



**2024 NC Community College System Office
Risk Assessment and Audit Plan**

Summary

Jefferson Wells, Inc. in participation with NC Community College Systems Internal Auditor (NCCCS IAS), has completed its FY 2024 annual risk assessment and internal audit planning exercise, resulting in the development of an Annual Internal Audit Plan for NC CCS Internal Audit. This report, provided to David King, NC CCS Director of Internal Audit, and the NC CCS Executive Management Team (EMT), provides a compilation of documents for review of the agency wide internal audit program. The report also includes a list of auditable topics of concerns, risk themes generated from interviews & discussions with NC CCS EMT, audit universe risk scoring results, and other supporting information outlining this engagement.

Listed below is a list of planned and advisory audits for NC CCS IAS to complete over the coming years. Please Note: The developed audit plan is subject to changes due to unforeseen incidents that may arise during the year, which would require immediate attention by NC CCS IAS. Any changes to the annual audit plan will be communicated to the EMT and Audit Committee.

Year 1 (FY 2024) Planned Audits and Consultation

- College Data Transfer Processes
- HR Performance Management
- Standard Operating Procedures

Year 2 (FY 2025) Planned Audits and Consultation

- Processes for Updating and Communicating System Office Policies
- Effectiveness of Marketing and Outreach
- Cybersecurity
- Effectiveness of Strategic Plan Implementation
- HR Onboarding Processes

Allocation of Available Hours for FY 2024 (July 2023 – June 2024)

Available Hours of 1 FTE	2080 hours
Administration, Meetings, CPE, PTO,	732 hours (35%)
Annual Required Projects (SAMM, EAGLE, QAR)	422 hours (20%)
Recurring Engagements (Risk Assessment, Follow up)	310 hours (15%)
Placeholders (ad hoc events, investigations, etc.)	230 hours (11%)
Risk-Based Engagements	420 hours (20%)

Note: Total hours are over 2080 because it is unlikely that all PTO hours will be taken, and because Internal Audit expects to have engagement carry past the year end.

Annual Risk Assessment Process

The internal audit risk assessment is an annual and on-going risk-based exercise established to identify concerns and potential risk areas to be considered for inclusion in the annual audit plan and as a source of agency wide risk intelligence gathering. It is relied upon by senior management as an independent perspective on potential areas of agency risk.

Information on risk components and concerns are gathered from interviews with the NCCCS Leadership teams (**Appendix A**). Interview results led to the generation of a list of auditable topics of interest and risk factors. Auditable topics and concerns are rated on a Tier Risk Level for auditable risks were evaluated for a risk score (**Appendix B**) associated with the audit universe (**Appendix C**) calculated based on interview responses to questions related to the risk components.

NCCCS Top Auditable Risks (by rating) and Audit Plan Date

• Cybersecurity	2025
• Human Resources: Performance Management	2024
• Governance: Tone at the Top	Not scheduled
• Changing the Funding Formula	Not scheduled
• Governance: Policy Implementation	2025
• IT / Programs: Data transfer and utilization	2024
• Lack of Standard Operating Procedures	2024
• Governance: Culture	Not scheduled
• Human Resources: Onboarding Processes	2025
• Career and Coaching Program: Resource Allocation	Not scheduled
• Business Continuity/Continuing Operation/Disaster Recovery Plans	Not scheduled
• Outreach and Marketing	2025
• Strategic Plan Implementation	2025
• IT: Change Management	Not scheduled
• IT: System Risks (Legacy systems and New System Implementation)	Not Scheduled
• Grant management	Not Scheduled
• Scholarship Programs	Not scheduled
• Fraud Risks	Not scheduled

Note: Areas that are not scheduled due to limited resources, being addressed by management outside of the internal audit function or timing (for example Governance is delayed until changes in management have had a chance to have an impact).

