



# STATE OF NORTH CAROLINA

## COUNCIL OF INTERNAL AUDITING

Dr. Linda Combs  
State Controller, Chair

Charles Perusse  
State Budget Officer

Pamela Cashwell  
Secretary of  
Administration

Josh Stein  
Attorney General

Ron Penny  
Secretary of Revenue

Beth Wood  
State Auditor

### Agenda

April 6, 2022

#### Call to Order

Reading of Ethics Awareness Reminder .....2

#### A. Approval of Minutes

1. November 10, 2021 (*Action item*) .....3

#### B. Council Items

1. Proposed CIAO Restructure (*Action item*) .....10

2. Executive Director (*Action item*) .....24

#### C. Work Plan Update

1. Self-Assessment Maturity Model .....29

2. Statewide Internship Program .....31

#### Adjourn

COUNCIL OF INTERNAL AUDITING  
ETHICS AWARENESS  
AND CONFLICT OF INTEREST REMINDER

It is the duty of every Council member to avoid both conflicts of interest and the appearances of conflict.

If any Council member has any known conflict of interest or is aware of facts that might create the appearance of such conflict, with respect to any matters coming before the Council today, please identify the conflict or the facts that might create the appearance of a conflict to ensure that any inappropriate participation in that matter may be avoided. If at any time, any new matter that raises a conflicts issue arises during the meeting, please be sure to identify it at that time.



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Dr. Linda Combs  
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*Secretary of  
Administration*

Joshua Stein  
*Attorney General*

Ron Penny  
*Secretary of Revenue*

Beth A. Wood  
*State Auditor*

**Minutes**  
**November 10, 2021**

### **Call to Order**

The Council of Internal Auditing (COIA) met virtually on Wednesday, November 10, 2021. Chair Dr. Linda Combs presided and called the meeting to order at 9:04 am, took a voice roll call of members present, then read the Ethics Awareness and Conflict of Interest Reminder. No conflicts were noted by the members.

The following Council of Internal Auditing Members were present virtually:

Dr. Linda Combs, Chair – State Controller  
Charles Perusse, State Budget Director  
Pam Cashwell, Secretary of Department of Administration  
Tiffany Lucas representing Attorney General Josh Stein  
Ron Penny, Secretary of Revenue (by phone)  
Beth Wood, State Auditor  
Barbara Baldwin, COIA Director, OSBM

### **A. Approval of Minutes by Roll Call Vote**

Request for approval of the July 14, 2021, meeting minutes was made by Chair Dr. Combs. No corrections were made to the July 14, 2021, minutes.

Secretary Pam Cashwell moved to approve the July 14, 2021, minutes and Secretary Ron Penny seconded the motion.

Roll Call Vote for Approval of July 14, 2021, minutes were all verbally accepted by the following members:

Secretary Pam Cashwell  
Tiffany Lucas, representing Josh Stein, Attorney General  
Ron Penny, Secretary of Revenue  
Charles Perusse  
Dr. Linda Combs

## **B. Council Items**

### **1. Annual Report** – overview provided by Barbara Baldwin.

#### **Central Internal Audit Office (COIA):**

The purpose of the Annual Report is to provide the North Carolina Council of Internal Auditing members (Council) information on activities performed by the Council staff and agencies' internal audit programs. The report describes activities performed from July 1, 2020, through June 30, 2021. The Council is staffed by the Office of State Budget and Management (OSBM). The Central Internal Audit Office (CIAO) has nine staff which includes one part-time employee. The organizational chart for the Council is shown in Exhibit 1 on Page 2. Certifications of the Central Internal Audit Office (CIAO) include: Four Certified Internal Auditors, two Certified Fraud Examiners, one Certified Government Audit Professional, two Certified Public Accountants, one Certified Internal Control Auditor and one Certified Information System Auditor. Table 2, Page 4, breaks down the expenditures of the COIA for a five-year period. The Central Internal Audit Office had a forty-seven percent (47%) overall increase in expenditures compared to the prior year due to hiring of auditors for the NCCORR auditing requirement for CBDG-DR funds. Two full-time staff were hired. There are twelve mandated requirements within the Act which the Council is responsible for implementing and administering throughout the year. Further detail is provided on Page 5.

#### **Peer Reviews and External Quality Assurance Reviews (QAR):**

Peer review reports were completed for FY 2020-21 with seven agencies reporting. External Quality Assurance Reviews (QAR) are required every five years. Seven reviews were completed this year; two partially conformed and one was non-conforming; the Department of Justice is overdue for a QAR.

#### **Trainings:**

This mandate requires the Council to provide central training sessions, professional development opportunities, and recognition programs for internal auditors. The COIA tries to conduct three per year; however, this year four trainings were provided with the opportunity to earn CPE credits.

- The 5th Annual Fraud Audit Conference was held August 5, 2020. This one-day training session provided 8 CPE hours.
- CIAO staff coordinated a four-day Certified Internal Auditor (CIA) review course in conjunction with the Local Chapter of the Institute of Internal Auditors (IIA). The training occurred between October and December 2020 and provided 32 CPE hours.
- CIAO staff coordinated a two-day training on internal controls in conjunction with the Office of the State Controller. The training was held on March 30 - 31, 2021 and provided 8 CPE hours.
- CIAO coordinated with Cherry Bekaert to provide two training sessions. The first was Effective Risk Assessments held on January 26, 2021. The second was Risk Analytics Using Tableau held on February 23, 2021. Each training provided 4 CPE hours.

### **Shared Internal Audit Program**

According to G.S. 143-747(c)(8), the Council must administer a program for sharing internal auditors among State Agencies needing temporary assistance and an assembly of interagency teams of internal auditors to conduct internal audits beyond the capacity of a single agency. In addition to servicing five agencies, the program is responsible for conducting audits of the community development block grant disaster recovery and mitigation funds.

### **Internal Audit Membership**

The Council staff has worked with the Institute of Internal Auditors (IIA) to establish the State of North Carolina Government Group membership program that starts October 1 and ends September 30 of each year. One hundred and ninety-three individuals renewed and twenty more were added throughout the year.

### **Self-Assessment Maturity Model (SAMM)**

The SAMM's tool allows internal audit programs to evaluate themselves based upon the Institute of Internal Auditors Standards. Once completed, the Internal Audit director discusses the outcome with the agency head. A tool was created to conduct self-assessments. Focus groups were held to provide feedback to tailor the tool to Internal Audit functions. Functions are rated from one to five; three meets standards and five meets best practices.

### **UNC Internship Program**

In June, a Memorandum of Understanding was established between the UNC System Office and OSBM outlining the roles and responsibilities related to the internship program. The internship program director was hired on July 1, 2021, from NC State University. This cost-effective program is a collaboration between the UNC System Office and the Council of Internal Auditing and is housed at the UNC System Office. Students are recruited from universities and/or community colleges to participate in the program; no fees are paid for participating; however, students received a grade based upon performance in their data analytics, field work, audit project and reporting. A total of eight students participated; four students performed data analytics for OSBM and four participated in the Performance Auditor Program. IA groups can now request interns.

