSA IT is assessing whether contracting out these services can be effective for us. To that end, IT has contracted with MCNC for virtual CISO services. We have conducted our kickoff meeting, and there are several priorities which will be discussed with this group in the coming months.

Action: This item is for informational purposes only.

AGENDA ITEM

Internal Audit Activity Update Rod Isom & IA Staff

Summary*:

a) Recent Reports and Other Communications

Recent reports or other audit communications that have been released will be discussed.

b) Audit Plan Project Status and Update

The status of projects or any updates to Internal Audit's audit plan will be discussed.

c) Other Activities and Matters

Other relevant matters or significant activities related to Internal Audit, the profession, or risk in general will be discussed.

d) Results of IA Risk Assessment and Audit Plan Update for FY24**

Results of IA's annual risk assessment process, the current risk landscape, and update to the audit plan which will be discussed. The audit plan update will require approval from the ARCC.

**Additional information related to these items or any internal audits or reviews released prior to the meeting will be provided at the meeting.*

**** Action Item**

Action: These items are for informational purposes only. One item does require an approval.



WINSTON-SALEM
STATE UNIVERSITY



Office of Internal Audit

Rod Isom, Chief Audit Officer

1600 Lowery Street, Winston-Salem, North Carolina 27110

(336) 750-2065 | www.wssu.edu

April 17, 2023

Jim DeCristo

Vice Chancellor for Economic Development and Chief of Staff

University of North Carolina School of the Arts

1533 South Main Street

Winston-Salem, NC 27127

Dear Mr. DeCristo:

This letter is in response to a request that the Internal Audit Office (IA) of Winston-Salem State University (WSSU) investigate a complaint received by the University of North Carolina School of the Arts (UNCSA) Office of Human Resources (HR) concerning a supervisor within the UNCSA Division of Facilities Management (Facilities Management).

Pursuant to North Carolina General Statute § 116-40.7, we have completed our review of this matter to the extent allowed by the quality of the information received and the available evidence. The purpose of this review was to determine if the allegations had merit and could be substantiated. Please see the *Results* section for details related to the allegations.

Engagements completed by WSSU's IA for UNCSA are conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors.

Respectfully submitted,

Rod Isom

Chief Audit Officer

April 17, 2023

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cc: Brian Cole, Chancellor
David Harrison, Vice Chancellor for Institutional Integrity and General Counsel
Angela Mahoney, Associate Vice Chancellor for Human Resources
Steve Martin, Associate Vice Chancellor for Facilities Management
Audit, Risk, and Compliance Committee, UNCSA Board of Trustees

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EXECUTIVE SUMMARY

IA received an anonymous complaint from the UNCSCA HR on February 9, 2023. During the course of the review, IA was also informed by UNCSCA HR that the same anonymous complaint had been submitted to the North Carolina Office of State Human Resources. The complainant alleged the following related to a Grounds' supervisor within Facilities Management:

- The supervisor has a second job that conflicts with their duties at UNCSCA as they are coordinating their personal business on the clock. Conflicting duties are leading to absenteeism at UNCSCA.
- The supervisor's business is selling goods to vendors at a marked-up price knowing UNCSCA will purchase from the vendors.
- The supervisor has used a state vehicle to transport items for his second job.

The objective of our review was to determine if the allegation had merit and could be substantiated. IA was unable to substantiate the allegations.

During the review, IA noted that the supervisor does own a business, however, there is no evidence that the secondary employment conflicted with their duties at UNCSCA. Further, the departmental expenditures did not note any procurement violations or questionable expenditures. Additionally, IA noted that the usage of the UNCSCA vehicle assigned to the supervisor could not be effectively determined and reviewed, however, interviews with leadership and staff noted no concerns related to misuse of the supervisor's assigned vehicle.

The review did not identify any reportable observations; however, recommendations were provided to management in two management letters to improve operations and assist the university with strategic success.

BACKGROUND, OBJECTIVE, AND SCOPE

BACKGROUND:

IA received an anonymous complaint from the UNCSCA HR on February 9, 2023. During the course of the review, IA was also informed by UNCSCA HR that the same anonymous complaint had been submitted to the North Carolina Office of State Human Resources. The complainant alleged¹ the following related to a Grounds' supervisor within Facilities Management:

- The supervisor has a second job that conflicts with their duties at UNCSCA as they are coordinating their personal business on the clock. Conflicting duties are leading to absenteeism at UNCSCA.
- The supervisor's business is selling goods to vendors at a marked-up price knowing UNCSCA will purchase from the vendors.
- The supervisor has used a state vehicle to transport items for his second job.

