



STATE OF NORTH CAROLINA

COUNCIL OF INTERNAL AUDITING

Nels Roseland
State Controller, Chair

Charles Perusse
State Budget Officer

Pamela Cashwell
Secretary of Administration

Josh Stein
Attorney General

Ron Penny
Secretary of Revenue

Bradly Newkirk
Senate appointment

Nicholas Stone
House of Representatives
appointment

Beth Wood
State Auditor

Agenda

October 12, 2022

Call to Order

Reading of Ethics Awareness Reminder3

A. Approval of Minutes

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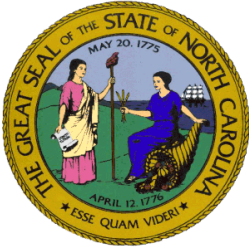
D. Public Comments Period

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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Joshua Stein
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Bradley Newkirk
Senate appointment

Nick Stone
*House of Representatives
appointment*

Beth Wood
State Auditor

Minutes
July 13, 2022

Call to Order

The Council of Internal Auditing held its quarterly meeting, Wednesday, July 13, 2022, in the Commission Room located in the Administration Building, 116 W Jones St, Raleigh, NC, with Chair Nels Roseland presiding.

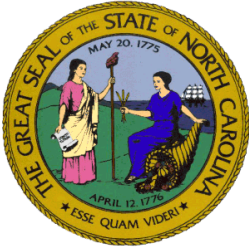
Chair Roseland called the meeting to order and began by reading the Ethics Awareness and Conflict of Interest Reminder. No conflicts were noted by the members. Chair Roseland then took a roll call of members.

The following Council of Internal Auditing Members were present:

Nels Roseland, Chair – State Controller
Mike Arnold Representing Charles Perusse, State Budget Director
Pam Cashwell, Secretary of Department of Administration
Tiffany Lucas representing Attorney General Josh Stein
Beth Wood, State Auditor
Bradley Newkirk – Appointee
Nick Stone – Appointee
Barbara Baldwin, Executive Director, OSBM

A. Approval of Minutes

No corrections were made to the April 6, 2022, minutes. Secretary Cashwell, moved to approve the April 6, 2022, minutes and Mr. Newkirk seconded the motion. The Council unanimously approved by show of hands.



STATE OF NORTH CAROLINA

COUNCIL OF INTERNAL AUDITING

B. Council Items

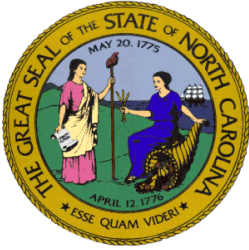
1. New Requirement Attestation for Internal Audit Reports- Overview Provided by Barbara Baldwin

Ms. Baldwin reviewed the new requirements that passed in the November Budget Bill. Internal Audit functions must now provide an attestation when developing their risk-based audit plan and for their audit reports. Internal Audit functions must complete and submit the attestation by September 30th to the Council. The audit director must have a conversation with the agency head about the risk-based audit plan and how it conforms with the Standards. Both parties then sign the attestation. This is the same process for the report attestation except the report attestation must be completed quarterly as opposed to once a year. The report attestations must be completed even if no engagements were completed. The Council staff then validates receipt of the report and reviews to ensure engagements are in the Central Database.

Mr. Stone posed a question on the process of a risk-based plan when risks cannot be addressed. A discussion was held about what changes to the risk-based audit plan attestation could be made to include unaddressed risk. State Auditor Wood asked if there should be something attached to the attestation that addresses risks identified, that did not make it to the audit plan. Mr. Arnold suggested that Mr. Stone meet with Ms. Baldwin in the interim to flesh out this suggestion and make a formal recommendation on the next meeting date. Chair Roseland acknowledged the work and effort in the package currently being presented. He then suggested moving forward with a positive vote and evaluating any proposed changes at a later Council meeting.

Chair Roseland asked if there were any other suggestions for revisions or clarifications of which there were none. He then asked for a motion to approve, with the understanding that there would be internal revisions on how this would be operationalized at the next meeting.

Ms. Lucas motioned to approve the attestation as presented. Mr. Newkirk seconded the motion. A verbal vote to adopt the proposed Attestation for Internal Audit Reports was taken and unanimously approved.



STATE OF NORTH CAROLINA *COUNCIL OF INTERNAL AUDITING*

2. New Requirement for Performance Measures- Overview Provided by Barbara Baldwin

Ms. Baldwin reviewed the new for requirement of performance measures with the Council.

The new mandated requirement 143-747(c)(3a) states: Establish required minimum key performance indicators and criteria that comply with the Professional Practice of Internal Auditing issued by the Institute for Internal Auditors.

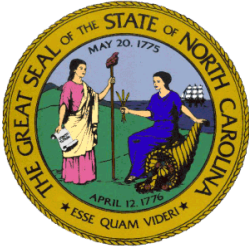
Ms. Baldwin then overviewed the four measures that were put in place that included, productivity (input measure), audit plan versus engagements completed (output measure), number of recommendations accepted by management (outcome measure), and conformance with the Standards (quality measure). Measure one was met by the creation of a new tool for productivity which will be submitted by Internal Audit functions annually. Measures two and three were addressed by modifying the Central Database to collect the information submitted throughout the year. The fourth measure was addressed using the Self-Assessment Maturity Model and the fifth Measure is the QAR.

State Auditor Wood asked for the productivity tools to be further explained as she appreciated all the work that Ms. Baldwin had put into these tools and thought that she had done a great job on this. Ms. Baldwin went on to explain details of the productivity tools.

Chair Roseland asked if there were any other questions or suggestions on the new requirements for the Performance Measure tools. No additional questions were posed. Mr. Stone motioned to approve the adoption of the Performance Measures. Secretary Cashwell seconded the motion. A verbal vote was taken to adopt the proposed Performance Measures and unanimously approved.

3. Statewide Internal Audit Manual - Overview Provided by Barbara Baldwin

Ms. Baldwin overviewed the seven major changes to the Statewide Internal Audit Manual to cover the new mandated requirements. Mr. Stone posed a question on whether there should be a hotline for internal auditors to report concerns to the Council. State Auditor Wood noted it would be better to have something formal created for sustainability. Ms. Baldwin suggested that after approving the current changes to the statewide manual she could have her team create something in that area and bring it forth at the October meeting. Clarification was given to the question of whether there was legal authority of the Council to filter a channel such as this. It was noted that Statute 143.747a(11a) states “the council has the authority to gather and assess the extent to which State agencies have met the minimum key performance indicators and criteria required under subdivision (3a) of this subsection”. Chairman Roseland wanted to make sure of the legalities of starting this channel, and discussion on how this could be approached to help auditors keep management involved, but not be stifled by the involvement. Secretary Cashwell wanted the manual to eventually reflect that there would be a safe place for auditors to bring issues to the Council.



STATE OF NORTH CAROLINA *COUNCIL OF INTERNAL AUDITING*

Mr. Newkirk commented that they were talking about two different things, a fraud hotline and a disagreement that could be documented but could not be anonymous because it would be a professional disagreement that should be reviewed. Mr. Arnold agreed that it would either be reaching out for advice or a formal disagreement that needed review and the Council needs to think about how those communications come in.

Chairman Roseland asked if there were any other observations, concerns, or suggestions that needed to be considered on this agenda item. Ms. Baldwin noted that she would make the suggested changes and bring them forth at the next meeting. State Auditor Wood encouraged all Council members to read and familiarize themselves with the Institute of Internal Auditing Standards, to further understand how agencies staff their Internal Auditor functions including the director position. Discussion was had on what could be done about this issue and State Auditor Wood emphasized that she would be directly involved in making sure all agencies were aware of standards and laws. State Auditor Wood wanted it noted that given the efforts of the General Assembly she would be looking at the Internal Audit efforts of the state of North Carolina in the next 12-18 months and will not hesitate to cite those not in compliance. This includes working with OSHR on what the standards should be when considering who is a Director of Internal Audit. Secretary Cashwell noted that supervisory issues arise when the agency is a smaller entity, and financially when the positions were requested at a salary range, but not approved due to funding.

Mr. Arnold made a motion to approve the Statewide Internal Audit Manual as presented to the council. Secretary Cashwell seconded.

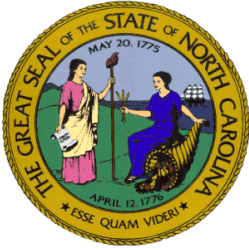
A verbal vote to approve the seven changes to the Statewide Internal Audit Manual as presented was taken. The vote was unanimous.

Mr. Arnold noted a deep appreciation for the General Assembly, the partnership and collaboration on legislative changes made to the statute, and resources provided to the staffing of the Council.

C. Public Comments

Chair Roseland switched the agenda items to accommodate the waiting public participants and stated the work plan update would be addressed last. He called for comments from the public either in person or from those who were joined online.

Senator Thomas McInnis spoke from the crowd issuing thanks to the Council, the State Auditor, and the newly appointed members of the Council for their input and willingness to serve. The General Assembly had found in drafting the legislation that Internal Audit staff were performing functions outside of the Internal Audit sphere such as general accounting. The legislative intent was to make Internal Audit fair, free, independent, and transparent. He agreed that Internal Audit positions needed to be filled and paid to the extent of their services and experience, and furthermore agreed



STATE OF NORTH CAROLINA *COUNCIL OF INTERNAL AUDITING*

that the General Assembly was interested in the expansion of this legislation that was created over 18 months but was a work in progress. He wanted it noted that he looked forward to getting input from the Council on what could make this legislation better.

Chair Roseland noted the Council's appreciation for the Senators comments. There were no other comments during this session.

D. Work Plan Update

Ms. Baldwin gave a general update to the Council on work completed on the six classifications approved by OSHR and how agencies determined who qualified. Council staff provided training to agency HR staff, Internal Audit directors, and managers on how to use the tools and templates. Self-Assessments were then completed by agencies. Universities did not participate as they use the career banding system.

There were 96 positions identified for the self-assessments, and 62 have been completed. The Department of Transportation was late on the assessment but is working with OSHR and the CIAO to complete. All pay grades increased with the new classification which will help with recruitment and retention.

Ms. Baldwin followed with an update on the Governor's recommendation for 60 internal auditors to bring internal audit groups up to the minimum levels. Additional work will be done to determine optimal position levels for Internal Audit groups. None of the recommended 60 positions were funded by the General Assembly.

The last update detailed what activities the staff would be engaged in for the work plan throughout the next year.

There were no suggestions, clarifications, or questions from the Council to these updates.

E. Adjournment

Secretary Pam Cashwell moved to adjourn with the motion seconded by Mr. Arnold.

Adjournment roll call Vote was acknowledged as follows:

Nels Roseland, Chair – State Controller

Bradley Newkirk – Appointee

Nick Stone – Appointee

Mike Arnold Representing Charles Perusse, State Budget Director

Pam Cashwell, Secretary of Department of Administration

Tiffany Lucas representing Attorney General Josh Stein

This is to certify that the foregoing comprises the minutes of the Council of Internal Auditing at the meeting held July 13, 2022.

Witness my hand, this 12 day of October 2022.

Nels Roseland, State Controller, Chair

Barbara Baldwin, Executive Director

North Carolina Council of Internal Auditing

Attestation for Internal Audit Risk-Based Audit Plan

Institute of Internal Auditing Standards

Development of the Risk-Based Audit Plan

2010 – Planning

The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.

Interpretation:

To develop the risk-based plan, the chief audit executive consults with senior management and the board and obtains an understanding of the organization's strategies, key business objectives, associated risks, and risk management processes. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls.

2010.A1 – The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.

2010.A2 – The chief audit executive must identify and consider the expectations of senior management, the board, and other stakeholders for internal audit opinions and other conclusions.

2010.C1 – The chief audit executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the organization's operations. Accepted engagements must be included in the plan.

**North Carolina Council of Internal Auditing
Attestation for Internal Audit Risk-Based Audit Plan**

Attestation for Risk-Based Audit Plan

CHIEF AUDIT EXECUTIVE ATTESTATION

I have met with the Head of my organization and explained:

- How the Risk-Based Audit Plan was developed in accordance with the aforementioned Standards.
- What high risk areas are not included on the risk-based audit plan.
- The reason(s) why high risk areas are not addressed on the risk-based audit plan.

Signature (Chief Audit Executive)

Date

Print Name

HEAD OF THE AGENCY/UNIVERSITY ATTESTATION

I have read the above Standards and met with the Chief Audit Executive. As the agency head of _____, I attest, to the best of my knowledge, that the risk-based audit plan was developed in accordance with the required Standards, and I understand which risk is not covered in the plan and the reason(s) for the lack of coverage.

Signature (Head of Agency/University)

Date

Print Name

Print Title

ANNUAL ACTIVITY REPORT

As Required by G.S. 143-747(c)(12)

July 1, 2021 – June 30, 2022



PREPARED FOR:
STATE OF NORTH CAROLINA
COUNCIL OF INTERNAL AUDITING

Prepared By:

Central Internal Audit Office
Office of State Budget and Management

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DRAFT

EXECUTIVE SUMMARY

The purpose of this report is to provide the North Carolina Council of Internal Auditing members (Council) information on activities performed by the Council staff and agencies¹ Internal Audit (IA) programs. This report describes activities performed from July 1, 2021, through June 30, 2022. The Council is staffed by the Office of State Budget and Management (OSBM). The Central Internal Audit Office (CIAO) has 14 positions, with an Internal Audit Director and a Program Officer/Internal Auditor serving as staff to the Council. The CIAO had an operating budget of \$1,452,690 for FY21-22. Session Law 2021-180 provided for three additional positions that went into effect on July 1, 2022.

The first section of this report describes Council staff responsibilities and activities. The activities and efforts of the Council staff this fiscal year included:

- Supported Council meetings and kept minutes of the proceedings.
- Updated and promulgated guidelines, technical manuals and suggested best practices.
- Supported and completed 3 requests for Peer Reviews.
- Sponsored training sessions on fraud, external quality assurance, a Certified Internal Auditor review course, and others as described on pages 6 and 7 of this report.
- Awarded the North Carolina Award of Excellence to Kara Heffner of UNC Chapel Hill.
- Provided audit services to the Department of Military and Veteran Affairs, Offices of State Budget and Management, State Human Resources, Governor, State Auditor and the Recovery and Resiliency Office.
- Maintained a central database of Agency Internal Audit plans and audit reports. Frequent contact and subsequent follow-up were made to agencies' Internal Audit staff to resolve outstanding issues.
- Created the statewide Internal Audit Service Efforts and Accomplishments Report.
- Administered the Institute of Internal Auditors (IIA) government group membership program providing a 25% discount on IIA memberships.
- Maintained and expanded a statewide internship program.
- Worked frequently with individual agencies to suggest best internal audit practices.

The second section of the report describes the State Agency Internal Audit Program efforts. This section includes Audit Resources, Efforts and Accomplishments, and Compliance with the Internal Audit Act and Council's requirements. Charts and graphs, beginning on page 12, show details of this section.

¹ Agency means department, office, university, commission, or board.

INTRODUCTION

The purpose of this report is to provide the North Carolina Council of Internal Auditing members (Council) information on activities performed by the Council staff and agencies'² internal audit programs. This report describes activities performed from July 1, 2021, through June 30, 2022.

