

University of Alaska

Statewide Office of Audit and Consulting Services

Fiscal Year 2013 Annual Report



UNIVERSITY
of **ALASKA**

Many Traditions One Alaska

1. Executive Summary

The Board of Regents of the University of Alaska has oversight responsibility of internal and external audit functions, 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 Consulting Services (A&CS) is to assist the board and management in the effective discharge of their fiduciary 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.

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 FY2013 audit plan. 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 Committee of the board.
- P05.03.026. Audit 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 Committee for review and approval.
 - C. Significant deviation from the formally approved plan will be communicated to senior management and the Audit Committee through periodic status reports.

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

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.”

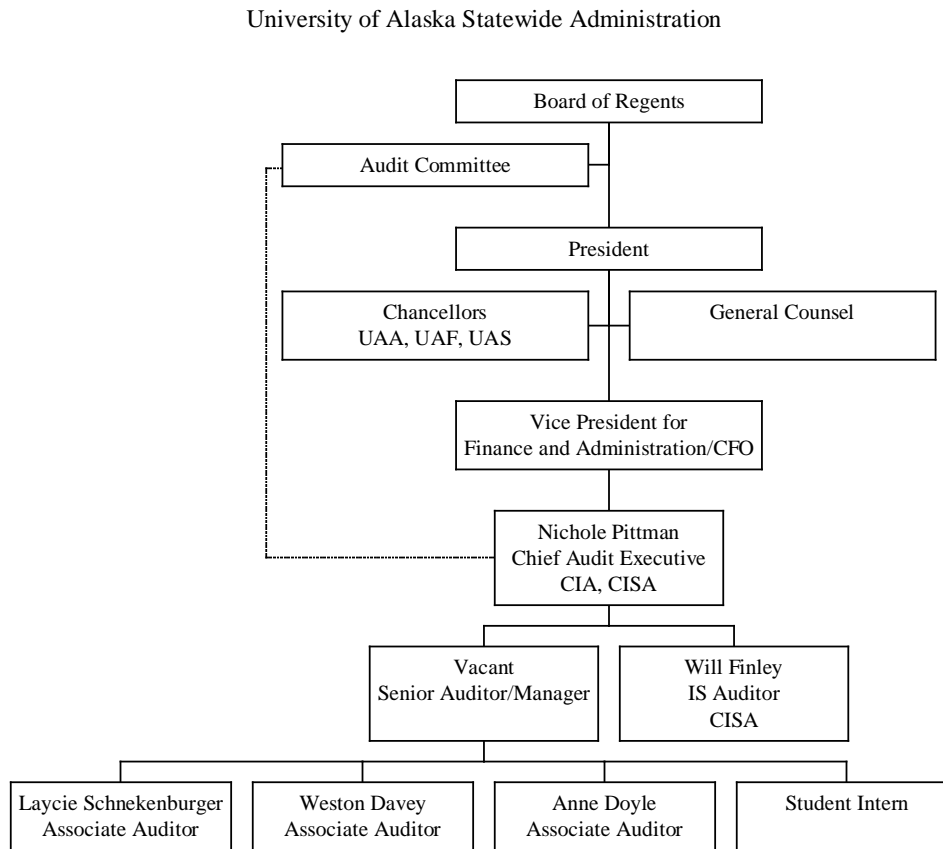
Standard 2020 “The chief audit executive must communicate the internal audit activity’s plans and resource requirements, including significant interim changes, to senior management and the board for review and approval.”

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...”

The information provided documents how A&CS assists management in mitigating risk and identifying improvements to UA operations. Management responded to the audit report recommendations made over the past year with adequate action plans or accepted the risk of not taking action. Action plans and acceptance of risk were communicated via final audit reports.

2. Organizational Chart and Staff Profile

As of July 2013



Five professional audit staff serve all locations within the UA system. The staff has a variety of specialized subject matter expertise:

- 2 Certified Information Systems Auditors
- 2 Masters of Business Administration
- 1 Certified Internal Auditor

All auditors are pursuing professional certifications.