Facilities Management is responsible for the construction, renovation, repair, and maintenance of campus buildings. The department is a service organization, comprised of skilled professionals who are dedicated to providing a safe, clean, well-functioning campus community. Facilities Management consists of Design and Construction, Housekeeping, Grounds, Maintenance Services, and Environmental Safety.

OBJECTIVE:

The objective of our review was to determine if the allegation had merit and could be substantiated.

To conduct the review, IA performed the following procedures:

- Reviewed university and state policies and procedures;
- Interviewed university employees; and
- Examined relevant documents and records.

SCOPE:

The scope of the review was concerns surrounding the supervisor in Grounds' during calendar year 2022.

This report presents the results of IA's review.

¹ The allegations also included employee relations concerns that were reviewed by HR.

RESULTS

IA was unable to substantiate all aspects of the allegations. The complaint lacked specificity in the allegation and examples were not provided to IA and, as a result, it was difficult to substantiate certain aspects of the allegation. IA's review revealed the following:

- IA was unable to substantiate that the supervisor's secondary employment is conflicting with their duties at UNCSA or that their secondary employment has led to absenteeism at UNCSA.
 - While it was confirmed that the supervisor owns a business, there is no evidence that the secondary employment conflicted with their duties at UNCSA. However, there was no completed secondary employment form on file.
 - Review of the supervisor's leave reports noted that leave was recorded with no indication of absenteeism and properly approved.
 - Interviews with leadership and staff within facilities noted no concerns related to the supervisor's job performance.
 - *Recommendations will be provided to management in a management letter to improve operations.*
- IA was unable to substantiate that the supervisor's business is selling goods to vendors at a marked-up price knowing UNCSA will purchase from the vendors.
 - IA reviewed the supervisor's 2022 purchasing card expenditures and departmental purchase orders and did not note any procurement violations or questionable expenditures.
 - Interviews with leadership and staff did not note any questionable procurement activities or expenditures.
- IA was unable to substantiate that the supervisor has used a UNCSA vehicle for personal use.
 - Facilities Management stated that routine odometer readings are performed for their assigned vehicles upon refueling and at the end of each week for maintenance purposes but was unable to produce the 2022 odometer reading logs for the vehicle assigned to the supervisor because the process was suspended due to staffing shortages.
 - Since odometer readings were not captured throughout 2022, the usage of the vehicle could not be effectively determined and reviewed.
 - Interviews with leadership and staff noted no concerns related to misuse of the supervisor's assigned vehicle.
 - *Recommendations will be provided to management in a management letter to improve operations.*

While IA was unable to substantiate the allegations, given the concerns expressed and as persons responsible for oversight of Facilities Management, IA is writing to encourage you to exercise greater than routine vigilance to ensure the appropriate controls are in place to mitigate risks.



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Management Letter

To: Jim DeCristo, Vice Chancellor for Economic Development and Chief of Staff
From: Rod Isom, Chief Audit Officer *RF*
Date: April 17, 2023
Re: Management Letter concerning secondary employment

On February 9, 2023, the Office of Internal Audit (IA) of Winston-Salem State University (WSSU) received an anonymous complaint from the University of North Carolina School of the Arts (UNCSA) Office of Human Resources (HR) concerning a supervisor within the UNCSA Division of Facilities Management (Facilities Management). The audit report of that review was issued to management in a separate communication on April 17, 2023.

During that review, IA was unable to substantiate an allegation related to an employees' secondary employment conflicting with their duties at UNCSA. While the employee did not file the required secondary employment form, the employees' supervisor and Vice Chancellor were aware of the secondary employment and had not identified any performance issues. As a result, we have not requested a written response related to the observation noted in this letter. However, the noted observation warrant management's continued attention provided that the following could lead to an increase in risk and reportable observations in the future if not effectively addressed.

The details are as follows:

1. No Secondary Employment Form on File

A supervisor within Facilities has secondary employment but has not completed the required secondary employment form. As a result, the risk of noncompliance and conflict of interest is increased.

The supervisor is a registered agent and sole member/organizer for a business, which classifies as secondary employment. The UNCSA *Secondary Employment Regulation* requires all SHRA employees who have secondary employment to file the secondary employment form annually acknowledging their secondary employment does not conflict with their primary employment with UNCSA and is properly approved by UNCSA. The employee stated that the form had not been filed at any point during their employment with UNCSA. Although the secondary employment form was not filed, the employee's supervisor, appropriate Vice Chancellor, and various university employees were aware of the secondary employment.