The North Carolina Internal Audit Act³ (the Act) established the Council and requires all Executive Branch agencies to establish a program of internal auditing. The Council is mandated to administer programs and provides services to these internal audit programs. The Act further mandates issuing an annual report on service efforts and accomplishments of these programs; and proposing legislation for consideration by the Governor and General Assembly.

² Agency means department, office, university, commission, board.

³ Entire Internal Audit Act is in Appendix A.

COUNCIL OF INTERNAL AUDITING

Council Resources and Requirements

Membership and Programs

The Council membership is set by statute as shown in Table 1. The Council meets at least quarterly to provide guidance, set policies, and assess the progress of internal auditing efforts within State government.

The Council has 12 mandated requirements within the North Carolina Internal Audit Act. The mandate includes holding meetings, hearings, and administering programs and activities. For details on the Council’s mandated requirements see page 5.

Table 1
Council of Internal Auditing
Members

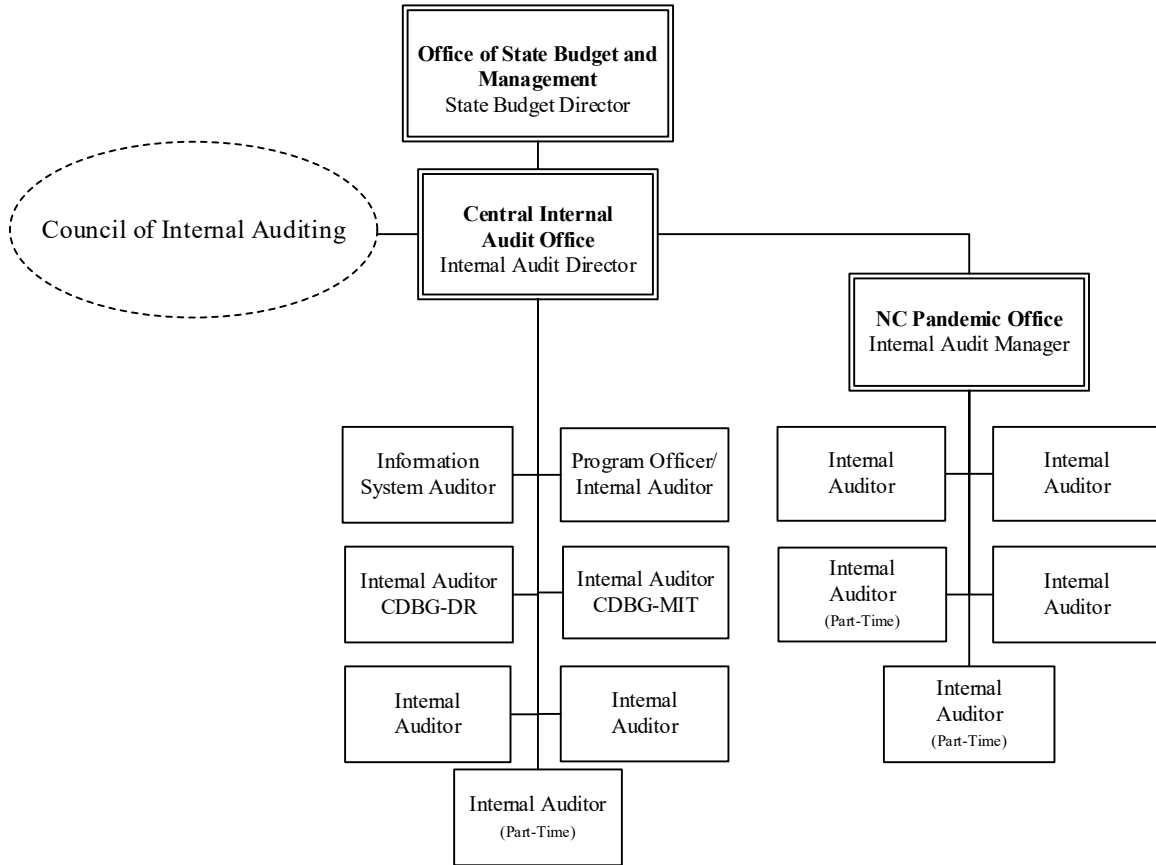
Council of Internal Auditing Members	
Nels Roseland	State Controller
Charles Perusse	State Budget Officer
Pamela Cashwell	Secretary of Administration
Josh Stein	Attorney General
Ronald Penny	Secretary of Revenue
Bradley Newkirk	President Pro Tempore of the Senate appointment
Nick Stone	Speaker of the House of Representatives appointment
Beth Wood	State Auditor (nonvoting)

Council Staff and Expenditures

The Office of State Budget and Management (OSBM) supports the Council and established the Central Internal Audit Office (CIAO) to house the Council staff. The organizational structure of the CIAO is shown in Exhibit 1. The 14 internal auditors hold 13 professional credentials as follows:

- Four Certified Internal Auditors
- Three Certified Fraud Examiners
- One Certified Government Audit Professional
- Three Certified Public Accountants
- One Certified Internal Control Auditor
- One Certified Information System Auditor

**Exhibit 1
Central Internal Audit Office
June 30, 2022**



The expenditures for FY2017-18 through FY2021-22 are shown in Table 2. The Central Internal Audit Office had a sixty-nine percent (69%) overall increase in expenditures compared to the prior year. This increase is attributed to several factors including:

- NC Pandemic Recovery Office (NCPRO) internal auditors paid from Coronavirus Relief funds
- New statewide internship program
- Subject Matter Expert to aid with the internal audit classification assessment
- Training on “How to Perform an Effective External Quality Review” by Institute of Internal Auditors

Table 2

Central Internal Audit Office Five Year Expenditures					
Expenditures	<u>FY2021-22</u>	<u>FY2020-21</u>	<u>FY2019-20</u>	<u>FY2018-19</u>	<u>FY2017-18</u>
Personnel					
<i>Employee</i>	1,347,462	825,442	560,123	561,399	508,707
<i>Contractor*</i>	14,186			-	-
Total Personnel	1,361,648	825,442	560,123	561,399	508,707
Purchased Services					
<i>Software</i>	723	4,831	5,360	32,096	2,559
<i>Training & Development</i>	14,977	3,464	1,852	16,440	15,351
<i>Information Technology Services</i>	26,446	16,839	8,946	11,792	10,261
<i>Travel</i>	2,499	-	1,710	1,728	2,941
Total Purchased Services	44,646	25,134	17,867	62,056	31,112
Supplies	-	-	-	-	-
Property, Plant, & Equipment	-	422	-	-	-
Other**	46,396	7,342	1,394	1,414	1,279
Total Expenditures	1,452,690	858,340	579,383	624,869	541,098
<u>BREAKDOWN BY FUND SOURCE</u>					
General Fund	873,701	612,708	514,525	562,833	541,098
CDBG-DR Funds	230,372	245,632	64,858		
State Disaster Funds				51,324	
Other State Agencies				10,712	
Coronavirus Funds	348,616				

* Comp and Class Subject Matter Expert

**Internship program \$40,000

Efforts and Accomplishments

The Internal Audit Act sets specific requirements for the Council. In addition to these mandated requirements, the Council has initiated other programs to support internal audit programs with efficiency and effectiveness.

Council Mandated Requirements

There are twelve mandated requirements within the Act which the Council is responsible for implementing and administering throughout the year.

G.S. 143-747(c)(1 and 2) Meetings and Minutes

G.S. 143-747(c)(1) This mandate requires the Council to hold meetings and G.S. 143-747(c)(2) requires keeping minutes of those proceedings.

Council staff kept minutes of all meetings held. Draft minutes were published in the meeting materials for the Council members to review and approve. Approved minutes were maintained by the Council staff.

G.S. 143-747(c)(3) Guidelines

This mandate requires the Council to promulgate guidelines for the uniformity and quality of internal audit activities.

The guidelines for all North Carolina internal auditors are found in the Institute of Internal Auditors' International Professional Practices Framework (IPPF). That is the standard by which the Internal Audit community in North Carolina operates today.

G.S. 143-747(c)(4) Staffing Analysis

This mandate requires the Council to recommend the number of internal audit employees required by each State agency.

The Council staff refreshes the staffing analysis every three to four years. The staffing analysis is an abridged review to identify the minimal number of internal audit positions needed, not the optimal. A more extensive review must be conducted to determine the optimal number of positions needed in each internal audit program. The last review was completed in June 2017, which identified 24 agencies with internal audit staffing levels under the minimum needed to address risk within their agencies. Using the current model for analysis, the number of positions needed to get all agencies to the minimum number is 52.5 positions at a cost⁴ of just under \$5 million. Details of the specific staffing recommendations can be seen in Appendix B. Council staff are currently working to modify the staffing analysis to account for more organizational risk factors. In 2021, the Governor recommended funding sixty new internal auditor positions. The General Assembly did not fund any of these positions.

G.S. 143-747(c)(5) Guides, Technical Manuals, and Best Practices

This mandate requires the Council to develop audit guides, technical manuals, and suggested best practices.

The Statewide Internal Audit Manual (manual) was published in May 2008 and communicated to all internal auditors. The Institute of Internal Auditor's Standards (IIA Standards) is used as its framework, and the manual is updated when necessary. The manual was updated in April 2021, to include the future requirements codified in Session Law 2021-180 that took effect July 1, 2022. In addition, the Council developed a technical bulletin to

⁴ Annual cost of a position includes Salary and Benefits – \$91,200; and operating cost of \$3,800.

provide additional guidance and best practices to internal auditors. Internal Audit staff to the Council work with individual agencies frequently to suggest best internal audit practices. Numerous conversations take place during the year to provide audit tips and solutions. Consultations take place almost daily as agency internal auditors reach out seeking support and assistance.

G.S. 143-747(c)(6) Peer Review Program

This mandate requires the Council to administer an independent peer-review system for each State agency's internal audit activity; specify the frequency of such reviews consistent with applicable national standards; and assist agencies with the selection of independent peer reviewers from other state agencies.

Council staff established a Peer Review program, which is a cooperative effort between the internal audit programs. All internal audit programs are required to have an external quality assurance review every five years, as set by the IIA Standards. The Peer Review program was modeled after and follows all the requirements included in the Institute of Internal Auditors Quality Assessment Manual. Training is provided to internal auditors on how to conduct a review and how to use the tools and templates for completing the review. Council staff receives requests, selects review team members, assists team members during the process, and conducts a quality review of each Peer Review conducted. A manual has been established for this program to outline the processes, roles and responsibilities of the review team, internal audit programs and the Council staff.

For FY2021-22, three agencies requested services from the Peer Review program. All three reviews were completed. See page 22 for more details related to the outcomes of the Peer Review program.

G.S. 143-747(c)(7) Training and Recognition Programs

This mandate requires the Council to provide centralized training sessions, professional development opportunities, and recognition programs for internal auditors.

To maintain proficiency, internal audit standards require internal auditors participate in professional development. During FY2021-22, the Council sponsored 3 trainings, which provided internal auditors the opportunity to earn up to 51 certified professional education (CPE) hours

- The 6th Annual Fraud Audit Conference was held September 9, 2021. This training session provided 3 CPE hours at no cost to participants. Participants were invited from State agencies, universities, community colleges, local education agencies, and local governments. There were 204 registered participants.
- 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 review course corresponded to the three parts of the Certified Internal Auditor Examination administered by the IIA. The training occurred between October and November 2021 and provided 32 CPE hours. There were 10 registered participants, and the cost of sponsoring the training was approximately \$100 per participant per day. Based on survey responses, 100% of participants found the training sessions valuable.
- CIAO staff coordinated a two-day training on External Quality Assurance in conjunction with the IIA. The training was held on April 6-7, 2022. Participants received 16 CPE. The cost of the training session was \$11,500 and there were 40 participants at the training.

In addition to the training sessions above, other free or low-cost training sessions were identified and communicated to all internal auditors throughout the year. Communication takes place via email and postings on the OSBM website. Over the past year, 13 professional development opportunities were identified, providing 78 CPE hours. Over 53% of the training events provided 10 CPE hours free of charge.

The North Carolina Internal Auditor Award of Excellence is the Council's award for outstanding achievement in internal auditing. To express its appreciation for excellence in the field of internal auditing, this award is presented annually to honor a state internal auditor or a group of internal auditors who made extraordinary contributions that promote excellence in internal auditing. The 2021 Internal Auditor Award of Excellence was presented to Kara Heffner with the University of North Carolina at Chapel Hill Internal Audit.

G.S. 143-747(c)(8) Shared Internal Audit Program

This mandate requires the Council to 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. The shared internal audit program provides audit services to small state agencies. To use the internal audit program, a state agency must:

1. Have an annual operating budget exceeding ten million dollars but less than seventy million dollars; or
2. Employ less than 100 full-time equivalent employees; or
3. Receive and process more than ten million dollars but less than seventy million dollars in cash in a fiscal year; or
4. Be deemed an appropriate recipient of internal audit services by the Council of Internal Auditing.

In addition to servicing 6 agencies, the program is responsible for conducting audits of the community development block grant disaster recovery and mitigation funds. Finally, the program will assist internal audit programs upon request. Services are dependent upon resource availability of the program. For service efforts of the OSBM Central Internal Audit Office, see page 12.

G.S. 143-747(c)(9) Report and Audit Plan Repository

This mandate requires that the Council maintain a central database of all annual internal audit plans; topics for review proposed by internal audit plans; internal audit reports issued and individual findings and recommendations from those reports.

Internal audit programs submit their audit plans and reports via a SharePoint portal. Agencies must submit their audit plans by September 30th of each year and audit reports must be submitted within ten days of the issued date. For more details on compliance with requirements, see page 22.

G.S. 143-747(c)(10) Reports on Internal Audit Matters

This mandate allows the Council to require reports in writing from any State agency relative to any internal audit matter.

During FY 2021-22, the Council did not require any State agency to submit a written report on any internal audit matter.

G.S. 143-747(c) (11) Hearings, Inquiries, and Subpoenas

This mandate allows the Council, when determined necessary by a majority vote of the Council, to conduct hearings relative to any attempts to interfere with, compromise, or intimidate an internal auditor, and to inquire as to the effectiveness of any internal audit unit and authorize the Chair to issue subpoenas for the appearance of any person or internal audit working papers, report drafts, and any other pertinent document or record regardless of physical form needed for the hearing.

During FY 2021-22 the Council did not hold any hearings related to interference, compromise, or intimidation of internal auditors, no inquiries as to the effectiveness of an internal audit unit were performed, and no subpoenas were issued.

G.S. 143-747(c)(12) Annual Report

This mandate requires the Council to issue an annual report including, but not limited to, service efforts and accomplishments of state agency internal auditors and to propose legislation for consideration by the Governor and General Assembly. This report serves as the Council's Annual Report.

Council Initiatives

Institute of Internal Auditors (IIA) Government Group Membership

The purpose of the program is to broaden and support internal audit knowledge by providing a reduced membership rate. Some benefits of membership include free and discounted continuing education development and professional publications; enhanced networking; and exclusive on-line resource materials. The Council staff has worked with the IIA to establish the State of North Carolina Government Group membership program that starts October 1 and ends September 30 of each year. Any government employee⁵ can join this group and receive a discount on an IIA membership. On October 21, 2021, the program registered 191 individuals and, throughout the year added 15 individuals, resulting in a 25% reduction of the regular membership rate.

