



**Compliance, Audit, Risk Management and Legal Affairs (CARL) Committee**  
**September 27, 2022**  
**10:15 a.m.**

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**Discussion Item**

CARL- 3      Audit Review for Board of Trustees

**Background Information**

Katherine Skinner, Director of Internal Audit, will provide a summary of recent audits performed.

Certain of the reports referenced in the attached audit summaries contain confidential information and, therefore, are not attached. However, copies are available for review by Committee members at their convenience.

**Attachments**

- 3.1      Summary of Internal Audits Performed
- 3.2      Summary of External Audits Performed

**Compliance, Audit, Risk Management, and Legal Affairs Committee  
September 27, 2022**

**CARL 3.1** Summary of Internal Audits Performed

<b>Report Date:</b>	April 29, 2022 (Audit conducted by former Internal Auditor Kathy Qualls)
<b>Report To:</b>	Dr. Franklin D. Gilliam, Jr., Chancellor
<b>Subject:</b>	Purchasing Card Program
<b>Type of Audit:</b>	Compliance Audit
<b>Objective:</b>	Review the purchasing and issuance of gift cards to determine if policies and procedures have been consistently followed and the risks of fraud, misuse, or theft have been sufficiently mitigated.
<b>Scope:</b>	Gift cards purchased and/or distributed to payees between September 1, 2021, and October 31, 2021.
<b>Findings:</b>	None
<b>Resolution:</b>	The Internal Audit report provided the following recommendation: "Management should include electronic gift cards in the Purchasing Card Manual and policies to clarify that the requirements are the same as traditional gift cards purchased with PCards. <i>Procurement Services Policy 15</i> addresses gift cards but does not reference e-gift cards."
<b>Next Steps</b>	A consulting engagement for procurement card monitoring has been added to the proposed Internal Audit Work Plan for fiscal year 2023.
<b>Attachment:</b>	3.1 PCard Audit Report FY2022



THE UNIVERSITY of NORTH CAROLINA  
**GREENSBORO**

Office of the Internal Auditor  
009 Brown Building  
PO Box 26170, Greensboro, NC 27402-6170

## AUDIT REPORT

April 29, 2022

Dr. Franklin D. Gilliam, Jr.  
Chancellor  
The University of North Carolina at Greensboro

### **Objective and Scope**

This report summarizes the results of an examination of the purchasing card program of The University of North Carolina at Greensboro (UNCG or University) as conducted by the Office of the Internal Auditor. Our objective was to review the purchasing and issuance of gift cards to determine if policies and procedures have been consistently followed and the risks of fraud, misuse, or theft have been sufficiently mitigated.

The scope of the internal audit review was limited to gift cards purchased and/or distributed to payees between September 1, 2021, and October 31, 2021. A sampling of individual transactions was selected for further analysis.

### **Background**

The purchasing card (Picard) is a standard credit card in which *the credit liability rests with the University instead of the individual cardholder*. The purchasing card program was established as a small purchase substitute which permits the prompt and efficient purchase of lower cost (under \$5,000) goods, services and/or travel-related items. Guidance to users is provided by Procurement Services, which operates within the Financial Services unit of Finance and Administration. Policies and procedures specific to purchasing cards are documented within the Financial Services section; these principles and processes provide appropriate internal control guidance for the purchasing card program.

Transactions are monitored on a daily basis via software from Bank of America titled *Works* to identify non-compliance issues. Transactions are reviewed routinely to evaluate the adequacy of documentation, proper review, and approval of transactions.

The use of gift cards has become more prevalent with virtual protocols in place during the pandemic. Gift cards are more prone to fraud/misappropriation because they may not

provide the audit trail that exists with a check or other forms of payment. As a result, the University has placed restrictions on the purchase and distribution of gift cards. Gift cards are allowed for prizes, participation by students in University sponsored events, or incentive for research participation as allowed by the appropriate funding authority. Gift cards may be issued in electronic form as e-gift cards.