### **Classification and Compensation**

In January 2021, COIA developed, and the Office of State Human Resources (OSHR) approved, six Internal Auditor classifications. Tools and templates were created to assist state employees that perform internal audit duties to self-assess their skills and abilities for assigning themselves to one of the 6 new classifications. In June, a Subject Matter Expert from ECU was hired. The Self-Assessment Process included:

- 1) Employee completed a self-assessment.
- 2) Internal Audit Directors reviewed and provided feedback whether the employee should be classified as an:
  - a) Internal Auditor I
  - b) Internal Auditor II
  - c) Internal Auditor III
  - d) Internal Audit Supervisor
  - e) Internal Audit Manager
  - f) Internal Audit Director
- 3) The Agency HR Director reviewed with Agency Internal Audit Director.

- 4) The HR Director submitted templates by August 23, 2021, to the Subject Matter Expert (SME) for review on October 11, 2021, to determine if the SME agreed with assessment or if additional information was required.
- 5) Feedback was provided by SME and sent to OSHR.
- 6) OSHR planned to issue final decisions by November 23, 2021.

### **Internal Audit Resources**

Pages 10-14 of the Annual Report review staffing resources and Internal Audit positions within agencies. There are 47 agencies subject to the Internal Audit Act, and 203.25 internal audit positions spread across 38 State Agencies. There was a large jump in last fiscal year as there was an increase in 17 positions across the State. The Department of Public Instruction (DPI) needed five additional time-limited positions to oversee the Coronavirus Funds. Department of Public Safety (DPS) added four positions. Department of Natural and Cultural Resources (DNCR), Department of Transportation (DOT), OSBM, and the Department of Commerce all had one additional position. The North Carolina Pandemic Recovery Office (NCPRO) added four additional internal auditors. Table 3 also shows the four agencies which outsource their internal audit program to other agencies or private contractors. Agencies under \$70 million in operating funds may use OSBM as their internal audit program. During the period covered in this report, five agencies as well as the Office of Recovery and Resiliency used OSBM services instead of having an in-house internal audit program. There are eighteen agencies who use supplemental staffing resources; three are through State term contracts, five use interns, seven use temporary employees and three use other resources.

Regarding Personnel Proficiency through Internal Audit Professional Certification, Internal Auditors currently hold 221 professional certifications in 27 different areas. Auditors held 88 advanced degrees; 77% with master's degrees in business administration or accounting. Chart 1, Page 13 shows the breakdown of degrees among Internal Auditors. In addition to Certified Internal Auditors, the top degrees are Certified Public Accountant, Certified Fraud Examiner and Certified Information Systems Auditor.

### **Computer Assisted Audit Tools (CAAT)**

Internal audit programs can use computer-assisted audit tools (CAATs) to improve the efficiency and effectiveness of administrative and audit tasks. Two types of CAATs are: Audit software (like ACL, IDEA which extract data, perform data analytics and testing) and Productivity Tools (like SharePoint, Teammate to help Internal Audit Directors manage their IA functions). Some IA programs use more than one software or productivity tool. There are 29 IA programs which have generalized audit software and 24 have productivity tools.

### **Efforts and Accomplishments**

The number and percentage of IA engagements completed by type is detailed in Chart 6 of the Annual Report. More consulting engagements were completed as compared to other internal audit engagements. The top three engagements are: 1) Investigative (due to increased Federal Funding), 2) Compliance, and 3) Consulting. Although Internal Auditors also provided technical assistance to their agency staff, the amount of time to provide the advice is significantly less than the time to complete an engagement and therefore was not included in the report.

## **Compliance**

The Internal Audit Act requires internal audit programs to submit their annual audit plans and final reports to the Council, and the North Carolina Internal Audit Manual requires submission of audit plans by September 30 of each year. The Department of Justice did not submit an annual plan or any reports.

Engagement reports are submitted 10 days after the issuance of the final report. Due to the ten-day window, fifteen agencies submitted their reports late and two did not submit any reports.

## **External Quality Assurance Review**

To comply with internal audit standards, external Quality Assurance Reviews (QAR) are required every five years. Agencies can use the Council's Peer Review program or use other methods to obtain the external quality assurance review. Two IA functions do not conform to standards and five partially conform. Information on each internal audit program's QAR progress and conformance over the prior and current cycle is listed in Table 9 of the Annual Report.

Dr. Combs requested adoption of the Annual Report. Charlie Perusse made the motion to approve and include the technical change reported. Ron Penny seconded the motion.

Roll Call Vote to adopt the Annual Report verbally acknowledged by the following members:

Charles Perusse  
Secretary Pam Cashwell  
Tiffany Lucas  
Secretary Ron Penny  
Dr. Linda Combs

Dr. Combs thanked Barbara Baldwin for her presentation and work. Carmen Cargill, Dr. Combs Executive Assistant will be contacting each of the Council members to determine a date in which they will discuss nominations for the Internal Audit Award of Excellence and Fiscal Integrity Award. Both awards will be presented at the Office of State Controller (OSC) Virtual Annual Financial Conference in December.

### **C. Work Plan Update for the Central Internal Audit Office (CIAO)**

Barbara updated the Council on work completed since July 2021. Regarding the Self-Assessment Maturity Model (SAMS), held two six-hour work sessions with the Internal Audit Directors and Internal Auditors.

#### **a. Self-Assessment Maturity Model**

Whoever the Head of the Internal Audit group was, did the assessments. Auditor Wood felt like assessments were done by those who were not really qualified to do them and may not be accurate. Barbara shared that her group had conducted training to the IA Heads on the self-assessment tools, went step by step through each topic to ensure there were not questions on how to respond and encouraged them to be very specific in completing.

Controller Combs mentioned one reason for the Self-Assessment Maturity Model was to structure a conversation between the Internal Audit and the Senior officials as to where their Audit section is on the maturity level and to help IA to strive to move to level five.

Barbara mentioned that DOJ and DOI did not provide the SAMM tool back. DOJ has hired a contractor to help develop the audit plan and DOI's Internal Audit Director has retired; they are working to fill that position.

b. Classification and Compensation

Although previously discussed, OSHR and the Subject Matter Expert (SME) have set up multiple meetings to review the assessments and ensure the best assessment is made for each person. Completion is slated for November 23, 2021. Auditor Wood mentioned that she reviewed a few assessments. She is satisfied that we did the best that we could do. Auditor Wood also thanked Charlie Perusse for the SME and Barbara Baldwin for all the work done toward this effort.

c. Statewide Internship Program

Barbara Baldwin had previously discussed this program that she is personally excited about as OSBM is part of the pilot and have met with the students providing dashboard work. A meeting is scheduled the second week in November to review the final product. Applications for the program are being accepted and reviewed for the year. The plan is to expand the program to all the universities and community college campuses but will take time to implement. This program will not only assist Internal Auditors but also the agency get work completed, provide more proficiency and encourage the students to consider a career in Internal Audit. Auditor Wood indicated although you graduate from a university with a five-year degree and have a title such as CPA behind your name does not mean you can audit. We have a boot camp to train our auditors and this program will provide invaluable experience to students and assist Internal Audit function around the State. She commended Barbara and staff on the program. Dr. Combs also thanked the COIA staff for their time and dedication to this endeavor and indicated how proud she is for the collective efforts by staff and agencies.

d. CIAO Staff Update

OSBM has hired Carolyn Heden, a graduate of the University of Georgia and a transfer from the Department of Insurance. Ms. Heden is a certified public accountant and is very excited about working towards her CIA and CFE. As shown on the O-Chart, Page 41, Audit Manager II, when Lisa Outlaw from NCPRO left to become the Internship Director in June of 2021, that left a vacancy at NCPRO. Michele Sykes is overseeing their functions but still reports to Barbara Baldwin. This has left OSBM's Internal Audit staff short-handed. OSBM leadership has offered to provide some part-time help but I waiting to see how this all works out before hiring an experienced part-time person.