The employee was not aware of the secondary employment procedures. There was also a lack of clarity around responsibility for requesting and maintaining the form, as Facilities Management believed HR was responsible for maintaining the form while HR stated that the forms are maintained by each department. The UNCSA *Secondary Employment Regulation* does not assign responsibility for maintaining the form and only outlines the employee responsibilities.

Criteria:

The "Employee Responsibilities" section of UNCSA's *Secondary Employment Regulation 626* (Regulation 626), states:

1. UNCSA employees' primary employment responsibilities are the employees' primary employment responsibilities for full-time employees.
2. Employees must complete a Secondary Employment Form for all employment outside their UNCSA employment that is not covered by UNCSA's Dual Employment Regulation.
3. The employee must have UNCSA's written approval to commence the secondary employment.
4. Employees must update and file a Secondary Employment Form annually by July 1.
5. Employees must update their current Secondary Employment Form throughout the year in the event that the information contained thereon has changed.

The "Approval" section of Regulation 626 states "All secondary employment must be approved in advance by the employee's immediate supervisor, department head (if applicable), and the Provost/Vice Chancellor for Finance and Administration."

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) established a generally accepted framework for internal controls to improve organizational performance and governance. A fundamental concept of the framework is control activities. An underlying principle of control activities is that "The organization deploys control activities through policies that establish what is expected and in procedures that put policies into action." Another fundamental concept of the framework is effective information and communication. An underlying principle of information and communication is that "The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control."

April 17, 2023

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Recommendation:

- 1) Management should implement controls, as well as ensure responsibilities for secondary employment are clearly defined and communicated, to ensure compliance with the Secondary Employment Regulation.

We thank you for your attention to these matters. Please contact us if you have any questions.

Engagements completed by IA at WSSU for UNCSA are conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors.

cc: Brian Cole, Chancellor
David Harrison, Vice Chancellor for Institutional Integrity and General Counsel
Steve Martin, Associate Vice Chancellor for Facilities Management
Angela Mahoney, Associate Vice Chancellor for Human Resources
Audit, Risk, and Compliance Committee, UNCSA Board of Trustees



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Management Letter

To: Wendy Emerson, Vice Chancellor for Finance & Administration
From: Rod Isom, Chief Audit Officer *RF*
Date: April 17, 2023
Re: Management Letter concerning monitoring of vehicles owned by the university

On February 9, 2023, the Office of Internal Audit (IA) of Winston-Salem State University (WSSU) received an anonymous complaint from the University of North Carolina School of the Arts (UNCSA) Office of Human Resources concerning a supervisor within the UNCSA Division of Facilities Management (Facilities Management). The audit report of that review was issued to management in a separate communication on April 17, 2023.

During that review, IA was unable to substantiate an allegation related to an employee using a UNCSA vehicle for personal use as there was not a monitoring process in place, therefore the usage of the vehicle for that time could not be effectively determined and reviewed. During the review, it was noted that each department is responsible for monitoring procedures within their department. IA did not review monitoring procedures for other departments as this was outside the scope of the allegations, therefore we are unable to determine if this is a pervasive issue across other divisions, and, as a result, we have not requested a written response related to the observation noted in this letter. However, the noted observation warrant management's continued attention provided that the following could lead to an increase in risk and reportable observations in the future if not effectively addressed.

The details are as follows:

1. Inadequate Vehicle Monitoring

Facilities Management does not have adequate monitoring procedures in place to ensure that misuse does not occur for vehicles owned by UNCSA. As a result, the risk of noncompliance and misuse of publicly owned vehicles is increased.

Facilities Management's method for monitoring vehicles is to perform odometer readings on a weekly basis for their assigned vehicles, however, the process was not completed during 2022. Further, Facilities Management monitored vehicles primarily for maintenance purposes rather than as a control related to determining that vehicles are used properly. While the Purchasing Department is the responsible office for the UNCSA *State Vehicle Operations Regulation*, appropriate department officials are tasked with maintaining records that prove the fulfillment of the regulation, which includes the use of state-owned vehicles for private purposes. During the review, it was noted that appropriate departmental officials are also responsible for monitoring procedures within their department.

Per management, Facilities Management did not perform odometer readings during 2022 due to staffing shortages.