## **Methodology**

We performed the following activities:

- Interviewed the Director and PCard Administrator of Procurement Services to gain an understanding of the PCard process.
- Performed analytics to identify gift card purchases from transactions in Bank of America Works by searching the descriptive transaction fields and by reviewing round dollar amounts for usual gift card vendors.
- Reviewed gift card related policies and procedures.
- Tested a random sample of 26 expenditure transactions completed during the audit period.
- Received and reviewed documentation and email correspondence from multiple divisions of the University.

We examined each transaction in the expenditure sample (26 items) for compliance with controls and policies relative to the following attributes:

1. Properly approved and signed authorization form prior to purchase,
2. Maintenance of a disbursement log,
3. Acknowledgment of receipt of the gift card by the participant,
4. Appropriate account coding.

The following section describes the results of the internal audit review of the transactions.

## **Findings**

The internal audit review focused on two months of purchasing card transactions for the period that began September 1, 2021 and ended October 31, 2021. Using the PCard Works software, data was extracted and analyzed to determine the population of gift card purchases (167 purchases). A random sample of 26 gift card transactions was selected for more detailed examination of key attributes. No significant exceptions or weaknesses were identified in our tests, and the controls were determined to be implemented and operating effectively. We noted an opportunity for Procurement Services to enhance the published policies and procedures used by the cardholders.

***Recommendation:*** Management should include electronic gift cards in the Purchasing Card Manual and policies to clarify that the requirements are the same as traditional gift cards purchased with PCards. *Procurement Services Policy 15* addresses gift cards but does not reference e-gift cards. Our observations and recommendations are submitted to assist management in improving controls.

## **Conclusion**

An audit review of the purchase and issuance of gift cards through the purchasing card program was conducted by the Office of the Internal Auditor. The purpose of the review was to test compliance with the University's internal control policies and procedures. The objectives of a system of internal control are to provide management with reasonable assurance that controls are sufficient to protect assets, accomplish organizational objectives, and mitigate risks to an acceptable level.

The University's Procurement Services provides guidance for the purchasing card program through written policies and procedures. Routine monitoring is provided by the PCard compliance function within the department. It is our opinion, the overall system of internal controls over gift card purchases and the distribution for the period of our review was sufficient to meet University objectives.

We appreciate the cooperation and professionalism of the staff and management of Procurement Services who assisted us in this engagement.

Respectfully submitted,

*Kathy M. Qualls*

Kathy M. Qualls  
Interim Director

**Compliance, Audit, Risk Management, and Legal Affairs Committee**  
**September 27, 2022**

**CARL 3.2** Summary of External Audits Performed

**CARL 3.2(a) – Audit Conducted by NC Office of the State Auditor**

<b>Report Date:</b>	April 12, 2022
<b>Report To:</b>	University of NC at Greensboro
<b>Subject:</b>	Enrollment status updates
<b>Type of Audit:</b>	<u>NC Office of the State Auditor</u> Statewide Federal Compliance Audit Procedures (as a result of the Statewide Single Audit for the period ended June 30, 2021).
<b>Objective:</b>	The purpose of the State Auditor’s transmittal was solely to describe the scope of testing of internal control over compliance and testing compliance and the results of that testing at the University based on the requirements in Uniform Guidance. <sup>1</sup>
<b>Scope:</b>	Enrollment Status Update Procedures for the period July 1, 2021 through June 30, 2022.
<b>Findings:</b>	None.  The State Auditor reported, “The results of our audit procedures at the University of North Carolina at Greensboro disclosed <b><u>no instances of noncompliance that are required to be reported</u></b> in accordance with the Uniform Guidance.” <i>[emphasis added]</i>  However, the UNC System Office issued a letter to the Chancellor that stated, “Your chief audit officer should review the finding and recommendations, the institution’s response, and the corrective action plan.” The Internal Audit follow-up procedures described below satisfied that requirement.
<b>Resolution:</b>	Internal Audit performed follow-up procedures, as described below, and verified that corrective action has been implemented.
<b>Next Steps:</b>	N/A

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<sup>1</sup> Uniform Guidance refers to Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