## **D. Future Meetings**

The next Council of Internal Audit meeting is scheduled for January 12, 2022, at 9:00 a.m.

## **E. Adjournment**

Secretary Pam Cashwell moved to adjourn, with the motion seconded by Charles Perusse.

Adjournment Roll Call Vote was verbally acknowledged as follows:



Charles Perusse  
Secretary Pam Cashwell  
Secretary Ron Penny  
Tiffany Lucas  
Dr. Linda Combs

Witness my hand, this 10<sup>th</sup> day of November 2021.

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Linda Combs, State Controller, Chair

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Barbara Baldwin, Secretary

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# **Central Internal Audit Office Restructure Session Law 2021-180**

March 30, 2022

NC Office of State Budget & Management  
116 West Jones Street  
Raleigh, NC 27603  
[www.osbm.nc.gov](http://www.osbm.nc.gov)

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## Objective

Restructure the Central Internal Audit Office to enhance services to stakeholders, improve Council programs, and expand internal audit initiatives.

## Current Workload

The Central Internal Audit Office (CIAO) portfolio includes administration of the North Carolina Council of Internal Auditing (Council) programs defined in General Statute 143-747(c)(6). These programs include:

- GS 143-747(b) and GS 143-747(c)(2) Supports the Council meetings.
- GS 143-747(c)(3) and GS 143-747(c)(5) Maintains a statewide guideline. Guidelines are based on Internal Auditing Standards (Standards) and Council requirements. Council staff updates the guidelines when Standards or Council requirements change. At a minimum, guidelines are reviewed annually for updates.
- GS 143-747(c)(4) Conducts internal audit staffing analysis to recommend adequate internal audit staffing levels. The analysis considers the agency's expenditures, employees, decentralization, grants, and risk factors. This is done periodically.
- GS 143-747(c)(6) Administers the peer review program. Every five years an internal audit function must be assessed by external evaluators to determine if the functions conform to the Standards. State agency internal auditors are the evaluators. Training on effectively performing an external assessment is provided to internal auditors. Council staff performs a quality review of each peer review.
- GS 143-747(c)(7) Provides training sessions to internal auditors.
  - Council staff performs speaking engagements at the request of varying groups, such as the local chapter of the Institute of Internal Auditors (IIA), other State agencies, and other State internal audit groups.
  - Council staff coordinates at least three trainings per year with external speakers. State agency internal auditors attend these trainings for free or a low cost.
  - Council staff maintains a website with additional training identified by Council staff.
- GS 143-747(c)(7) Administers the Internal Auditors Award of Excellence. The Council staff market this program and nominations are accepted throughout the year. The Council members interview the candidates and make a final selection. Council staff obtain the trophy and monetary award from the local chapter of the IIA, obtain pictures of the recipient(s) receiving the award, and post pictures to the Council website.
- GS 143-747(c)(8) Administers an internal audit shared program. Council staff provide internal audit services to small State agencies and State agencies needing temporary assistance.
- GS 143-747(c)(9) Maintains a central database for reports, plans, assessments, and templates. The central database is a SharePoint that all internal audit functions have access to submit annual audit plans and reports. Council staff provides training on, and updates to SharePoint when necessary. An instruction manual was established on the use of the SharePoint.
- GS 143-747(c)(10) Issues an annual service efforts and accomplishments report. A survey of all internal audit functions is distributed each year to obtain necessary data for the report. The information is compiled, and the report is presented to the Council for approval in October.
- GS 143-746(f) Provides technical assistance to State agencies with insufficient staff.
  - Council staff has served on other State agency's interview panels for filling vacant IA positions. Council staff assisted with development of IA job posting and job descriptions, application reviews; development of interview questions, conducting interviews and input on final selection.

- Council staff assist other agencies with hiring vendors from the State Term Contract. This includes assisting with the development of the scope of work and final request for quote, response to vendor questions, and final review and selection of a vendor.

Currently the agencies list below are served by the CIAO.

- Office of State Budget and Management
- Office of the Governor
- Office of State Human Resources
- Department of Military and Veteran Affairs
- Office of Pandemic Recovery
- Office of Recovery and Resiliency
- Office of the State Auditor (ending June 30, 2022)

The CIAO is responsible for providing technical assistance and may conduct engagements<sup>1</sup> at any state government internal audit program. Engagements can be generated from receipt of a fraud, waste or abuse complaint, or request by other agencies internal audit function or executive leadership.

The final items in the CIAO portfolio are initiatives which can be short term projects or ongoing programs. The following initiatives are in various stages:

- Internal Audit New Classification Series – short term project. Council staff collaborated with Office of State Human Resources (OSHR) to develop an internal audit classification series and placement of individuals into the new series.
  - Council staff drafted job specifications for six internal audit positions<sup>2</sup> and developed a self-assessment tool to allow internal auditors to assess themselves for placement into one of the new job specifications.
  - OSHR and Council staff provided training to HR members on the process to move IA staff into the new classification series. Council staff provided IA directors with additional training and responded to questions throughout the process.
  - OSBM hired a subject matter expert (SME) to review the self-assessments and advise OSHR on final placement of individuals into the new series. Council staff worked with the SME and OSHR throughout the process. Agencies were notified of employee’s placement and the new job specifications are posted on the OSHR website.
- Confidential Laws – short term project. Council staff is creating a list of state and federal laws related to information or data that is deemed confidential by law. This project requires extensive research of state and federal laws. The final list of confidential laws will be provided to all IA directors and placed in the IA library.
- Productivity Tool – short term project. Council staff has created a small work group to research different tools that will help the internal audit functions with administration of engagements, timekeeping, and workflow processes. Discussions with the Department of Information Technology is on-going as to the development of a State Term Contract or other options.
- IIA Group Membership – ongoing. Council staff maintains a North Carolina government group membership with the IIA to allow for deep discounts. The renewal process requires Council staff to contact each State agency, local government, or individual to verify continuation of the membership. Responses are consolidated into a membership list which is submitted to the IIA

