

University of Alaska

**Statewide Office of Audit
& Consulting Services**

Fiscal Year 2014 Annual Report

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Executive Summary

The Board of Regents of the University of Alaska has oversight responsibility of internal and external audit functions, and for ascertaining the existence and adequacy of accounting and internal control systems and safeguards over University assets. The mission of the Office of Audit and Consulting Services (A&CS) is to “Assist the board and management in the effective discharge of their fiduciary and administrative responsibilities by providing analysis, appraisals, counsel, information and recommendations concerning activities reviewed and by promoting effective controls for the recording and reporting of operational activities and for the custody and safeguarding of assets.”

This report contains an overview of the A&CS organization, a summarization of the internal reports issued over the past fiscal year and progress made toward completing the FY2014 audit plan. This report is being provided in accordance with the audit charter, which states:

- P05.03.020. Organization.
 - A. The chief audit executive shall report administratively to the chief finance officer and functionally to the chair of the Audit Committee of the board.
- P05.03.026. Audit Planning.
 - A. The chief audit executive shall independently develop the annual audit plan using a risk-based prioritization of the audit universe.
 - B. The chief audit executive shall present the audit plan to the Audit Committee for review and approval.
 - C. Significant deviation from the formally approved plan will be communicated to senior management and the Audit Committee through periodic status reports.

The A&CS charter was developed in accordance with the internal auditing standards promulgated by the International Institute of Internal Auditors:

Standard 2010 “The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization’s goals. The internal audit activity’s plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.”

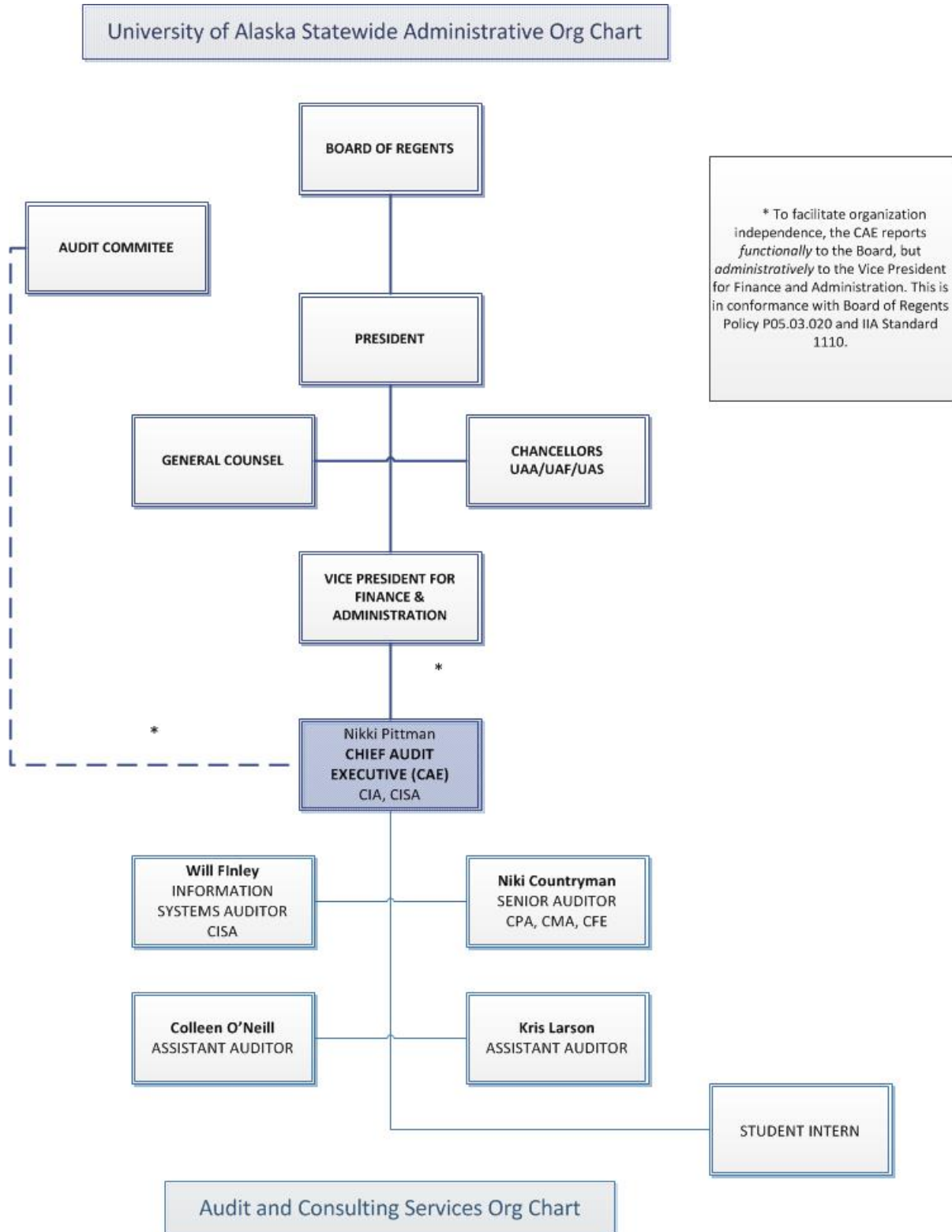
Standard 2020 “The chief audit executive must communicate the internal audit activity’s plans and resource requirements, including significant interim changes, to senior management and the board for review and approval.”

