Jefferson Wells™
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2022 NC COMMUNITY COLLEGE SYSTEMS INTERNAL AUDIT PLANNING REPORT

Annual Risk Assessment and Internal Audit Plan

September 20, 2022

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I. SUMMARY

Jefferson Wells, Inc. in participation with NC Community College Systems Internal Audit Services (NC CCS IAS), has completed its FY'23 annual risk assessment and internal audit planning exercise, resulting in the development of an Annual Internal Audit Plan for NC CCS IAS. This report, provided to Bryan Matthews, 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.*

Year 1 Planned Audits and Consultation

- Grant Compliance Audit
- College Data Transfer Audit

Year 2 Planned Audits and Consultation

- IT Security / Cybersecurity Audit
- Workforce Innovation and Opportunity ACT (WIOA) Compliance Audit

In addition, approximately 15% of net available resource time has been allocated for investigations and special project activities, and 40% of time allocated to meetings & administrative responsibilities during the year. Approximately 3% of net available resource time has been allocated for continuing professional education. The Internal Audit Plan reflects these resource constraints of the internal audit department.

II. ALLOCATION AND USE OF RESOURCES

Currently, NC CCS IAS is comprised of one Internal Auditor. The availability of this Internal Auditor on an annual basis is allocated as follows:

Schedule 1 – Personnel – Gross and Net Available Hours, outlines the net available hours, and annual available auditable hours per year dedicated to the NC CCS's Internal Audit Services based on current staff.

Available Audit Hours Calculation	**Total Year**
Internal Audit Current Staff (FTE)	1
Gross Hours per FTE per Year	**2,080**
Less:	
Holiday Hrs.	96
Sick	96
Vacation	112
Person Break	120
Community Service	24
CPE	60
	508
Available Audit Hrs. per FTE per Year	**1,572**
Less:	
Special Projects (Risk Assessment, EAGLE, Investigations)	796
Supplemental Responsibilities (Meetings, Committees, Administrative)	281
	1,077
Net Available Audit Hrs per FTE per Year	**495**
Annual Available Auditable Hrs. - Current Staff FTE	**495**

III. AUDIT PLAN DETAIL

Schedule 2 – Internal Audit Plan – A list of the Planned Audits and Planned Consultative Services, identifying information is listed below, based on annual availability of ~500 hours of Internal Audit resource availability. For a more detailed listing with planned hours and brief description of the audit, see Appendix D. Planned Annual Audit projects are subject to revision, based on scheduling conflicts, special projects, and the emergence of more significant risks in the future.

NC CCS Internal Audit Audit Plan Detail		
Audit Classifications	**Audit Type**	**Audit Plan Year**
Grant Compliance Audit	Compliance	FY2023 - 1
College Data Transfer Audit	Assurance	FY2023 - 1
IT Security / Cybersecurity Audit	Consultative / Assurance	FY2024 - 2
Workforce Innovation and Opportunity ACT (WIOA) Compliance Audit	Compliance	FY2024 - 2
Procurement (Contract / Vendor Mgmt.) Audit	Assurance	FY2025 - 3
Business Continuity Plan	Consultative	FY2025 - 3
Market Salary Review	Consultative	FY2026 - 4
Procurement (DIT & PNC Compliance) Audit	Compliance	FY2026 - 4
Consultative Project (Policies and Procedures - SOPs and Cross Training)	Consultative	FY2026 - 4
HR Procedures Audit	Assurance	FY2026 - 4
Procurement (P-Card) Audit	Assurance	FY2027 - 5
Title IV Audit	Consultative	FY2027 - 5
National Partnership Audit	Consultative	FY2027 - 5
Hiring Practices Audit	Assurance	FY2027 - 5
Budget Compliance Audit	Compliance	FY2028 - 6
IT Release Review	Consultative	FY2028 - 6
Apprenticeship Audit	Compliance	FY2028 - 6
Capital Project Review Audit	Compliance	FY2029 - 7
Customized Training Audit	Assurance	FY2029 - 7
FTE Reporting Audit	Assurance	FY2029 - 7

IV. ANNUAL RISK ASSESSMENT/INTEGRATION WITH AGENCY IMPERATIVES

The internal audit risk assessment is an annual and on-going predictive 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 NC CCS EMT (Appendix A for listing of interviewees). 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 (**Appendix B**) for non-traditional auditable risks and traditional auditable risks were evaluated for a risk score (**Appendix C** for Risk Scoring Criteria) associated with the audit universe calculated based on interview responses to questions related to the risk components. Interview documents are available upon request.