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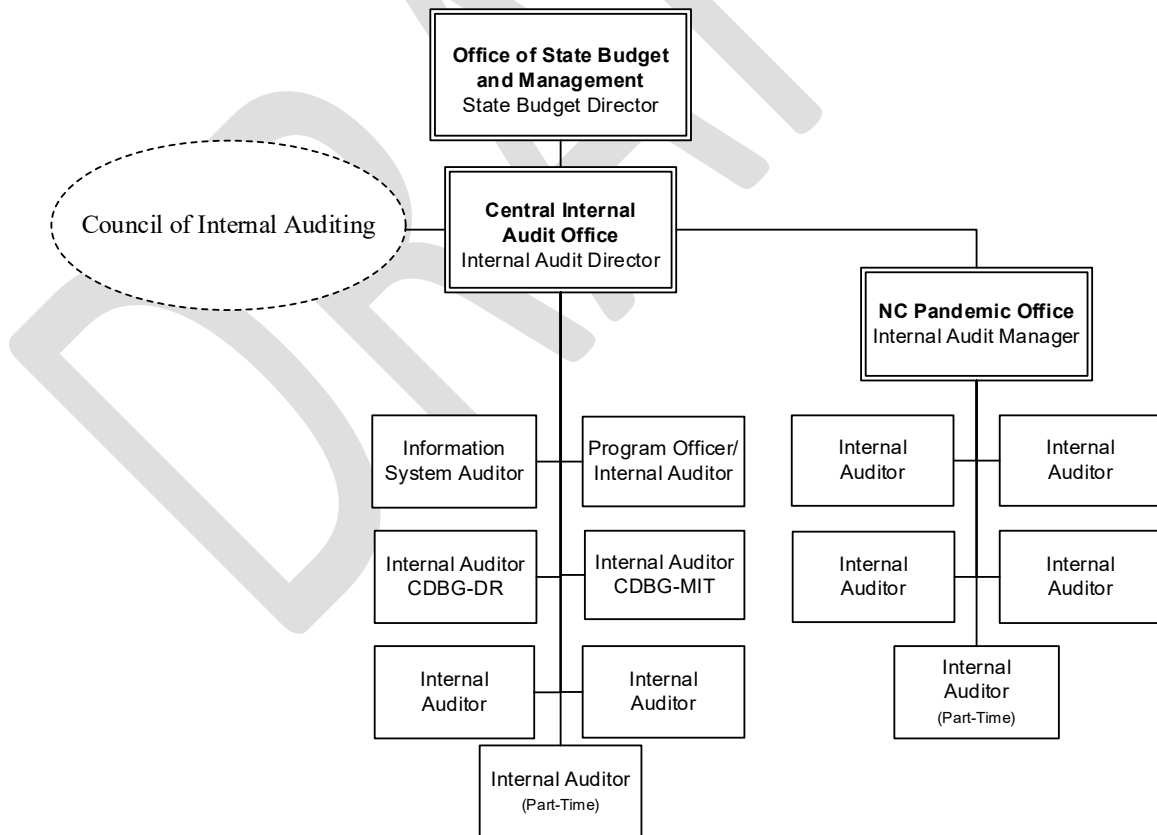
<sup>1</sup> Consulting services, investigative reviews, or performance audits.

<sup>2</sup> Internal auditor (IA) I, II and III, IA supervisor, IA manager, IA director

along with the payment. Council staff creates invoices to each State agency, local government, or individual for repayment of the membership cost. Throughout the year, internal auditors are added to the group membership by request.

- Tableau Pcard Analytics Support – ongoing. Council staff continue to improve the Pcard dashboard and provide training on new updates. An instruction manual was created and is updated when necessary. Also, training is provided upon request.
- Statewide Internship Program – ongoing. This is a collaboration with the UNC-System Office. OSBM provides partial funding for this program and works with UNC-System Office to determine where interns will be placed each semester.
- Self-Assessment Maturity Model – ongoing. A work group developed the tool. A focus group completed the tool and provided feedback. There was overall training on the tool. Council staff holds six workshops at the end of the fiscal year for completing the tool. A dashboard was built to analyze conformance by topics which will be used to focus training efforts.
- State Term Contract (STC) for Supplemental IA Staff – ongoing. Council staff is considered the subject matter expert for this contract. Every three years the request for proposal is reviewed, updated, and posted. Council staff respond to vendor questions. Staff identifies evaluators to review and select the vendors to be included on the STC. Council staff assist agencies with using this STC.

The current organizational structure of the CIAO is:



Estimated expenses for the current fiscal year, which includes State and Federal funds, is \$1,356,300 (see next page for Table). Two full-time equivalent (FTE) positions are funded by Community



Development Block Grant Disaster Recovery Funds and perform engagements only at NC Office of Recovery and Resiliency. Four and one-half FTE are funded by Coronavirus Relief Fund and perform engagements only at the NC Pandemic Recovery Office.

| <b>Table 1<br/>Estimated Expenditures<br/>Fiscal Year 2022</b> |                          |
|--|--------------------------|
| <b>Expenditure*</b>  | <b>Estimated Amounts</b> |
| Payroll  | \$1,251,300              |
| Statewide Internship Program                                   | \$40,000                 |
| Information Technology   | \$32,500                 |
| Memberships and Training**                                     | \$32,500                 |
| <b>Total</b>   | <b>\$1,356,300</b>       |

\* Includes State and Federal funds.

\*\*Includes \$11,500 nonrecurring cost for peer review training.

### **Session Law 2021-180 New Requirements**

Session Law 2021-180, Section 24.5 increases the number of Council of Internal Auditing (Council) members by two (2) which will be appointed by the General Assembly and places additional requirements on the Council to include:

- Establish key performance indicators and criteria that comply with the Professional Practice of Internal Auditing (Standards) issued by the Institute for Internal Auditors.
- Agency heads to annually certify to the Council the audit plan was developed, and the audit reports were conducted and reported in accordance with the Standards and the internal audit unit met the required key indicators.
- Gather and assess State agencies conformance with the Standards and key performance indicators.
- Report findings related to key performance indicators and Standards to the Joint Legislative Commission of Governmental Operations by October 1, 2022.

Starting July 1, 2022, the appropriation bill allocates \$350,000 for three positions to OSBM to support the new Council requirements. The purposed positions include:

- Executive Director
- Internal Auditor
- Administrative Specialist

The law stipulates the positions listed above shall be hired by the North Carolina Council of Internal Auditing (Council). All three positions are exempt from the Human Resources Act.

### **Proposal for Implementing New Structure**

To accomplish the new requirements, the recommended organizational structure contains four sections which include the three new positions (see organizational chart on the next page). The sections



| <b>Table 2</b><br><b>Estimated Expenditures</b><br><b>Fiscal Year 2023</b> |                          |
|--|--------------------------|
| <b>Expenditure*</b>  | <b>Estimated Amounts</b> |
| Payroll  | \$1,791,800              |
| Statewide Internship Program   | \$40,000                 |
| Information Technology   | \$42,300                 |
| Memberships and Training   | \$30,500                 |
| Total  | \$1,904,600              |

\* Includes State and Federal funds.

## Hiring Process

The Session Law adds three positions that are exempted from the North Carolina Human Resources Act and must be selected by a majority of the Council. To bring forth candidates to fill these positions the following process is recommended.

