

AGENDA
Audit, Risk Management, Compliance, and Ethics Committee
April 22, 2021

- I. Approval of Minutes – February 11, 2021
- II. Review of Operational Metrics
- III. Action Items
 - A. NONE
- IV. Informational Items
 - A. Enterprise Risk Management update (Ms. Stephanie Coleman)
 - B. Athletics Compliance Update (Ms. Alex Keddie)
 - C. Internal Audit Quality Assessment Review (Mr. Wayne Poole)
 - D. Review of Selected Recent Internal Audits (Mr. Wayne Poole)
- V. Closed Session
- VI. Other Business



Audit, Risk Management, Compliance, and Ethics Committee
April 22, 2021

Agenda Item: I. Approval of Minutes – February 11, 2020

Responsible Person: Vince Smith
Committee Chair

Action Requested: Action

Notes:

**Minutes from the Audit, Risk Management, Compliance, and Ethics Committee
February 11, 2021 – Main Campus Student Center and Online MEETING**

The Audit, Risk Management, Compliance, and Ethics Committee of the ECU Board of Trustees met online and in person on February 11, 2021.

Committee members present: Vince Smith (Chair), Jason Poole (Vice Chair), Tom Furr, Van Isley, and Tucker Robbins.

Other board members present: BOT Chair Vern Davenport, Vice Chair Fielding Miller, Bob Plybon, and Leigh Fanning.

Vince Smith, Chair of the Committee, convened the meeting at 8:15 AM. Mr. Smith read the conflict of interest provisions as required by the State Government Ethics Act. Mr. Smith asked if anyone would like to declare or report an actual or perceived conflict of interest. None were reported.

Mr. Smith asked for the approval of the minutes of the November 5, 2020 committee meeting.

Action Item: The minutes of the November 5, 2020 committee meeting were approved with no changes.

Review of Operational Metrics

Mr. Wayne Poole reviewed the operational metrics related to Internal Audit, Healthcare Compliance, Research Compliance, and Athletics Compliance. For the year to date, Internal Audit is ahead of schedule on audit plan completion, and slightly below the metric for the auditor productivity rate. Management has completed or made satisfactory progress on 100% of the audit recommendations that Internal Audit followed up on during July and August.

Athletics Compliance and Healthcare Compliance are exceeding their metrics for the number of compliance education sessions. The NCAA and federal healthcare regulations have been very fluid due to the pandemic and this has resulted in a greater need for monitoring and education by those respective compliance offices. Healthcare compliance is also exceeding the metric for the number of provider documentation reviews that have been completed. For the year to date, healthcare providers have an 90.7% pass rate, slightly above the 90% benchmark.

Action Items

Mr. Wayne Poole presented changes to the University’s annual audit plan. Two audits were removed and one audit was added to the plan. Trustee Jason Poole moved that the changes be approved; the motion was seconded. The committee approved the changes as presented in the Board materials.

Informational Items

Enterprise Risk Management – Ms. Stephanie Coleman

Ms. Coleman presented the University’s top enterprise risks matrix, which included the responsible senior management official for each risk. The matrix included communications and steps that have been taken on each risk.

Top Risk Update – Employee Wellness – Ms. Kitty Wetherington

Chief Human Resources Officer Kitty Wetherington presented information on the University’s employee wellness initiatives. Workforce retention, morale, and wellness has been identified as a top risk to the University.

**Minutes from the Audit, Risk Management, Compliance, and Ethics Committee
February 11, 2021 – Main Campus Student Center and Online MEETING**

Office of Internal Audit – Mr. Wayne Poole

Mr. Poole reminded the committee that the University's annual financial statement audit has been completed by the North Carolina State Auditor. The external audits of ECU's affiliated entities have also been completed. All reports contained no findings, meaning the external auditors found no internal control weaknesses that were deemed likely to have an impact on the entities' financial statements.

Mr. Poole reminded the committee that the external Quality Assessment Review of the Internal Audit activity is underway and should be concluded in the next few weeks. The committee will receive the report when it is published.

Mr. Poole provided an update on the internal and external audits related to the federal and state pandemic relief funds that the University has received. The audits are intended to provide assurance that the funds have been used in a manner that is consistent with their intended purpose.

Closed Session

At 8:46 AM, Trustee Jason Poole made a motion to go into Closed Session in order to protect the confidentiality of internal audit workpapers and other information that is considered confidential pursuant to applicable NC general statutes. The motion was seconded and approved unanimously.

The committee returned to open session at 9:00 AM.

Other Business

There being no further business, the Committee meeting was adjourned at 9:01 AM.