3. Audits and Projects Completed in FY13

During the period from July 2012 to June 2013 the following engagements were completed:

Institution	Engagement Title	Assurance Provided Based Upon Procedures Performed
UA System	Sponsored Programs Effort Reporting and Certification	Evaluated processes for compliance with federal requirements. Control improvements are in process for the accounting and monitoring of effort charged to awards.
UA System	Effort Certification Redesign Project	Evaluated process revisions for compliance with federal requirements and the introduction of new risks. Determined that risks were mitigated. The redesign project helps remediate several of the recommendations from the System-wide Effort Reporting and Certification audit.
UA System	Banner Upgrade Testing	Followed up on prior audit recommendations from 2005 regarding documented testing plans and acceptance of risk for cross-functional upgrades or testing that was not completed. A&CS plans to perform additional follow-up with UAF in the fall of 2013.
UA System	Banner Access Controls	Evaluated controls for authorizing and maintaining access in Banner. Control improvement suggestions were made to increase the efficiency and effectiveness of deprovisioning access during transfers between jobs within the UA system and for reviewing access for appropriate segregation of duties.
UA System	Outsourced IT Services	Evaluated contracting and risk assessment controls for outsourced IT services that involve vendor handling of sensitive university data. Control improvements are in progress for conducting an inventory of IT-related contractual relationships and including IT, security, legal and risk personnel, as relevant, when new outsourced IT service contracts are being processed.
UA System	Fraud and Ethics Incident Reporting	Conducted a web-based survey and a series of interviews system-wide to evaluate the adequacy of existing methods for reporting suspected fraud or ethical misconduct. As a result, a fraud, waste and abuse policy is being developed. This will be accompanied by a hotline and training on internal controls and fraud identification.
SW	Banner Program Migration	Followed up on segregation of duties recommendations that had originated from the FYE12 external audit and researched migration processes of other higher education institutions.

		Prior issues were satisfactorily addressed.
SW	Broadband Technology Opportunities Program (BTOP)	Evaluated activity for compliance with federal requirements and the award documentation. Results were communicated as informational since the award end date was approaching and the department did not expect to apply for further funding. Unallowable charges were not an issue.
UAA	Kenai River Campus Data Security	Reviewed various aspects of safeguarding data that is subject to regulation such as FERPA, PCI DSS, HIPAA and the FTCs Red Flag Rule.
UAA	Departmental Cash Receipts	Evaluated controls for safeguarding cash receipts, change funds and petty cash. Control improvements are in progress as a result.
UAA	Mat-Su College Phase I	Completed phase I of 2. Evaluated business office functions including cash controls, segregation of duties, bank reconciliations, accounts receivable and grants administration. Control improvements are in progress as a result.
UAF	Departmental Cash Receipts and Accounts Receivable	Evaluated controls for safeguarding cash receipts, change funds and petty cash and controls for processing accounts receivable. Control improvements are in progress for segregation of duties, software controls for various systems used and establishing written procedures to supplement existing Statewide requirements.
UAS	Human Resources	Evaluated the hiring process, classification of grant funded positions, and file maintenance. Control improvements are in progress for ensuring maintenance of required documentation.

4. [Final Status of the FY13 Audit Plan](#)

The following outlines the status of planned activities for fiscal year 2013. These activities were presented and approved by the Board of Regents Audit Committee in June 2012.