Step 1: OSBM will develop job descriptions in March 2022

Step 2: OSBM will post the jobs in early April 2022

Step 3: OSBM will hold interviews in May 2022

Step 4: Recommended candidates will be presented to the Council by the end of May

Step 5: Council will make the final decision for filling the positions by June 8, 2022

Step 6: New employees start on July 1, 2022

## Section and Management Responsibility

COIA Executive Director, Assistant Executive Director, and Internal Audit Manager

These three positions shall be responsible for the following:

- Conduct a risk assessment at each agency served by the CAIO to establish the annual risk-based internal audit plan.
- Oversee the execution of the risk-based internal audit plan.
- Develop a quality assurance improvement program that embeds quality within the activities of the CIAO to include: performing self-assessments to gauge conformance with the Standards annually; obtaining an external peer review every five years, measuring key performance indicators annually; and reporting the outcome of these activities to the Council.
- Provide advice to individuals within and outside state government on: conformance with the Standards; compliance with state and federal laws, rules and regulations; new programs, policies, or procedures; or any other questions that arise.
- Develop and present training and education on various topics to internal and external groups.

- Provide direct supervision by monitoring timeliness of work and reviewing all engagement workpapers to ensure information in the internal audit report are supported by facts and benefit the agency.
- Develop and maintain internal audit policies and procedures.
- Provide support to the Council by attending and presenting at the meetings.
- Coordinate with external auditors and monitors to reduce duplication of efforts.
- Establish an effective follow-up process to ensure agency management has implemented corrective action for issues identified by Council staff in their internal audit report.
- Maintain a training program/plan for the continuous development of staff.
- Provide continuous feedback to staff on performance.
- Conduct interim and annual performance evaluations for each staff member.
- Conduct quality reviews of any agency's peer review that is conducted through the Council peer review program.
- Conduct peer reviews of internal audit functions within state government.

#### NCORR Section

OSBM has had a memorandum of agreement with the Department of Public Safety to provide internal audit services to the North Carolina Office of Recovery and Resiliency (NCORR) since July 1, 2019. NCORR funds two (2) positions within the CIAO which conducts internal audits related to these federal funds. Activities include: 1) compliance with laws, regulations, and contract/grants requirements; 2) accuracy and reliability of the financial and operational information; and 3) fraud, waste, and abuse.

NCORR received Community Development Block Grant Disaster and Mitigation funds for the recovery related to damages that occurred from Hurricanes Matthew and Florence. Amounts received are:

- \$236.5 million in Hurricane Matthew Disaster Recovery
- \$542.6 million in Hurricane Florence Disaster Recovery
- \$202.7 million in Hurricane Mitigation

The purpose of NCORR is to assist homeowners, small businesses, and local governments to recovery from the two hurricanes. These funds support ten (10) different programs related to renovation, elevation, and/or replacement of damaged homes and buildings; temporary shelter to homeowners; property buyouts in areas prone to flooding; improve local government infrastructure; grants to local and tribal governments; and zero-percent revolving loans to local governments.

The mitigation funds have the longest term and must be spent by 2026.

#### NCPRO Section

CIAO started managing the internal audit functions within the NC Pandemic Recovery Office (NCPRO) starting July 1, 2021. There are four (4) full-time and one (1) part-time internal auditor

positions which are funded with federal funds. The primary purpose of NCPRO is to effectively manage the following federal funds:

- \$3.6 billion in Coronavirus Aid, Relief, and Economic Security Act
- \$5.4 billion in American Rescue Plan Act State Fiscal Recovery Funds
- \$1.1 billion in Emergency Rental Assistance
- \$273.3 million in Homeowners Assistance Funds
- \$138.6 million in Governor's Emergency Education Relief Funds
- \$7.4 million in Economic Development Administration
- \$273.6 million American Rescue Plan

The internal auditors conduct audits related to these federal funds which include: 1) compliance with laws, regulations, and contract/grants requirements; 2) accuracy and reliability of the financial and operational information; and 3) fraud, waste, and abuse.

The American Rescue Plan Act have the longest term and must be spent by 2027.

#### Shared Program Section

There are three (3) full-time and one (1) part-time internal auditor. One internal audit position is an information system auditor. This group serves as the internal audit function for the Offices of the Governor, State Budget and Management, and State Human Resources, and is responsible for providing assurance (operational, information systems, compliance, and internal control) engagements and consulting services.

Starting July 1, 2022, this program will no longer serve as the internal audit program for the Office of the State Auditor (OSA) or the Department of Military and Veterans Affairs. The OSA will contract for internal audit services and the DMVA was appropriated an internal audit position. The Internal Audit Director will continue to assist the DMVA as required by the Appropriations Bill.

This section is responsible for providing technical assistance and may conduct engagements at any agency. Engagements can be generated from receipt of a fraud, waste or abuse complaint, or request by other agencies internal audit function or executive leadership.

#### Council Program Section

This section has three (3) full-time positions that are responsible for managing and administering all the Council's mandated programs and initiatives (see page 1 for list of current activities).

The new mandate adds four requirements:

1. Establish criteria that comply with the Professional Practice of Internal Auditing (Standards) issued by the Institute for Internal Auditors.
2. Establish key performance indicators.

3. Require agency heads to certify annually to the Council the audit plan was developed, and the audit reports were conducted and reported in accordance with the Standards and the internal audit unit met the required key indicators.
4. Report this information to the Joint Legislative Commission on Government Operations (Commission) by October 2022.

It is recommended that the Self-Assessment Maturity Model (SAMM) tool be modified to allow for assessing conformance with the Standards (item 1 above) and receiving agency head certification (item 3 above). The SAMM tool has five (5) maturity levels, with level three (3) being conformance with the Standards. The SAMM tool can be modified to require internal audit directors to identify specific actions and documents that support each ranking. By making this modification, it will assist the Council staff in determining whether assessments are properly supported or if additional work must be performed to validate the ranking.

The head of each agency is required to attest that the risk-based audit plan and each internal audit report conforms to the IIA Standards. An attestation template will be developed to meet this new requirement. The completed and signed attestation form will be included with the audit plan or report when submitted to the Council.

There are numerous key performance indicators (item 2 on prior page) that can be used to measure internal audit activities. The North Carolina University System Office has published a document listing best practice key performance measures and the UNC-SO requires the following information be reported:

- Budget to actual hours on each engagement
- Audit plan completion percentage
- Number completed, in process and pending
- Management completion rate for implementing recommendations
- Staff size and experience
- Expenditures of internal audit function

The Central Internal Audit Office uses the following key performance measures:

- Audits plan completion rate
- Productivity time
- Budget verse actual hours on engagements
- Recommendation acceptance rate
- Training received and associated cost
- Results from stakeholder surveys

Many of the measures above can be collected via the Central Database (SharePoint). The SharePoint site has fields for identifying the type of engagement performed. Fields can be added to identify:

- If the engagement was included or added to the most recent audit plan
- Number of recommendations issued, and the number accepted by management
- Amount of questionable cost or misappropriation of funds identified
- If an investigation was substantiated and unsubstantiated

By modifying the fields in SharePoint, Council staff can use SharePoint to identify audit plan completion rate, including number of engagements planned and added to the plan throughout the year; percent of recommendations made and accepted by management; type of audit placed on the plan; substantiation of allegations or funds identified as possibly misused.