Self-Assessment Maturity Model (SAMM)

The SAMM's tool allows internal audit programs to evaluate themselves based upon the IIA Standards. Workshops are held to aid internal audit programs with completion of the tool. The tool provides a rating between 1 and 5 with 3 meeting the IIA Standards. Once completed the Internal Audit director discusses the outcome with the agency head. The SAMM must be submitted to the Council and Council staff utilize the results to target training areas. The outcome of the self-assessment is shown in Table 3 on page 9.

Internship Program

The internship program is a collaboration between UNC System Office and the Council of Internal Auditing. It is housed at the UNC System Office because of its relationship between the program, students, and professors. Students are recruited from any UNC System university or community college to participate in the program. Participating students are assigned a data analytics or audit project from an agency's Internal Audit Plan. The internship program director works closely with professors to provide feedback on students' assignments to allow for a final grade to be given.

A cooperative agreement between the UNC System Office and OSBM outlines the roles and responsibilities related to the internship program. An internship program director was hired on July 1, 2021.

During the FY2021-22 the internship program had ten fall semester and fifteen spring semester participating students. Thirteen agencies received services. Engagements provided for these agencies included: information systems, compliance issues, application reviews, operational/performance issues, and data analytic dashboards. OSBM hired two individuals that participated in the internship program

⁵ Local Government, Local Education Agency, State Government internal auditors and any Government employees that holds a certification issued by the IIA can join this group.

Table 3

FY2022 Self-Assessment Results⁴			
Agency	Score	Agency	Score
Appalachian State University	3.85	NC Education Lottery	4.15
Community College Central Office	2.63	North Carolina A&T State University	3.30
Department of Administration	2.50	North Carolina Central University	3.31
Department of Agriculture & Consumer Services	3.81	North Carolina School of Science and Math ¹	
Department of Commerce	2.76	North Carolina School of the Arts ²	
Department of Cultural and Natural Resources	2.98	North Carolina State University	4.20
Department of Environmental Quality	3.41	Office of State Budget and Management	3.45
Department of Health and Human Services	3.35	Office of the State Controller	2.98
Department of Information Technology	2.63	State Education Assistance Authority ¹	
Department of Insurance	3.15	University of North Carolina Asheville	2.70
Department of Justice	2.53	University of North Carolina Chapel Hill	3.38
Department of Labor	2.88	University of North Carolina Charlotte	4.51
Department of Public Instruction	3.30	University of North Carolina Greensboro	2.60
Department of Public Safety	3.28	University of North Carolina Hospital	3.93
Department of Revenue	3.40	University of North Carolina Pembroke	3.10
Department of Secretary of State ³		University of North Carolina System Office	3.15
Department of State Treasurer	2.36	University of North Carolina Wilmington	3.56
Department of Transportation	2.85	Western Carolina University ³	
East Carolina University	3.78	Wildlife Resources Commission	2.96
Elizabeth City State University	3.30	Winston-Salem State University	3.51
Fayetteville State University	3.45		
Housing Finance Agency	3.30		

1. Is included in University of North Carolina System Office score

2. Is included in Winston-Salem State University score

3. Has not completed SAMM at this time due to staff vacancy

4. Information is self-reported by each internal audit program and not verified by Council staff

Classification and Compensation of Internal Audit Staff

The classification and compensation initiative addressed the statewide internal audit recruitment and retention issues. In 2018, a change in the classification and compensation system, required State agencies to use the auditor classification when hiring internal auditors. The auditor classification described a program/financial auditors' job duties and knowledge, skills, and abilities (KSA). The auditor classification did not accurately describe job duties nor KSA for an internal auditor. This made it difficult to recruit qualified internal auditors. In addition, the pay scale for the auditor series was not competitive for hiring internal auditors.

This project created 6 new classifications assigned to internal audit. Classifications were created and vetted with the Office of State Human Resources (OSHR). The six new internal audit classifications were approved by the Human Resource Commission in May 2021. Council staff created tools and templates 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. A subject matter expert was contracted to review the self-assessments ensuring the proper placement.

Council staff provided training on July 15, 2021, to agency HR staff, Internal Audit Directors, and Managers on how to use the tools and templates. Self-Assessments were scheduled to be completed by state employees and submitted to the agency HR staff for submission to the subject matter expert on, or before, August 23, 2021. All assessments were scheduled to be reviewed by the subject matter expert by October 11, 2021. OSHR issued final decisions in January 2022.

Universities did not participate since they use the career banding system. The results of these assessments were:

- 5 Internal Audit Directors
- 8 Internal Audit Managers
- 2 Internal Audit Supervisor
- 31 Internal Auditor III
- 16 Internal Auditor II
- 11 Internal Auditor I

Proposed Legislation Changes

The Council of Internal Auditing did not sponsor any changes related to the Internal Audit Act during the 2021-2022 Legislative Session.

STATE AGENCY INTERNAL AUDIT PROGRAM EFFORTS

Audit Resources

Positions and Contracting

There are 46 agencies subject to the Internal Audit Act. Different models are used to establish an internal audit program, from in-house staffing to outsourcing the entire program. Below is information on internal audit positions, contractor use and supplemental staffing via intern or temporary employees.

As shown in Table 4, there are 201.55 internal audit positions, which are spread across 39 State Agencies. As of June 30, 2021, 78% of these positions were filled. There was a net loss of 7 positions across the State. Significant changes within certain State Agencies included:

- Department of Public Instruction added 2 internal audit positions.
- Department of Environmental Quality added 2 internal audit positions.

Four agencies outsource their internal audit program to other agencies or private contractors as follows:

- North Carolina School of the Arts contracts with Winston-Salem State University for audit services.
- North Carolina School of Science and Mathematics contracts with the University of North Carolina System Office.
- North Carolina State Education Assistance Authority contracts with the University of North Carolina System Office.
- North Carolina Housing Finance Agency contracts with Cherry Bekaert.

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. Agencies serviced by OSBM during FY2021-22 were:

- Department of Military and Veterans Affairs
- Office of State Budget and Management (including NCPRO)
- Office of State Human Resources
- Office of the Governor
- Office of the State Auditor
- Office of Recovery and Resiliency

The Department of Military and Veterans Affairs is above the required \$70 million threshold but uses OSBM due to a lack of resources. The Office of Recovery and Resiliency is required to have an independent internal auditor per the State's application to the Federal Granting Agency. The Office of Recovery and Resiliency used OSBM's and reimbursed for the cost of the two positions.

Table 4

Statewide Internal Audit Positions⁵ Five-Year History						
	2022	2021	2020	2019	2018	2017
Community College System Office	1	2	2	2	2	2
Department of Administration	3	2	2	1	1	1
Department of Agriculture & Consumer Services	3	3	3	4	4	4
Department of Commerce	3	4	3	4	4	4
Department of Environmental Quality	5	3	3	3	3	2
Department of Health & Human Services	33.8	36	36	38	39	41
Department of Information Technology	4	4	4	2	2	3
Department of Insurance	1	1	1	1	1	1
Department of Justice	0.5	0.5	0.5	0.5	1	1
Department of Labor	1	1	1	0	0	0
Department of Military and Veterans Affairs ¹	0	0	0	0	0	0
Department of Natural and Cultural Resources	2	3	2	2	2	2
Department of Public Instruction	9	7	2	2	2	2
Department of Public Safety	23	23	19	18	18	18
Department of Revenue	3	3	3	2	3	3
Department of Secretary of State	1	1	1	1	1	2
Department of State Treasurer	5	5	5	5	6	3
Department of Transportation	16	16	15	25	25	25
Housing Finance Agency ²	0	0	0	0	0	0
North Carolina Education Lottery	3	3	3	3	3	3
Office of State Controller	0.75	0.75	0.75	0.75	0.5	0.5
Office of State Human Resources ¹	0	0	0	0	0	0
Office of State Budget & Management ¹	11	8	7	6	5	5
OSBM Office of Pandemic Recovery ¹	0	4	0	0	0	0
Office of the Governor ¹	0	0	0	0	0	0
Office of the State Auditor ¹	0	0	0	0	0	0
Wildlife Resources Commission	1	1	1	1	1	1
Appalachian State University	5	5	5	5	5	5
East Carolina University	7	7	7	7	7	8
Elizabeth City State University	2	2	2	2	2	1
Fayetteville State University	1	1	1	0	0	0
North Carolina Agricultural & Technical State University	4	4	4	4	4	4
North Carolina Central University	4	4	4	4	4	4
North Carolina School of Science and Mathematics ⁴	0	0	0	0	0	0
North Carolina School of the Arts ³	0	0	0	0	0	0
North Carolina State Education Assistance Authority ⁴	0	0	0	0	0	0
North Carolina State University	7	7	7	7	7	7
University of North Carolina Asheville	1	1	1	1	1	1
University of North Carolina Chapel Hill	7	8	8	6	7	7.75
University of North Carolina Charlotte	6	6	6	5	5	5
University of North Carolina System Office	3	3	3	2	2	2
University of North Carolina Greensboro	2	2	2	2	2	2
University of North Carolina Pembroke	3	2	2	2	2	2
University of North Carolina Wilmington	5	5	5	4	4	4
Western Carolina University	2	2	2	2	2	1
Winston-Salem State University	6	6	6	6	6	5
University of North Carolina Hospital	6	7	7	7	7	7
Total	201.05	203.25	186.25	187.25	190.50	189.25

1. Utilizes Office of State Budget and Management Central Internal Audit Office program

2. Uses contract auditors (vendor)

3. Contracts with Winston-Salem State University

4. Contracts with University of North Carolina System Office

5. Information is self-reported by each internal audit program and not verified by Council staff

Supplement Staffing Efforts

Agencies continue efforts to supplement staffing levels by using one or a combination of the following: the state term internal audit supplemental staffing convenience contract, hiring interns, and/or temporary employees. Over the past year, 19 agencies have utilized alternative methods to address resource limitations as shown in Table 5.

Table 5

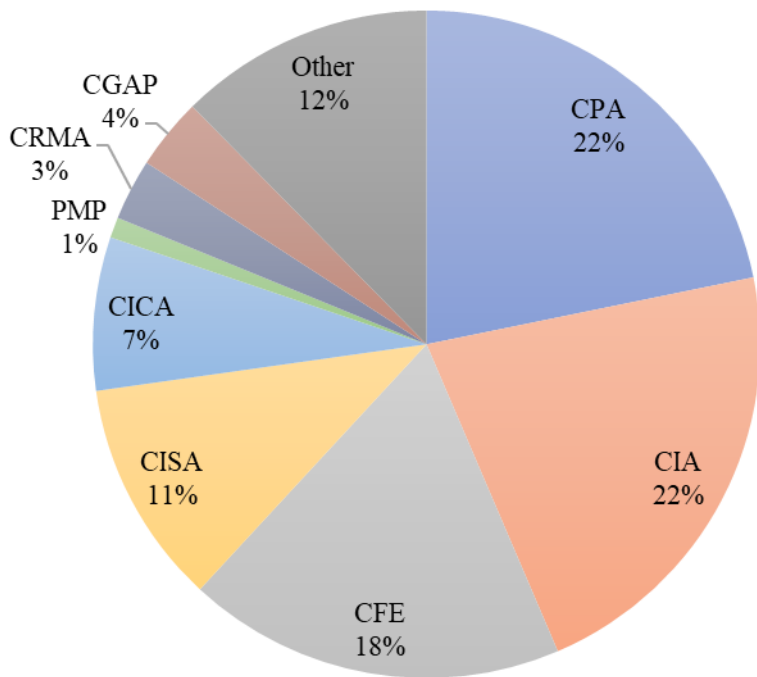
Supplemental Staffing Efforts				
Agency	State Term Contract	Interns	Temporary Employees	Other¹
Department of Natural and Cultural Resources	✓		✓	
Department of Health & Human Services	✓	✓	✓	
Department of Information Technology	✓		✓	
Department of Administration	✓			
Department of Agricultural and Consumer Sciences		✓		
Department of Environmental Quality		✓		
Department of Transportation	✓			
Office of State Budget and Management (OSBM)		✓	✓	
East Carolina University		✓		
Housing Finance Agency				✓
North Carolina State University				
Appalachian State University		✓	✓	
University of North Carolina - Pembroke				
University of North Carolina - System Office		✓		
University of North Carolina Hospital			✓	
North Carolina Central University			✓	
Community College System Office			✓	✓
University of North Carolina at Pembroke		✓		
Fayetteville State University		✓		
Total	5	9	8	2

1. Other supplemental staffing efforts include co-sourcing with Cherry Bekaert and contracting with Jefferson Wells.

Personnel Proficiency

Professional certifications and advanced degrees may lead to increased proficiency. Overall, internal auditors currently hold 201 professional certifications in 27 different areas. A breakdown of all designations held by agencies' internal auditors is shown in Chart 1, on the next page. Chart 2 shows the top four certifications held by internal auditors, all four have decreased from last year. Certified Internal Auditor and Certified Public Accountant top the list with 44 in each category.

**Chart 1: FY2021-22
Professional Certification**

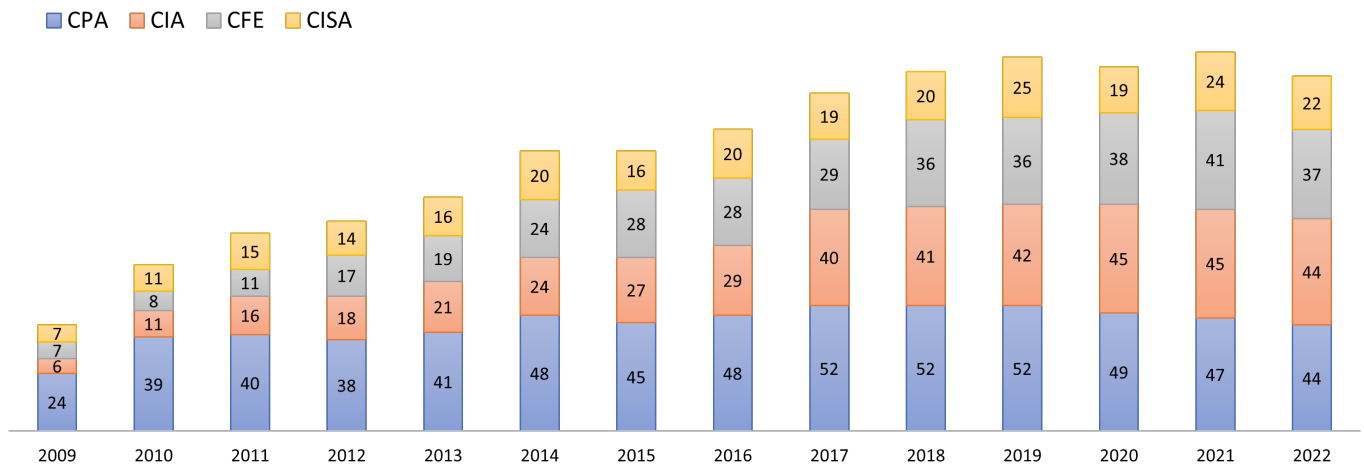


- 44 CPA/Certified Public Accountant
- 44 CIA/Certified Internal Auditor
- 37 CFE/Certified Fraud Examiner
- 22 CISA/Certified Information Systems Auditor
- 15 CICA/Certified Internal Controls Auditor
- 7 CGAP/Certified Government Audit Professional
- 6 CRMA/Certification in Risk Management Assurance
- 2 PMP/Project Manager Professional

Other:

- 3 Certified Information System Security Professional
- 1 Certified Government Financial Manager
- 3 Certified Public Manager
- 2 Certified Risk and Information Systems Control
- 1 Certified Data Privacy Solutions Engineer
- 1 Certified Anti-Money Laundering Specialist
- 1 Certified Compliance and Ethics Professional
- 1 Certified Ethical Hacker
- 1 Certified Fraud Specialist
- 1 Certified Forensic Investigation Professional
- 1 Certified Healthcare Compliance
- 1 Certified Healthcare Audit Professional
- 1 Certified Network Defense Architect
- 1 Certified Information System Manager
- 1 Certified Government Chief Information Officer.
- 1 Computer Hacking Forensic Investigator
- 1 Certified Security Analyst
- 1 Certification in Control Self-Assessment
- 1 CompTIA Network+ ce Certification
- 1 EC- Council Certified Security Analyst

Chart 2: Year Growth in Certifications Held by Internal Auditors
Historical view of the top four certifications held by internal auditors



Information above is self-reported by each internal audit program and not verified by Council staff

Chart 3 illustrates the type of advanced degrees held by the Agency’s internal auditors during the fiscal year. Auditors held 84 advanced degrees, with 82% of these being master’s degrees in business administration or accounting.

