

The background of the cover features a dark blue gradient with three thick, white, curved lines that intersect to form a stylized, abstract shape. The lines are positioned diagonally, with one line curving from the top left towards the bottom right, and two others curving from the top right towards the bottom left.

University of Alaska

**System Office of Audit &  
Compliance Services**

Fiscal Year 2023 Annual Report

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## Executive Summary

The Board of Regents of the University of Alaska has oversight responsibility of internal and external audit functions, compliance, and for ascertaining the existence and adequacy of accounting and internal control systems and safeguards over University assets. The mission of the Office of Audit and Compliance Services (A&CS) is to *“assist the board and management in the effective discharge of their fiduciary, compliance oversight, and administrative responsibilities by providing analysis, appraisals, counsel, information and recommendations concerning activities reviewed and by promoting effective controls for the recording and reporting of operational activities and for the custody and safeguarding of assets, and for addressing significant federal and state laws, regulations, university policy and other requirements impacting the university.”*

This report contains an overview of the A&CS organization, a summarization of the internal reports issued over the past fiscal year and progress made toward completing the audit plans. The information provided in this report documents how A&CS assists management in mitigating risk and identifying improvements to UA operations. Management responded to the audit report recommendations from the past year with adequate action plans or acceptance of the risk by not taking action. Action plans and acceptance of risk were communicated via final audit reports.

This report is being provided in accordance with the audit charter, which states:

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

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

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

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

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

## Confirmation of Organizational Independence

The Office of Audit and Compliance Services (A&CS) confirms its organizational independence to the Board of Regents Audit and Finance Committee.

- ✓ The chief audit executive (CAE) had direct and unrestricted access to senior management.
- ✓ The CAE and staff performed their work objectively – no quality compromises were made and judgment on audit matters was not subordinated to any others in the organization.
- ✓ The CAE and staff had no conflict of interest situations and did not perform operational duties or make management decisions external to A&CS.
- ✓ A&CS had no impairments to organizational independence such as scope limitations; restrictions on access to records, personnel, properties; or resource limitations.

Institute of Internal Auditors Standards for Independence:

❖ **1100 – Independence and Objectivity**

The internal audit activity must be independent, and internal auditors must be objective in performing their work.

❖ **1110 – Organizational Independence**

The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.

❖ **1111 – Direct Interaction with the Board**

The chief audit executive must communicate and interact directly with the board.