Respectfully submitted,
Wayne Poole
ECU Office of Internal Audit and Management Advisory Services



Audit, Risk Management, Compliance, and Ethics Committee

April 22, 2021

Agenda Item: II. Review of Operational Metrics

Responsible Person: Wayne Poole
Director of Internal Audit

Action Requested: Information

Notes:



Audit, Risk Management, Compliance, and Ethics Committee
April 22, 2021

Agenda Item:

III.A No Action Items

Responsible Person:

Action Requested:

Notes:



Audit, Risk Management, Compliance, and Ethics Committee

April 22, 2021

Agenda Item: IV. A. Enterprise Risk Management Update

Responsible Person: Stephanie Coleman
Interim Vice Chancellor for
Administration and Finance

Action Requested: Information

Notes:

ERMC Advisory Group and Risk Management Process Owner Matrix 2020-2022 Cycle Top Risks

Risk	Advisory Teams	Sponsors	Updates
University <u>Financial Sustainability, including Athletics</u> <ul style="list-style-type: none"> • Sustainable revenues from all sources (enrollment, auxiliaries, appropriations) • Magnified by current economic conditions 	Cabinet Finance	VCAF	<ul style="list-style-type: none"> -Metrics to BOT each meeting -Financial Audit results and key financial indicators to Finance/Facilities Cmte Feb 21 -Chancellor implemented spending guidelines and other steps for FY21
University <u>Workforce Challenges</u> <ul style="list-style-type: none"> • Recruiting and retaining qualified and diverse faculty and staff, including healthcare professionals • Retaining institutional knowledge for long-term success and sustainability • Inconsistent compensation increases • Faculty and staff wellness, stress, and burnout concerns, which are impacting the morale and effectiveness of the workforce 	Cabinet Human Resources	VCAF	<ul style="list-style-type: none"> -Shared employee engagement results with Cabinet, ERM Cmte, and F&F Cmte, fall 20 -Update to BOT ARMCE Cmte Feb 21 -Diversity and inclusion report to BOT F&F Cmte, Apr 21
<u>External and Internal Cyber Threats</u> to the confidentiality, integrity, and availability of systems and data, including, but not limited to, ransomware attacks and technology that is not owned by the university (cloud providers, external vendors, personal devices)	ITCS	VCAF	<ul style="list-style-type: none"> -CIO updates to ARMCE Cmte Nov 20, Feb 21, Apr 21; ongoing audits and action plans
<u>Financial Sustainability of Clinical Healthcare and Dependence on External Relationships</u> for healthcare delivery	Chancellor, VCAF, VCHS	VCHS	
<u>Senior Leadership Transition</u> , consistency and stability at the top, and impact on university's reputation, culture, strategy, goals, and sharing of information across divisions	Cabinet	Chancellor	<ul style="list-style-type: none"> -New Chancellor started Mar 15
<u>Patient, Employee, and Student Health and Safety</u> , including athletics	Safety Committee	VCHS, VCAF, VCSA, AD	<ul style="list-style-type: none"> -COVID testing and protocols (briefed Univ Affairs Cmte Nov 2020) -Campus Safety and Security Report to BOT F&F Cmte, April 21
<u>Student Recruitment and Retention</u> in an increasingly competitive market, magnified by reputation/perception challenges outside eastern NC	Strategic Enrollment Planning Team	Provost, VCHS	<ul style="list-style-type: none"> -Metrics to BOT each meeting
<u>Governance Relationships</u> and the impact on ECU's reputation, budget, and support	Cabinet BOT Advocacy Committee	Chancellor	<ul style="list-style-type: none"> -BOT Advocacy Cmte efforts (ongoing)
<u>Sustainability of Academic and Student Support Programming and Services and Ability to Meet Student Needs and Parent and Societal Expectations</u> , especially in current environment	Academic Council Dean of Students	Provost, VCSA	<ul style="list-style-type: none"> -Info provided to BOT in Univ Affairs Committee materials, Apr 21
<u>Maintaining Campus Infrastructure</u> , including routine and deferred maintenance and hiring of external contractors/service providers	Campus Operations	VCAF	<ul style="list-style-type: none"> -Update/info to BOT F&F Cmte, Apr 21

The ERM Committee discussed the impacts of COVID-19 on operations and risks. While these risks existed prior to the pandemic, they are magnified in the current uncertain environment. Unforeseen challenges and liabilities affect nearly every aspect of university strategy, operations, decision-making, and governance.

ERMC Advisory Group and Risk Management Process Owner Matrix 2020-2022 Cycle Secondary Risks

- Legal liability issues related to or resulting from COVID-19, including, health and safety, student access, and employment matters (EEOC, ADA, etc...)
- ECU's reputation and visibility in large urban areas/competitive markets and with financial supporters (donors, legislators)
- Business continuity planning that could be insufficient to prevent an operational failure from a disaster or other significant event(s)
- Inability to sustain innovation and economic development due to resource constraints, impacting the engagement with and positive outcomes for eastern NC
- Significant changing regulatory compliance requirements, including healthcare billing, HIPAA, research, athletics, Title IX, personnel, and privacy
- Technology backup, recovery, and continuity and coordination of priorities between IT and functional management
- Lack of dedicated identification and monitoring of sponsored program expenditures and tracking of institutional metrics for externally funded research amplified by inadequate interfaces between the information systems used for research (ERS, eTRACS, Banner)
- Affiliated Entities' risk of noncompliance with operating agreements, misalignment with the university's mission, and potential for reputational damage
- Social unrest that could result in unsafe conditions, property damage, or reputational damage (could be related to students, employees, or the general public)
- Conflicts of interest in clinical research and care, which could result in loss of external funding and reputational damage
- Employment and equal opportunity compliance, including workplace harassment, discrimination, ADA accommodations, and mental health needs

Summary of Key Points – ERM Committee

Pandemic Lessons Learned and Impact on Enterprise Risks – March 11, 2021

Members of the Enterprise Risk Management Committee shared perspectives on the pandemic and lessons learned from their respective divisions. This document is not an all-inclusive list of the points discussed but contains the highest impacts and a summary of the common themes across the University.