Chart 3: FY2020-21 Advanced Degrees

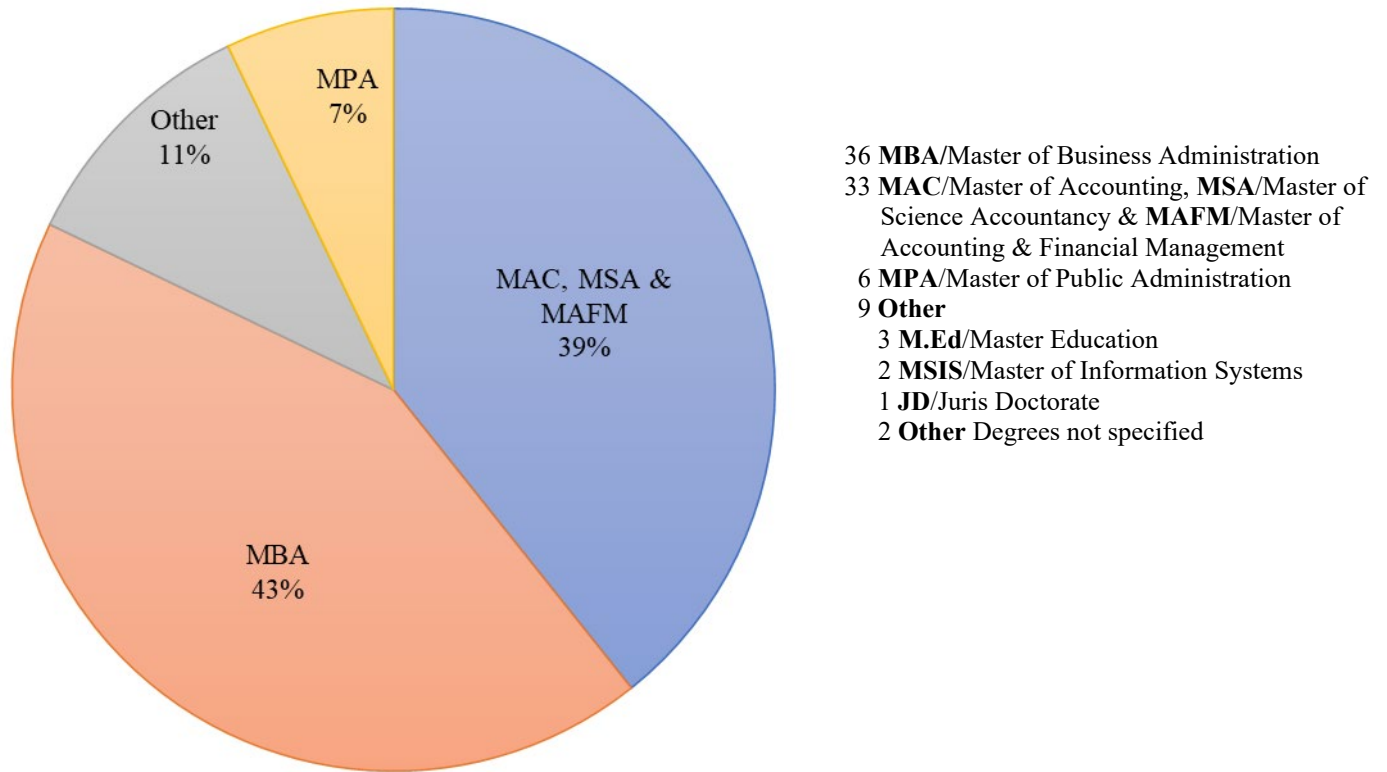
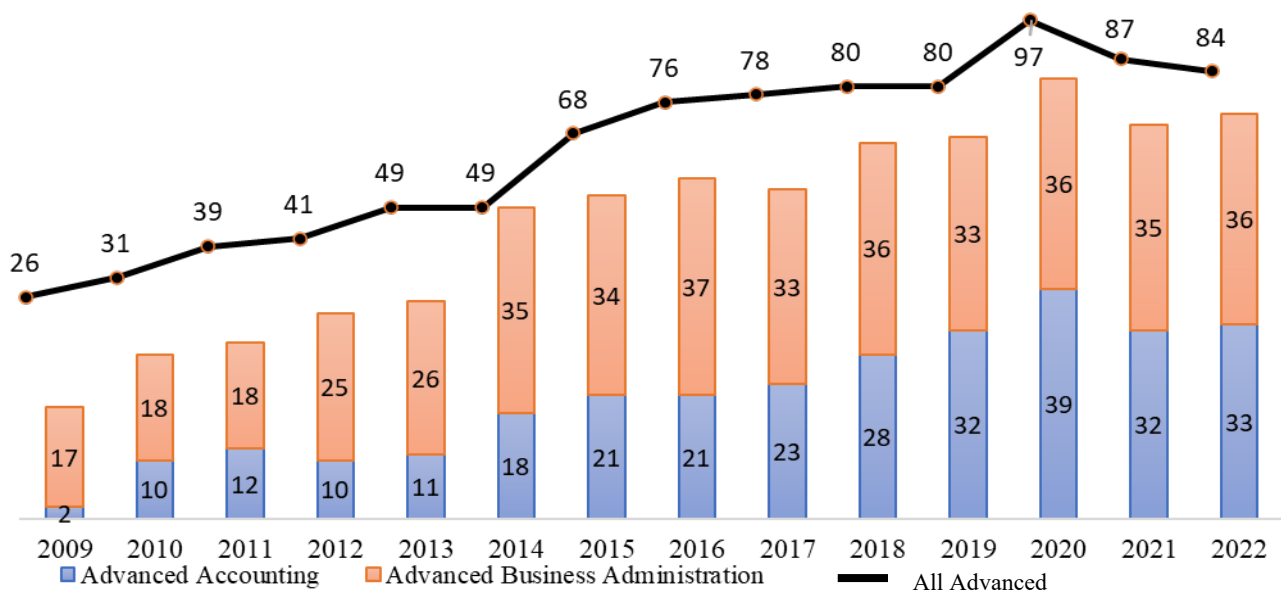


Chart 4 is a historical view that emphasizes accounting and business administration degrees.

Chart 4: 14-Year Growth in Advanced Degrees with an Emphasis on Top Two Advanced Degrees



Computer Assisted Audit Tools

Internal audit programs can use computer-assisted audit tools (CAATs) to improve the efficiency and effectiveness of administrative and audit tasks. Automated tools range from basic office productivity software such as spreadsheets, word processors and text editing programs to more advanced software packages involving the use of statistical analysis and business intelligence tools.

The advanced software products are typically productivity tools or generalized audit software. Productivity tools, such as Teammate and SharePoint, aid with the administration and management of the audit processes. Generalized audit software tools, such as ACL and IDEA, assist with data extraction, analytics, and testing.

Table 6 identifies the types of CAAT products during fiscal year 2022. Some internal audit programs use more one generalized audit software or productivity tool which is depicted in Table 7 on the next page. Also shown in Table 6, all internal audit programs use Microsoft Office products to enhance productivity through automation. Currently, 30 IA programs have generalized audit software with 15 having multiple tools and 24 agencies have productivity tools. A 10-year historic view shows a significant growth in IA programs that have CAATs as illustrated in Chart 5

Table 6

Computer Assisted Audit Tools Use by Internal Audit Functions¹			
Generalized Audit Software		Productivity Tool	
Software	Users	Software	Users
Tableau	24	SharePoint	12
Active Data	6	Auto Audit	5
Power BI	13	TeamMate	2
IDEA	4	Note One	6
ACL	1	Auditor Assistant	1
Pentana	1	HighBond	1
TeamMate Analytics	1	ShareFile for Windows	5
Truven	1	Diligent	2
SAS	1		
EnCase	1		

**Chart 5: Number of Agencies Using CAATs
10 Year History**

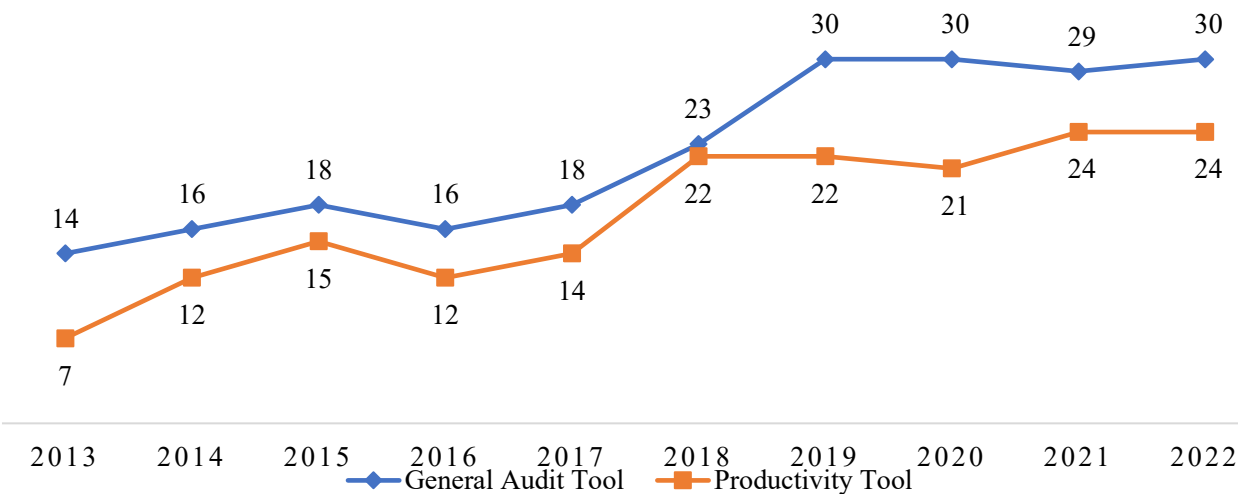


Table 7

Computer Assisted Audit Tool Usage⁵			
State Agency	Microsoft Office Products	Generalized Audit Software¹	Productivity Tool²
Community College System Office	✓		✓
Department of Administration	✓		✓
Department of Agriculture & Consumer Services ^{3,4}	✓	✓	✓
Department of Commerce	✓	✓	
Department of Environmental Quality ⁴	✓	✓	✓
Department of Health and Human Services ^{3,4}	✓	✓	✓
Department of Information Technology	✓	✓	✓
Department of Insurance	✓	✓	
Department of Justice	✓		
Department of Labor	✓	✓	
Department of Natural and Cultural Resources	✓	✓	✓
Department of Public Instruction	✓	✓	
Department of Public Safety	✓	✓	
Department of Revenue	✓		
Department of Secretary of State	✓		
Department of State Treasurer ³	✓	✓	✓
Department of Transportation ³	✓	✓	✓
North Carolina Education Lottery ³	✓	✓	
Office of State Budget & Management ^{3,4}	✓	✓	✓
Office of the State Controller	✓	✓	✓
Wildlife Resource Commission	✓	✓	✓
Appalachian State University ^{3,4}	✓	✓	✓
East Carolina University ³	✓	✓	✓
Elizabeth City State University ⁴	✓	✓	✓
Fayetteville State University	✓	✓	
North Carolina Agricultural & Technical State University ³	✓	✓	✓
North Carolina Central University	✓		
North Carolina State University	✓	✓	
University of North Carolina Asheville	✓		
University of North Carolina Chapel Hill ³	✓	✓	✓
University of North Carolina Charlotte ^{3,4}	✓	✓	✓
University of North Carolina System Office ^{3,4}	✓	✓	✓
University of North Carolina Greensboro	✓		
University of North Carolina Hospital ³	✓	✓	✓
University of North Carolina Pembroke	✓	✓	✓
University of North Carolina Wilmington ³	✓	✓	✓
Western Carolina University ³	✓	✓	✓
Winston-Salem State University	✓		✓

1. Perform routine audit tasks including data extract, analytics, and testing.
2. Streamline processes to manage audits through electronic work papers and workflows.
3. Uses multiple generalized audit tools.
4. Uses multiple productivity tools.
5. Information is self-reported by each internal audit program and not verified by Council staff.