Status of FY13 Activities	
Scheduled Projects Completed	<ul style="list-style-type: none"> • FYE12 External Audit <ul style="list-style-type: none"> ○ Year-end Cut-off ○ UAF Utilities Inventory Observation ○ Disbursements ○ Cash ○ Auxiliary Fund Revenues ○ Unexpended Plant Fund Additions ○ Search for Unrecorded Liabilities • FYE13 External Audit <ul style="list-style-type: none"> ○ Journal Entries ○ Disbursements

	<ul style="list-style-type: none"> ○ Payroll ○ Plant Fund ○ Year-end Cut-off ○ Procurement Card ○ Search for Unrecorded Liabilities ● UAA Departmental Cash Receipts ● UAA Mat-Su College – Phase I ● UAF Departmental Cash Receipts and Accounts Receivable ● Statewide Restricted Funds (BTOP) ● Fraud and Ethics Incident Management ● Banner Access Controls ● State of Alaska Executive Travel and Compensation Report
Added Projects Completed	<ul style="list-style-type: none"> ● FYE12 External Audit <ul style="list-style-type: none"> ○ A-133 Contracts ○ Equipment Verification ● Banner Program Migration ● System-wide Risk Profile ● Signature Authority on Contracts ● President’s Residence Maintenance ● Confidential reviews (2)
Projects Completed from Prior Years	<ul style="list-style-type: none"> ● UAS Human Resources ● UAA Kenai River Campus Data Security ● Sponsored Programs Effort Reporting and Certification ● Outsourced IT Services ● Banner Upgrade Testing
Projects Canceled	<ul style="list-style-type: none"> ● UAF Departmental Review ● Fixed Cost Contracts Analysis ● IT Governance
Other Activities	<ul style="list-style-type: none"> ● Follow-up Auditing ● Continuous Controls Auditing ● External Audit RFP and Contract ● Tracked 20 external audits and consultant reviews ● Participated with Effort Certification Process Redesign ● Participated with Business Continuity Implementation ● Fraud policy development ● Audit website updates
In Progress <i>(includes select FY14 projects)</i>	<ul style="list-style-type: none"> ● UAF Restricted Funds Departmental Budget and Expenditure Monitoring ● UAA Restricted Funds Departmental Budget and Expenditure Monitoring ● UAA Mat-Su College – Phase 2 ● Sitka Campus Title III ● Student Enrollment Data Integrity ● FYE13 External Audit <ul style="list-style-type: none"> ○ Cash

5. 2013 Fiscal Year Goals and Accomplishments

Audit and Consulting Services Mission Statement

The mission of the audit and consulting services department is to assist the board and management in the effective discharge of their fiduciary 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.

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.”

During fiscal year 2013, the department underwent a board-approved title change from the Office of Internal Audit to the Office of Audit and Consulting Services, which was consistent with the existing mission, and the title of the department director to Chief Audit Executive, which was consistent with the IIA’s terminology.

To meet the department’s mission and the definition of internal auditing, the Office of Audit and Consulting Services establishes annual goals in four strategic areas: Audit Engagements, Staffing, Quality Assurance and Outreach.

Accomplishments achieved in fiscal year 2013 are outlined as follows:

Audit Engagement Tasks	Accomplishments
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 included an executive management survey and discussion, Board of Regents discussion and input, industry analysis and results from prior audits: internal, external and agency. The resulting audit plan was presented to the President, executive management, and to the Audit Committee for their approval. A&CS completed 31 engagements and issued 9 reports with recommendations related to grants and contracts compliance, regulatory compliance, data security, systems access, cash handling, accounts receivable, bank reconciliations, and contracting for outsourced IT services. Surprise cash counts were performed at two of the three universities.
2. Maximize benefit of all external audit services.	Acted as a liaison with all external auditors in relation to federal compliance and financial