Standard 2060 “The chief audit executive must report periodically to senior management and the board on the internal audit activity’s purpose, authority, responsibility, and performance relative to its plan...”

The information provided documents how A&CS assists management in mitigating risk and identifying improvements to UA operations. Management responded to the audit report recommendations made over the past year with adequate action plans or accepted the risk of not taking action. Action plans and acceptance of risk were communicated via final audit reports.

Organizational Chart and Staff Profile

As of August 2014



Five professional audit staff serve all locations within the UA system. The staff has a variety of specialized subject matter expertise:

- 2 Certified Information Systems Auditors (CISA)
- 2 Masters of Business Administration (MBA)
- 1 Certified Public Accountant (CPA)
- 1 Certified Internal Auditor (CIA)
- 1 Certified Management Accountant (CMA)
- 1 Certified Fraud Examiner (CFE)

Auditors continue to pursue professional certifications such as the CPA, CIA and CFE. Achievement of professional certifications supports A&CS achieve its *Vision and Values*:



Audits and Projects Completed in FY14

During the period from July 2013 to June 2014 the following engagements were completed:

<i>Institution</i>	<i>Engagement Title</i>	<i>Assurance Provided Based Upon Procedures Performed</i>
UAA	Restricted Funds Departmental Budget and Expenditure Monitoring	Evaluated processes for compliance with federal requirements. Control improvements are in process for the approval of invoices charged to awards.
UAA	Mat-Su College Phase II	Reviewed accounts payable processes for compliance with university procedures. Control improvements are in process for use of vendor charge accounts and documentation maintained for travel mileage reimbursement and nonrepresentational expenditures.
UAA	Disability Support Services	Reviewed the department's contract administration and budget processes. Control improvements were recommended for contracted interpreters to certify their hours, update written procedures, and emphasize budget monitoring duties.
UAF	Electronic Research Administration	Evaluated project and contract administration for an electronic research administration application and services. Control improvements were recommended for contract administration oversight and systems implementation governance.
UAS	Sitka Campus Title III Compliance	Evaluated processes for compliance with federal requirements. Control improvements were recommended for maintaining documentation that supports data used in the proposal.
UA System	Student Enrollment Data Integrity	Evaluated the integrity of data input during student enrollment and through three student systems. A memo was distributed to communicate informational items to management.
UA System	Procurement Card	Evaluated processes for adequacy, efficiency and compliance with established university guidance. As a result, credit limits were reduced, effectively reducing UA's risk exposures. Control improvements have occurred or are in progress to identify authorization for establishing credit limits and improve training for cardholders, reconcilers and approving officials, which should in effect reduce the risk posed by other control issues noted in the report.