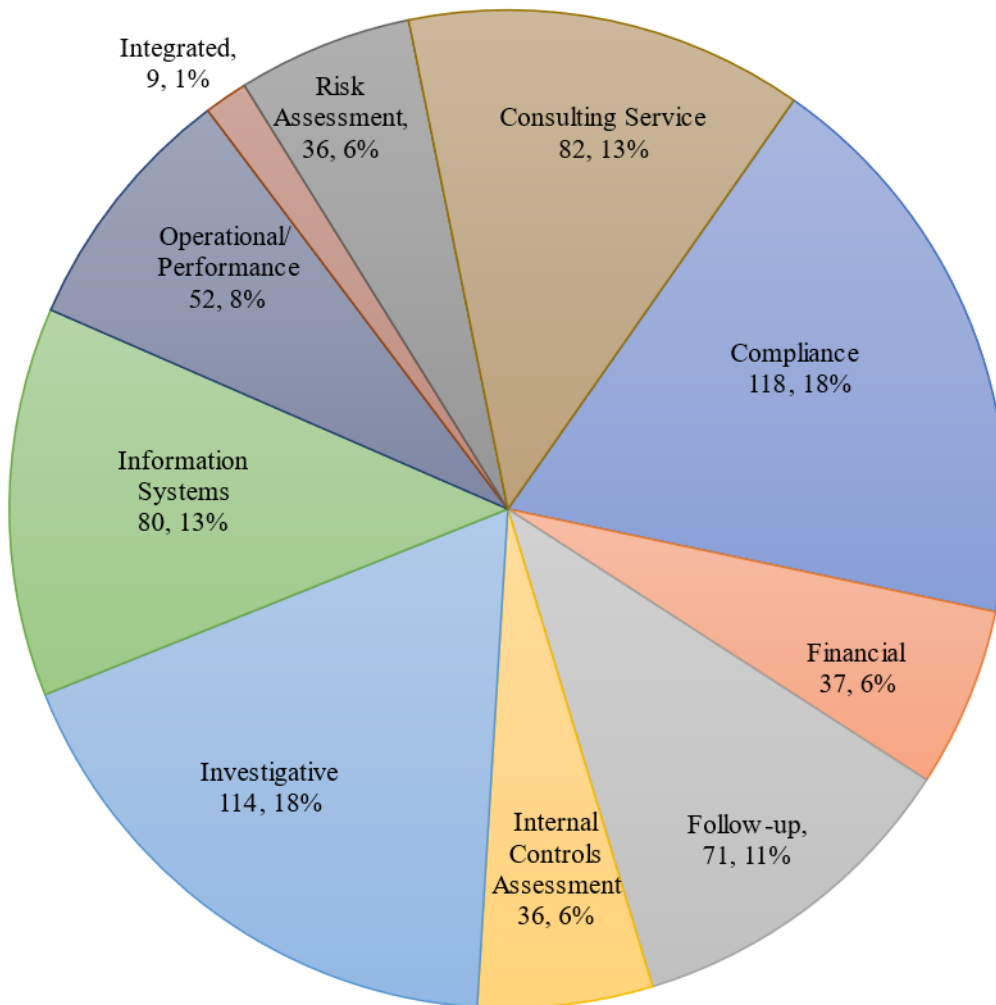
Efforts and Accomplishments

Internal Audit Engagements

From July 1, 2021, through June 30, 2022, Chart 6 shows the number and percentage of internal audit engagements completed by type. More risk assessment engagements were completed when compared to other internal audit engagements. In addition to the engagement work shown here, most internal audit programs provided technical assistance⁶ throughout the year. During the same time, internal auditors provided 23,303.80 hours of assistance to their agency's management which did not result in the issuance of a report.

Chart 6: 2021 Engagements Statewide

Information is self-reported by each internal audit program and not verified by Council staff.



Engagements by agencies are shown in Table 8 on the next two pages.

⁶ Technical assistance is advice provided to agency employees which can take the form of a phone call, in-person, or virtual meetings, and/or email. The amount of time to provide the advice is significantly less than the time to complete an engagement.

Table 8 (Continued on next page)

Information is self-reported by each internal audit program and not verified by Council staff.

Agency Engagements													
Agency	Compliance	Financial	Follow-up	Information Systems	Internal Controls Assessment	Investigative	Operational/Performance	Integrated	Risk Assessment	Consulting Service	Special Project	Total Engagements	Technical Assistance Hours
Community College System Office					1							1	
Department of Administration						3			1		1	5	
Department of Agriculture and Consumer Services	3		1	1			2	2	1		15	25	102
Department of Commerce	2	7		2		1	3		4		60	79	250
Department of Environmental Quality	2		4	1	2	1	1		1		1	13	193
Department of Health and Human Services	21	7	11	43		22			1	39	4	148	11,325
Department of Information Technology	1		3	1	2				1		5	13	400
Department of Insurance			1									1	
Department of Justice													
Department of Labor						4						4	815
Department of Natural and Cultural Resources	1								1		1	3	
Department of Public Instruction					1	1			1			3	727
Department of Public Safety	26	5	5			8	1			4	1	50	
Department of Revenue	4			1	2	1	1					9	480
Department of Secretary of State				1			2		1		3	7	8
Department of State Treasurer							1		1	1		3	60
Department of Transportation	2					6			1		13	22	850
North Carolina Education Lottery	9			1								10	1,000
North Carolina Housing Finance Agency	2				1		1		2			6	
Office of State Budget and Management	12		7		1	14	6		6	9	35	90	362
Office of the State Controller	2						1		1		1	5	250
Wildlife Resources Commission					1	1			1		2	5	300

Self reported by each Internal Audit function

Table 8 (Continued from previous page)

Agency Engagements													
Agency	Compliance	Financial	Follow-up	Information Systems	Internal Controls Assessment	Investigative	Operational/Performance	Integrated	Risk Assessment	Consulting Service	Special Projects	Total Engagements	Technical Assistance Hours
Appalachian State University	2	10	4	2	16		3			1		38	419
East Carolina University	2		6	4		13	9		2	6	4	46	951
Elizabeth City State University	2		3	1		3	2		1	1	1	14	45
Fayetteville State University			2		1	2						5	262
North Carolina Agricultural & Technical State University	1		6	1	1	8			1	2		20	75
North Carolina Central University	2		1			1					3	7	
North Carolina School of the Arts			3			1			1		1	6	15
North Carolina School of Science and Math			1	1		1	2		1			6	86
North Carolina State University	1		5	1		6				9		22	1,177
North Carolina State Education & Assistance Authority	1		1						1			3	8
University of North Carolina - Asheville												-	278
University of North Carolina - Chapel Hill	10	4		3			5		1		14	37	922
University of North Carolina - Charlotte		2		4	1	2		7	1		4	21	162
University of North Carolina - System Office	1		1	2		1	3		1	4		13	68
University of North Carolina - Greensboro	1				2					2	1	6	500
University of North Carolina - Pembroke			1			3					1	5	980
University of North Carolina - Wilmington	1	1	3	2		1	2		1	2		13	478
University of North Carolina - Hospital	7			4	2		3			1	9	26	
Western Carolina University		1		4	1	4	4					14	
Winston-Salem State University			2		1	6			1	1	1	12	125

Self reported by each Internal Audit function

Compliance

Internal Audit Act and Council Requirements

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. Table 9 identifies two entities that submitted Audit plans late. The Department of Justice and Department of Insurance did not submit an audit plan for FY 2022.

Engagement reports currently must be submitted within 10 days after the issuance of the final report. Table 9 identifies thirteen agencies that submitted their reports late and three did not submit any reports. To improve coordination with the new Council mandates, the Council should consider changing the report submission requirement to a quarterly cadence in order to align with quarterly report attestation submission and review.

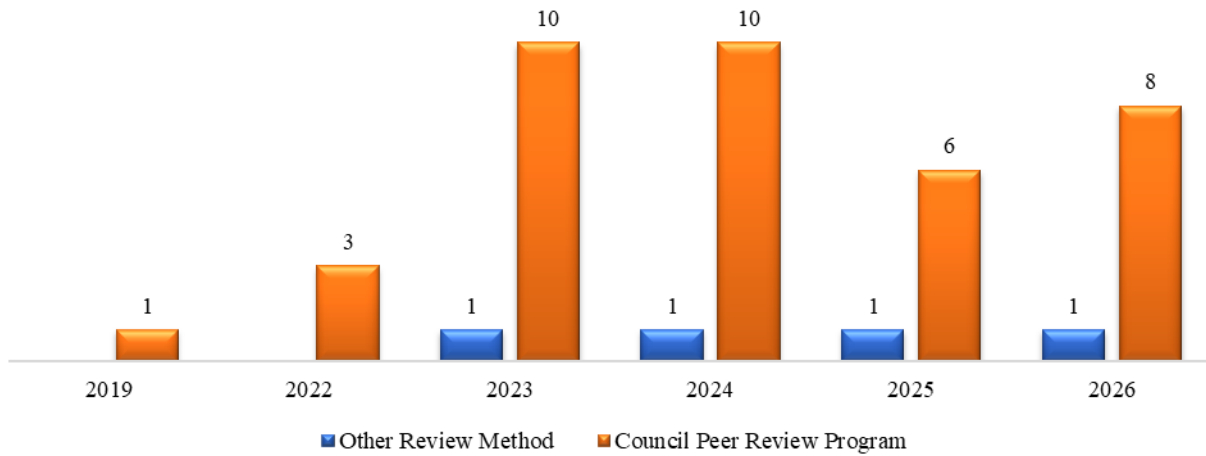
Table 9

Submission of Plans and Reports					
Agency	Audit Plan	Reports	Agency	Audit Plan	Reports
Community College System Office	✓	×	Appalachian State University	✓	✓
Department of Administration	✓	×	East Carolina University	✓	✓
Department of Agriculture & Consumer Services	✓	×	Elizabeth City State University	✓	×
Department of Commerce	✓	✓	Fayetteville State University	✓	✓
Department of Environmental Quality	✓	✓	North Carolina Agricultural & Technical State University	✓	✓
Department of Health & Human Services	✓	×	North Carolina Central University	✓	✓
Department of Information Technology	✓	✓	North Carolina School of the Arts	✓	✓
Department of Insurance	⊙	✓	North Carolina School of Science and Mathematics	✓	✓
Department of Justice	⊙	⊙	North Carolina State Education Assistance Authority	✓	✓
Department of Labor	✓	⊙	North Carolina State University	✓	×
Department of Natural and Cultural Resources	✓	✓	University of North Carolina – Asheville	✓	✓
Department of Public Instruction	✓	✓	University of North Carolina - Chapel Hill	✓	×
Department of Public Safety	✓	✓	University of North Carolina – Charlotte	✓	✓
Department of Revenue	✓	✓	University of North Carolina System Office	✓	×
Department of Secretary of State	✓	×	University of North Carolina – Greensboro	✓	✓
Department of State Treasurer	✓	×	University of North Carolina Hospital	✓	×
Department of Transportation	✓	✓	University of North Carolina – Pembroke	✓	✓
Housing Finance Agency	✓	×	University of North Carolina – Wilmington	✓	✓
North Carolina Education Lottery	✓	×	Western Carolina University	×	✓
Office of State Budget & Management	✓	✓	Winston-Salem State University	✓	✓
Office of the State Controller	✓	✓	✓ Timely	39	26
Wildlife Resource Commission	✓	⊙	× Late	1	13
			⊙ No Submission	2	3

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. Chart 7 illustrates the timing and method used by internal audit programs to obtain a QAR. The use of outside sources to obtain a QAR includes professional associations⁷ or contractors.

Chart 7: Timing and Method of QAR



Generally Conforms is the highest rating an internal audit function can receive from a QAR. Table 10 shows the internal audit functions that did not receive the Generally Conforms rating. The internal audit functions not featured in Table 10 received the Generally Conforms rating during their last QAR. The Department of Labor has not received a rating and is scheduled to receive their first QAR by April 2024.

Table 10

External Quality Assurance Review	
Agency	Conformance Rating
Department of Justice	Overdue since Nov. 2019
Community College System Office	Overdue since April 2022
Department of Administration	Partially Conforms
University of North Carolina - Greensboro	Partially Conforms
Department of Cultural and Natural Resources	Partially Conforms
University of North Carolina - Pembroke	Partially Conforms
Department of Public Safety	Partially Conforms
Department of Commerce	Partially Conforms
Department of Information Technology	Does Not Conform
Department of State Treasurer	Does Not Conform
Wildlife Resources Commission	Does Not Conform

⁷ Institute of Internal Auditors, American Association of State Highway Transportation Officials, and Association of College and University Auditors.

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APPENDIX A: *NORTH CAROLINA INTERNAL AUDIT ACT*

Article 79.

Internal Auditing.

§ 143-745. **Definitions; intent; applicability.**

- (a) For the purposes of this section:
 - (1) "Agency head" means the Governor, a Council of State member, a cabinet secretary, the President of The University of North Carolina, the President of the Community College System, the State Controller, and other independent appointed officers with authority over a State agency.
 - (2) "State agency" means each department created pursuant to Chapter 143A or 143B of the General Statutes, and includes all institutions, boards, commissions, authorities, by whatever name, that is a unit of the executive branch of State government, including The University of North Carolina, and the Community Colleges System Office. The term does not include a unit of local government.
- (b) This Article applies only to a State agency that:
 - (1) Has an annual operating budget that exceeds ten million dollars (\$10,000,000);
 - (2) Has more than 100 full-time equivalent employees; or
 - (3) Receives and processes more than ten million dollars (\$10,000,000) in cash in a fiscal year. (2007-424, s. 1; 2009-516, s. 2; 2013-406, s. 1; 2016-126, 4th Ex. Sess., s. 9.)

§ 143-746. **Internal auditing required.**

- (a) Requirements. - A State agency shall establish a program of internal auditing that:
 - (1) Promotes an effective system of internal controls that safeguards public funds and assets and minimizes incidences of fraud, waste, and abuse.
 - (2) Determines if programs and business operations are administered in compliance with federal and state laws, regulations, and other requirements.
 - (3) Reviews the effectiveness and efficiency of agency and program operations and service delivery.
 - (4) Periodically audits the agency's major systems and controls, including:
 - a. Accounting systems and controls.
 - b. Administrative systems and controls.
 - c. Information technology systems and controls.
- (a1) Key Performance Indicators and Criteria. – In addition to the requirements of subsection (a) of this section, each agency head shall be responsible for ensuring that agency's internal audit unit meets the required key indicators and criteria established by the Council under G.S. 143-747(c)(3a).
- (b) Internal Audit Standards. - Internal audits shall comply with current Standards for the Professional Practice of Internal Auditing issued by the Institute for Internal Auditors or, if appropriate, Government Auditing Standards issued by the Comptroller General of the United States. Each agency head shall annually certify to the Council that the audit plan was developed and the audit reports were conducted and reported in accordance with required standards.

(c) Appointment and Qualifications of Internal Auditors. - Any State employee who performs the internal audit function shall meet the minimum qualifications for internal auditors established by the Office of State Human Resources, in consultation with the Council of Internal Auditing.

(d) Director of Internal Auditing. - The agency head shall appoint a Director of Internal Auditing who shall report to, as designated by the agency head, (i) the agency head, (ii) the chief deputy or chief of staff, or (iii) the agency governing board, or subcommittee thereof, if such a governing board exists. The Director of Internal Auditing shall be organizationally situated to avoid impairments to independence as defined in the auditing standards referenced in subsection (b) of this section.

(e) Insufficient Personnel. - If a State agency has insufficient personnel to comply with this section, the Office of State Budget and Management shall provide technical assistance.

(f) Reporting Fraudulent Activity. - If an internal audit conducted pursuant to this section results in a finding that a private person or entity has received public funds as a result of fraud, misrepresentation, or other deceptive acts or practices while doing business with the State agency, the internal auditor shall submit a detailed written report of the finding, and any additional necessary supporting documentation, to the State Purchasing Officer. A report submitted under this subsection may include a recommendation that the private person or entity be debarred from doing business with the State or a political subdivision thereof. (2007-424, s. 1; 2013-382, s. 9.1(c); 2013-406, s. 1; 2015-241, s. 25.1(a); 2015-268, s. 7.4.)

§ 143-747. Council of Internal Auditing.