NCCCS Top Unauditable Risks

- Limited staffing due to limited resources
- Program and Administrative operations impacted by turnover
- Limited funding for supporting new and existing initiatives (unfunded mandates)
- Missing grants due to limited Grant Resources
- System Office / College business model
- College employee turnover impacts System office operations
- Colleges have limited resources to support ERP system implementation
- Funding schools based on FTE can impact college collaboration
- Legislative / Regulatory changes

July 2023- June 2024 Audit Plan

<i>Engagement</i>	<i>Focus area / Preliminary Objective</i>	<i>Budgeted Hours</i>	<i>Est. Completion Date</i>
Quality Assurance and Process Improvement			
Quality Assurance Review (QAR)	Prepare for Quality Assurance Review	150	Jun-24
2024 Self-Assessment Maturity Model (SAMM)		36	Jun-24
Quality Improvement	Annual review of engagements for compliance with standards and process improvement	36	Jun-24
Quality Improvement	Professional Research and improving Process. Annual Charter Review.	110	Ongoing
EAGLE Project			
2024 EAGLE project for the State Controller		200	Jun-24
Audits and Engagements			
P-Card activity Consulting Engagement (Q1-Q4 2023)	Analytical review of all P-Card Transactions	30	Completed
Follow-Up Engagement (Catch up 2018-2023)	Determine status of all recommendations. Report completed, overdue and cancelled items to Management. Identify accepted risks.	50	Dec-23
Follow-Up Engagement (Year-end)	Determine status of all recommendations. Report completed, overdue and cancelled items to Management. Identify accepted risks.	20	Jun-24
Analytics - Data	To assess the processing of data submitted from the colleges, which are on different ERP systems, to the Systems Office for use in federal and state reporting.	120	Dec-23
HR - Performance Management	To assess the system used to monitor performance related to system office programs delivered by offsite resources.	180	Jun-24
SOP's	To assist in the coordination of departmental SOP's. Assist in the documentation of processes.	120	Jun-24
Risk Assessments			
2024 Risk Assessment and Audit Plan		150	Sep-23
2025 Risk Assessment and Audit Plan	Performed early to align the planning calendar with the fiscal calendar.	60	Jun-24
Other Engagements			
Technical Assistance	Placeholder for unscheduled activities	60	Unscheduled
Consulting Engagements	Placeholder for unscheduled activities	40	Unscheduled
Investigations	Placeholder for unscheduled activities	20	Unscheduled