What we've done well

- Prepared in advance – updated plans with County and ECU Emergency Team
- Transitioned to instruction online (some hiccups, but mostly went well)
- Transitioned provision of other online services (counseling, advising, academic support, financial aid, student support, healthcare) quickly and successfully
- Transitioned business transactions to paperless and contactless processes.
- Transitioned almost an entire workforce (>5k employees) to telework
- Successful transition of other events to online (orientation, graduation, etc.)
- Established on-campus drive through COVID testing site
- Admitted, funded, enrolled an appropriate class of freshmen and transfers
- Awarded ~\$10M in new aid funds to students timely and in a compliant manner
- Relied heavily on technology and the infrastructure has held up well
- Received and spent funds for pandemic relief and COVID research
- Stayed abreast of new and rapidly changing compliance and audit requirements (e.g., CARES funds, healthcare, NCAA, others...)
- Managed financial constraints and significant revenue losses as well as possible
- Purchased and distributed high volume of PPE and sanitization items
- Provided students clinical experiences (testing sites, vaccines, etc.)

What we were unprepared for

- The DURATION of the pandemic
- Some of the equipment and training needs for employees remotely working for the first time (new items required funding, which is limited)
- Delivery of mail and packages when most personnel were not on site to receive items
- The volume of PPE and sanitization supplies that were needed and the long-term supply chain impacts (also impacting medical supplies)
- Impact to student employment
- On-going requirements to re-configure Kronos as needed for Pandemic needs
- Furloughs and impact on departments where functions may have stopped or been delayed
- Operating a call center remotely during a fall and spring startup
- Lack of access to internet or internet service unreliable
- Employees working from locations other than North Carolina

Lessons Learned

- The criticality of continuity plans, cross-training, and succession planning
- Testing students before move-in for spring semester was a critical and successful step
- On-campus space for student quarantine & isolation was more important than initially realized
- Staying in contact with constituents and partners (within and outside the University, including donors) and keeping abreast of events requires us to be much more intentional – hallway, informal, and pre/post meeting conversations don't occur
- Not all students and employees have adequate internet service

Summary of Key Points – ERM Committee

Pandemic Lessons Learned and Impact on Enterprise Risks – March 11, 2021

- Technology back-ups need to be kept current
- Working remotely is possible and can be productive

Impact on current, future, and emerging risks

("Current" = accounted for in some fashion on the current top 10 risks list)

- (Current) Increased employee burnout and high stress/low morale (furloughs in most divisions, excessive work hours in some areas)
- (**Emerging**) Impact on student mental health and well-being
- (Current) The slowdown in periodic maintenance could have long-term impacts on aging facilities
- (Current) While overall fundraising numbers are up, the number of donors is down and could have long-term implications to this funding stream
- (Current) University needs to remain attuned to student, family, constituent expectations for "high touch" service levels and provision of online services
- (Current, but **new element**) Employees' increased use of personal devices to conduct University business – security and privacy risks
- (**Emerging**) Continuity plans need to be expanded to cover additional adverse events and longer durations
- (**Emerging**) Changing work locations/flexibility will require clear expectations to be communicated to employees, supervisors and directors. Management will need to be very diligent about monitoring employee productivity and activity.
- (**Emerging**) Inventory/asset control risks – (1) Additional tech equipment that is owned and not on site – managing and protecting these items of tangible value; (2) Fixed Asset Tagging is a challenge given the number of areas that are still working remotely
- (**Emerging**) The increase in telework means more employees want to work remotely from other states and countries (tax, export controls, cybersecurity, and other risks)
- (**Emerging**) Position vacancies and remote work could in some cases weaken internal controls
- (**Emerging**) Increased risk in academic integrity issues with the number of remote exams
- (**Emerging**) Risks associated with extended use of pass/fail system: (1) student preparedness for employment/professional endeavors; (2) the University's academic reputation; (3) technical and compliance challenges (Registrar, Financial Aid) of extending pass/fail option post-pandemic
- (**Emerging**) New and rapidly evolving rules and regulations (e.g., CARES funds, healthcare, NCAA, others...) leads to higher external audit and compliance risk



Audit, Risk Management, Compliance, and Ethics Committee

April 22, 2021

Agenda Item: IV. B. Athletics Compliance Update

Responsible Person: Alex Keddie
Senior Associate Athletics Director/Compliance

Action Requested: Information

Notes:



Board of Trustees
Athletics Compliance
April 22, 2021

Agenda

- Institutional Control
- Chancellor & Director of Athletics Responsibility
- Annual Attestation Requirement
- Responsibility of the Head Coach
- Self Reporting Model & NCAA Violations



Institutional Control Defined

- 2.1.1 Responsibility for Control

- It is the responsibility of each member institution to control its intercollegiate athletics program in compliance with the rules and regulations of the Association. The institution's president or chancellor is responsible for the administration of all aspects of the athletics program, including approval of the budget and audit of all expenditures.