### Follow-up Procedures Performed by Internal Audit

<b>Report Date:</b>	July 8, 2022
<b>Report To:</b>	UNC System Office and NC Office of the State Auditor
<b>Subject:</b>	Enrollment status updates
<b>Type of Audit:</b>	<u>Follow-up</u> to the NC Office of the State Auditor Statewide Single Audit report for the period ended June 30, 2021.
<b>Objective:</b>	Determine whether the University is making satisfactory progress towards resolving the State Auditor's recommendations.
<b>Scope:</b>	Actions taken by the University through July 5, 2022.
<b>Findings:</b>	None
<b>Resolution:</b>	The University of North Carolina at Greensboro has made overall satisfactory progress in meeting the audit finding resolution requirements of North Carolina General Statute 116-30.1 in relation to matters reported in the Statewide Federal Compliance Audit Procedures for Fiscal Year Ended 2021 released by the Office of the State Auditor on April 12, 2022.
<b>Next Steps:</b>	A follow-up Internal Audit will be added to the proposed Internal Audit Work Plan for fiscal year 2024.
<b>Attachment:</b>	3.2(a) UNCG Audit Resolution Letter - Enrollment (UNC System Office)



# THE UNIVERSITY OF NORTH CAROLINA SYSTEM

Lisa Outlaw, CISA, CISSP, CRMA, CIA, CFE, CDPSE

**INTERNAL AUDIT DIRECTOR**

140 Friday Center Drive | Chapel Hill, NC 275172

lwoutlaw@northcarolina.edu

July 8, 2022

Dr. Franklin D. Gilliam Jr.  
601 S. College Road  
Greensboro, NC 28403

Dear Chancellor Gilliam:

I am writing to inform you that the University of North Carolina at Greensboro has made overall satisfactory progress in meeting the audit finding resolution requirements of General Statute 116-30.1 in relation to matters reported in the Statewide Federal Compliance Audit Procedures for Fiscal Year Ended 2021 released by the Office of the State Auditor on April 12, 2022. In summary, your chief audit officer reported that management is making satisfactory progress towards resolving the deficiencies noted in the report from the Office of the State Auditor. I encourage management and your internal audit office to remain vigilant in assessing risk in this area and to respond accordingly.

Thank you for your commitment, and that of your team, for making satisfactory progress towards re-mediating the issues reported. If you have any additional questions or concerns, please feel free to contact me.

Sincerely,

Lisa Outlaw, CISA, CISSP, CRMA, CIA, CFE, CDPSE

cc: President Peter Hans  
Ms. Beth A. Wood, State Auditor  
Ms. Norma Houston, Chief of Staff  
Ms. Jennifer Haygood, Senior Vice President for Finance and Administration & CFO  
Mr. Andrew Tripp, Senior Vice President for Legal Affairs and General Counsel  
Mr. Michael Vollmer, Chief Operating Officer  
Waiyi Tse, Chief of Staff  
Nikki Baker, Assistant to the Chancellor  
Jerry Blakemore, Vice Chancellor for Institutional Integrity and General Counsel  
Kristen S. Bonatz, Senior Associate General Counsel  
Tina McEntire, Vice Chancellor for Enrollment Management  
Ms. Katherine Skinner, Chief Audit Officer  
Ms. Jennifer Pacheco, Office of the State Controller



### CARL 3.2(b) – Audit Conducted by NC Office of the State Auditor

<b>Report Date:</b>	May 25, 2022
<b>Report To:</b>	University of NC at Greensboro
<b>Subject:</b>	Cybersecurity Controls Over Sensitive Data
<b>Type of Audit:</b>	<u>NC Office of the State Auditor Information Systems Audit</u>
<b>Objective:</b>	The purpose of this audit was to evaluate selected cybersecurity controls over sensitive data processed and maintained in The University of North Carolina at Greensboro (UNCG) information technology (IT) environment.
<b>Scope:</b>	The audit scope covered the period from January 2021 to June 2021.
<b>Findings:</b>	The results of the audit disclosed findings considered reportable under generally accepted government auditing standards. However, the results contain confidential information and cannot be released to the public in accordance with North Carolina General Statutes §132-6.1(c) and generally accepted government auditing standards.
<b>Resolution:</b>	Internal Audit performed follow-up procedures, as described below, and verified that ITS is making satisfactory progress. Additionally, Internal Audit will continue to work with ITS on a consulting engagement to ensure that progress is documented.
<b>Next Steps:</b>	As indicated in the proposed Internal Audit Work Plan for fiscal year 2023, Internal Audit will work with ITS on a consulting engagement to document progress through full implementation of corrective action.