Engagement Hours

1382

Administrative Obligations

732

Total Budgeted Hours

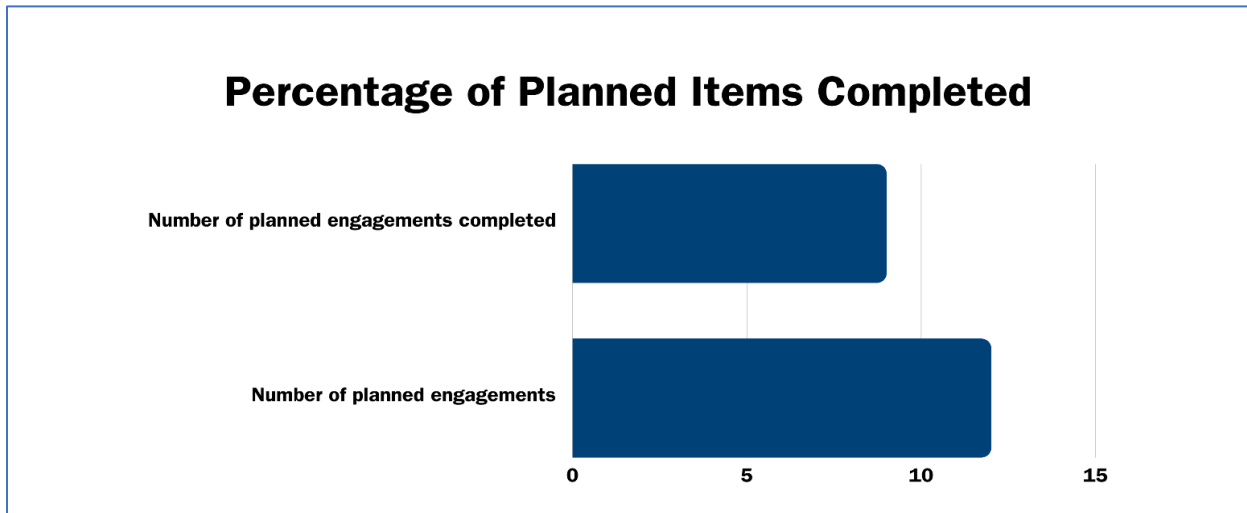
2114

July 2024-June 2025 Audit Plan

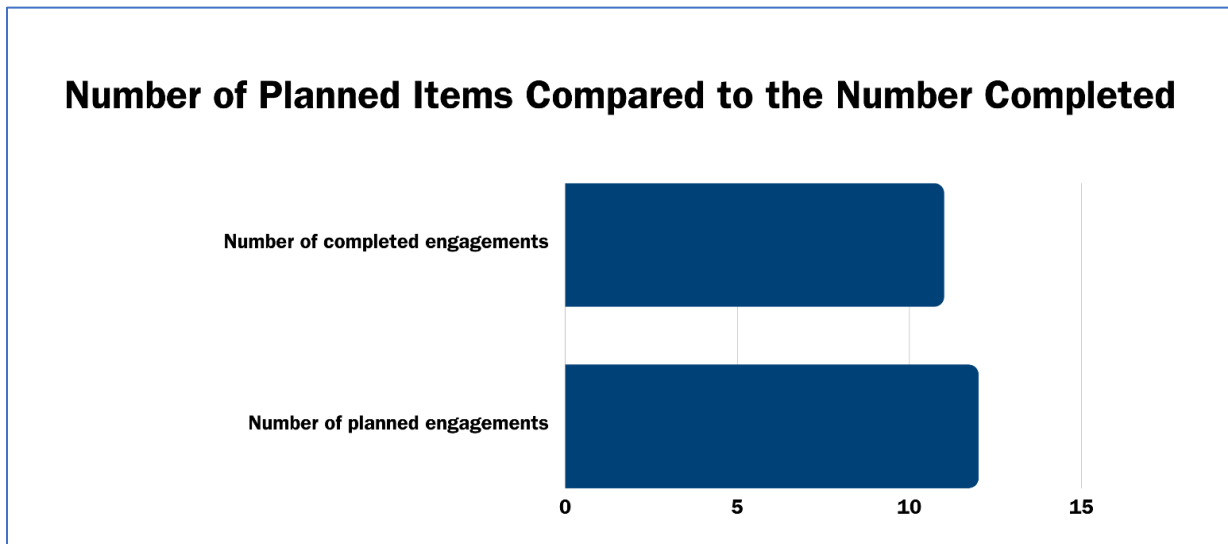
Quality Assurance and Process Improvement			
Quality Assurance Review (QAR)	Participate in conducting a QAR	120	Jun-25
2025 Self-Assessment Maturity Model (SAMM)		36	Jun-25
Quality Improvement	Annual review of engagements for compliance with standards and process improvement	36	Jun-25
Quality Improvement	Professional Research and improving Process. Annual Charter Review.	110	Ongoing
EAGLE Project			
2025 EAGLE project for the State Controller		200	Jun-25
2025 Engagements			
Follow-Up Engagement (Dec 2024)	Determine status of all recommendations. Report completed, overdue and cancelled items to Management. Identify accepted risks.	30	Dec-24
Follow-Up Engagement (June 2025)	Determine status of all recommendations. Report completed, overdue and cancelled items to Management. Identify accepted risks.	30	Jun-25
Policies	To evaluate the processes around communicating, updating, and publishing System Office Policies.	60	Dec-24
Outreach / Marketing	Evaluate the metrics used to determine effectiveness of outreach and marketing. Evaluate the alignment of goals, initiatives, and KPI related to outreach.	60	Dec-24
Cybersecurity	To assess internal controls over user access and penetration of IT systems.	160	Dec-24
Enterprise Risk - Strategy	To evaluate the NC CCS business strategy & if direction is in line with expectations.	80	Jun-25
HR - Onboarding	To assess internal controls and effectiveness related to employee onboarding & identify bottlenecks in the process.	160	Jun-25
Risk Assessments			
2026 Risk Assessment and Audit Plan		120	Jun-25
Other Engagements			
Technical Assistance	Placeholder for unscheduled activities	60	Unscheduled
Consulting Engagements	Placeholder for unscheduled activities	40	Unscheduled
Investigations	Placeholder for unscheduled activities	20	Unscheduled
Total Engagement Hours		1322	
Administrative Obligations		732	
Total Budgeted Hours		2054	

Internal Audit Performance Measure

Project Completion:

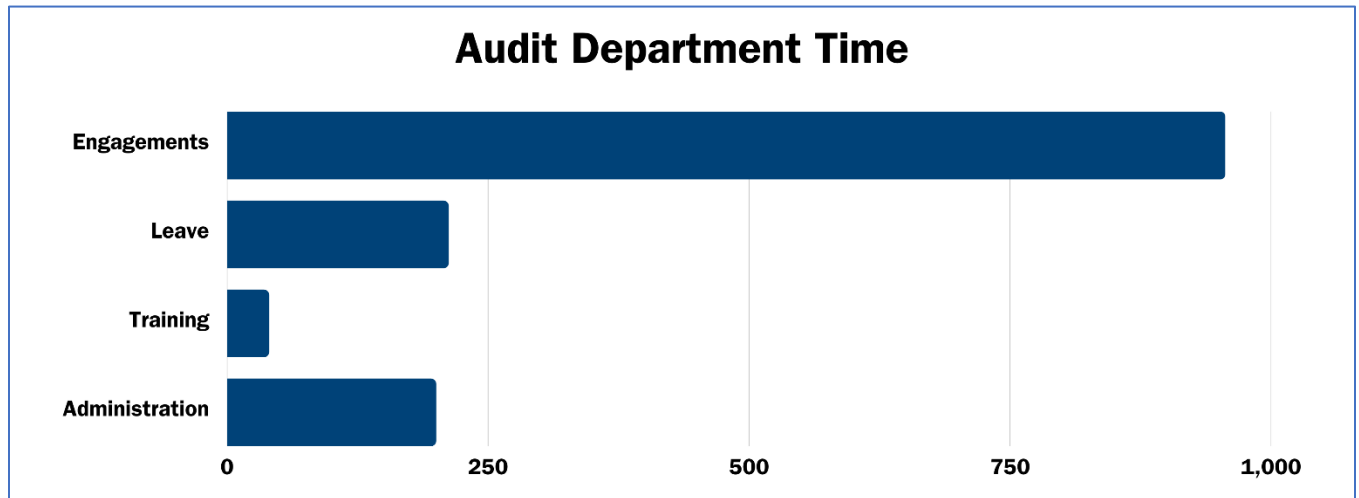


Audit has a goal to complete 70% of the planned engagements. Internal audit completed 9 of the 12 planned engagements (75%) in FY 2023.



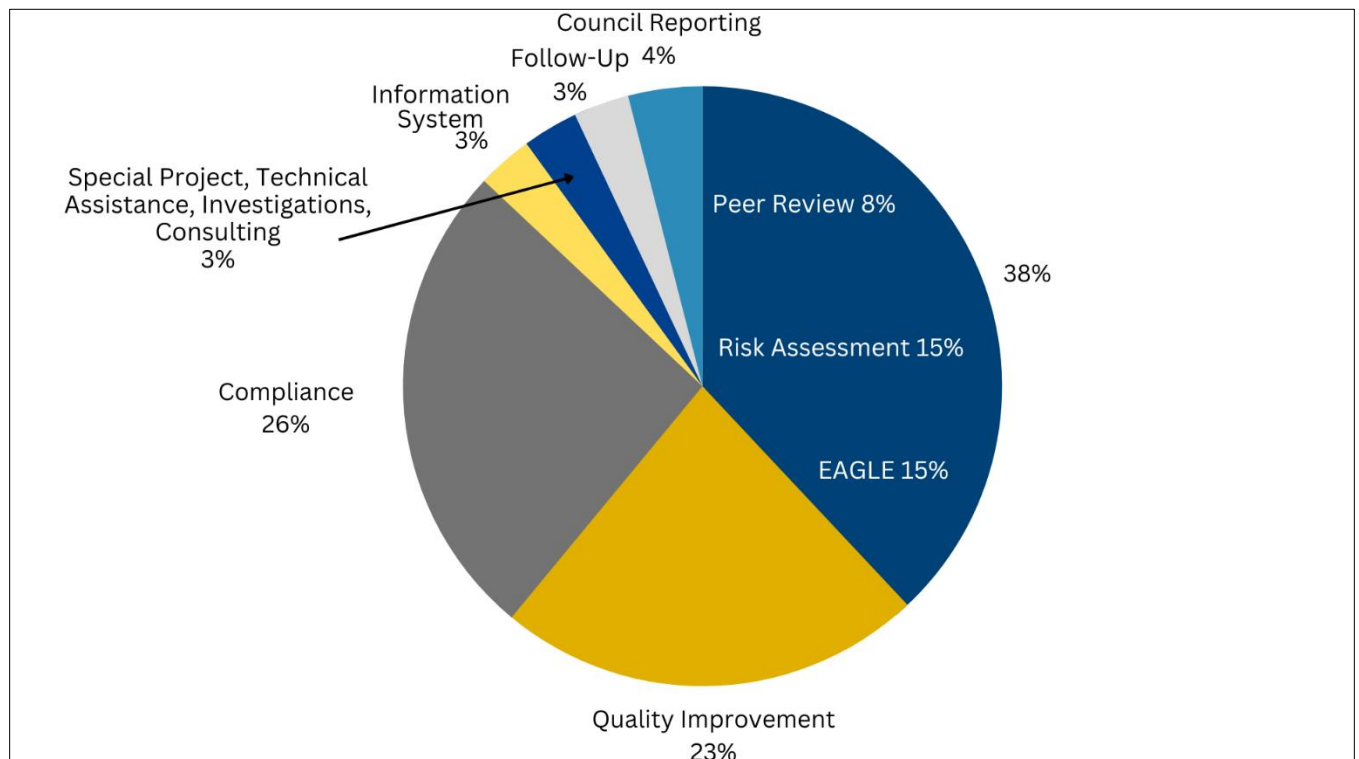
Audit has a goal to complete 70% of the number of planned engagements. Audit completed 11 engagements in total, which is 92% of the total planned activity.