- 2.1.2 Scope of Responsibility

- The institution's responsibility for the conduct of its intercollegiate athletics program includes responsibility for the actions of its staff members and for the actions of any other individual or organization engaged in activities promoting the athletics interests of the institution.

- 2.8 Responsibility of Institution

- Each institution shall comply with all applicable rules and regulations of the Association in the conduct of its intercollegiate athletics programs. It shall monitor its programs to ensure compliance and to identify and report to the Association instances in which compliance has not been achieved. In any such instance, the institution shall cooperate fully with the Association and shall take appropriate corrective actions. Members of an institution's staff, student-athletes, and other individuals and groups representing the institution's athletics interests shall comply with the applicable Association rules, and the member institution shall be responsible for such compliance.

Chancellor & Director of Athletics Responsibility

- **6.1.1 President or Chancellor.**

- A member institution's president or chancellor has ultimate responsibility and final authority for the conduct of the intercollegiate athletics program and the actions of any board in control of that program. The term "president or chancellor" refers to the individual with primary executive authority for an institution and does not include an individual who has executive responsibility over a system of institutions.

- Required Attestation (effective 8/1/2019):

- The university chancellor shall attest, annually by October 15, to an understanding of the institutional obligations and personal responsibilities imposed by Constitution 2.1 (Principle of Institutional Control and Responsibility) and Constitution 2.8 (Principle of Rules Compliance).
- The director of athletics shall attest, annually by October 15, to an understanding of the institutional obligations and personal responsibilities imposed by Constitution 2.1 (Principle of Institutional Control and Responsibility) and Constitution 2.8 (Principle of Rules Compliance) and that all athletics department staff members are aware of the institutional obligations and personal responsibilities imposed by Constitution 2.1 and Constitution 2.8.



Annual Attestation by Athletics Department Staff

- As of 7/1/2019, all current athletics staff (full-time, part-time, and volunteers) will attest that he/she agrees to adhere to all institutional, conference, and NCAA rules, policies and procedures related to:
 - Unethical Conduct;
 - Honesty and Sportsmanship;
 - Responsibility to Cooperate;
 - Institutional Obligations and Personal Responsibilities imposed by Constitution 2.21 and Constitution 2.8;
 - Sports Wagering; and
 - Knowledge of Use of Banned Drugs.
- By completing this attestation form, the athletics department employee understands that compliance with NCAA, conference and institutional rules, policies and procedures is a shared responsibility, and he/she has a responsibility to know the rules, ask for clarification when necessary, ensure his/her department/sport is operating in conformity with the rules and report any violations to the appropriate individuals on campus.



Responsibility of the Head Coach

- An institution's head coach is presumed to be responsible for the actions of all institutional staff members who report, directly or indirectly to the head coach.
- The NCAA places the responsibility on the Head Coach to promote an atmosphere of NCAA rules compliance within his or her athletics program and to monitor the activities of all staff members.



Stadium's Goodman reports **Arizona** has parted ways with MBB HC Miller. Goodman: "Miller was charged with head coach responsibility for failure to promote atmosphere of compliance. Administration stuck by Miller for 4 years." ([link](#))