Currently, thirty-nine (39) internal audit units are required to submit the SAMM tool to the Council by September 30 of each year. This will increase to forty-one (41) in FY 2023. To complete the assessment of the information and issue a report to the Joint Legislative Commission on Government Operations (Commission) timely, the due date for the SAMM tool must be modified to allow time for the Council staff to perform the assessment. It is recommended the due date be changed from September 30 to July 15 of each year. This will allow Council staff, from mid-July to mid-September, to review and assess the validity of the information provided in the SAMM tool. The SAMM tool information, along with data from the central database will be used to draft a report which will be provided to Council members for approval prior to submitting the report to the Commission.

### **Summary of Council Staff Recommendations:**

1. Allow OSBM to post and conduct interviews to bring candidates forth to the Council for approval.
2. Use the SAMM tool with enhanced fields to allow Council staff to assess conformance with the Standards.
3. Change the date for submitted the SAMM tool to the Council from September 30 to July 15 of each year
4. Develop templates allowing the head of an agency to attest to internal audit plans and reports conformance with the IIA Standards.
5. Enhance the Central Database, by June 30, 2022, to include new fields to capture key performance measures by adding the following fields
  - a. If the audit was included or added to the most recent audit plan
  - b. Number of recommendations issued, and the number accepted by management
  - c. Total questionable cost or misappropriation of funds identified
  - d. Investigations substantiated and unsubstantiated
  - e. Other fields as needed

# ***BARBARA BALDWIN, CPA, CIA, CICA***

*116 West Jones Street • Raleigh, North Carolina 27601*

*Work (984) 236-0635 •*

## PROFESSIONAL SUMMARY

Seasoned internal auditing professional knowledgeable about risk aversion strategies, cost reduction options and internal control defenses. Decisive and persuasive communicator with proven problem-solving, leadership and planning abilities.

## SKILLS

- Leadership
- Negotiation/Persuasion
- Critical Thinking
- Communication

## CERTIFICATION

### **Certified Public Accountant**

#2533 – September 1992 – North Dakota State Board of Accountancy

#26524 – January 1999 – North Carolina State Board of CPA Accountant Examiners

### **Certified Internal Auditor**

#24998 – November 1997 – Institute of Internal Auditors

### **Certified Internal Control Auditor**

#08071034 – July 2008 – Institute for Internal Controls

## WORK HISTORY

### ***Assistant State Budget Office – Central Internal Audit Office***

2015-2022

NC Office of State Budget and Management

Raleigh, NC

<http://www.osbm.state.nc.us/>

- Serve as staff to the Council of Internal Auditing.
- Supervise and mentor eight internal auditors in all phases of their work.
- Administer the annual statewide internal audit award of excellence.
- Administer a statewide external quality assurance program.
- Conduct external quality assurance reviews at agencies and universities.
- Develop and deliver a training program for government internal auditors.
- Maintain formal internal procedures manual for internal auditing.
- Serve as the internal audit function for five state agencies and North Carolina Office of Recovery and Resilience Community Development Block Grant Disaster (CDBG-DR) funds. This includes compliance, operational, and financial audits; control assessment; audit follow-up, and investigative engagements; and provide consulting services that add value to the agency.
- Establish an annual risk-based audit plan for four state agencies, and disaster recovery and resilience programs funded with CDBG-DR.
- Develop and maintain relationships with State agency heads and staff.



- Conduct data analysis using different techniques including but not limited to return on investment and workflow, workload, and cost of service analysis.
- Articulate audit findings and recommendations formally and through oral presentations.
- Deliver oral presentations to a variety of audiences including agency heads and staff.
- Coordinate and manage multiple internal audit projects.
- Provide technical assistance to an agency or university internal audit staff member.
- Staff the Council of Internal Auditing's quarterly meetings.
- Create the annual internal audit activity report.
- Conduct a statewide internal auditing staffing analysis.

***Assistant State Budget Manager – Management Evaluation and Analysis***

2010-2015

NC Office of State Budget and Management

Raleigh, NC

<http://www.osbm.state.nc.us/>

- Supervised and mentored eleven internal auditors and three management analysts in all phases of their work.
- Developed and administered a statewide external quality assurance program.
- Developed and delivered a training program for government internal auditors.
- Maintained formal internal procedures manual for internal auditing.
- Developed policies and procedures and administered the annual internal audit award of excellence.
- Served as the internal audit function for eight state agencies, and American Recovery and Reinvestment Act funds. This included compliance, operational, financial, internal control, audit follow-up, and investigative engagements; and provided consulting services that added value to the agency.
- Established an annual risk-based audit plan for eight state agencies, and American Recovery and Reinvestment Act funds.
- Developed and maintained relationships with State agency heads and staff.
- Conducted data analysis using different techniques including but not limited to return on investment and workflow, workload, and cost of service analysis.
- Conducted efficiency and/or program evaluations.
- Served as staff to the budget Reform and Accountability Commission conducting evaluations for cost savings, reductions, or avoidance.
- Served as staff to the Council of Internal Auditing.
- Articulated audit findings and recommendations formally and through oral presentations.
- Delivered oral presentations to a variety of audiences including agency heads, legislative committees, and the Governor.
- Coordinated and managed multiple internal audit engagements and management analyst projects.
- Provided consulting services to employees at eight state agencies.
- Provided technical assistance to any agency or university internal audit staff member.
- Created the annual internal audit activity report.
- Conducted a statewide internal auditing staffing analysis.
- Participated in or lead OSBM committees, task forces, and work groups.

***Internal Audit Manager – Office of Internal Audit***

2008 – 2010

NC Office of State Budget and Management  
Office of Internal Audit  
<http://www.osbm.state.nc.us/>

Raleigh, NC

- Supervised and mentored three internal auditors in all phases of internal auditing.
- Developed statewide internal audit policies and procedures.
- Established internal audit procedures and developed a formal internal procedures manual for OSBM internal auditing.
- Established and maintained the internal audit charter.
- Developed a risk assessment process to establish an annual risk-based audit plan.
- Developed and maintained relationships with State agency heads and staff.
- Established internal audit programs and conduct internal audit services to eight state agencies. This included compliance, operational, financial, internal control, audit follow-up, and investigative engagements; and provide consulting services that add value to the agency.
- Conducted data analysis using different techniques including but not limited to return on investment, workflow, workload and cost of service analysis.
- Articulated audit findings and recommendations formally and through oral presentations.
- Delivered oral presentations to a variety of audiences including agency heads and staff.
- Coordinated and managed multiple internal audit projects.
- Provided technical assistance to any agency or university internal audit staff member.
- Participated in or lead OSBM committees, task forces, and work groups.

***Senior Program Evaluator – Program Evaluation Division***

2007 – 2008

North Carolina General Assembly  
<http://www.ncleg.net>

Raleigh, NC

- Performed complex legislative program evaluation projects independently or on a team.
- Developed and designed questionnaires, surveys, and other data gathering instruments for evaluation.
- Collected data and conducted interviews.
- Analyzed data on program operations.
- Maintained research files and study records.
- Identified important issues in a study.
- Wrote complex reports on conclusions and recommendations.
- Delivered formal presentations to legislative committees and state agency boards and commissions.