Hours and Utilization



Internal audit has a goal of 60% of total available hours to be used on engagements. 956 of the 1,408 (68%) hours available were used on engagements. Audit lost approximately 600 hours due to positional vacancy in 2023.

Breakdown of Engagement Hours



956 hours were spent on engagements. 38% of these hours were used for IA Quality Improvement and the Risk Assessment. In 2024 will focus on moving more hours to engagements that address System Office risks and strategies

Status of Recommendations and Action Items

Internal Audit will present the status or recommendations and action items as a performance measure in future reports. This data has not been captured up to this point. There is an engagement to begin at the start of FY 2024 to determine the status of recommendations made from 2018 through 2023. These results will be presented to management. This will be updated on an ongoing basis. Internal audit will have goals of 90% of recommendations accepted by management and 70% of those recommendation implemented.

Quality Assurance and Improvement Results

The IAD monitors its compliance with the audit standards and reviews its work to see if there are opportunities to improve performance overall. The standards require the Internal Audit Director to inform management and the Audit Committee whether it is compliant with the standards and identify areas that are not complaint. Internal Audit completed the North Carolina Council of Internal Audit Self-Assessment Maturity Model (SAMM) to determine its compliance with the standards.

Internal Audit currently does **NOT** comply with the International Standards for the Performance of Internal Audit. Specific issues preventing compliance are:

- 1) Internal Audit does not have a process to evaluate and consider soft controls. This has been addressed going forward.
- 2) The internal audit activity is not conducting team building activities to develop a cohesive internal audit team. This is due to being a one-person team. The corrective action for this is for internal audit to communicate the limitations of a one-person audit department to management and the Audit Committee.
- 3) Internal Audit has not had an external assessment in over 5 years. Internal Audit is implementing a plan to be ready for an assessment by the end of 2024.
- 4) Internal Audit also does not meet the supervision and review standards due to being a one-person audit department. The audit director must review their own work, which is considered inadequate supervision. The Audit Director will implement reviews and processes to mitigate the impact of this limitation.
- 5) Internal audit has not maintained sufficient workpapers to support the audit process. This does not mean that the work was insufficient, just that the documentation is inadequate. The Internal Audit Director has implemented processes to address this weakness.