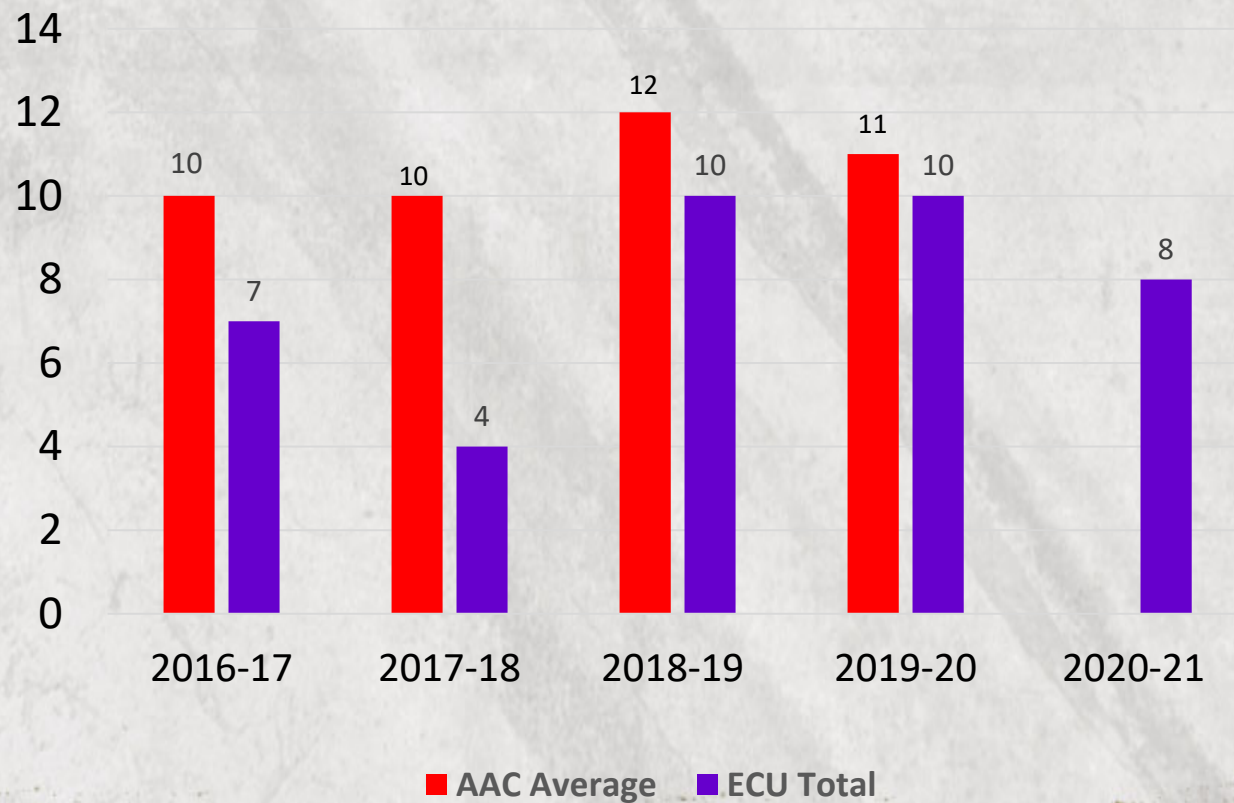
Released April 7, 2021

Responsibility of the Head Coach

- Indicators of a head coach's commitment to compliance are:
 1. Identifiable supervision and monitoring procedures exercised by the head coach over the activities and personnel in the coach's charge;
 2. A well-maintained system of records which could be used to reconstruct actions and events;
 3. Maintenance of a regular rules-education program; and
 4. Reporting suspected rules violations and actual rules violation to the Office of Compliance, sport administrator, and/or Director of Athletics.

Self Reporting Model & ECU Violations

All ECU staff have an obligation to report suspected rules violations to the administration and/or Compliance Office.



Questions?





Audit, Risk Management, Compliance, and Ethics Committee

April 22, 2021

Agenda Item: IV. C. Internal Audit Quality Assessment Review

Responsible Person: Wayne Poole
Director of Internal Audit

Action Requested: Information

Notes:

**Report on the Results
of the Independent Validation of the
Quality Assessment Review (QAR) for
East Carolina University
Office of Internal Audit and Management Advisory Services
March 2021**

Reviewers:

Marion L. Candrea, CIA, CFE – Chief Audit Executive at Ohio University

James Ponce, CPA, CIA, CFE – Associate Vice President, Internal Audit at Wake Forest University



March 23, 2021

Mr. Wayne Poole, MBA, CIA, CISA
Chief Audit Officer
East Carolina University
525 Moyer Blvd
Greenville, NC 27834

Dear Mr. Poole,

In accordance with the Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)*, we have completed the independent external validation of the Self-Assessment Quality Assessment Review (QAR) performed by the Office of Internal Audit and Management Advisory Services (the Office) at East Carolina University. This review is required by the IIA every five years.

The primary objective of the validation was to verify the assertions and conclusions made by the Office concerning adequate fulfillment of the organization's expectations of the department. We also validated the Office's conformity to the *Standards* and *Code of Ethics*, noted successful internal audit practices, and identified opportunities for continuous improvement.

In acting as the qualified, independent external assessors from outside the organization, the undersigned are fully independent of East Carolina University (ECU) and have the necessary skills and expertise to undertake this engagement. The validation consisted primarily of a review and test of the procedures and results of the Office's self-assessment in addition to interviews conducted with the Chancellor, Office of the State Auditor for North Carolina, Chair of the Audit, Enterprise Risk Management, Compliance, and Ethics Committee, and other members of ECU senior leadership.

Overall, we concur with the Office self-assessment results that the ECU Office of Internal Audit and Management Advisory Services **generally conforms to the IIA Standards and Code of Ethics**—the highest rating available. While we did not find any gaps to conformance, we did note some opportunities for improvement that could enhance the efficiency and effectiveness of the Office even further. These are described in this report.

We appreciate the cooperation and courtesies extended to us during our review by the Office and the ECU community. Please do not hesitate to reach out to myself or Mr. Ponce should you have any questions regarding the review.

Warm Regards,

A handwritten signature in blue ink that reads "Marion Candrea". The signature is fluid and cursive.