❖ **1120 – Individual Objectivity**

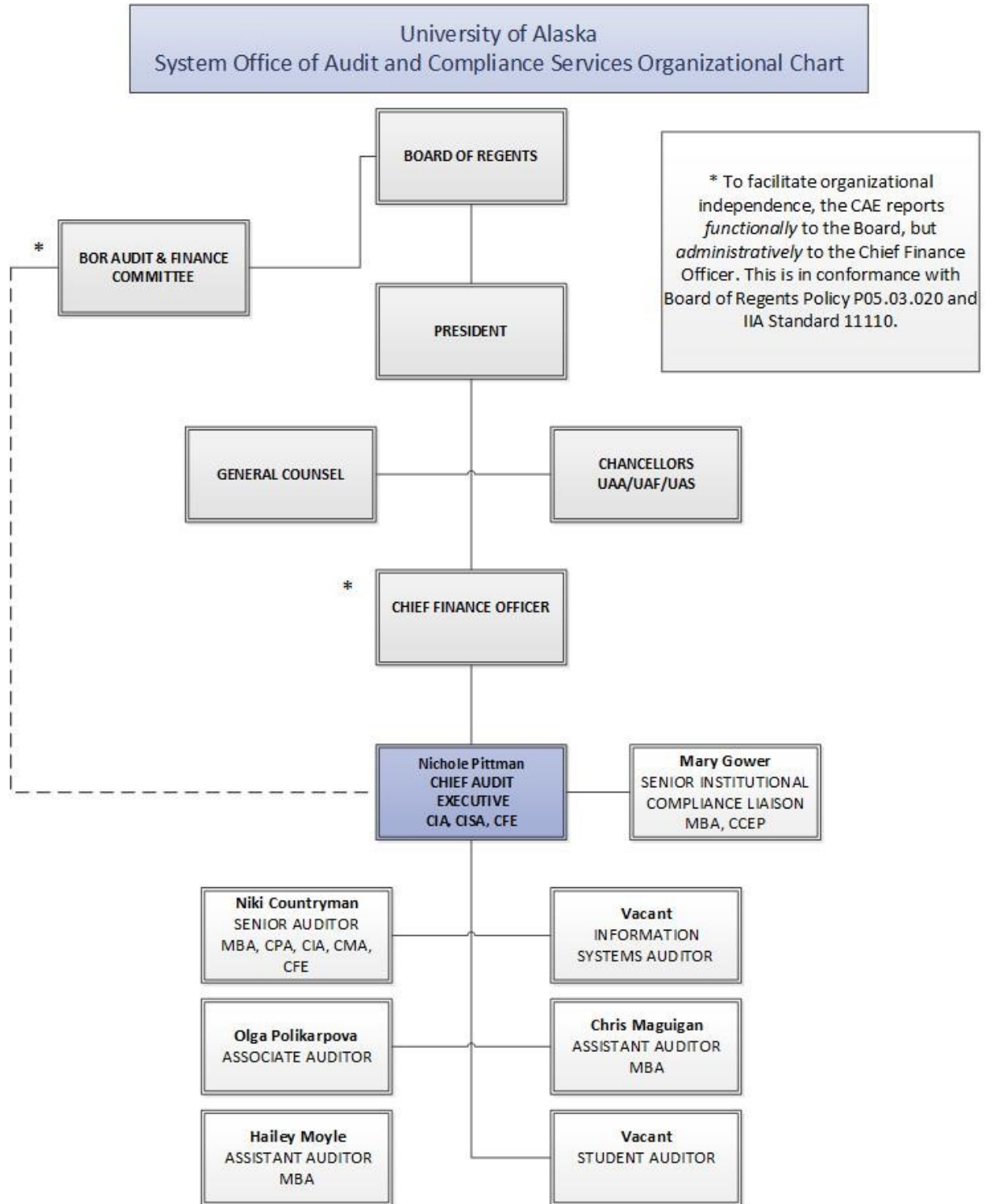
Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

❖ **1130 – Impairment to Independence or Objectivity**

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to the appropriate parties. The nature of the disclosure will depend upon the impairment.

# Organizational Chart

As of August 2023



## Audit and Compliance Staff Profile

Five professional audit staff and one professional institutional compliance staff serve all locations within the UA system. Two of the five audit staff are relatively new as they were hired during the fiscal year. The information systems auditor position was vacant throughout FY23 despite multiple recruitment attempts.

The internal auditors and compliance staff have a variety of specialized subject matter expertise:

- 1 Certified Information Systems Auditor (CISA)
- 4 Master of Business Administration (MBA)
- 1 Certified Public Accountant (CPA)
- 2 Certified Internal Auditors (CIA)
- 1 Certified Management Accountant (CMA)
- 2 Certified Fraud Examiners (CFE)
- 1 Certified Compliance and Ethics Professional (CCEP)

Achievement of professional certifications supports A&CS in the overall achievement of its *Annual Audit Plan*, which is consistent with the IIA Standards, the Code of Ethics, and the focus of A&CS to serve as *independent yet trusted advisors* to their organizations.

## Audits and Projects Completed in FY23

During the period from July 2022 to June 2023 the following engagements were completed:

<i>Institution</i>	<i>Engagement Title</i>	<i>Procedures Performed</i>	<i>Outcome</i>
UAF	Sponsored Programs Accounts Receivable	Reviewed a selection of sponsored program billing and collections for timeliness and accuracy. Selected OGCA processes were reviewed and tested as part of understanding the processes.	Report Status: Final report distributed 10/07/22
Confidential	Attorney-Client Privileged Audit (23-408)	This audit was performed under attorney-client privilege.	Report Status: Final report distributed 4/23/23
UA System	GLBA Gap Assessment	<p>Reviewed GLBA authoritative guidance, examined GLBA-compliant information security plans from peer universities and professional organizations, evaluated UA information security policies and procedures, and conducted interviews with senior system office and university management regarding their financial aid information security procedures to gain insight into UA information security processes and internal controls.</p> <p>The gap assessment results were intended to help UA prepare for the U.S. Office of Management and Budget’s compliance procedures which are updated annually and used as required guidance by the University’s external auditors. Gaps and areas in need of improvement between current compliance efforts and the GLBA regulatory requirements were described in the memo.</p>	Report Status: Final report distributed 6/02/23
UAF	Alaska Native Language Center	Advisory engagement to perform an inventory count observation of the Alaska Native Language Center (ANLC) book	Report Status: Final memo distributed 6/23/23