Final Status of the FY14 Audit Plan

The following outlines the status of planned activities for fiscal year 2014. These activities were presented and approved by the Board of Regents Audit Committee in June 2013.

<i>Status of FY14 Activities</i>	
Scheduled Projects Completed	<ul style="list-style-type: none"> ● FYE14 External Audit <ul style="list-style-type: none"> ○ Payroll ○ Journal Entries ○ Disbursements ○ Wires ○ Tuition and Fees ○ Procurement Card ● State of Alaska Executive Travel and Compensation Report for CY2013 ● UAA Disability Support Services ● UAA Mat-Su Campus Phase II
Added Projects Completed	<ul style="list-style-type: none"> ● Procurement Card ● Electronic Research Administration ● Confidential reviews (10)
Projects Completed from Prior Years	<ul style="list-style-type: none"> ● Sitka Campus Title III Compliance ● UAA Restricted Funds Departmental Budget and Expenditure Monitoring ● Data Integrity
Projects Deferred**	<ul style="list-style-type: none"> ● UAF Restricted Funds Departmental Budget and Expenditure Monitoring ● UAF Student ● UAF Athletics ● SW Training ● System-wide Budget ● System-wide Contract Authorization and Administration ● System-wide Risk Management ● Mobile Technology Security ● Records Management and Data Disposal
Other Activities	<ul style="list-style-type: none"> ● Follow-up Auditing ● Continuous Controls Auditing ● Tracked 7 external audits and consultant reviews ● Participated with Business Continuity Implementation ● Fraud policy and regulation development ● System-wide hotline selection and implementation
In Progress	<ul style="list-style-type: none"> ● OnBase Access Controls ● FYE14 External Audit <ul style="list-style-type: none"> ○ Cash

** Throughout the year, new risks and competing priorities arise, resulting in the need to revise the original audit plan.

2014 Fiscal Year Goals and Accomplishments

Audit and Consulting Services Mission Statement


The mission of the audit and consulting services department is to assist the board and management in the effective discharge of their fiduciary and administrative responsibilities by providing analysis, appraisals, counsel, information and recommendations concerning activities reviewed and by promoting effective controls for the recording and reporting of operational activities and for the custody and safeguarding of assets.

The International Institute of Internal Auditors (IIA) defines internal auditing as “...an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

To meet the department’s mission and the definition of internal auditing, the Office of Audit and Consulting Services establishes annual goals in four strategic areas: Audit Engagements, Staffing, Quality Assurance and Outreach.

Accomplishments achieved in fiscal year 2014 are outlined as follows:

Audit Engagement Goals	Accomplishments
1. Effectively identify the best use of limited audit resources to maximize broad-based coverage in key risk areas.	Used a risk-based process to identify engagements for the audit plan. The process included an executive management survey and discussion, Board of Regents discussion and input, industry analysis and results from prior audits: internal, external and agency. The resulting audit plan was presented to the President, executive management, and to the Audit Committee for their approval. A&CS completed 7 engagements and issued 7 reports with recommendations related to grants and contracts compliance, regulatory compliance, data security, systems access, disbursements, accounts payable. Set up the audit risk universe to link electronically to the audits related to universe entities or processes.
2. Maximize benefit of all external audit services.	Acted as a liaison with all external auditors in relation to federal compliance and financial statement audits.
3. Make value-added recommendations that identify strengths and system improvements to better meet objectives.	Completed follow-up audit procedures on 67 open recommendations from prior audits, noting that 48 were implemented and the remaining 19 were in-progress.
4. Identify and effectively respond	8 investigations completed.