(a) The Council of Internal Auditing is created, consisting of the following members:

- (1) The State Controller who shall serve as Chair.
- (2) The State Budget Officer.
- (3) The Secretary of Administration.
- (4) The Attorney General. The Attorney General may appoint a designee.
- (5) The Secretary of Revenue.
- (6) The State Auditor who shall serve as a nonvoting member. The State Auditor may appoint a designee.
- (7) One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate pursuant to G.S. 120-121. The member appointed must be a certified public accountant licensed in this State who has experience with internal auditing and is in good standing with the North Carolina State Board of Certified Public Accountant Examiners. The member shall be appointed for a term of four years and shall serve until a successor is appointed. A vacancy for a member appointed under this subdivision shall be filled by the appointing authority set forth in this subdivision to serve the remainder of the unexpired term.
- (8) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives pursuant to G.S. 120-121. The member appointed must be a certified public accountant licensed in this State who has experience with internal auditing and is in good standing with the North Carolina State Board of Certified Public Accountant Examiners. The member shall be appointed for a term of four years and shall serve until a successor is appointed. A vacancy for a member appointed under this subdivision shall be filled by the appointing authority set forth in this subdivision to serve the remainder of the unexpired term.

(a1) The Council shall hire an Executive Director as selected by a majority of the Council. The Executive Director shall serve at the will of the Council and be exempt from the provisions of the North Carolina Human Resources Act under Chapter 126 of the General Statutes.

(a2) The Council shall hire two full-time employees, as selected by a majority of the Council, to provide assistance to the Executive Director and to other staff of the Council of Internal Auditing. The employees shall perform any duties delegated by the Executive Director, serve at the will of the Council, and are exempt from the provisions of the North Carolina Human Resources Act under Chapter 126 of the General Statutes.

(b) The Council, including the position of Executive Director, shall be supported by the Office of State Budget and Management.

(c) The Council shall:

- (1) Hold meetings at the call of the Chair or upon written request to the Chair by two members of the Council.
- (2) Keep minutes of all proceedings.
- (3a) Establish required minimum key performance indicators and criteria that comply with the Professional Practice of Internal Auditing issued by the Institute for Internal Auditors.
- (3) Promulgate guidelines for the uniformity and quality of State agency internal audit activities.
- (4) Recommend the number of internal audit employees required by each State agency.
- (5) Develop internal audit guides, technical manuals, and suggested best internal audit practices.
- (6) Administer an independent peer review system for each State agency internal audit activity; specify the frequency of such reviews consistent with applicable national standards; and assist agencies with selection of independent peer reviewers from other State agencies.
- (7) Provide central training sessions, professional development opportunities, and recognition programs for internal auditors.
- (8) Administer a program for sharing internal auditors among State agencies needing temporary assistance and assembly of interagency teams of internal auditors to conduct internal audits beyond the capacity of a single agency.
- (9) Maintain a central database of all annual internal audit plans; topics for review proposed by internal audit plans; internal audit reports issued and individual findings and recommendations from those reports.
- (10) Require reports in writing from any State agency relative to any internal audit matter.
- (11) If determined necessary by a majority vote of the council:
 - a. Conduct hearings relative to any attempts to interfere with, compromise, or intimidate an internal auditor.
 - b. Inquire as to the effectiveness of any internal audit unit.
 - c. Authorize the Chair to issue subpoenas for the appearance of any person or internal audit working papers, report drafts, and any other pertinent document or record regardless of physical form needed for the hearing.
- (11a) Gather and assess the extent to which State agencies have met the minimum key performance indicators and criteria required under subdivision (3a) of this subsection. The Council shall report its findings to the Joint Legislative Commission on Governmental Operations on or before December 31, 2022, and annually thereafter.

- (12) Issue an annual report including, but not limited to, service efforts and accomplishments of State agency internal auditors and to propose legislation for consideration by the Governor and General Assembly. (2007-424, s. 1; 2013-406, s. 1.)

§ 143-748. Confidentiality of internal audit work papers.

Internal audit work papers are confidential except as otherwise provided in this section or upon subpoena issued by a duly authorized court. A published internal audit report is a public record as defined in G.S. 132-1 to the extent it does not include information which is confidential under State or federal law or would compromise the security of a State agency. An internal auditor shall maintain for 10 years a complete file of all audit reports and reports of other examinations, investigations, surveys, and reviews conducted under the internal auditor's authority. Audit work papers and other evidence and related supportive material directly pertaining to the work of the internal auditor's office shall be retained in accordance with Chapter 132 of the General Statutes. Unless otherwise prohibited by law and to promote intergovernmental cooperation and avoid unnecessary duplication of audit effort, audit work papers related to released audit reports shall be made available for inspection by duly authorized representatives of the State and federal government in connection with some matter officially before them. (2013-406, s. 1.)

§ 143-749. Obstruction of audit.

It shall be a Class 2 misdemeanor for any officer, employee, or agent of a State agency subject to the provisions of this Article to willfully make or cause to be made to a State agency internal auditor or the internal auditor's designated representatives any false, misleading, or unfounded report for the purpose of interfering with the performance of any audit, special review, or investigation or to hinder or obstruct the State agency internal auditor or the internal auditor's designated representatives in the performance of their duties. (2013-406, s. 1.)

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APPENDIX B: STAFFING RECOMMENDATION

Internal Audit Staffing Analysis and Recommendation for Minimal Staff Level				
As of June 30, 2017				
Agency	Current Positions	Minimal Positions Needed	Recommended New Positions	Estimated Cost of New Positions
Administrative Office of the Courts	4.00	6.00	2.00	190,000
Department of Administration	1.00	3.00	2.00	190,000
Department of Commerce	4.00	11.00	7.00	665,000
Department of Natural and Cultural Resources	2.00	3.00	1.00	95,000
Department of Environment Quality	2.00	3.00	1.00	95,000
Department of Insurance	1.00	2.00	1.00	95,000
Department of Justice	1.00	2.00	1.00	95,000
Department of Military and Veterans Affairs ¹	-	2.00	2.00	190,000
Department of Public Instruction	2.00	8.00	6.00	570,000
Department of State Treasurer	3.00	13.00	10.00	950,000
North Carolina Education Lottery	3.00	6.00	3.00	285,000
North Carolina Housing Finance Agency ^{3,5}	-	2.00	2.00	190,000
Office of State Budget and Management ¹	5.00	6.00	1.00	95,000
Office of State Controller ⁵	0.50	2.00	1.50	142,500
Wildlife Resources Commission	1.00	2.00	1.00	95,000
Elizabeth City State University ⁵	1.00	2.00	1.00	95,000
Fayetteville State University ³	-	2.00	2.00	190,000
North Carolina State University	7.00	8.00	1.00	95,000
University of North Carolina Hospital	7.00	14.00	7.00	665,000
University of North Carolina Asheville	1.00	2.00	1.00	95,000
University of North Carolina Chapel Hill	7.75	9.00	1.00	95,000
University of North Carolina Greensboro	2.00	3.00	1.00	95,000
University of North Carolina System Office ²	2.00	3.00	1.00	95,000
Western Carolina University	1.00	2.00	1.00	95,000
Grand Total			57.50	5,462,500
Agencies at or above Minimum, Using Contractors or Using Shared Pool				
Department of Agriculture and Consumer Services	4.00			
Department of Health and Human Services	41.00			
Department of Information Technology	3.00			
Department of Public Safety	20.00			
Department of Revenue	3.00			
Department of Secretary of State ⁵	2.00			
Department of Transportation	25.00			
Community College System Office	2.00			
Appalachian State University	5.00			
East Carolina University	8.00			
North Carolina A&T State University	4.00			
North Carolina Central University	4.00			
University of North Carolina Charlotte	5.00			
University of North Carolina Pembroke	2.00			
University of North Carolina Wilmington	4.00			
Winston-Salem State University ⁴	5.00			
North Carolina School of Science & Math	Contracting			
North Carolina School of the Arts	Contracting			
North Carolina State Education Assistance Authority	Contracting			
Commissioner of Banks	Shared Pool			
Department of Labor	Shared Pool			
Office of State Auditor	Shared Pool			
Office of State Human Resources	Shared Pool			
Office of the Governor	Shared Pool			
State Board of Elections	Shared Pool			
<p>1. Provides internal audit services to agencies under \$70 million expenditures; Shared Pool agencies listed above. Department of Military and Veteran's Affairs receives service; however, they are not included in OSBM calculation.</p> <p>2. Provides internal audit services to North Carolina School for Science and Mathematics and NC State Education Assistance Authority which was considered in the calculation.</p> <p>3. Outsourced internal audit services.</p> <p>4. Provides internal audit services to North Carolina School for the Arts which was considered in the calculation.</p> <p>5. Agencies under \$70 million operating may use OSBM internal audit services instead established an in-house internal audit function.</p>				

Central Internal Audit Office
July 1, 2021 to June 30, 2022
Work Plan Outcome

Audit Topic	Agency	Type of Audit	Hour	on plan	Status
Cost of Boards/Commission (Carryforward 2021)	DOC	Operational	296	yes	Complete
Step 1-5 Contract Monitoring (Carryforward 2021)	NCORR	Operational	369	yes	Complete
Civil Penalties payments (Carryforward 2021)	OSBM	Compliance	146	yes	Complete
DOJ State Crime Lab (Carryforward 2021)	DOJ	Investigation	529	yes	Complete
DOJ STC 946C (Carryforward 2021)	DOJ	Consulting	22	yes	Complete
Council for Women NGO-1 (Carryforward 2021)	DOA	Investigation	341	yes	Complete
Council for Women NGO-2 (Carryforward 2021)	DOA	Investigation	130	yes	Complete
Benchmark VA Services (Carryforward 2021)	DMVA	Operational	146	yes	Complete
Military Affairs Dashboards (Carryforward 2021)	DMVA	Consulting	272	yes	Complete
SL 2019-224 -state disaster (Carryforward 2021)	OSBM	Compliance	179	yes	Complete
North Carolina Healthcare Foundation	NCPRO	Follow up	20	yes	In Progress
Department of Public Safety, NCORR Hope 1.0	NCPRO	Follow up	20	yes	In Progress
Forsyth County (Carryforward)	NCPRO	Compliance	507	yes	Complete
Duke University Human Vaccine Institute (Carryforward)	NCPRO	Compliance	142	yes	Complete
Department of Public Safety, NCORR Hope 1.0 (Carryforward)	NCPRO	Compliance	228	yes	Complete
YMCA (Carryforward)	NCPRO	Compliance	866	yes	Complete
Wake Forest University Health Sciences (Carryforward)	NCPRO	Compliance	847	yes	Complete
NC Community College System Office	NCPRO	Compliance	380	yes	In Progress
Department of Public Instruction	NCPRO	Compliance	380	yes	In Progress
Department of Public Safety, NCORR Hope 2.0	NCPRO	Compliance		yes	Drop
ARPA Funds (Awaiting Appropriation)	NCPRO	Compliance		yes	Deferred
HAF Funds (Awaiting Appropriation)	NCPRO	Compliance		yes	Deferred
Grant Monitoring (Direct Appropriations)	OSBM	Compliance		yes	Deferred
Grant Monitor Manual Assessment	DMVA	Consulting	40	yes	Complete
Contract Monitor Manual Assessment	DMVA	Consulting	40	yes	Combine with above
Performance Management Practice CFT	OSBM	Consulting	20	yes	Complete
Contact Management Upgrade	OSBM	Consulting	77	yes	Complete
IT Resource Assessment	OSBM	Consulting		yes	Drop
Pcard Quarterly Monitoring	DMVA	Continuous Monitoring	9	yes	Complete
Pcard Quarterly Monitoring	GOV	Continuous Monitoring	9	yes	Complete
Pcard Quarterly Monitoring	NCORR	Continuous Monitoring	9	yes	Complete
Pcard Quarterly Monitoring	OSBM	Continuous Monitoring	9	yes	Complete
Pcard Quarterly Monitoring	OSHR	Continuous Monitoring	9	yes	Complete
Disabled Veterans Memorial Grant	DMVA	Follow up	20	yes	Complete
AmeriCorps follow up	GOV	Follow up	80	yes	In Progress
MHU Recovery Program follow up	NCORR	Follow up	139	yes	Complete
EAGLE	NCPRO	Internal control	7	yes	Complete
EAGLE	OSBM	Internal control	88	yes	Complete
Change Management of Gen-gov systems	GOV	IT		yes	Drop
Governance (GEIT) Assessment	NCORR	IT		yes	Drop
Access Control Review	OSHR	IT		yes	Deferred
Future Capacity Needs Cemetary	DMVA	Operational		yes	Drop
Future Capacity Needs VA Homes	DMVA	Operational		yes	Drop
Single Family Recovery Program (Step 6-8)	NCORR	Operational		yes	Drop
Constituent Affairs Review	NCORR	Operational	900	yes	Drop
Strategic Buyout Program (MIT)	NCORR	Operational		yes	Drop
Account Payables	NCORR	Operational		yes	Drop
Internal Control Review Quickbook	OSHR	Operational		yes	In Progress
NC Flex Payments	OSHR	Operational		yes	Deferred
Risk Assessment	DMVA	Risk Assessment	204	yes	Complete
Risk Assessment	GOV	Risk Assessment	22	yes	Complete
Risk Assessment	NCORR	Risk Assessment	174	yes	Complete
Risk Assessment	NCPRO	Risk Assessment	64	yes	Complete
Risk Assessment	OSBM	Risk Assessment	127	yes	Complete
Risk Assessment	OSHR	Risk Assessment	196	yes	Complete
Internal Quality Assurance and Improvement Program	CIAO	Special Project	423	yes	On-Going
Council Training Project	COIA	Special Project	192	yes	On-Going
Council Meetings	COIA	Special Project	109	yes	On-Going
Peer Review Program	COIA	Special Project	101	yes	On-Going
Council Annual Activity Report	COIA	Special Project	97	yes	Complete
Project Class and Comp	COIA	Special Project	64	yes	Complete
Monthly IA Director Meeting &New IA Director Orientation	COIA	Special Project	51	yes	On-Going
Council Group Membership	COIA	Special Project	49	yes	On-Going
Council Central Database	COIA	Special Project	43	yes	On-Going