	Bookstore Inventory	inventory. This included counting a selection of inventory from records to shelf and from shelf to records.	
UAF	Adjunct Hiring Process	Reviewed the adjunct hiring practices at selected UAF colleges: Community and Technical College, College of Business & Security Management, College of Liberal Arts, College of Rural and Community Development. A selection of adjunct hires was tested from the two terms Fall 2021 – Spring 2022.	Report Status: Final report distributed 6/27/23



## Final Status of the FY23 Audit Plan

The following outlines the status of planned activities for fiscal year 2023. These activities were presented and approved by the Board of Regents Audit and Finance Committee in May 2022.

<i>Status of FY22 Activities</i>	
Scheduled Projects Completed	<ul style="list-style-type: none"> <li>• FYE22 External Audit               <ul style="list-style-type: none"> <li>○ Search for Unrecorded Liabilities</li> <li>○ Plant, Property and Equipment</li> </ul> </li> <li>• FYE23 External Audit               <ul style="list-style-type: none"> <li>○ Payroll</li> <li>○ Disbursements</li> <li>○ Tuition and Fees</li> <li>○ Procurement Card</li> </ul> </li> <li>• State of Alaska Executive Travel and Compensation Report for CY2022</li> <li>• Year-end Inventory Instructions</li> <li>• Training: Internal Audit Process, Compliance and Controls</li> <li>• Hotline Statistics Reporting</li> <li>• Open Audit Recommendations Reporting</li> </ul>
Added Projects Completed	<ul style="list-style-type: none"> <li>• 1 Confidential and Privileged Review</li> <li>• 1 Advisory Engagement</li> </ul>
Projects Completed from Prior Years	<ul style="list-style-type: none"> <li>• System-wide Financial Aid / GLBA (FY22)</li> <li>• UAF Adjunct Hiring (FY22)</li> </ul>
Projects Deferred or Paused <sup>1</sup>	<ul style="list-style-type: none"> <li>• FY23, but time reallocated in FY24 for completion:               <ul style="list-style-type: none"> <li>○ Sponsored Programs Journal Vouchers</li> <li>○ Gifts</li> <li>○ Multi-factor Authentication</li> </ul> </li> <li>• Business Continuity / Disaster Recovery</li> <li>• Email Controls</li> <li>• System Development Life Cycle (FY23, time was not reallocated)</li> </ul>
Other Activities	<ul style="list-style-type: none"> <li>• Follow-up Auditing</li> <li>• Continuous Controls Auditing</li> <li>• Tracked 22 external audits with some carried over from FY22 and some that are still in progress</li> <li>• UA Confidential Hotline - System-wide administration</li> <li>• Facilitation of Enterprise Risk Management</li> <li>• Participated in committees and work groups:               <ul style="list-style-type: none"> <li>○ SecureUA</li> <li>○ SSBCI</li> <li>○ PCI</li> <li>○ HIPAA</li> </ul> </li> </ul>

<sup>1</sup> Throughout the year, new risks and competing priorities arise, resulting in the need to revise the original audit plan.