Criteria:

The "Prohibited Activities" section of UNCSA's *State Vehicle Operations Regulation 123* (Regulation 123), states "A state employee may not use a state-owned vehicle for obtaining meals and other necessities unless he/she is in travel status, approved commuter status, or approved office-in-home." Further, the "State Vehicle Operations Procedures" section of Regulation 123 states "Appropriate Department Officials must... maintain records adequate to prove fulfillment of the above."

North Carolina General Statute 12-247, "Private Use of Publicly Owned Vehicle," states "It shall be unlawful for any officer, agent or employee of the State of North Carolina, or of any county or of any institution or agency of the State, to use for any private purpose whatsoever any motor vehicle of any type or description whatsoever belonging to the State, or to any county, or to any institution or agency of the State."

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) established a generally accepted framework for internal controls to improve organizational performance and governance. A fundamental concept of the framework is control activities. An underlying principle of control activities is that "The organization deploys control activities through policies that establish what is expected and in procedures that put policies into action." Another fundamental concept of the framework is developing monitoring activities to ensure the overall system of internal control operates effectively. An underlying principle of monitoring activities is that "The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning."

Recommendation:

- 1) Management should ensure controls in place are effective and implement internal controls, such as monitoring activities, related to UNCSA vehicles to ensure vehicles are used properly.

April 17, 2023

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We thank you for your attention to these matters. Please contact us if you have any questions.

Engagements completed by IA at WSSU for UNCSA are conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors.

cc: Brian Cole, Chancellor
Jim DeCristo, Vice Chancellor for Economic Development and Chief of Staff
David Harrison, Vice Chancellor for Institutional Integrity and General Counsel
Angela Mahoney, Associate Vice Chancellor for Human Resources
Steve Martin, Associate Vice Chancellor for Facilities Management
Jeanette Valentine, Director of Purchasing, Contract, and Auxiliary Services
Audit, Risk, and Compliance Committee, UNCSA Board of Trustees

Fiscal Year 23 Plan Component Project Status

Plan Component	Last Milestone*	Progress Status^
FY2022 Self Assessment Maturity Model	FR	Complete
Investigation: HR Data – 9/16/22	FR	Complete
Planned: Title IX – Student Programming & Training – 11/29/22	FR	Complete
Quality Assessment Review – Peer External Assessment Review – 12/22	FR	Complete
Planned: Strategic Management Training – 1/30/23	FR	Complete
Investigation: Facilities Conflict of Interest – 4/17/23	FR	Complete
Investigation: Facilities Conflict of Interest – Management Letter – Secondary Employment – 4/17/23	FR	Complete

^Progress Status

Red - Major Delays

Orange - Some Delays

Green - On Track

Blue - Not Started

*Milestones

- (PC) Planning Complete
- (EC) Entrance Conference
- (FC) Fieldwork Commenced
- (FCP) Fieldwork Complete
- (EXC) Exit Conference
- (DR) Draft Report Issued
- (FR) Final Report Issued

Fiscal Year 23 Plan Component Project Status

Plan Component	Last Milestone*	Progress Status^
Investigation: Facilities Conflict of Interest – Management Letter – Vehicles - <i>4/17/23</i>	FR	Complete
FY2023 Annual Risk Assessment Process & Audit Plan Update	FR	Complete
Planned: Cybersecurity	FC	On Track

^Progress Status

Red - Major Delays

Orange - Some Delays

Green - On Track

Blue - Not Started

*Milestones

- (PC) Planning Complete
- (EC) Entrance Conference
- (FC) Fieldwork Commenced
- (FCP) Fieldwork Complete
- (EXC) Exit Conference
- (DR) Draft Report Issued
- (FR) Final Report Issued

Other Activities & Matters

IIA Standards Update Coming Soon:

The International Internal Audit Standards Board's multiyear IPPF Evolution Project aims to streamline and simplify the International Standards for the Professional Practice of Internal Auditing. New draft Standards will be available for public comment in early 2023, with final Standards expected later that year. New Standards become effective 12 (TBD) months from the release date, which expected to be sometime in 2024.

- *Update: Public comment period begins March 1. and ends May 30. For further information on how to provide comments please be guided by the following link:*

<https://www.theiia.org/en/standards/Standards-Public-Comment/>



**The Institute of
Internal Auditors**

Other Activities & Matters

MOU Update – UNCSA:

The MOU agreement between WSSU and UNCSA for Internal Audit services have been renewed.