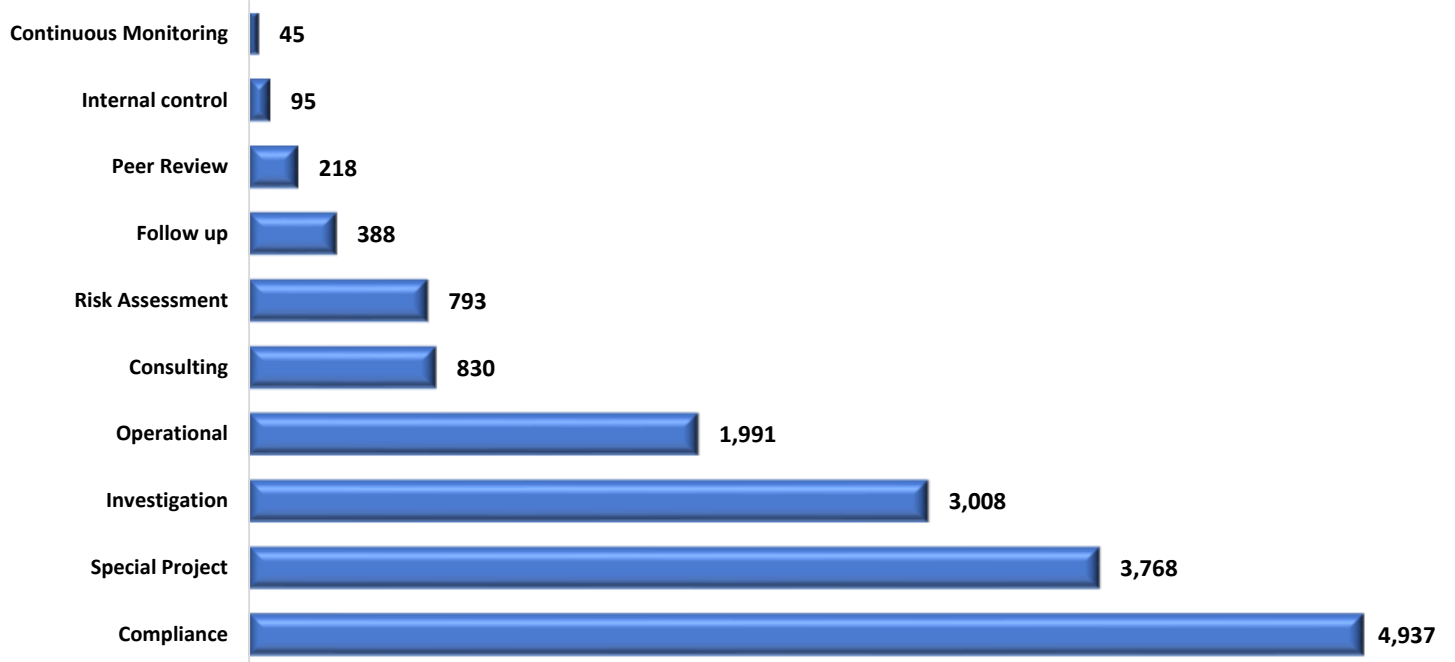
Audit Topic	Agency	Type of Audit	Hour	on plan	Status
Council Award of Excellence	COIA	Special Project	20	yes	Complete
Internship Program	COIA	Special Project	15	yes	On-Going
Self-Assessment (SAMM)	COIA	Special Project	158	yes	Complete
Develop Tools and Templates	CIAO	Special Project	1,595	yes	Complete
Develop Internal Audit Procedures Manual	CIAO	Special Project	412	yes	Complete
FY21 SEFA - review and compile C2s	NCPRO	Special Project	1,053	yes	Complete
Edgecombe County	NCPRO	Compliance	124	no	Complete
UNC System Office (GEER)	NCPRO	Compliance	380	no	In Progress
NC State Education Assistance Authority (GEER)	NCPRO	Compliance	380	no	In Progress
N.C. Education Corps (GEER)	NCPRO	Compliance	380	no	In Progress
Interview assistance IA position	CCSO	Consulting	18	no	Complete
Internal Audit Service contract	NCORR	Consulting	13	no	Complete
NCPRO SAP System	NCPRO	Consulting	139	no	Complete
State Compliance Supplement (ARPA)	NCPRO	Consulting	132	no	Complete
Subrecipient Monitoring Review (AOC)	NCPRO	Consulting		no	Drop
Subrecipient Monitoring Review (Commerce)	NCPRO	Consulting		no	Drop
Subrecipient Monitoring Review (NCCCS)	NCPRO	Consulting		no	Drop
Subrecipient Monitoring Review (DACs)	NCPRO	Consulting		no	Drop
Subrecipient Monitoring Review (HFA)	NCPRO	Consulting		no	Drop
Subrecipient Monitoring Review (DIT)	NCPRO	Consulting		no	Drop
Subrecipient Monitoring Review (DOI)	NCPRO	Consulting		no	Drop
Subrecipient Monitoring Review (DNCR)	NCPRO	Consulting		no	Drop
Subrecipient Monitoring Review (DPS)	NCPRO	Consulting		no	Drop
Subrecipient Monitoring Review (DOR)	NCPRO	Consulting		no	Drop
Subrecipient Monitoring Review (DEQ)	NCPRO	Consulting		no	Drop
Follow up Internal Review	OSA	Consulting	7	no	Deferred
Internal Training CFT	OSBM	Consulting	37	no	Complete
Facilitate civil penalty changes	OSBM	Consulting	15	no	Complete
Berry St follow up	NCORR	Follow up	25	no	Complete
Multiple Homes Follow Up	NCORR	Follow up	23	no	Complete
Contractor review Follow-Up	NCORR	Follow up	32	no	Complete
Income Eligibility Follow-Up	NCORR	Follow up	30	no	Complete
Timekeeping	DNCR	Investigation	10	no	Complete
Provide Guidance to DOA IA	DOA	Investigation	70	no	Complete
Contractor review	NCORR	Investigation	75	no	Complete
Income Eligibility	NCORR	Investigation	61	no	Complete
McDowell	NCORR	Investigation	60	no	Complete
Occupancy	NCORR	Investigation	39	no	Complete
ethical issue	NCORR	Investigation	18	no	Complete
Land Authorization Forgery	NCORR	Investigation	27	no	Complete
Three In One Family Center	NCPRO	Investigation	124	no	Complete
Graham County	NCPRO	Investigation	27	no	Complete
Pcard review	WRC	Investigation	1,500	no	In Progress
EDPNC review (Carryforward)	DOC	Operational	280	no	In Progress
ECSU QAR	COIA	Peer Review	98	no	Complete
DOC QAR	COIA	Peer Review	120	no	Complete
OSA risk assessment	OSA	Risk Assessment	6	no	Complete
FWA intake for Other State Agencies	COIA	Special Project	6	no	Complete
Contracted Services List	COIA	Special Project	5	no	Complete
New Mandates/KPI/aAttestation	COIA	Special Project	219	no	Complete
Construction Vendor Analytics	NCORR	Special Project	64	no	Complete
Fraudulent Checks	NCORR	Special Project	31	no	Complete
FWA Intake for NCORR	NCORR	Special Project	19	no	Complete
Statewide Single Audit/CAFR -- CRF	NCPRO	Special Project	1,361	no	Complete
Research Laws/Regulations (GEER and ARPA)	NCPRO	Special Project	8	no	Complete
Project Management with SCIF Grants	OSBM	Special Project	1,252	no	Complete
Grand Total			19,648		

Legend

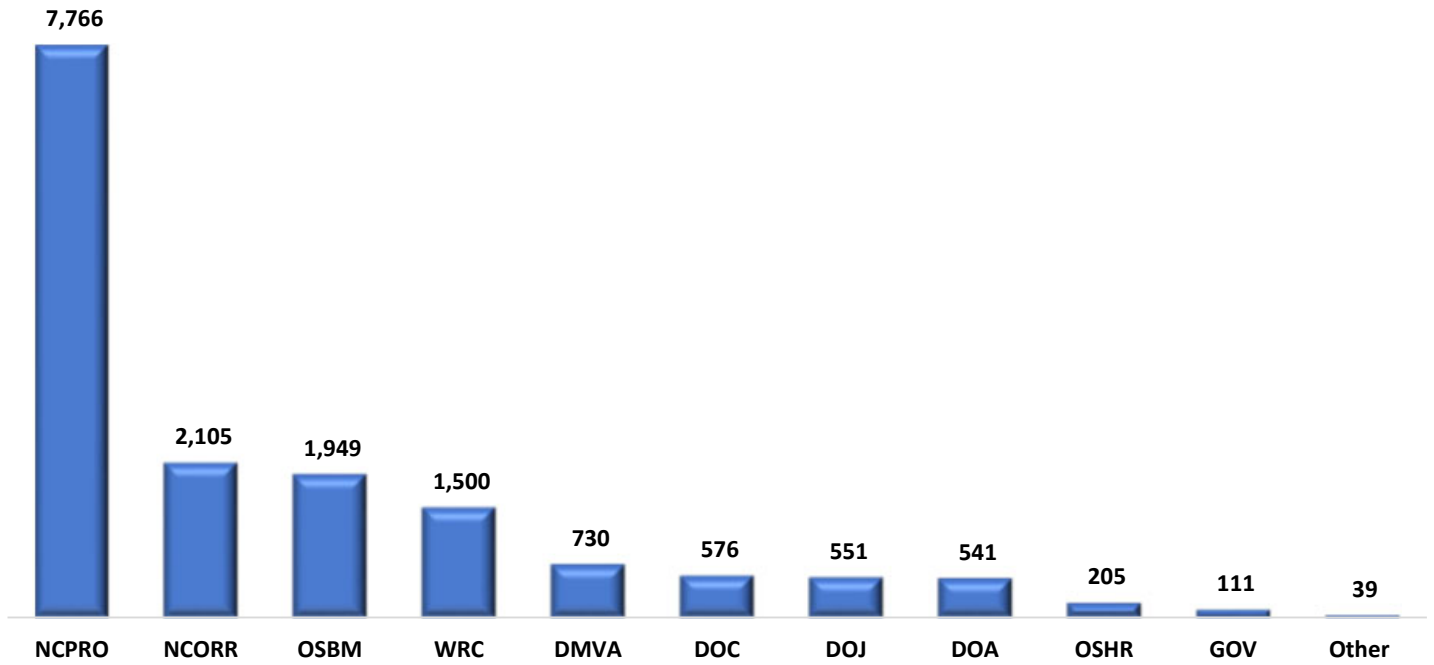
CCSO: Community College System Office
CIAO: Central Internal Audit Office
COIA: Council of Internal Auditing
DNCR: Department of Natural and Cultural Resources
DMVA: Department of Military and Veteran's Affairs
DOA: Department of Administration
DOC: Department of Commerce
DOJ: Department of Justice

GOV: Office of the Governor
NCORR: Office of Recovery and Resiliency
NCPRO: Pandemic Recovery Office
OSA: Office of the State Auditor
OSBM: Office of State Budget and Management
OSHR: Office of State Human Resources
QAIP: Quality Assurance Improvement Program
WRC: Wildlife Resource Commission

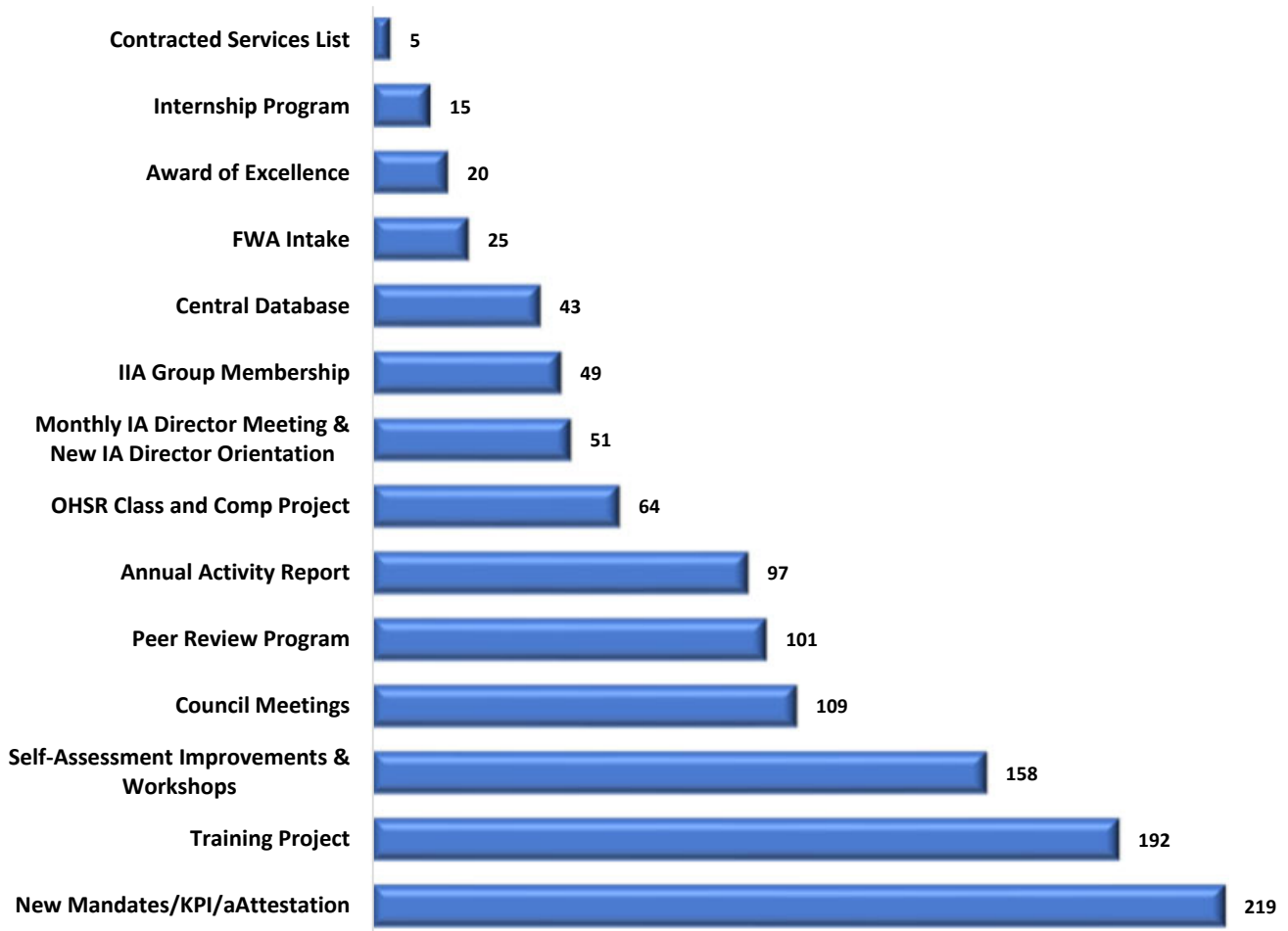
Completed Hours by Type of Engagement FY2021-22



Completed Hours by Agency FY2021-22



Completed Hours for Council Program FY2021-22



In addition, the Central Internal Audit Office Spent 2,430 hours related to the Quality Assurance Improvement Program. Hours were used to develop tools and templates for various NCPRO engagements, updating the internal audit procedure manual, improving the risk assessment process and creating dashboards to monitor internal audit work.