	<ul style="list-style-type: none"> <li>○ UAF Compliance Alliance</li> <li>○ EH&amp;S</li> <li>○ Title IX</li> <li>○ External Audit RFP</li> <li>● Advisory: <ul style="list-style-type: none"> <li>○ Small Business Subcontracting</li> <li>○ Cash Receipts / Deposit Processes</li> <li>○ Segregation of Duties</li> <li>○ Record Retention</li> </ul> </li> </ul>
In Progress	<ul style="list-style-type: none"> <li>● Claims Process</li> <li>● Bank Reconciliation</li> <li>● Athletics</li> <li>● Conflict of Interest</li> </ul>

## 2023 Fiscal Year Goals and Accomplishments

### Audit and Compliance Services Mission Statement


*The mission of the audit and compliance services department is assist the board and management in the effective discharge of their fiduciary, compliance oversight, and administrative responsibilities by providing analysis, appraisals, counsel, information and recommendations concerning activities reviewed and by promoting effective controls for the recording and reporting of operational activities and for the custody and safeguarding of assets, and for addressing significant federal and state laws, regulations, university policy and other requirements impacting the university.*

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

To meet the department’s mission and the definition of internal auditing, the Office of Audit and Compliance Services establishes annual goals in our three *Strategic Plan* areas: Quality Assurance, Building Knowledge Depth, and Outreach and Communication.

### Accomplishments achieved in fiscal year 2023 are outlined as follows:

Quality Assurance (QA)	
Goal: Employ internal operational practices that comply with auditing standards, promote efficient use of limited resources, and provide consistent customer service.	
Accomplishments	Details
1. Effectively identify the best use of limited audit resources to maximize broad-based coverage in key risk areas.	Used a risk-based process to identify engagements for the audit plan. The process includes interviews with senior leadership, discussion with the Board of Regents and external auditors, industry analysis, and results from prior audits: internal, external and agency. The resulting audit plan is presented to the President, executive management, and the Audit and Finance Committee for their approval.  A&CS completed 5 engagements and issued 5 reports.  Continued to revise and improve our follow-up audit procedures and reporting of open audit recommendations. We closed 30 prior audit recommendations in FY23.  We resumed the Continuous Controls Auditing program towards the end of FY23 as a way to maximize our coverage.
2. Maximize benefit of all external audit services.	Acted as liaison with external auditors in relation to federal compliance and financial statement audits.

<p>3. Make value-added recommendations that identify strengths and system improvements to better meet objectives.</p>	<p>Draft recommendations were discussed with and vetted by staff and leadership for reasonableness, practicality, and expected benefit to be gained / risk mitigated. This process occurs during fieldwork, exit meetings, and often during the draft report stage. Many opportunities are provided to collaborate with the university audit customer and ensure that recommendations will serve the intended purpose.</p>
<p>4. Identify and effectively respond to risks associated with fraud, waste and abuse.</p>	<p>Triaged 55 hotline reports, plus 11 reports that were received through other mechanisms.</p> <p>9 instances from the hotline and through direct reports where the potential for fraud, waste or abuse were reviewed to determine whether an investigation was necessary.</p>  <p style="text-align: center;"><b>Toll Free 855-251-5719</b></p> <p>The chief audit executive and senior auditor are Certified Fraud Examiners.</p> <p>Auditor training was focused on fraud, cybersecurity, and compliance.</p> <p>Audit-level risk assessments include a fraud risk assessment.</p>
<p>5. Customer Service</p>	<p>Aimed for communications that were collaborative and sought to find agreed upon solutions to risks and opportunities to enhance effectiveness and efficiencies of processes.</p> <p>Hosted four training sessions on the topics: UA Confidential Hotline, the internal audit process, internal controls as fraud prevention, and institutional compliance.</p> <p>Increased our communications in System and cross-university electronic publications.</p> <p>Conducted over 20 1:1 information sessions with compliance managers to discuss the 7 elements of effective compliance programs.</p> <p>We continued to be flexible on audit timelines to allow time for departments to adjust to lower levels of staffing and meeting non-audit deadlines.</p>