V. APPENDICIES

APPENDIX A
2022 Interviewees

NC CCS Risk Assessment Interview Listing 2022		
Interviewee	**Title**	**Division**
Ken Ramos	AVP, Infrastructure and Ops	Tech Svcs
Stephen Reeves	AVP, CIO of Ops & Security	Tech Svcs
Agnetta Kamugisha	Director IT Operations	Tech Svcs
Tony Russo	AVP, IT Svc Mgmt and Strategy	Tech Svcs
Deante Taylor	CTO	Tech Svcs
Patrick Fleming	Sr VP, CIO	Tech Svcs
Manju Shah	AVP and Chief Data Officer	Tech Svcs
Tony Russo	AVP, IT Svc Mgmt and Strategy	Tech Svcs
Amy Bowman	AVP, State Level Acctg and Ops	Finance
Stephanie Fisher	AVP, College Finance and Ops	Finance
Brandy Andrews	VP and CFO	Finance
Dr Levy Brown	SVP and CAO	Programs and Student Svcs
Dr James JW Kelly	AVP, Student Svcs	Programs and Student Svcs
Dr Lisa Eads	AVP, Programs	Programs and Student Svcs
Nate Humphrey	AVP, Cont Ed	Programs and Student Svcs
Gilda Rubio-Festa	AVP, College & Career Readiness	Programs and Student Svcs
Kathyrn Castelloes	Director Apprenticeship	Economic Development
Matthew Meyer	AVP, Bus Eng & In Partnership	Economic Development
Dr Bruce Mack	VP, Economic Development & Customized Training	Economic Development
Tawanda Foster Artis	General Counsel	Executive
Patrick Crane	VP, Strategic Initiatives	Executive
Alexander Fagg	Dir Govt Relations	Executive
Amanda Tola	Dir of Compliance Services	Executive
Shakeyia Hazell	Dir of Human Resources	Executive

APPENDIX B

2022 Tier Risk Levels

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.
Tier 3	Lowest of risks level. Require annual / semi-annual assessment focusing on the strength of internal controls and stability (no risk growth).

APPENDIX C

2022 Risk Scoring Criteria

NC CCS **Business IMPACT Rationale**	
**All risk levels may involve disallowance of funds that may amount return of funds to the Federal Authorties.	
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 take 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 take 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.

NC CCS **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 occure 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 D

2022 Internal Audit Plan Detail

See embedded excel spreadsheet.

Audit Report
Presentation File Sche

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INTERNAL AUDIT RISK ASSESSMENT OVERVIEW

September 2022

What is Risk Management?

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1. Reduce potential loss for organizations
2. Increase potential gain to effectively manage risk
3. Transparency for Management to ID significant risk areas
4. Assist Internal Audit with identifying their audit universe for annual audit plan creation
5. Leverage existing risk management practices, not created from scratch
6. Integrate controls into all components of the business; Operations, Finance, Technology, Legal and Compliance

A structured and disciplined approach that evaluates and manages the uncertainties it faces.

5-Step Risk Assessment Process

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1. Gain an understanding of the organization

- Understand goals
- Understand strategic objectives

2. Define the Risk Universe

- Focus enterprise wide
- Include entities, processes, functions or locations
- Consider input from management

3. Establish Risk Factors

- Specific operational, financial, compliance or strategic business risks
- Customize for current environment
- Consider input from management

4. Conduct the Assessment and Risk Rankings

- Jefferson Wells Risk Assessment Tools and Techniques
- Detailed interviews and/or surveys based on customized risk factors
- Prepare risk ranking

5. Develop Plans to Manage Risks

- Avoid, Reduce, Transfer, Accept
- Assigned responsibility
- Periodic check-ins
- Senior Management and Board Updates

Building NC CCS's Risk Management Program

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Objective

- Establish a quantitative risk management program for NC CCS Internal Audit
- Build a risk based internal audit plan for next 2 years

Risk Management Benefits

- Significant risks facing NC CCS have now been identified
- Internal Audit will work with NC CCS Leadership to evaluate the most significant risks
- Risk Mitigation process is now formalized

Participants

- 24 members of the management team were interviewed, including the Department Directors / Managers

Building NC CCS's Internal Audit Resource Hours

Available Audit Hours Calculation	Total Year
Internal Audit Current Staff (FTE)	1
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NC CCS Top Auditable Risks

- Grant Compliance Audit
- College Data Transfer Audit
- IT Security / Cybersecurity Audit
- Workforce Innovation and Opportunity ACT (WIOA) Compliance Audit
- Procurement Audit
- Business Continuity Plan
- Market Salary Review
- Consultative Project (Policies and Procedures - SOPs and Cross Training)
- HR Procedures Audit
- Title IV Audit
- National Partnership Audit
- Hiring Practices Audit
- Budget Compliance Audit
- IT Release Review
- Apprenticeship Audit
- Capital Project Review Audit
- Customized Training Audit
- FTE Reporting Audit

Suggested Year 1 Audit Plan

Audit Classifications	Audit Type
Grant Compliance Audit	Compliance
College Data Transfer Audit	Assurance

Year 2 Audit Plan

Audit Classifications	Audit Type
IT Security Audit / Cybersecurity Audit	Consultative / Assurance
Workforce Innovation and Opportunity ACT (WIOA) Compliance Audit	Compliance

Next Steps

- You Cannot Eliminate Risk – The best organizations mitigate risk well
- Consider NC CCS risk tolerance levels of residual risk
- Audit Plan Execution – ID significant risks not being mitigated
- Future Internal Audit projects will evaluate existing risk mitigation functions in place – controls, reports, management oversight, automation and identify gaps
- Internal Audit will collaborate with NC CCS Management to mitigate risks where needed