Central Internal Audit Office

Work Plan

July 1, 2022 to June 30, 2023

Status	Topic	Agency	Type of Audit	Hours
Complete	2023 Risk Assessment (Carryforward)	DMVA	Risk Assessment	60
Complete	2023 Risk Assessment (Carryforward)	GOV	Risk Assessment	12
Complete	2023 Risk Assessment (Carryforward)	NCORR	Risk Assessment	15
Complete	2023 Risk Assessment (Carryforward)	OSBM	Risk Assessment	30
Complete	2023 Risk Assessment (Carryforward)	OSHR	Risk Assessment	50
Report	Internal Control Review of QuickBooks (Carryforward)	OSHR	Integrated	261
Report	AmeriCorps (Carryforward)	GOV	Follow-up	64
Report	Pcard Review (Carryforward)	WRC	Investigation	140
Complete	Person Service Follow-up (Carryforward)	NCORR	Follow-up	30
Fieldwork	EDPNC review (Carryforward)	DOC	Operational	299
Complete	Review Complaint (Carryforward)	NCORR	Investigation	18
	Quarterly P Card Monitoring	All	Compliance	11
	Quarterly P Card Monitoring	All	Compliance	11
	Quarterly P Card Monitoring	All	Compliance	11
	Quarterly P Card Monitoring	All	Compliance	11
Fieldwork	NC Community College System Office (GEER)	NCPRO	Compliance	420
Fieldwork	Department of Public Instruction (GEER)	NCPRO	Compliance	420
Fieldwork	UNC System Office (GEER)	NCPRO	Compliance	420
Fieldwork	N.C. State Education Assistance Authority (GEER)	NCPRO	Compliance	420
Fieldwork	N.C. Education Corps (GEER)	NCPRO	Compliance	420
	State Fiscal Recovery Fund Audits (multiple engagements)	NCPRO	Compliance	1,883
	Fixed Asset	OSBM	Compliance	75
	EAGLE	OSBM	Compliance	100
	Dashboard	NCPRO	Consulting	95
Complete	Conflict of Interest Training	OSBM	Consulting	21
Complete	Transparency and Accountability Training	OSBM	Consulting	49
	Dashboard	OSBM	Consulting	80
	Legislative Reporting Committee	OSBM	Consulting	12
Fieldwork	Diversity and Inclusion Committee	OSBM	Consulting	40
Fieldwork	Recruitment Committee	OSBM	Consulting	15
Fieldwork	Internal Training Committee	OSBM	Consulting	15
	DIT Billing Process	OSHR	Consulting	182
	Program Review	OSHR	Consulting	182
	Council for Women (2021 #68)	DOA	Follow-up	11
	Council for Women (2021 #74)	DOA	Follow-up	11
	NCPRO (2022 #53)	NCPRO	Follow-up	11
Fieldwork	North Carolina Healthcare Foundation (CRF)	NCPRO	Follow-up	22
Fieldwork	Department of Public Safety, NCORR Hope 1.0 (CRF)	NCPRO	Follow-up	22
Fieldwork	Forsyth County (CRF)	NCPRO	Follow-up	22
Fieldwork	YMCA (CRF)	NCPRO	Follow-up	22
Fieldwork	Edgecombe County (CRF)	NCPRO	Follow-up	22
Fieldwork	Wake Forest University Health Science (CRF)	NCPRO	Follow-up	22
Contractor	Information Technology	OSA	Follow-up	150
Fieldwork	SL 2019-224 (2021 #77)	OSBM	Follow-up	11
	Internal Control Review of QuickBooks	OSHR	Follow-up	16
Complete	Review complaint	GOV	Investigation	23

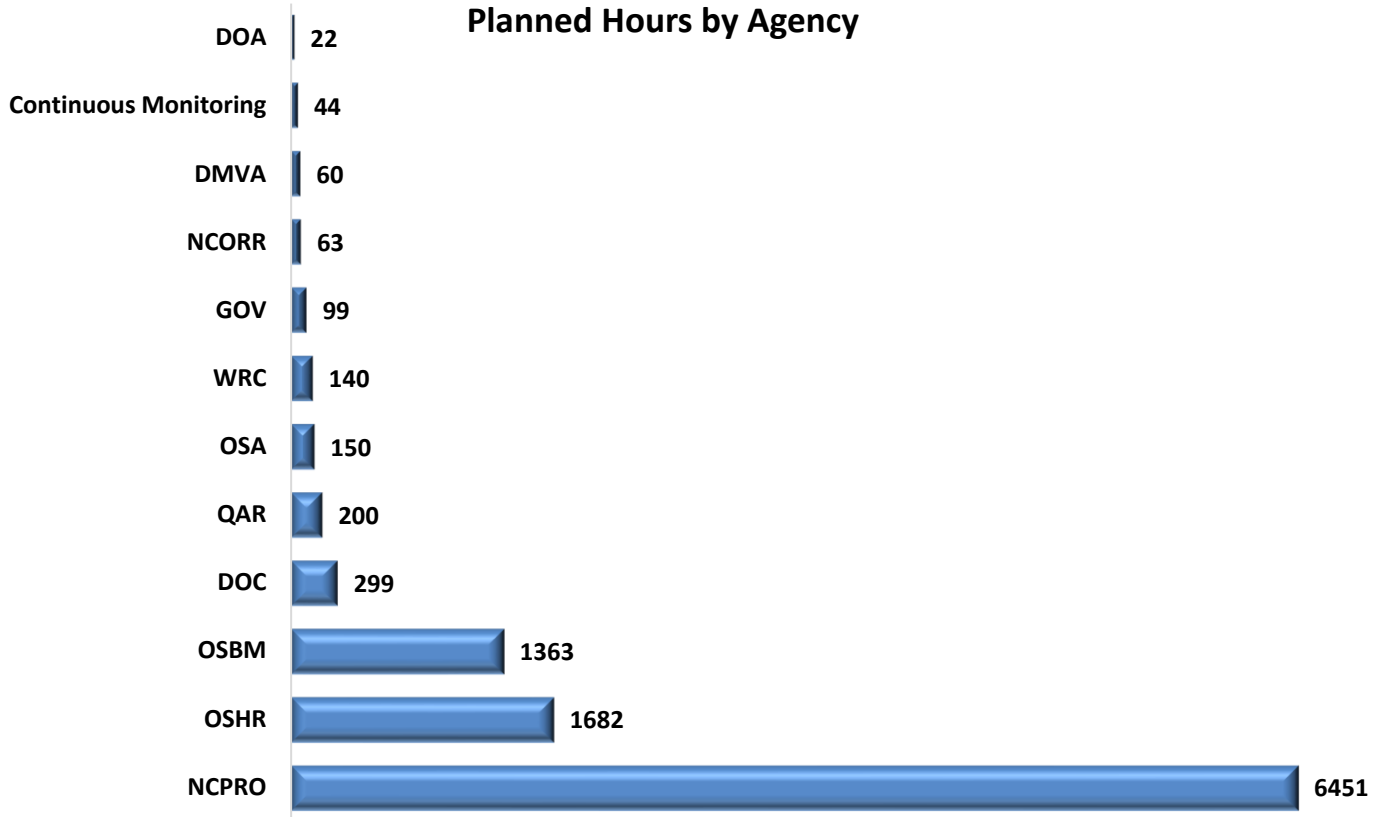
Central Internal Audit Office

Work Plan

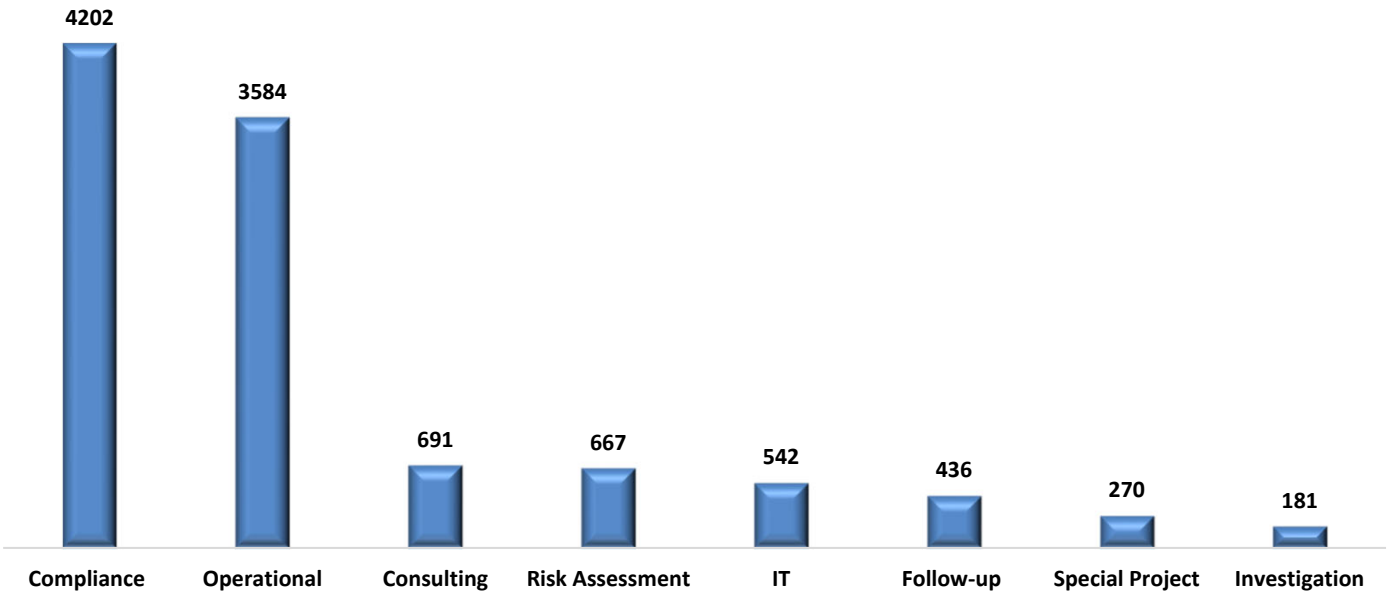
July 1, 2022 to June 30, 2023

Status	Topic	Agency	Type of Audit	Hours
	Software Practices Review	OSBM	IT	225
	Access Review	OSHR	IT	227
	Access Dashboard	OSHR	IT	90
	Review SOPs (multiple engagements)	NCPRO	Operational	2,150
	Monthly/ Quarterly Close out	OSBM	Operational	190
	Disaster Recovery	OSBM	Operational	240
	NC Flex Benefits	OSHR	Operational	222
	Temporary Solutions payroll process	OSHR	Operational	222
	2024 Risk Assessment	NCPRO	Risk Assessment	80
	2024 Risk Assessment	OSBM	Risk Assessment	190
	2024 Risk Assessment	OSHR	Risk Assessment	230
	External Audit Liaison	OSBM	Special Project	70
	Followship Fund Committee	CIAO	Special Project	10
	Internal Quality Assurance and Improvement Program	CIAO	Special Project	350
	FWA triage	CIAO	Special Project	70
	Develop Tools and Templates (SFRF, EDA, and HAF)	CIAO	Special Project	400
	Develop New Risk Assessment tool	CIAO	Special Project	50
	Council Training Project	COIA	Special Project	340
Complete	Council Group Membership	COIA	Special Project	125
	Council QAR (not QAR you are performing)	COIA	Special Project	180
	Council Award of Excellence	COIA	Special Project	30
Complete	Council Annual Activity Report	COIA	Special Project	135
	Council meetings	COIA	Special Project	150
	Council Staffing analysis	COIA	Special Project	190
	Council Term Contract	COIA	Special Project	90
	Council Monthly IA Director meetings	COIA	Special Project	80
	Council New Council/IA Director orientation	COIA	Special Project	18
	Council Central Database	COIA	Special Project	160
	Council Internship Program	COIA	Special Project	20
Complete	Council SAMM Workshops	COIA	Special Project	25
	Council Management Audit Software	COIA	Special Project	40
	Council Self-Assessment (SAMM) Validation	COIA	Special Project	434
	Council Audit Plan Attestation Review/Validation	COIA	Special Project	603
	Council Report Attestation Review/Validation	COIA	Special Project	600
	Peer Review NCSU	COIA	Special Project	200
	Contingency	Contingency		2,506
	Total Planned Engagement Hours			17,179

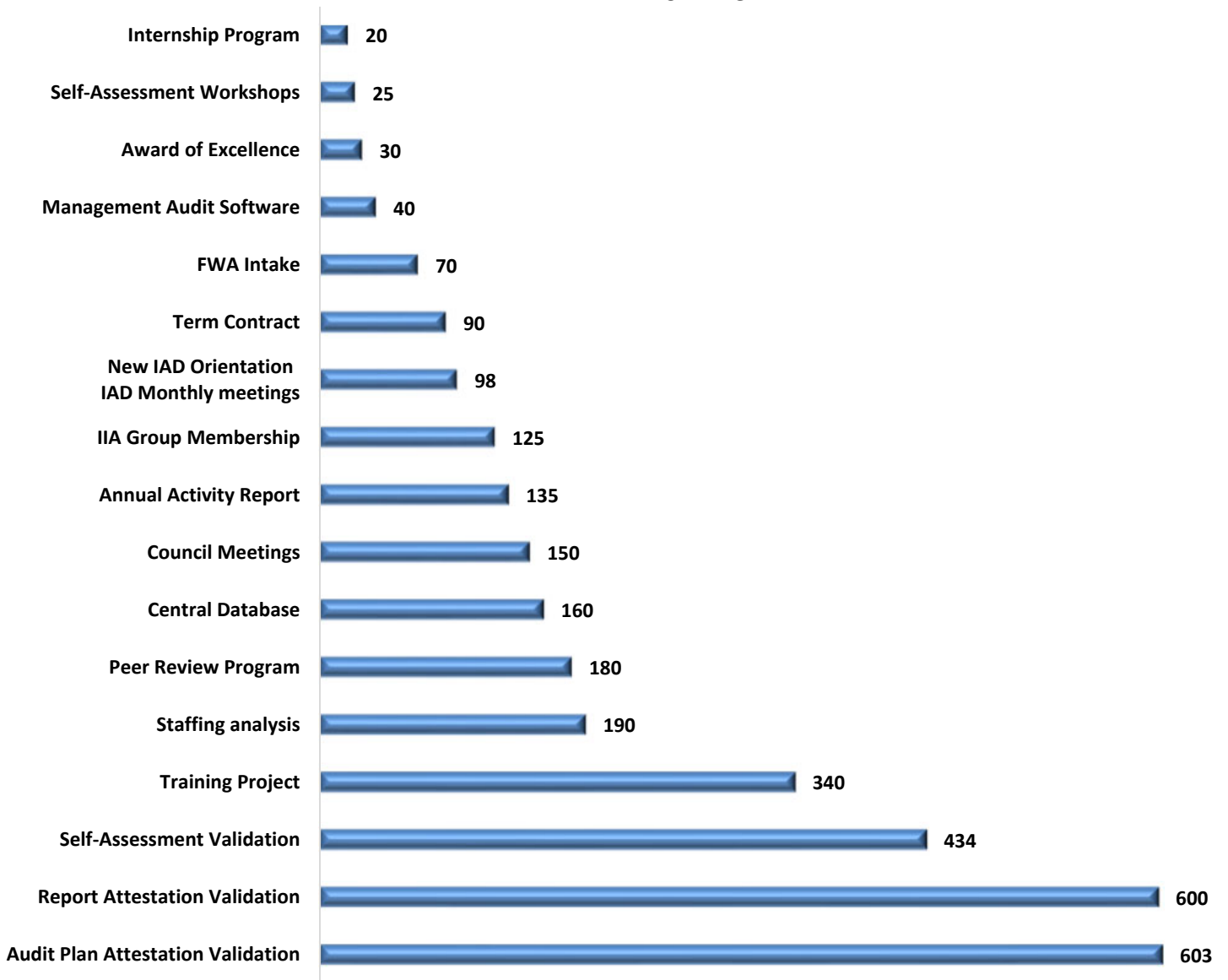
Planned Hours by Agency



Planned Hours by Type of Engagement



Planned Hours Council Activity FY2022-23



In addition, the Central Internal Audit Office plans to spend 810 hours related to the Quality Assurance Improvement Program