	<p>We emphasized to audit customers the expectation of “no surprises” regarding meetings and tentative findings related to regularly scheduled audits.</p> <p>Initiated collaboration with Human Resources to begin incorporation of awareness of compliance risks, mitigation, training, monitoring, and reporting into the successive touchpoints throughout an employee's tenure at the university.</p>
6. Institutional Compliance	<p>Implemented the fundamental components of an institutional compliance program aimed at facilitating coordination with federal and state laws, regulations, and contractual mandates.</p> <p>This initiative also seeks to bolster effective compliance endeavors, maintain a consistent institutional compliance perspective across university activities, and evaluate current compliance programs while offering recommendations for enhancement.</p>
<b>Building Knowledge Depth</b>	
<i>Goal: Employ highly-effective personnel that possess the technical and effective communication skill sets necessary to ensure successful identification of university risks and implementation of value-added recommendations to mitigate the risks.</i>	
<i>Accomplishments</i>	<i>Details</i>
7. Retention of Institutional Knowledge	Maintain and update controls matrix and repository of control flow charts and process descriptions. These documents are updated periodically and ideally after internal audits are completed.
8. Training	<p>Each auditor received a minimum of 40 continuing professional education units (CPEs) to improve their knowledge on higher education audit topics and techniques, remain apprised of emerging higher education risks, and achieve and maintain a high level of performance. Focus was on safeguarding assets, research administration and compliance, CMMC, information security and privacy, cybersecurity, fraud, and Title IX.</p> <p>A minimum of 40 CPE is required by governmental auditing standards. Additionally, certified auditors complied with the CPE requirements of their certifying organizations.</p> <p>The institutional compliance professional participated in a four-day SCCE Compliance &amp; Ethics academy and successfully completed the Certified Compliance &amp; Ethics Professional (CCEP) exam.</p>

	All audit and compliance staff participated in professional organizations to remain current on industry and technical trends as well as facilitate networking opportunities to learn from our peers at other institutions.
9. Performance and growth	Annual career development planning, annual performance evaluations, and quarterly 1:1 meetings were completed for all audit staff.
10. Contributions to the profession	Staff member participation included: <ul style="list-style-type: none"> <li>• Pacific Northwest Higher Education Internal Auditors CAE Monthly Roundtable</li> <li>• National Compliance Council of System Institutions Quarterly Meetings</li> <li>• Higher Education Auditors Information Technology Quarterly Roundtable</li> <li>• Systems of Higher Education Chief Audit Executive forum</li> <li>• Connect ACUA Forum</li> <li>• IIA Local Chapter Treasurer</li> <li>• Internal audit peer review team member for Colorado State University System</li> </ul>
<b>Outreach and Communication</b>	
<i>Goal: Ensure that internal audit and institution compliance are viewed as a strategic partner and trusted advisor for the UA Regents, leadership, and personnel.</i>	
<i>Accomplishments</i>	<i>Details</i>
11. System-wide communication and education	<p>Provided:</p> <ul style="list-style-type: none"> <li>• Statistics on the reports received through the UA Confidential Hotline and directly to A&amp;CS.</li> <li>• Information about fraud and emerging risks occurring at other higher education institutions.</li> <li>• Input during UA committee meetings for PCI, HIPAA, UAF Compliance Alliance, and Secure UA.</li> <li>• Monthly compliance-based article to the university community</li> <li>• Input on an ad-hoc basis and upon request as situations arose.</li> </ul> <p>Created and launched a series of "Compliance Chat" videos centered on adherence to the Alaska Executive Branch Ethics Act.</p>
12. Remain current on organizational strategy and risks	<p>Attended Board of Regents and System Office Finance meetings to remain current on institutional changes and provide consultation on current issues and initiatives.</p> <p>Participated in numerous internal committees and work groups.</p>

## Quality Assurance Review

- 2023 – Annual periodic quality improvement self-assessment is in progress. This is scheduled to occur annually during the years between the full QAR.
- 2023 - The CAE participated on a QAR team for the Colorado State University System.
- 2022 - Received a rating of **“Generally Conforms”** from a peer review conducted by the chief audit and compliance officer from the University of Tennessee System. ***This is the highest possible rating.*** The review is required to occur at a minimum of every 5 years.
- 2022 – The CAE participated on a QAR team for the University of Utah.
- 2021 – The CAE participated on a QAR team for the University of Mississippi.
- 2020 – Completion of the periodic quality improvement self-assessment. This is scheduled to occur annually during the years between the full QAR.
- 2019 – Completion of the periodic quality improvement self-assessment. This is scheduled to occur annually during the years between the full QAR.
- 2018 - Implementation of 2016 QAR recommendations, including the addition of a strategic plan section in the FY19 Annual Audit Plan.