<p>to risks associated with fraud, waste and abuse.</p>	<p>3 instances where the potential for fraud, waste or abuse were reviewed and deemed that an investigation was not necessary, or the determination is in-progress.</p> <p>Assisted with the development of a proposed fraud, waste and abuse policy and regulation, following best practices.</p> <p>Assisted with the review, selection and implementation of a system-wide hotline:</p> <div data-bbox="711 590 1433 730" style="text-align: center;">  </div> <p style="text-align: center;">Toll Free 855-251-5719</p> <p>Hired a senior auditor that recently achieved the Certified Fraud Examiner credential.</p> <p>Audit-level risk assessments include a fraud risk assessment.</p>
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Staffing Goals	<i>Accomplishments</i>
<p>Employ highly-effective personnel that possess the technical and effective communication skill sets necessary to ensure successful identification and implementation of value-added recommendations.</p>	<p>Annual career development planning was conducted with all audit staff.</p> <p>Performance evaluations were conducted for all audit staff.</p> <p>All staff received continuing professional education (minimum of 40 CPEs per year) to improve their performance as required by governmental auditing standards and certifying organizations.</p> <p>Hired a senior auditor that is a Certified Public Accountant, Certified Management Accountant, and just received her designation as Certified Fraud Examiner.</p> <p>All staff participated in professional organizations to remain current on industry and technical trends as well as to facilitate networking opportunities. Staff member participation included:</p> <ul style="list-style-type: none"> • Systems of Higher Education Chief Audit Executive forum • Association of College and University Auditors forum conference track coordinator, membership committee and distance learning committee • Pacific Northwest Higher Education Internal Auditors

	regional conference presenter.
Quality Assurance (QA) Goals	<i>Accomplishments</i>
Employ internal operational practices that comply with auditing standards and promote efficient use of limited resources.	<p>Received a rating of partially conforms from a peer review conducted by a representative of the University of North Texas in fiscal year 2012. The majority of recommendations have been addressed successfully, as reported to the Audit Committee during regular meetings. The next peer review is scheduled to begin in fiscal year 2016.</p> <p>Modified the audit planning and reporting templates and numerous work paper templates to improve efficiency and meet the needs of executive management.</p> <p>Monitored continuing professional education (CPEs) to ensure the auditors received training that aligned with and enhanced their knowledge on topics related to the audit profession, higher education, and their specific audits and projects.</p>
Aid the internal audit profession and gain ideas to improve QA methods by volunteering to conduct peer reviews of other university internal audit departments.	Conducted a peer review for the Montana State University at Bozeman Internal Audit department.
Outreach Goals	<i>Accomplishments</i>
Provide valuable resources through system-wide communication and education to assist campuses in meeting their objectives.	<p>Regularly attended board and executive leadership team meetings to keep informed of changes and provide consultation on current issues and initiatives.</p> <p>Presented on internal auditing and the UA Confidential Hotline at different forums consisting of fiscal and administrative staff, executive leadership and accounting students.</p> <p>Provide:</p> <ul style="list-style-type: none"> • Resources on risk assessment processes and enterprise risk management theory. • A web application that campuses can use at no cost to monitor their open audit recommendations and submit updates to the A&CS. • Up-to-date information on the department website: www.alaska.edu/audit

	Discussed compliance and information security within ad-hoc and formal committees.
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Status of FY2015 Annual Audit Plan

As of August 2014

Italic Items - have been completed or are in progress

External Financial Audit Support:

Payroll

Journal Entries

Cash Disbursements

Cash

Tuition and Fees

Wires

Procurement Card

Search for Unrecorded Liabilities

Audits and Projects:

Function and System Reviews*:

1. *Student Enrollment*
2. *Payroll and Human Resources*
3. *Travel and Travel Card*
4. *Accounts Receivable*

Legend:

* Specific departments/areas to be determined during planning for specified audit or project. These will be selected from any of the universities or system offices.

Information Systems Reviews:

1. *Mobile Technology Security***
2. *Records Management and Data Disposal***
3. *New Systems Governance*
4. *OnBase Access Controls (FY14)*

**Carried forward from FY14

Ongoing Audits:

Follow-up Auditing

Continuous Controls Auditing