### Follow-up Procedures Performed by Internal Audit

<b>Report Date:</b>	August 23, 2022
<b>Report To:</b>	UNC System Office and NC Office of the State Auditor
<b>Subject:</b>	Cybersecurity Controls Over Sensitive Data
<b>Type of Audit:</b>	<u>Follow-up to the NC Office of the State Auditor Information Systems Audit report dated May 24, 2022</u>

- Objective:** Determine whether the University is making satisfactory progress towards resolving the State Auditor’s recommendations.
- Scope:** Actions taken by the University through August 22, 2022.
- Findings:** None
- Resolution:** The University of North Carolina at Greensboro has made overall satisfactory progress in meeting the audit finding resolution requirements of General Statute 116-30.1 in relation to matters reported in the Sensitive Security Letter from the Information Systems Audit released by the Office of the State Auditor on May 24, 2022.
- Next Steps** A consulting engagement has been added to the proposed Internal Audit Work Plan for fiscal year 2023. The consulting engagement will provide assurance of on-going progress which will be reported to the Chancellor (1) after fiscal year-end 2023 and (2) in a final report after fiscal year-end 2024.
- Attachment:** 3.2(b) UNCG Audit Resolution Letter – ITS (UNC System Office)



# THE UNIVERSITY OF NORTH CAROLINA SYSTEM

Lisa Outlaw, CISA, CISSP, CRMA, CIA, CFE, CDPSE

**INTERNAL AUDIT DIRECTOR**

140 Friday Center Drive | Chapel Hill, NC 27517

[lwoutlaw@northcarolina.edu](mailto:lwoutlaw@northcarolina.edu)

August 23, 2022

Dr. Franklin D. Gilliam Jr.  
1400 Spring Garden St,  
Greensboro, NC 27412

Dear Chancellor Gilliam:

I am writing to inform you that the University of North Carolina at Greensboro has made overall satisfactory progress in meeting the audit finding resolution requirements of General Statute 116-30.1 in relation to matters reported in the Sensitive Security Letter from the Information Systems Audit released by the Office of the State Auditor on May 24, 2022. In summary, your chief audit officer reported that management is making satisfactory progress towards resolving the deficiencies noted in the report from the Office of the State Auditor. Cybersecurity risks remain a top risk in the university system. I encourage management and your internal audit office to remain vigilant in assessing cybersecurity risk and responding accordingly.

Thank you for your commitment, and that of your team, for making satisfactory progress towards remediating the issues reported. If you have any additional questions or concerns, please feel free to contact me.

Sincerely,

Lisa Outlaw, CISA, CISSP, CRMA, CIA, CFE, CDPSE

cc: President Peter Hans  
Ms. Beth A. Wood, State Auditor  
Ms. Norma Houston, Chief of Staff  
Ms. Jennifer Haygood, Senior Vice President for Finance and Administration & CFO  
Mr. Andrew Tripp, Senior Vice President for Legal Affairs and General Counsel  
Mr. Michael Vollmer, Chief Operating Officer  
Mr. Keith Werner, Vice President for Information Technology & CIO  
Ms. Waiyi Tse, Chief of Staff  
Ms. Nikki Baker, Assistant to the Chancellor  
Mr. Jerry Blakemore, Vice Chancellor for the Office of Institutional Integrity and General Counsel  
Ms. Donna Heath, Chief Information Officer  
Ms. Casey J. Forrest, Ph.D., Chief Information Security Officer  
Ms. Katherine Skinner, Chief Audit Officer  
Ms. Jennifer Pacheco, Office of the State Controller