Marion L. Candrea, CIA, CFE
Chief Audit Executive
Internal Audit Office
Ohio University

A handwritten signature in blue ink that reads "James Ponce". The signature is bold and cursive.

James Ponce, CPA, CIA, CFE
Associate Vice President
Audit and Compliance Services
Wake Forest University

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EXECUTIVE SUMMARY

An Independent Review Team made up of professionals from Ohio University and Wake Forest University conducted an independent validation of the Quality Assessment Review (QAR) self-assessment of East Carolina University's Office of Internal Audit and Management Advisory Services (the Office). The work was conducted in accordance with the requirements of the *International Standards for the Professional Practice of Internal Auditing* (the *Standards*).

The ECU Office utilized—and the independent review team assessed the organization using—the Institute of Internal Auditors (IIA) Quality Assessment Manual, 2017 Edition. The primary purpose of a Quality Assessment Review is to determine the internal audit function's conformance with the *Standards*.

The ECU Office was determined to **Generally Conform** to IIA *Standards*, which is considered the highest rating available. We noted certain strengths within the Office which we feel compelled to acknowledge:

- **Demonstrated Quality in all Aspects of Audit Process**
- **Senior Management Support and Interaction**
- **Governance and Relationship to Audit Committee Chair**
- **Proactive Outreach, Education, and Training**

Additionally, although we did not find any gaps that would prohibit the Office from conforming to individual standards, we did identify a few opportunities for improvement within the Office:

- **Annual Review of Charters to Audit Committee**
- **Formally Document Consulting Engagement Objectives**
- **Enhanced Awareness on the Risk Assessment Process**
- **Continued Cross-Training and Skill Building of Staff**
- **Consider Future Office Metrics in Consultation with New Leadership**

Each of these opportunities are further enumerated within this report along with the Office's management response.

CONFORMANCE WITH IIA STANDARDS

Generally Conforms means that the Office has a charter, policies and processes that are judged to meet the spirit and intent of the IIA Standards with some potential opportunities for improvement.

Partially Conforms means deficiencies in practice are noted that are judged to deviate from the spirit and intent of IIA Standards, but these deficiencies did not preclude the Office from performing its responsibilities in an acceptable manner.

Does Not Conform means deficiencies in practice are judged to be so significant as to seriously impair or preclude the Office from performing adequately in all or in significant areas of its responsibilities.

Overall, the ECU Office of Internal Audit and Management Advisory Services was judged to **Generally Conform** to IIA Standards.

Opportunities to enhance the function exist in several areas but did not preclude the Office from general conformance. Specifically, we concluded the Office:

Generally Conforms to the following IIA Standards:

- 1000—Purpose, Authority and Responsibility
- 1100—Independence and Objectivity
- 1200—Proficiency and Due Professional Care
- 1300—Quality Assurance and Improvement Program
- 2000—Managing the Internal Audit Activity
- 2100—Nature of Work
- 2200—Engagement Planning
- 2300—Performing the Engagement
- 2400—Communicating Results
- 2500—Monitoring Program
- 2600—Resolution of Senior Management’s Acceptance of Risk

Partially Conforms to the following IIA Standards:

N/A – Generally conformed to all

Appendix A includes a detailed assessment for each specific standard.

BACKGROUND AND SCOPE

Background

East Carolina University (ECU), a four-year public university, provides more than 28,000 students an educational experience that is committed to the mission of being a national model for student success, public service, and regional transformation. The university offers 84 undergraduate degrees, 70 master's degrees, and 18 doctoral degrees, including those in the area of medicine and dentistry. ECU is an institution within the University of North Carolina (UNC) System. Although the Chief Audit Officer at ECU does not have any direct reporting relationship to the UNC System Office, institutional audit department heads hold bi-monthly calls with the UNC System Vice President for Audit and Compliance.

Organizationally, the Office of Internal Audit and Management Advisory Services (the Office) reports functionally to the Board of Trustees (BOT) Audit, Enterprise Risk Management, Compliance, and Ethics Committee and administratively to the Chancellor. The Office consists of eight professionals: The Chief Audit Officer, three Audit Supervisors, three Internal Auditors, and one Program Specialist. The Office also employs one part-time student intern. Between all staff members, the team holds 14 certifications (e.g., CPA, CIA, CISA, CFE) and over 100 years of experience.

Scope

We conducted the validation of the Self-Assessment during the months of February and March 2021. The ECU Office supplied the review team with the materials noted below in December 2020, which we spent time reviewing in January 2021. Because of the pandemic, we virtually conducted what would normally be done on-site between February 15 – 26, 2021, concluding up the assessment in March 2021.