***Management Analyst – Management Section***

2005 – 2007

Office of State Budget and Management  
<http://www.osbm.state.nc.us>

Raleigh, NC

- Served on project teams or acted as project leader to conduct organizational and operational reviews; workload/staffing analysis; needs assessments; workflow

analysis, redesign and reengineering; cost/benefit analysis; program evaluations; privatization assessments; lease versus buy decisions; and unit/activity cost and fee development.

- Conducted rapid response fact-finding and analysis in response to significant events or issues that may have serious impact on state government operations.
- Prepared reports/presentations clearly outlining the findings, conclusions, and subsequent recommendations stemming from the analysis.
- Delivered presentations/management briefings to OSBM management and staff, agency management and staff, and legislative committees and subcommittees.
- Interacted with customers to develop appropriate strategies to implement recommendations resulting from analysis.
- Collaborated with other central management functions such as Personnel, Information Technology, the State Controllers' Office, and others to plan, facilitate, implement, and evaluate enterprise-wide initiatives.
- Participated in OSBM committees, task forces, and work groups.

### ***Assistant State Auditor III – Performance Audit Section***

1998 – 2005

North Carolina Office of the State Auditor

Raleigh, NC

<http://www.ncauditor.net>

- Served as team member or acted as Auditor In-Charge to conduct performance audits including efficiency, effectiveness, program, compliance, and internal control audits.
- Developed audit programs based on audit objectives.
- Prepared reports clearly outlining the findings, conclusions, and subsequent recommendations stemming from the performance audits and investigative reviews.
- Assisted, when necessary, on investigative reviews including, fraud allegations and hotline tips.
- Delivered management briefings to State Auditor and agency management.
- Developed tools to ensure compliance with Government Auditing Standards.
- Developed and provided training sessions on various topics to performance audit staff.
- Participated in State Auditor's committees, task forces, and work groups.

### ***Senior Auditor – Performance Audit Section***

1991 – 1998

North Dakota Office of the State Auditor

Bismarck, ND

<http://www.state.nd.us/auditor>

- Acted as Auditor In-Charge with a three to five person team to conduct performance audits including efficiency, effectiveness, program, compliance, and internal control audits.
- Assisted, when necessary, on financial audits.
- Established and monitored planning memo, survey instrument and time budget.
- Developed audit programs based on audit objectives.
- Prepared reports clearly outlining the findings, conclusions, and subsequent recommendations stemming from the performance audit.

- Delivered management briefings to State Auditor’s management and staff, and agency management and staff.
- Assisted with the development of internal performance audit policies and procedure manuals.
- Participated in State Auditor’s committees, task forces, and work groups.

**OTHER EXPERIENCE**

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***Inventory Control and Data Entry Supervisor***

1986 - 1989

Kelly Pipe Company

Santa Fe Springs, CA

- Supervised seven employees in various duties related to inventory control and data entry including sales orders, billing, purchase order, inventory adjustments, and physical inventory.
- Calculated inventory adjustments based on saw cuts and pipe length.
- Assisted with annual physical inventory.
- Adjusted inventory based on physical counts.
- Analyzed and evaluated workflow and work processes to streamline workflow, reduced the working staff by three individuals, at the same time increasing productivity.

***Accounts Payable***

1984 - 1986

Kelly Pipe Company

Santa Fe Springs, CA

- Processed invoices for payment by matching purchase order with invoice and verifying appropriate costs, quantity and inventory numbers.
- Matched bills of lading with freight invoices and verified rate and weight.
- Set-up invoices for payment in the computer.
- Assisted with annual physical inventory counts.
- Identified outstanding invoices for annual accruals.

**EDUCATION**

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**Bachelor of Science in Business Administration, Accounting**

1989-1991

North Dakota State University

Fargo, ND

**Associate of Arts in Business Administration**

1984-1989

Cerritos College

Norwalk, CA

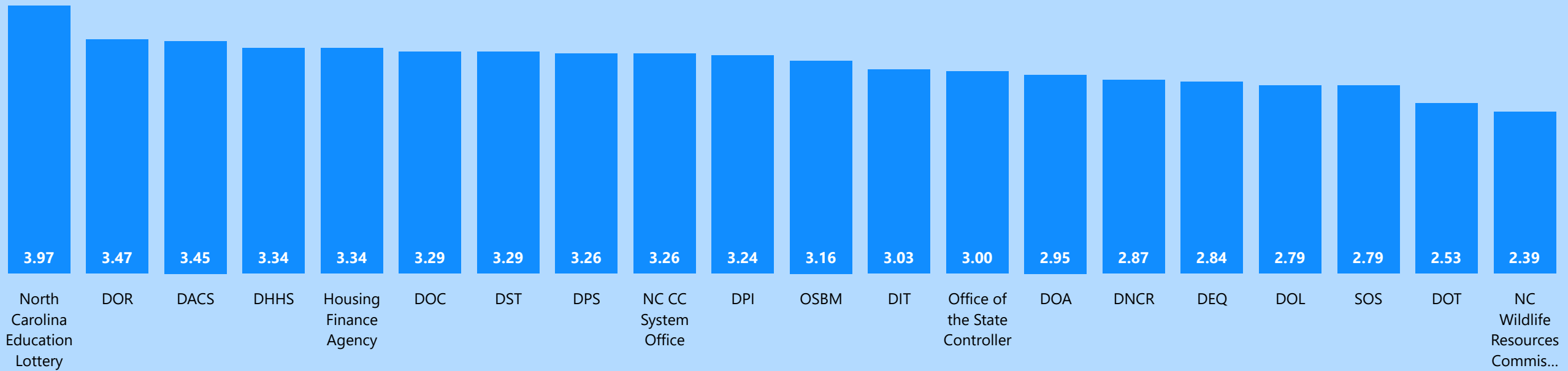
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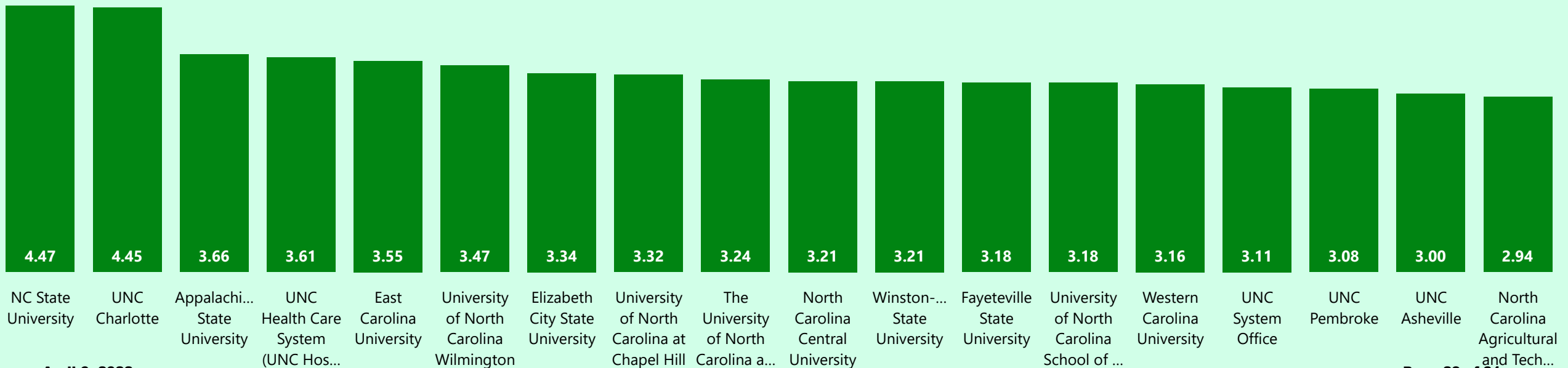
Available upon request