	<p>statement audits and NCAA agreed-upon fiscal procedure engagements.</p> <p>Attended the Cyber Resiliency Review.</p> <p>Participated in a compliance readiness assessment.</p>
3. Make value-added recommendations that identify strengths and system improvements to better meet objectives.	Completed follow-up audit procedures on 235 open recommendations from prior audits, noting that 195 were implemented and the remaining 40 were in-progress.
4. Identify and effectively respond to risks associated with fraud, waste and abuse.	<p>2 investigations completed.</p> <p>4 instances where the potential for fraud, waste or abuse were reviewed and deemed that an investigation was not necessary.</p> <p>Reviewed the adequacy of existing reporting methods for fraud, waste and abuse. This led to the development of a proposed fraud, waste and abuse policy and implementation of a hotline. These are expected to be completed in FY14.</p>
Staffing Tasks	Accomplishments
Employ highly-effective personnel that possess the technical and effective communication skill sets necessary to ensure successful identification and implementation of value-added recommendations.	<p>Annual career development planning with all audit staff.</p> <p>All staff received continuing professional education to improve their performance as required by governmental auditing standards.</p> <p>One staff earned a Certified Information Systems Auditor designation issued by the ISACA organization.</p> <p>All staff participated in professional organizations to remain current on industry and technical trends as well as to facilitate networking opportunities. Staff member participation included Systems of Higher Education Chief Audit Executive forum, Association of College and University Auditors forum, presenter and track coordinator, Pacific Northwest Higher Education Internal Auditors regional conference presenter.</p>
Quality Assurance Tasks	Accomplishments
Employ internal operational practices that comply with auditing standards and promote efficient use of limited resources.	Received a rating of partially conforms from a peer review conducted by a representative of the University of North Texas in fiscal year 2012. The

	<p>majority of recommendations have been addressed successfully, as reported to the Audit Committee during regular meetings.</p> <p>Modified the audit planning and reporting processes and numerous work paper templates to improve efficiency.</p> <p>Developed custom reports to facilitate the tracking of progress toward departmental goals.</p> <p>Completed implementation of the electronic work paper software application <i>AutoAudit</i>.</p> <p>Distributed a customer survey following completed engagements. Reviewed responses with audit team.</p> <p>The next peer review is scheduled to begin in fiscal year 2015.</p>
Outreach Tasks	Accomplishments
<p>Provide valuable resources through system-wide communication and education to assist campuses in meeting their objectives.</p>	<p>Regularly attended board and executive leadership team meetings to keep informed of changes and provide consultation on current issues and initiatives.</p> <p>Provided:</p> <ul style="list-style-type: none"> • Resources on risk assessment processes and enterprise risk management theory. • Instructions on QMenu Project Administration to departments working with restricted funds. • Overview of Internal Controls. • A web application that campuses can use at no cost to monitor their open audit recommendations and submit updates to the A&CS. <p>Discussed the importance, and types, of athletics auditing with the President’s Cabinet.</p> <p>Discussed compliance and information security within ad-hoc committees.</p>

Status of FY2014 Annual Audit Plan

As of August 29, 2013

Italic Items - have been completed or are in progress

External Financial Audit Support:

<i>Year-end Cutoff</i>	<i>Cash</i>
<i>Procurement Card</i>	<i>Auxiliary Revenues</i>
<i>Payroll</i>	<i>Unexpended Plant Fund Additions</i>
<i>Journal Entries</i>	<i>Search for Unrecorded Liabilities</i>
<i>Cash Disbursements & Bank Transfers</i>	

Audits and Projects:

University of Alaska Anchorage:	Records Management and Data Disposal
<i>Student</i>	<i>Business Continuity</i>
Department Review	<i>Banner Access Controls** (FY13)</i>
Subcontract Monitoring	<i>Data Integrity (FY13)</i>
<i>Restricted Funds Monitoring* (FY13)</i>	
<i>Departmental Review** - Mat-Su College Phase II (FY13)</i>	<i>Ongoing Audits:</i>
	<i>Follow-up Auditing</i>
	<i>Continuous Controls Auditing</i>
University of Alaska Fairbanks:	
Student	Special Requests*
Department Review*	
Athletics	Investigations*
University of Alaska Southeast:	
<i>Sitka Campus Title III (FY13)</i>	
Statewide:	
Department Review	*Specific departments/areas to be determined later
Training	**Carried forward from FY13
Function and System Reviews:	
Budget	
Construction Project Management and Operations Planning	
Contract Authorization and Administration	
Risk Management	
Information Systems Reviews:	
OnBase Access Controls**	
Mobile Technology Security	