Engagement Methodology

Our procedures included review of the following documents:

- Internal Audit Charter and other background materials regarding ECU and the audit function
- The charter for the BOT Audit, Enterprise Risk Management, Compliance, and Ethics Committee
- QAR advanced preparation materials providing background on the program and practices
- Previously completed QAR reports along with status of the implementation on recommendations
- The annual audit plan and risk assessment process
- Selected internal audit project workpapers and reports
- Staff training histories
- Audit follow-up practices and reporting

The “on-site” procedures¹ included:

- Interview with the current BOT Chair and Vice Chair of the Audit Committee
- Interview with the ECU Chancellor
- Interviews with ECU Senior Management and audit clients
- Interviews with the North Carolina system and State Auditors
- Interviews with ECU Office staff
- Review of workpapers for selected completed projects (both audits and consultations)
- Analysis of the information reviewed and an assessment of compliance with the *Standards*

¹ Because of the COVID19 pandemic, all procedures were conducted virtually.

STRENGTHS, OPPORTUNITIES FOR IMPROVEMENT, AND MANAGEMENT RESPONSE

Leading Practices

The external validation team concurs with the leading practices identified by the Office’s self-assessment. These leading practices were:

- Strong support and relationships with the Board and University management
- Well-documented and intentional strategy and goals for the Internal Audit activity
- Strong use of technology to enhance the effectiveness and efficiency of risk assessment and audit processes

Through our interviews with senior management and external state partners, we specifically acknowledge the Office’s collaborative approach to assurance and consultative services. Additionally, we noted the following successful internal audit practices:

➤ **Demonstrated Quality in all Aspects of Audit Process**—We interviewed selected ECU personnel that had been audited by the Office. Each audit client we spoke with felt that the Chief Audit Officer and his team added value on the engagement. The level of quality that the team puts into their audits was also evidenced by the meticulous nature of the project work papers within AutoAudit, including evidence of planning, supervision, and methodology.

➤ **Senior Management Support and Interaction**—Interviews conducted conveyed a high level of support for the Office from ECU senior management and the Chancellor. The Office is well respected and seen as collaborative; and management feels comfortable seeking their opinion regarding problematic situations. It was a shared sentiment that the Chief Audit Officer is seen as a “Trusted Advisor” at the institution.

➤ **Governance and Relationship to Audit Committee Chair**—The Chief Audit Officer reports functionally to the Chairperson of the Audit, Enterprise Risk Management, Compliance, and Ethics Committee. Upon speaking with both the outgoing and incoming Chair, we learned that the Chief Audit Officer has direct access and an open line of communication with the Chair. The incoming Chair commented that he felt the Chief Audit Officer and his team always seemed to be ahead of emerging risks and “leading the way.”

➤ **Proactive Outreach, Education, and Training**—Review of supporting documentation identified that the Office proactively provides education and awareness on the internal audit function throughout the institution. For example, on an annual basis, the Chief Audit Officer sends an email to all departmental Chairs or Directors to let them know about the role of, and services provided by, the Office. This demonstrates the Office’s commitment to being a valued partner at the institution.

*“I trust
Wayne, and I
value his
opinion.”*

“Wayne is approachable and reasonable. He is reasonable in his approach to find [a solution] that works for all parties. He has the respect of people around campus.”

Opportunities for Improvement with the Office

Annual Review of Charters to Audit Committee *(identified in self-assessment)*
(Standard 1000 – Purpose, Authority, and Responsibility; Standard 2060 – Reporting to Senior Management and the Board)

The Office’s self-assessment correctly observed that while the charters of both the internal audit function and the audit committee are reviewed each year internally, these charters are only provided to the Board of Trustees Audit Committee when the applicable document needs to be updated. We concur with the action plan set forth by the Chief Audit Officer in the self-assessment that the Audit Committee topic tracking list has been updated to reflect annual review of the charters.

Management Response: N/A – Plan of Action included in the Office self-assessment report.

Formally Document Consulting Engagement Objectives *(identified in self-assessment)*
(Standard 2201 – Planning Considerations)

The Office’s self-assessment correctly observed that there were some instances where objectives, scope, and expectations of consulting engagements were discussed with management but not memorialized formally in a planning document. One interview reflected that confusion did exist on a prior engagement in terms of roles and responsibilities based on expertise. We concur with the action plan set forth by the Chief Audit Officer in the self-assessment that the Timeline of Events template used on all engagements has been updated to allow for clear documentation of objectives on both consulting and investigative projects.

Management Response: N/A – Plan of Action included in the Office self-assessment report.

Enhanced Awareness on the Risk Assessment Process
(Standard 2010 – Planning)

The Office performs an annual risk assessment that relies upon a variety of factors including, but not limited to, information from the AutoAudit Risk Module, IT risk assessments, discussions with senior management, and the results of the University’s Enterprise Risk Management (ERM) process. During our interviews with senior leadership, it was noted that some members of management considered ERM to be the main, if not only, driver of the risk assessment process providing input into the annual audit plan. We recommend the Office provide a brief overview/reminder of the risk assessment process during individual meetings with senior leaders to further provide clarity around how risks are identified, ranked, prioritized, and included or not included on the annual audit plan.

Management Response: The Chief Audit Officer agrees and appreciates this recommendation. We are currently in the middle of the annual risk assessment and audit planning process for fiscal year 2022. We will incorporate more education and awareness of our entire process in our conversations with senior management and other stakeholders. These conversations will occur in April-May 2021.