Appendix A

List of interviewees

Interviewee	Title	Division
John Loyack	VP Economic Dev & Customized Training	Economic Development
Matthew Meyer	Associate Vice President, Educational Innovations	Economic Development
Alexander Fagg	Director, Government Relations	Executive
Amanda Tolar	Director of Compliance Services	Executive
Bill Schneider	AVP of Research & Performance Management	Executive
Dr. Kimberly Gold	Chief of Staff/Executive VP	Executive
Magnolia Lugo	Dir of Human Resources	Executive
Patrick Crane	VP, Strategic Initiatives	Executive
Nathan Hardin	Exec Dir of Communications	Executive
Tawanda Foster Artis	General Counsel	Executive
Ann Anderson	AVP, State Level Accounting and Operations	Finance
Stephanie Fisher	AVP, College Finance and Operations	Finance
Dr. Philip Price / Elizabeth Grovenstein	AVP, CFO	Finance
Grant Braley	Director of Procurement	Finance
Andrew Gardner	Associate VP, Workforce Strategies	Programs and Student Svcs
Dr. James Kelly	AVP, Student Services	Programs and Student Svcs
Dr. John JJ Evans	Associate Director for Student Life	Programs and Student Svcs
Dr. Monty Hickman	Associate Director of Student Support Services	Programs and Student Svcs
Lisa Eads	AVP for Programs	Programs and Student Svcs
Jennifer McLean	Associate Director of Student Support Services	Programs and Student Svcs
Ken Ramos	AVP, Infrastructure and Operations	Tech Services
Patrick Flemming	SVP, CIO	Tech Services
Stephen Reeves	AVP, CIO of Ops and Security	Tech Services

Appendix B

Risk Tier Levels and Scoring Criteria

Risk Tier Levels	
Tier 1	Top Risks. Tier 1 risks have a high impact on the organization. Requires management's immediate attention and monitoring.
Tier 2	Not top risks. Requires periodic monitoring and assessment. Lowest of risks level. Require annual / semi-annual assessment
Tier 3	focusing on the strength of internal controls and stability (no risk growth).

NCCCS Business IMPACT Rationale	
Risk Impact	Definitions
Minor (1)	Financial impact on earnings of up to \$1,000,000 in any 12-month period. Loss of reputation or image that involves local adverse media coverage.
Moderate (2)	Financial impact on earnings of up to \$2,000,000 in any 12-month period. Loss of reputation or image that involves widespread adverse media coverage. Potentially involves litigation. Involves a reasonable amount of management time.
Significant (3)	Financial impact on earnings of up to \$3,000,000 in any 12-month period. Loss of reputation or image that may require up to one year to recover. Potentially involves litigation.
Severe (4)	Financial impact on earnings of up to \$5,000,000 in any 12-month period. Loss of life or serious injury. Event that keeps agency implementing all or part of its strategic plans. Loss of reputation or image that may require up to one to three years to recover. Litigation claim.
Catastrophic (5)	Financial impact on earnings of more than \$5,000,000 in any 12-month period. Multiple loss of life. Loss of reputation or image that may take more than three years to recover. Litigation claim.

NCCCS Business LIKELIHOOD Rationale	
Likelihood	Definitions
Almost Never/Rare (1)	The risk event may occur in exceptional circumstances. 4% or less chance in next 12 months or once in 25 years.
Unlikely (2)	The risk event may occur at some time. 10% chance in next 12 months or once in 10 years.
Possible (3)	The risk event should occur at some time. 25% chance in next 12 months or 5 out of every 20 years.
Likely (4)	The risk event will probably occur in most circumstances. 55% chance in next 12 months or 11 out of every 20 years.
Almost Certain (5)	The risk event is expected to occur most circumstances. 90% chance in next 12 months or 18 out of every 20 years.

Appendix C

Audit Universe: These are the areas that fall under the scope of Internal Audit. The audit universe is reviewed during the risk assessment process to determine if any areas need to be added or removed. All auditable risks were within the audit universe.

Governance and Administration

Tone from the Top / Environment
Policy Development and Implementation
Legal and Legislative Affairs
Risk Management
Strategic Planning

Fraud Risks

Marketing and Outreach

Financial Management

Budgeting and Budget management
Financial Reporting
Procurement and Contract Management
Fixed Assets

Human Resources

Recruitment and Retention
Onboarding, Training, and Development
Performance Management

Information Technology

IT Governance
Cyber security
IT Project Management
IT Infrastructure Management
Software and Application Management

Health and Safety - Workplace Safety

Emergency Preparedness

Disaster Response and Recovery Processes

Programs and Services

Grant Management
Program Performance Reporting
Student Services and Student Support
Curriculum Program Development and Implementation
College Support and Resource Distribution
Academic and Federal Compliance Requirements