**Attachment 2**

**Average Level Achieved by Agency**



**Average Level Achieved by University**

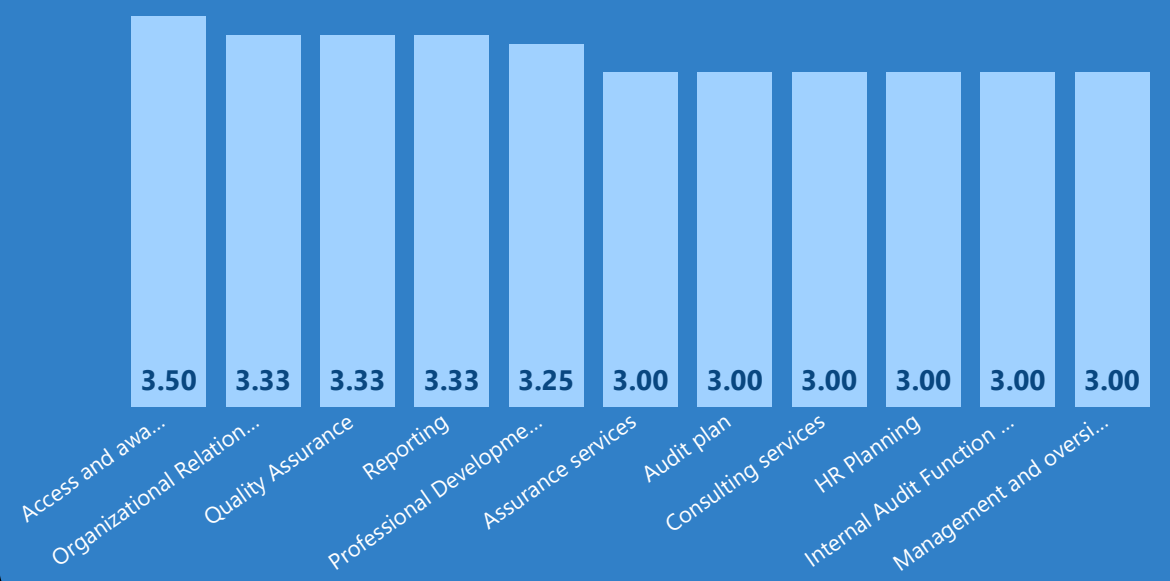




### NC Office of State Budget & Management Average Level by Theme

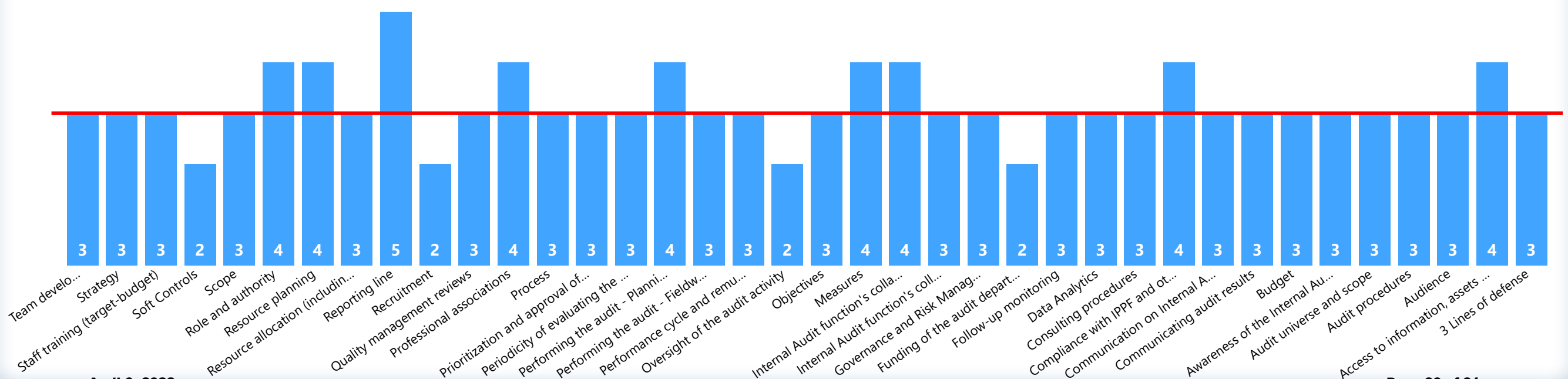


### NC Office of State Budget & Management Average Level by Subtheme



**3.16**  
Overall Average Level





### NC Office of State Budget & Management Topic Level







# Internship Program

**Fall 2021**  
**10 Students**

**Spring 2022**  
**15 Students**

| Type of Engagement                | Entity Served  |
|-----------------------------------|--|
| <b>1 Information Systems</b>      |  <p>North Carolina School of Science and Mathematics</p>  |
| <b>3 Compliance</b>               |  <p>THE UNIVERSITY OF NORTH CAROLINA SYSTEM<br/>OSBM OFFICE OF STATE BUDGET AND MANAGEMENT<br/>NCSEAA North Carolina State Education Assistance Authority</p>   |
| <b>8 Data Analytic Dashboards</b> |  <p>North Carolina School of Science and Mathematics<br/>NCSEAA North Carolina State Education Assistance Authority<br/>PBS NORTH CAROLINA POWERED BY THE UNC SYSTEM<br/>NCPRO NC Pandemic Recovery Office<br/>DEPARTMENT OF MILITARY AND VETERANS AFFAIRS</p> |
| <b>1 Operational/Performance</b>  |  <p>PBS NORTH CAROLINA POWERED BY THE UNC SYSTEM</p>  |

| Type of Engagement                | Entity Served  |
|-----------------------------------|--|
| <b>5 Compliance</b>               |  <p>Appalachian STATE UNIVERSITY<br/>NCPRO NC Pandemic Recovery Office</p> <p><i>*ASU and NCPRO received more than one engagement</i></p>               |
| <b>4 Information Systems</b>      |  <p>got to be NC AGRICULTURE<br/>UNC PEMBROKE<br/>ECSU ELIZABETH CITY STATE UNIVERSITY<br/>FOUNDED 1891<br/>THE UNIVERSITY OF NORTH CAROLINA SYSTEM</p> |
| <b>5 Data Analytic Dashboards</b> |  <p>THE UNIVERSITY OF NORTH CAROLINA SYSTEM<br/>FAYETTEVILLE STATE UNIVERSITY</p> <p><i>*UNC System Office received more than one dashboards</i></p>   |
| <b>1 Application Review</b>       |  <p>NORTH CAROLINA Environmental Quality</p>  |