Continue Cross-Training and Skill Building of Staff
(Standard 1210 – Proficiency)

The Office makes a concerted effort to diversify staff skill sets to meet the needs of the institution and the trends of internal audit. For example, the Chief Audit Officer developed internal strategies and goals that outline areas of needed growth within the department and assigns projects as such to further develop individuals. This is considered best practice and will assist in long-term sustainability of services the Office can provide given internal expertise. We did note, however, that there is heavy reliance on one individual within the department for data analytics expertise. Given the growing importance of data analytics within the field of internal audit, we recommend that the Chief Audit Officer continue building this skill set across every individual in the Office.

Management Response: The Chief Audit Officer agrees and appreciates this recommendation. We will be very intentional about building depth among the audit team in the area of data analytics. Specific steps are yet to be determined and may involve specifically earmarking funds and/or training hours in the next fiscal year for the purpose of formally building proficiency with the data analytics tools.

Consider Future Office Metrics in Consultation with New Leadership
(Standard 2060 – Reporting to Senior Management and the Board)

ECU's Board of Trustees measures the success of the internal audit function on established key performance indicators (KPI), which are updated and presented at each meeting of the Audit Committee. While some of this information is not only requested by the Board but also a requirement of the *Standards* (e.g., progress against the annual audit plan), it may be beneficial for the Chief Audit Officer to establish new or revised metrics with the new Chancellor that the incumbent may be interested in seeing to measure how the internal audit function is adding value.

Management Response: The Chief Audit Officer agrees and appreciates this recommendation. The CAO will work with the new Chancellor, the Audit Committee, and the Internal Audit team to determine metrics that are appropriate for measuring the value added by Internal Audit. If possible, the new metrics will be in place by July 1, 2021.

APPENDICES:

Appendix A – Evaluation Summary: Quality Assessment

(GC = Generally Conforms, PC = Partially Conforms, DNC = Does Not Conform)

		GC	PC	DNC
OVERALL EVALUATION		✓		
ATTRIBUTE STANDARDS				
1000	Purpose, Authority, and Responsibility	✓		
1010	Recognition of the Definition of Internal Auditing	✓		
1100	Independence and Objectivity	✓		
1110	Organizational Independence	✓		
1111	Direct Interaction with the Board	✓		
1120	Individual Objectivity	✓		
1130	Impairments to Independence or Objectivity	✓		
1200	Proficiency and Due Professional Care	✓		
1210	Proficiency	✓		
1220	Due Professional Care	✓		
1230	Continuing Professional Development	✓		
1300	Quality Assurance and Improvement Program	✓		
1310	Rqmts of the Quality Assurance and Improvement Pgrm	✓		
1311	Internal Assessments	✓		
1312	External Assessments	✓		
1320	Reporting on the Quality Assurance & Improvement Program	✓		
1321	Use of “Conforms with the <i>International Standards</i> ”	✓		
1322	Disclosure of Nonconformance	✓		
PERFORMANCE STANDARDS				
2000	Managing the Internal Audit Activity	✓		
2010	Planning	✓		
2020	Communication and Approval	✓		
2030	Resource Management	✓		
2040	Policies and Procedures	✓		
2050	Coordination	✓		
2060	Reporting to Senior Management and the Board	✓		

		GC	PC	DNC
2100	Nature of Work	✓		
2110	Governance	✓		
2120	Risk Management	✓		
2130	Control	✓		
2200	Engagement Planning	✓		
2201	Planning Considerations	✓		
2210	Engagement Objectives	✓		
2220	Engagement Scope	✓		
2230	Engagement Resource Allocation	✓		
2240	Engagement Work Program	✓		
2300	Performing the Engagement	✓		
2310	Identifying Information	✓		
2320	Analysis and Evaluation	✓		
2330	Documenting Information	✓		
2340	Engagement Supervision	✓		
2400	Communicating Results	✓		
2410	Criteria for Communicating	✓		
2420	Quality of Communications	✓		
2421	Errors and Omissions	✓		
2430	Use of "Conducted in conformance with the Standards"	✓		
2431	Engagement Disclosure of Nonconformance	✓		
2440	Disseminating Results	✓		
2450	Overall Opinions	✓		
2500	Monitoring Progress	✓		
2600	Management's Acceptance of Risks	✓		
IIA Code of Ethics		✓		



Audit, Risk Management, Compliance, and Ethics Committee

April 22, 2021

Agenda Item: IV. D. Review of Selected Recent Internal Audits

Responsible Person: Wayne Poole
Director of Internal Audit

Action Requested: Information

Notes:



Audit, Risk Management, Compliance, and Ethics Committee

April 22, 2021

Agenda Item:

V. Closed Session

Responsible Person:

Wayne Poole
Director of Internal Audit

Action Requested:

Notes:



Audit, Risk Management, Compliance, and Ethics Committee

April 22, 2021

Agenda Item:

VI. Other Business

Responsible Person:

Wayne Poole
Director of Internal Audit

Action Requested:

Notes: