



BOARD OF TRUSTEES

Fiscal and Legal Affairs Committee (FLAC)

Members: Trustee Macey Moore, Chair; Trustee Brad Bonner; Trustee David Fall, Trustee Greenwood

AGENDA

Wednesday, January 12, 2022; 1:00 – 3:00 PM

Call to Order – Trustee Moore

Items for Discussion:

- Internal Audit Activity
 - Summary Page 2
 - NCAA Compliance Pages 3-14
 - 4-H Foundation Annual Review Pages 15-23
 - Office of Scholarship & Financial Aid Pages 24-38
 - Center of Innovation for Flow Through Porous Media Follow Up Report Verbal Update
 - Internal Audit Charter – Draft Pages 39-55
 - Internal Audit Plan Update Pages 56-58
- Enterprise Risk Management Update Pages 59-64

Internal Audit Activity Report

January 2022

INTERNAL AUDIT ACTIVITY CONDUCTED IN ACCORDANCE WITH THE AUDIT PLAN FOR THE PERIOD

September 2020 – August 2021

September 2021 – August 2022

AUDITS:

- NCAA Compliance Annual Review
- 4-H Foundation Annual Review
- Financial Aid

FOLLOW-UP REPORTS:

- Center of Innovation for Flow Through Porous Media (High Bay) - Verbal

ADDITIONAL REPORTS:

- Internal Audit Charter - Draft
- Internal Audit Plan Update and Progress for 2020-2021, 2021-2022

AUDITS IN PROGRESS:

- IMPACT 307
- Cashiers
- Continuous Monitoring
- Football Ticket Verification
- Change of Management – Engineering
- Change of Management – A&S
- 2022 Risk Assessment



UNIVERSITY OF WYOMING

Internal Audit

NCAA Compliance

December 2, 2021

Auditors:

Danika Salmans MBA, CIA

Rebecca Garcia, MBA

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December 2, 2021

University of Wyoming Board of Trustees:

According to NCAA Principles for the conduct of intercollegiate athletics, it is the responsibility of each member institution to control its intercollegiate athletics program in compliance with the rules and regulations of the Association.

In recognition of this responsibility, Internal Audit completes an annual review of NCAA compliance. This year the review focused on rules related to eligibility, academic performance, amateurism, and elite student-athletes.

This audit reviewed the procedures and controls the Athletic Department has in place to ensure compliance with NCAA rules and regulations. The procedures were reviewed for completeness and effectiveness.

The attached report discusses the observations for specific areas.

We would like to thank Peter Prigge, Associate Athletic Director - Compliance and Olympic Sports, and the other staff members for the assistance we received on this audit.

Sincerely,



Danika Salmans MBA, CIA, CRMA
Director of Internal Audit

Sincerely,



Becky Garcia MBA
Internal Auditor

Background

The purposes of an NCAA compliance audit are to:

- Advise institutional decision-makers whether the compliance program is functioning properly;
- Identify policies and procedures that may leave an institution vulnerable to possible inadvertent violations;
- Assist institutional decision-makers in recommending corrective measures to enhance compliance efforts;
- Reiterate the institution's commitment to institutional control through proactive measures; and
- Enhance administrative accountability by providing external oversight

The risks associated with non-compliance with NCAA rules can result in a loss of scholarships, being restricted from post-season play, ineligibility of student-athletes as well as fines and negative publicity.

Similar to other types of audits, a successful audit does not eliminate the possibility of violations occurring in the future nor of a finding of a lack of institutional control by the NCAA. However, completion of this annual audit will reduce the likelihood of both occurring and serves as mitigation if a violation did occur.

The previous Athletics Certification guidelines required that 15 subject areas be reviewed to satisfy a complete review of an institution's compliance program. For consistency, these 15 areas are still used to provide a framework for continued review. A complete listing of these 15 areas is as follows (highlights represent current areas that were reviewed in this audit):

1. Governance and organization (e.g., governing board policies related to athletics, responsibilities, and duties of compliance personnel)
2. Initial-eligibility certification
3. Continuing-eligibility certification
4. Transfer-eligibility certification
5. Academic Performance Program
6. Financial aid administration, including individual and team limits
7. Recruiting (e.g., official and unofficial visits, hosts, entertainment, contacts, phone calls)
8. Camps and Clinics
9. Investigations and self-reporting of rules violations
10. Rules education
11. Extra benefits
12. Playing and practice seasons
13. Student-athlete employment
14. Amateurism
15. The commitment of personnel to rules-compliance activities

The annual review performs an audit of a few of these sections so that over four years, all of the above sections have been reviewed. The table below shows the rotating schedule of compliance areas to be audited over the next four years.

2019-2020 - Governance	2020-2021 - Eligibility	2021-2022 – Financial Aid	2022-2023 - Recruiting
Governance and Organization (governing board policies related to athletics, responsibilities, and duties of compliance personnel)	Initial-Eligibility Certification	Financial Aid Administration	Recruiting: On and Off-Campus (e.g., official and unofficial visits, hosts, entertainment, contacts, phone calls) --individuals associated with prospects --representative of the University's athletics interests (Booster)
Investigation and Self Reporting of Rules Violations	Continuing-Eligibility Certification	Extra Benefits --athletic apparel and equipment --complimentary admissions --student-athlete vehicles	Camps and Clinics
Rules Education	Transfer-Eligibility Certification	Student-athlete employment	Playing and Practice Seasons
The Commitment of Personnel to Rules Compliance Activities --coaching staff limits and contracts --head coach responsibility	Academic Performance Program		
	Amateurism/Elite Student-Athletes		

The University of Wyoming's Compliance Office is responsible for monitoring and evaluating all of the NCAA rules and regulations. The compliance staff has developed many processes, forms, and other monitoring mechanisms to prevent, monitor, and identify non-compliance and correct these errors as soon as possible.

Audit Criteria Established by NCAA Regulations

Compliance with the following NCAA bylaws was reviewed:

- 3.2.4.5 and 14.8 – Academic Performance Program
- 12.02.1 – Defines an agent.
- 12.02.2 – Defines actual and necessary expenses.
- 12.02.3 – Calculation of actual and necessary expenses for individual sports and women’s beach volleyball.
- 12.02.4 – Defines family member.
- 12.02.11 – Defines a professional athlete.
- 12.02.12 – Defines a professional athletics team.
- 12.1.2 – Details activities and actions that cause an individual to lose amateur status.
- 12.1.2.4 – Details exceptions to amateurism rule.
- 12.2 – Reviews involvement of student-athlete with professional teams.
- 12.3 – Discusses agents.
- 12.3.1.1 – Exception – Baseball and Men’s Ice Hockey - Prior to Full-Time Enrollment
- 12.3.1.2.1 – Exception – NCAA Certified Agents - Men’s Basketball
- 12.5 – Details permissible and non-permissible promotional activities.
- 12.7 – General eligibility requirements
- 12.7.2 – Student-athlete statement
- 12.7.2.1 – Student-athlete statement content and purpose
- 12.7.2.2 – Student-athlete statement administration
- 12.7.3 – Drug-testing consent form
- 12.7.3.1 – Drug-testing content and purpose
- 12.7.3.2 – Drug-testing administration
- 12.7.4 Student-Athlete Health Insurance Portability and Accountability Act (HIPAA) Authorization/Buckley Amendment Consent Form – Disclosure of Protected Health Information.
- 12.7.4.1 – HIPAA and Buckley Amendment content and purpose
- 12.7.4.2 – HIPAA and Buckley Amendment administration
- 12.7.5 – Eligibility requirements for male students to practice with women’s teams
- 12.8.1 – Five-year rule
- 12.8.1.7.1 – Five-year rule waiver criteria
- 12.10 – Certification of eligibility
- 12.10.2 – Squad-List form
- 13.1.1.2 – Two-Year College Prospective Student-Athletes
- 13.1.1.3 – Four-Year College Prospective Student-Athletes
- 14.3 – Freshman academic requirements
- 14.4 – Progress-toward-degree requirements
- 14.4.3.7 – Waivers of Progress-Toward-Degree Rule
- 14.4.1 – Progress-toward-degree requirements
- 14.5 – Transfer regulations
- 14.5.1 – Residence Requirement
- 14.5.2 – Conditions Affecting Transfer Status
- 14.5.3 – Conditions Not Constituting Transfer
- 14.5.4 – Two-Year College Transfers

Eligibility

Initial

An institution shall not permit a student-athlete to represent the university in athletics competition unless the student-athlete meets all applicable eligibility requirements established by the NCAA, the member institution's conference, and the institution. While the majority of the eligibility rules relate to competition, some rules must be met prior to a student-athlete receiving institutionally administered financial aid or practicing.

Concerning initial eligibility, the NCAA has specific standards that incoming students must meet prior to practicing, competing, and receiving institutionally administered financial aid.

A prospect who is immediately eligible for financial aid, practice, and competition upon initial enrollment at the institution is classified as a qualifier. This status is attained if the student-athlete graduated from high school, presented a minimum cumulative grade point average in at least 16 core courses, and had a certain score on an SAT or ACT entrance exam. The sliding scale exists that compares the required GPA and test score and is detailed in Bylaw 14.3. The NCAA Eligibility Center certifies a prospect's status for the university under NCAA legislation. The prospect also must be admitted to the institution per the university's normal admissions policies.

Continuing

An institution shall not permit a student-athlete to represent the university in athletics competition unless the student-athlete meets all applicable eligibility requirements established by the NCAA, the member institution's conference, and the institution. While the majority of the eligibility rules relate to competition, some rules must be met prior to a student-athlete receiving institutionally administered financial aid or practicing.

Concerning continuing eligibility, after a student-athlete has completed his/her initial year in residence or used one season of competition, the student-athlete must meet the university's general requirement of "progress toward degree" as interpreted by the institution and several additional requirements as detailed in NCAA legislation. These include the necessity to: (i) complete a certain number of semester or quarter hours since the last season of competition and the previous semester or quarter; and (ii) declare a major and maintain a certain GPA. The progress toward degree requirements is defined in Bylaw 14.4.

Transfer

An institution shall not permit a student-athlete to represent the university in athletics competition unless the student-athlete meets all applicable eligibility requirements established by the NCAA, the member institution's conference, and the institution. While the majority of the eligibility rules relate to competition, some rules must be met prior to a student-athlete receiving institutionally administered financial aid or practicing. The majority of the eligibility rules can be classified into initial- or continuing-eligibility requirements, and are noted in the preceding sections. Also, if a student-athlete transfers from a two- or four-year institution to an NCAA institution, certain additional eligibility requirements apply.

Concerning transfer requirements, a student-athlete who transfers from one member institution to another may need to meet certain NCAA requirements as defined in Bylaw 14.5. Generally, a student-athlete must "sit out" from competition at the next institution for one academic year unless the student-athlete meets certain transfer exception requirements.

Academic Performance Program

The Academic Performance Program was established by the NCAA to ensure that the Division I membership maintains focus on the educational experience of student-athletes in an environment that supports their intercollegiate-athletics experience while enhancing the ability of student-athletes to obtain a four-year degree. This data annually must be submitted by each institution by the applicable deadline. It is included in this Guide because it is mandated by NCAA legislation. The institution's Compliance Office may not have primary responsibility for the annual collection of this data.

The Academic Performance Program (APP) consists of three components-- the Academic Performance Census, the Academic Progress Rate (APR), and the Graduation Success Rate (GSR). The Academic Performance Census was established by the NCAA in 2004 for the purpose of gathering academic data to assess the impact of its academic reform legislation.

The APR was established to track the success of student-athletes academically prior to, and in their progress towards, graduation. The APR is a dual measurement of academic progress and retention for each student-athlete. Each student-athlete who does well academically by maintaining their academic eligibility, and who stays in school at their current institution, receives two points. A point is lost if the student-athlete is not eligible to compete in the following academic term, and a separate point is lost if the student-athlete does not return to that institution for the following term. Each team earns an APR score by dividing the total points earned by the total points possible for all student-athletes on the team. Teams that earn an APR multi-year score lower than 930 (averaged over the most recent four years) or lower than a 940 average over the most recent two years may be subject to penalties such as loss of practice time, loss of scholarships, or a ban on postseason competition.

The GSR was developed by the NCAA to examine historical academic success at each institution by measuring graduation of all student-athletes, including transfer students and students who leave campus in good academic standing. The GSR differs from the federal graduation rate in that the federal rate does not count transfer students leaving an institution, nor does it include transfer students entering from another institution. The GSR may be used in the analysis of possible penalties imposed on an institution if the institution fails to satisfy the academic standards established for the APP.

Amateurism/Elite Student-Athletes

NCAA Bylaw 12 primarily governs amateurism principles. NCAA amateurism legislation varies depending upon the enrollment status of the student-athlete. The general Division I philosophy is that any activity or action that "professionalizes" a prospective or currently-enrolled student-athlete makes them permanently ineligible for intercollegiate competition.

Elite/high-profile prospective student-athletes and student-athletes are very talented individuals who are likely to play professional sports in a few years. An institution typically will identify a select few prospects in the sports of men's basketball and football and monitor the recruitment and subsequent enrollment, with particular emphasis on amateurism issues. The department should have a policy and ensure it is followed. Further, while such policies vary by institution, all policies should include some educational and monitoring components.

Audit Scope, Procedures, and Outcomes

The following steps represent the extent of work needed to achieve the audit's objectives. The scope of this audit focused on 2020-2021 compliance year and the audited areas are summarized below. The audit steps included:

Area Audited	Test Work Performed	Status	Sample Size	Summary of Findings/Recommendations
General Eligibility	Compliance Responsibilities Documentation	Acceptable	100%	The documentation of all areas and positions in which NCAA compliance is relevant was reviewed. This documentation was cohesive and comprehensive, as well as readily available.
	Policies and Procedures	Acceptable	100%	The compliance and education policies and procedures were reviewed for adequacy. No issues were noted.
	Segregation of Duties	Acceptable	100%	Segregation of duties was evaluated to ensure eligibility determinations are ultimately made by university personnel outside the athletics department. No concerns were noted.
	Compliance Testing	Acceptable	2/15	Validation of general eligibility criteria was performed for all athletics reported for two sports, Men's Basketball and Woman's Soccer. All expectations were met and no concerns were noted.
Initial Eligibility	Compliance Testing	Acceptable	2/15	Validation of initial eligibility criteria was performed for all athletics reported for two sports, Men's Basketball and Woman's Soccer. All expectations were met and no concerns were noted.

Continuing Eligibility	Compliance Testing	Acceptable	2/15	Validation of continuing eligibility criteria was performed for all athletics reported for two sports, Men's Basketball and Woman's Soccer. All expectations were met and no concerns were noted.
Transfer Eligibility	Compliance Testing	Acceptable	2/15	Validation of continuing eligibility criteria was performed for all athletics reported for two sports, Men's Basketball and Woman's Soccer. All expectations were met and no concerns were noted.
Academic Performance Program	Compliance Testing	Acceptable	2/15	Validation of the academic performance program was performed. The compliance office has developed procedures to validate continuing academic progress that makes the process efficient and effective. No issues were noted.
Amateurism/Elite Student-Athletes	Compliance Testing	Acceptable	2/15	NCAA Eligibility Center certifies the amateurism status of prospects, the department has the responsibility to be alert to potential amateurism issues and review them. Policies and procedures regarding amateurism and Elite Student-Athletes were reviewed. Currently, an active elite student-athlete educational and monitoring program does not exist. The department is prepared to implement this component relative to the potential that elite athletes will be recruited and developed through the program.

Conclusion

Following our normal practice, we want to note that the Department of Athletics is in the process of upgrading its compliance and recruiting software. The transition to ARMS began in September 2020. The prior software, JumpForward was not comprehensively used by all areas which prompted an audit observation in previous audit years. This upgrade in software is being used consistently by all areas and further enhances the culture of supporting NCAA compliance.

The Compliance Office has continued a tradition of maintaining a high degree of knowledge of NCAA regulations and an equally high degree of compliance. This culture of compliance has been communicated to staff in Athletics as well as to related staff across the University.

Response:

Thank you to the Internal Audit Department for their continued partnership and review of our processes, policies, and procedures. As we continue to move through the 2021-22 academic year, the Compliance Office will have a continued emphasis on education with all our campus constituents (Financial Aid, Registrar, General Counsel, etc.). These relations are critical for our continued success in navigating the ever-changing landscape of NCAA rules.

The UW Athletics Department has never established a true “Elite Student-Athlete” education program. We have been in a unique position where we have never had any of our student-athletes competing in or training with “elite level programs” (i.e. National Teams, International Teams). If we have any student-athletes looking to participate in sport at the next respective level (ex. NFL), we provide education for any of those student-athletes about the process and information they need to know. Examples of NFL education would be agent selection, financial information, conduct evaluation, social media, etc. If UW were to have an elite student-athlete emerge, we would adapt accordingly.

Thank you again for all of your assistance.

Distribution List

Edward Seidel, President of the University of Wyoming

Thomas Burman, Athletic Director

Matthew Whisenant, Deputy Director

Peter Prigge, Associate Athletic Director – Compliance and Olympic Sports



Internal Audit

**Limited Examination of Wyoming
State 4-H Foundation**

December 7, 2021

Auditors:

Danika Salmans MBA, CIA, CRMA

Rebecca Garcia MBA

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December 7, 2021

University of Wyoming Board of Trustees:

Annually, Internal Audit performs a limited examination of the Wyoming State 4-H Foundation. This limited examination involved the period of October 1, 2020 through September 30, 2021, and only those funds generated by Foundation activities including interest on investments, donations, as well as a review of distributions of funds to participating 4-H clubs.

This annual review of the 4-H Foundation involved interviewing key employees, reviewing limited financial processes, confirming assets, confirming liabilities, reviewing the assignment of interest and management fees, and sampling expenditures. The attached report discusses our testing and conclusions.

I would like to thank Steve Mack, Development Coordinator with the UW Cooperative Extension Service for 4-H Youth Programs for the assistance we received on this audit.

Sincerely,

Danika Salmans MBA, CIA, CRMA
Director of Internal Audit

Sincerely,

Becky Garcia MBA
Internal Auditor

Background

Wyoming State 4-H Foundation

The Wyoming 4-H Foundation is a non-profit corporation in Wyoming. Currently, the foundation is a 501-C-3 organization, in good standing, with the IRS. Annually they independently file their required 990.



The foundation is the one and only official state organization sanctioned to financially support 4-H programs and education in Wyoming. The foundation is a depository for all funds raised by the various clubs throughout the state. This allows them to participate in the investment pool and recognize a greater return on the fundraising efforts. The foundation is responsible to invest, track and distribute interest-earning and dividends to each club proportionate to their contribution to the investment fund.

The foundation has a volunteer board of directors with 10 to 15 members. The board members are from many walks of life and are all interested in supporting youth education. The Wyoming 4-H

Foundation has direct ties to the University of Wyoming through the College of Agriculture, Extension and the State 4-H Office.

The Wyoming 4-H Foundations office is responsible for providing incentives and recognition for 4-H members and leaders. It also assists in providing educational opportunities for 4-H members and leaders; creates favorable public relations for 4-H throughout the state, and provides support to the 4-H programs in all 23 Wyoming counties and the Wind River Reservation.

The Wyoming 4-H Foundation office operates through contact with the private sector for funds and other resources to support the many needs of the Wyoming 4-H program. Wyoming State 4-H Foundation donors contribute through gifts of cash, stocks/bonds, real property, and in-kind donations. The Wyoming 4-H Foundation office uses two types of donor funds – program accounts, funds used to pay for the educational events, camps or contests (awards, trips, and program development), and endowments, interest-earning accounts.

Mission Statement

The Wyoming State 4-H Foundation, in partnership with the University of Wyoming Extension, secures resources to develop 4-H youth programs that:

- TEACH life skills and INSURE 4-H values
- Target 4-H members, 4-H leaders, and 4-H supporters of all ethnic, social, and cultural backgrounds
- Prepare participants to address the challenges of a changing society
- Market 4-H and the Wyoming State 4-H Foundation

Goals

- Secure resources to fund programs that fulfill our mission and enhance our partnership
- Direct funding to increase diversity in 4-H activities
- Market 4-H and the Wyoming State 4-H Foundation

Audit Scope, Procedures, and Outcomes

The following steps represent the extent of work needed to achieve the audit's objectives. The scope of this audit focused on the period of October 1, 2020 through September 30, 2021, the audited areas are summarized below. The audit steps included:

Area Audited	Test Work Performed	Status	Sample Size	Summary of Findings/Recommendations
Review of Assets	A list of assets was obtained from 4-H and positive confirmations were sent out to verify account balances.	Acceptable	15/15 100%	Based on the Balance Sheet, 4-H has assets totaling \$7,065,189.64. This includes cash accounts and investments. All confirmations were returned with minor differences indicated due to market adjustments. No issues were noted.
	Assets were reconciled to the balance sheet to verify accuracy.	Acceptable	15/15 100%	All assets were reconciled to the balance sheet with no material exceptions.
	Unrealized gain/loss liability and market value of investments to fund costs were reconciled to verify accuracy.	Acceptable	9/9 100%	The adjustment of investments to market value is done at the end of the year. Minor variations in the values were noted which are due to rounding errors. The difference between the current value and market value which is proportionately distributed between the liability accounts is acceptable and traceable to the statement.
Review of Liabilities	A list of liabilities (funds held for clubs) was obtained and account balances were verified by sending out positive confirmations to each club.	Acceptable	51/51 100%	Based on the Balance Sheet, 4-H has 51 liability accounts. These are funds that are held for clubs across the state. The total in the liability accounts is \$837,848.50. All confirmations were returned with no differences indicated. No issues were noted.
	Liabilities were reconciled to the balance sheet to verify accuracy.	Acceptable	51/51 100%	All liability accounts were reconciled to the balance sheet with no exceptions.

Interest Income	Interest income on checking accounts and dividends are tracked monthly and verified by statements.	Acceptable	100%	All interest and dividend records were verified by comparison to the monthly bank statements. All interest was correctly and completely recorded. No issues were noted.
	The interest and dividends are assessed a 5% management fee based on interest earnings. Recalculations were performed to validate this distribution and traced to the appropriate account.	Acceptable	100%	Interest was accurately recorded and distributed to the liability accounts. The management fee assessed on interest earnings was predominantly calculated and credited to the appropriate account. No issues were noted.
	After the management fee is assessed, the remainder of interest and dividend income is distributed to all interest-earning accounts. These distributions were confirmed in the review of liabilities. The remainder is credited to the Foundation Operating account and was traced and verified for accuracy.	Acceptable	100%	The interest and dividend income distributed to the Foundation Operating account reconciled without any issues.
Other Income Distribution	Verify that other donations and registration fees were accurately recorded.	Acceptable	1/12 8%	All receipts of donations or registrations were attached to a pre-numbered receipt with no breaks in the receipt numbers. There were no issues noted.

	Verify that the management fee was appropriately assessed to all donations and registrations fees and credited to the Foundation Operating account.	Acceptable	100%	The calculation of the management fee was verified and the appropriate credit was made to the Foundation Operating account and traced to the General Ledger.
Disbursement Testing	Determine if 4-H disbursements are properly authorized and appropriate by reviewing one month of expenditures and receipts.	Acceptable	1/12 8%	<p>April 2021 was selected for testing. All checks were reviewed for signature. All expenditures were reviewed for allowability and whether proper documentation and authorization were present. Of 19 transactions reviewed, 3 transactions required follow-up for further supporting information and documentation.</p> <p>All receipts of donations or registrations were attached to a pre-numbered receipt with no breaks in the receipt numbers. There were no issues noted.</p>

Conclusion

The University of Wyoming has recently initiated a Memorandum of Understanding (MOU) with the 4-H Foundation. This agreement will commence on January 15, 2022 and remain in full force for 5 years.

According to the MOU, the Foundation is responsible for securing an annual limited audit of its funds. The following has been taken from Section 7.D of the MOU.

- 1) The Foundation shall be responsible for an annual limited audit of its funds and make available upon request a copy of any such reports.
- 2) The Foundation will conduct a full audit as the need arises and when approved by the Foundation's Board of Directors.

Historically, UW Internal Audit has been involved in providing a limited review and assessment of internal controls. However, this review does not give assurance that the 4-H Foundation is fairly representing financial activity as measured and recorded in compliance with all current and applicable accounting standards.

Due to increasing financial complexities, an external audit of accounting practices, expenditures, and financial statement preparation will be prudent. Going forward, this review, performed by an external auditor will provide the 4-H Foundation and board of directors with this useful information. The review by an external auditor will help in ensuring accurate financial reporting and accountability.

As stated in Section 6.B of the MOU, Internal Audit will continue to be available as a resource to the 4-H Foundation for consultation or audit as agreed upon by UW and the 4-H Foundation.

- 1) In order to maintain the transparency of Foundation funds and in recognition of the partnership between UW and the Foundation, the parties agree that UW may request to audit Foundation records by UW auditors and/or UW's external auditors with reasonable written notice to Foundation. Foundation shall cooperate with the UW audits.

Steve Mack continues to conduct a thorough and comprehensive financial management process for 4-H. No material issues were found during this audit though it is suggested that 4-H enhance disbursement internal controls through enhanced documentation requirements.

- Required documentation indicating goods received if circumstances have required personal payment and reimbursement.
- Augmented fields on reimbursement check requests requiring information regarding all participants attending events if expenses are included in a reimbursement to a singular individual.

Steve also continues to update a manual detailing the financial management processes including the operation of the financial system and all associated spreadsheets. This document was reviewed and found to be very thorough and a good representation of the work that is done to manage the finances of the 4-H financial activity. Maintaining this document is ever more crucial as comprehensive succession planning is the best way to mitigate the risk of attrition. Developing systems to identify and transfer that knowledge and shorten learning curves should be a 4-H primary objective.

Distribution List

Edward Seidel, President of the University of Wyoming

Barbara Rasco, Dean of the College of Agriculture

Greg Schamber, Chairman of the 4-H Foundation

Kelly Crane, Associate Dean/Director University of Wyoming Extension

Steven Mack, Director of the Wyoming State 4-H Foundation & Coordinator of Development for
the UW Extension



Internal Audit

Office of Scholarships & Financial Aid

December 14, 2021

Auditors:

Danika Salmans MBA, CIA

Rebecca Garcia MBA

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December 14, 2021

University of Wyoming Board of Trustees:

Internal Audit has completed a review of the Office of Scholarships & Financial Aid. This audit was selected based on the results of a university-wide risk assessment and as per the UWYO Trustees approved audit plan for 20-21.

The Office of Scholarships & Financial Aid was recently audited by external auditors which reviewed compliance with Federal financial aid requirements. The purpose of the review completed by Internal Audit was not to duplicate the previous audit but to complement this previous review by reviewing processes and assessing compliance with award criteria related to other scholarships. This included a review of Foundation Scholarships, adherence to policies and procedures, and financial management to provide assurance that risks are appropriately managed through adequate internal controls.

The objectives of the audit were to assess activity during Fiscal Year 2021 and 2022 which included a review of scholarships awarded for the academic year 2020 and 2021. The review was performed to ascertain the effectiveness of operational, and financial controls and to ensure compliance with relevant federal and state regulations; Trustee policy; Presidential directives; and campus procedures. Controls designed to address risks to the achievement of strategic objectives were also evaluated.

Observations that have been associated with increased risk and requiring an action plan of progress toward resolution by management to mitigate risks are listed below:


- **Observation #1:** Internal controls related to awarding procedures need to be improved
- **Observation #2:** Financial management needs to be improved

The need for corrective action is discussed with each observation. The report also includes the verbatim response and action plans from the department.

We would like to thank Debra Hintz - Director of Scholarships & Financial Aid, Anna Terfehr – Associate Director of Scholarships & Financial Aid, Monique Henley – Associate Director, Shawna Otte – Program Coordinate Senior, Dorie Gallegos – Financial Aid Advisor of Scholarships & Financial Aid, as well as other staff for their courtesy and cooperation as a part of this audit.

As is customary, a follow-up review will be performed in six months to determine what actions have been taken in response to the audit recommendations. This audit will remain open until the completion of the follow-up review, at which time we will provide another report.

Sincerely,



Danika Salmans MBA, CIA, CRMA
Director of Internal Audit

Sincerely,



Becky Garcia MBA
Internal Auditor

Background

The Office of Scholarships and Financial Aid serves as a crucial campus support entity guiding students and their families in the application for and receipt of student loans, grants, scholarships, and other types of financial aid. This office is also **responsible for preparing and communicating information regarding financial aid to internal and external constituents.**

The vision of the Office of Scholarships & Financial Aid states that they strive to eliminate financial and other barriers to higher education by promoting scholarships, grants, employment, and loan opportunities for eligible and deserving students who must find funds to attend college. They are focused on increasing technological services to streamline financial aid processes and constantly looking forward to meeting challenges resulting from changes in federal, state, institutional, and private funding rules and economic changes. They seek to provide high-quality counsel in a fair, sensitive, and confidential environment to all individuals, regardless of background, culture, or lifestyle.

The Office of Scholarships and Financial Aid is responsible for coordinating all types of student financial aid under the control of the University of Wyoming. This aid shall include, but is not limited to:

- Federal
 - Direct Loans
 - Grants
 - Work Study
- State
 - Scholarships (Merit-Based, Need-Based, or Other)
 - Grants
- Institutional
 - Scholarships (Merit-Based, Need-Based, or Other)
 - Athletic Scholarships
 - Fellowships / Traineeships / Internships / Stipends
 - Teaching Assistantships / Research Assistantships
 - Fee Remissions / Waivers
 -
- External
 - Private Loans
 - Scholarships (Merit-Based, Need-Based, or Other)
 - Veterans Educational Benefits
- All similar financial assistance provided to students

Further information relating to some of the reviewed awards is listed below.

Institutional Commitments (Cowboy and Brown & Gold)

The Cowboy and Brown & Gold Commitments are a merit-based financial pledge determined by student unweighted GPA and ACT/SAT scores. It was implemented during Fall 2020. It is offered as a placeholder and will be funded with individual scholarships that are made possible through the generosity of Foundation donors and/or other institutional aid. Funding of this commitment is contingent on completion of the general application and any applicable recommended applications within the UW scholarship system (WyoScholarships).

Financial aid resources at the University of Wyoming (“UW”) should be developed, managed, and deployed in order to:

1. Enroll and deliver a quality education to as many Wyoming citizens as possible.
2. Maintain affordability of the cost of attending UW for students from lower-income Wyoming families
3. Limit student loan debt for Wyoming families
4. Retain students through graduation
5. Increase the share of financial aid paid by gifts provided to the UW Foundation

State Funded Designated Accounts

Hathaway Scholarship Program

The State of Wyoming has established a generous scholarship program, in the name of former Wyoming Governor Stan Hathaway, that rewards eligible Wyoming students with scholarship money to attend the University of Wyoming or a Wyoming community college. The program provides merit- and need-based awards to eligible students.

Overseas Veteran Combat Awards (010002)

As per [WY Stat § 19-14-106 \(2018\)](#) this fund provides free tuition for the education of war orphans and veterans.

The state or any political educational subdivision shall provide free tuition to all eligible persons who are residents of this state and who are attending or may attend the University of Wyoming or a Wyoming community college for the purpose of successive education, where courses of instruction are provided in subjects which would tend to enable the eligible persons to engage in any useful trade, occupation or profession. Funds provided under this section shall not exceed the University of Wyoming current undergraduate rate per semester, regardless of the education level, degree or certification a student pursues.

WY Investment in Nursing (800065)

As per [WY Stat § 9-2-123 \(2013\)](#) this fund constitutes a nursing loan and grant program.

Wyoming investment in the nursing program administered by the Wyoming community college commission created under W.S. 21-18-201. The program shall be known as the WYIN program. Applicants shall be residents of this state or graduates of a Wyoming high school and may apply for loans from the WYIN program. A loan provided under this section shall not exceed the cost of attendance for the approved program, reduced by the amount of any Pell or other federal grant and any employer-based financial assistance received by the applicant. A recipient of a WYIN loan under this section may repay the loan without cash payment by working in Wyoming as a nurse or nurse educator as provided in the legislation.

WY National Guard (820014)

As per [WY Stat § 19-9-503 \(2019\)](#) the adjutant general or his designee, may authorize the payment of higher education tuition and mandatory fees for active members of the Wyoming national guard.

Payment shall be made directly to the institution after the institution officially certifies that the member has registered.

Audit Scope, Procedures, and Outcomes

The following steps represent the extent of work needed to achieve the audit's objectives. The scope of this audit focused on Fiscal Year 2021 and 2022 which included a review of scholarships awarded for the academic years 2020 and 2021. The audited areas are summarized below. The nature of this unit required the additional review of scholarship funds including Hathaway funds and other designated scholarships with awarding criteria. Awarding processes were also reviewed to ensure that internal controls are present.

Area Audited	Test Work Performed	Status	Sample Size	Summary of Findings/Recommendations
Account Status and Management	Foundation	Issue with moderate risk	210/210	The department manages 337 scholarships. Those accounts that are assigned to the department (210) were reviewed for evidence of financial management. Some Foundation accounts are carrying a deficit balance. The department demonstrated resolution and/or plan to resolve concerns. 39 accounts are reflecting cross-utilization among orgs of Foundation fund sources, and 28 of these accounts have activity in which foundation transfers have not been accurately applied. For this reason, the department is encouraged to develop a process of assessing Foundation account and sister activity to understand available balances. (See Observation #2)
	Designated Accounts	Issue with moderate risk	4/4 100%	The funds associated with designated accounts were reviewed. These accounts primarily represent state funded scholarships. Analysis of account utilization identified an account holding a balance. The department is encouraged to develop a process to review and assess balances in these accounts. (See Observation #2)
	Hathaway	Acceptable	1/1	The office requests funds from the state for scholarship payments made to students. It was verified that the amount that is paid out to students is accurately billed to the state and reimbursement is received. This fund is appropriately managed in a designated account so that variances can be easily detected.

	Grants	Issue with moderate risk	33/33	<p>The department is responsible for the administration of federal grants. Currently, 25 grants have expired and need to be closed in WyoCloud. Some grant accounts are in deficit due to issues with project budgets needing to be resolved. The department is encouraged to develop a process to provide OSP with adequate information to ensure timely closure of grants in the WyoCloud system. (See Observation #2)</p>
Awarding Procedures and Internal Controls	Foundation Awards	Issue with moderate risk	40/210 20%	<p>The department manages 337 scholarships. Those accounts that are assigned to the department (210) were reviewed. The review tested a sample of 40 scholarship funds reflecting 699 total awards. Testing ensured that qualifications listed in WyoScholarships were consistent with donor criteria. No issues were noted.</p> <p>During the period of disbursement, recipients were tested to ensure that they met the qualifications. 5 awards were disbursed to recipients that did not meet the criteria. This error rate is considered immaterial. The department effectively and accurately awards these scholarships as per criteria.</p> <p>Internal controls can be improved. The department is encouraged to explore hard controls that will assess an individual's eligibility before the disbursement of funds.</p> <p>While one individual is the expert on awarding these funds, the department is encouraged to enhance internal controls by developing a process of review and validation by another individual. This will contribute toward better segregation of duties. (See Observation #1)</p>

	Designated Awards / Other State Scholarships	Acceptable	20/198 10%	<p>The awarding procedures for, Overseas Veteran Combat Awards (010002), WY Investment in Nursing (800065), and WY National Guard (820014) were reviewed. Compliance with expectations was tested. No issues were noted. The department effectively and accurately awards these scholarships as per criteria.</p> <p>While one individual is the expert on awarding these funds, the department is encouraged to enhance internal controls by developing a process of review and validation by another individual. This will contribute toward better segregation of duties. (See Observation #1)</p>
	Hathaway	Issue with moderate risk	7784/7784	<p>The Hathaway Scholarship program is a state funded scholarship with levels of funding provided to students. Data analysis was run on awards paid during the 2020 academic year to identify compliance with state parameters regarding the allocation of the initial award by Admissions, and continuing eligibility as decided by The Office of Scholarships & Financial Aid. The review of initial awards and continued eligibility awards found immaterial deviations. The department effectively and accurately awards these scholarships as per criteria.</p> <p>While one individual is the expert on awarding these funds, the department is encouraged enhance internal controls by developing a process of review and validation by another individual. This will contribute toward better segregation of duties. (See Observation #1)</p>

	Commitment Based Financial Aid Awarding	Issue with moderate risk	<p>184/23,243 Statistical Sample</p> <p>0 errors detected</p> <p>Statistically 98% confident that the deviation rate is not more than 10%.</p>	<p>A new financial aid awarding structure was implemented in the Fall of 2020. The purpose was to reduce reliance on block grant funding and incentivize enrollment of in-state students. Awarding for 2020-2021 was reviewed to ensure compliance with the commitment structure. No issues were noted. The department effectively and accurately meets these commitments as per criteria.</p> <p>It was observed that there are issues with efficiency that increase the risks related to the delivery of the program. It is a very manual process to ensure that each commitment is met, and ensure criteria is honored. To accomplish this process, The Office of Scholarships & Financial Aid must coordinate with other departments to ensure awarding is complete.</p> <p>While one individual is the expert on awarding these funds, the department is encouraged to enhance internal controls by developing a process of review and validation by another individual. This will contribute toward better segregation of duties. Hard system controls are present to mitigate the risk of an award exceeding the cost of attendance and should be investigated for use in the commitment structure limitations as well. (See Observation #1)</p>
Financial Management and Reporting	Financial Reports	Issue	NA	<p>Financial management procedures were reviewed. Account balances, budget variances were also analyzed. The department receives a monthly Account Analysis report as produced by the FAST team. The department is encouraged to develop a process to review and analysis of the financial reports (Account Analysis, General Accounting Dashboard, CDO, etc.) reports to assess and monitor financial activity. This will mitigate the risk of accounts carrying balances or deficits and reduces the risk of undetected errors. (See Observation #2)</p>

Purchasing	PCard and Invoice payments	Issue with moderate risk	21/201 10%	Purchasing compliance with UW policies and procedures was reviewed. Minor issues were noted with compliance with UW policies and procedures, and documentation of adequate business purpose. Issues were resolved by the department. Minor PO issues were identified that will require remedial action with Procurement to resolve. (See Observation #2)
Personnel Procedures and Internal Controls	Payroll	Acceptable	NA	Employees budgeted out of The Office of Scholarships & Financial Aid operating funds were reviewed for accuracy and completeness. No issues were noted.
	Work-Study	Acceptable	NA	The department performs a robust and complete reconciliation of work-study funding from Banner to WyoCloud on a monthly basis. No issues were noted.
	Access	Acceptable	NA	The Banner system contains student information that is used to manage financial and academic data. Authorization to editable components in the system needs to be controlled so that one individual does not possess conflicting authority. Access rolls were reviewed and there was no evidence of improper or conflicting access.
	Training	Issue with moderate risk	NA	The training transcripts of employees were reviewed to ensure employees are completing the necessary training. Completion of FERPA training, as available through WyoCloud, was not recorded for any Office of Scholarships & Financial Aid employee. In addition, as of 11/11/21, 9 instances were noted in which training requirements related to data security were delinquent (Gramm Leach Bliley Act). Completion of required training should be considered as a requirement of employment and acknowledged in annual performance evaluations. (See Observation #1)

Observations, Recommendations, and Responses

Observation #1

Internal controls related to awarding procedures need to be improved

Criteria (control framework or policy that establishes the standard)

In general, no one person should be able to perform the initial selection of the recipient, award amount determination, and validation before disbursement. These tasks should be divided between two or three individuals. Where total separation of duties is not an economically viable alternative, one employee's work should serve as a check on the work of other employees.

The Office of Scholarships & Financial Aid reports to the State, Foundation, Federal Government, etc. regarding utilization of funds. Compliance with awarding criteria, and review and validation is essential.

Control activities usually involve two elements: (1) a policy that establishes what should be done (and that serves as a basis for the second element), and (2) procedures to implement the policy. The most effective policies and procedures are those that are written. Control activities should be adequately incorporated and described in procedures.

Condition (the current state based on testing)

The organizational structure of The Office of Scholarships & Financial Aid has individuals focused on awarding for specific funds. Scholarship awarding is a highly manual process. In many instances, one individual is responsible for the full life-cycle of the award. The staff become experts in the required criteria and help to ensure that requirements are met. While one individual is the expert on awarding these funds, the department is encouraged enhance internal controls by developing a process of review and validation by another individual. This will contribute toward better segregation of duties.

In addition, it was also noted that students may be eligible for an award when it is offered, but criteria is not consistently validated before the award is disbursed. In our testing of Foundation scholarships full awarding disbursed was reviewed for 40 scholarship funds and 699 awards, 5 awards were identified to have disbursed to individuals who did not meet the criteria at the time of the disbursement. In all cases, the individual qualified at the time of selection, but their status changed before the award was paid out.

A review of Hathaway scholarships showed that they are awarded with acceptable accuracy, however, processes need to be enhanced for review and verification of initial and continuing award levels.

Training provides an important internal control by providing information and establishing expectations. Completion of FERPA training, as available through WyoCloud, was not recorded for any Office of Scholarships & Financial Aid employees. It was reported that FERPA training might have been completed by some employees utilizing other platforms. As of 11/11/21, 9 instances were noted in which training requirements related to data security were delinquent (Gramm Leach Bliley Act).

Consequence (the impact to the unit or the University)

To mitigate risks associated with awarding scholarships, proper internal controls associated with segregation of duties need to be present to protect the department from accusations of preferential

awarding. Separation of duties is critical to effective internal control; it reduces the risk of both erroneous and inappropriate actions.

Conclusion (action plans that address the condition, recommendations)

Recommendation:

- While one individual is the expert on awarding funds, the department is encouraged to enhance internal controls by developing a process of review and validation by a second individual. This will contribute toward better segregation of duties.
- Opportunities to implement hard system controls should be explored.
- Due to the nature of the work in this office, the inclusion of FERPA training as an annual requirement should be considered. Completion of all required training should be considered in annual performance evaluations.
- In addition, a comprehensive document of policies and procedures is present, but would benefit from the addition of some departmental procedures for the purpose of training and contribute toward succession planning...:
 - Segregation of Duties
 - Management of funds outside of WyoScholarships (i.e. Hathaway, Combat Veterans, National Guard, WY Investment in Nursing)
 - Grant management
 - Reconciliation between Banner and WyoCloud
 - Foundation scholarship fund management

Response:

- The Office of Scholarships & Financial Aid (OSFA) will review areas where singular knowledge exists with regard to awarding funds and make a concentrated effort to expand training and responsibilities to relevant staff.
- The scholarship system ensures hard system controls with regard to awarding at time of selection. The student information system (Ellucian/Banner) has the capability to ensure hard system controls for both awarding and disbursement. These rules are partially implemented therefore integrity reports are generated in advance of disbursement to maintain fund/donor criteria. To ensure they are implemented across all funds with specific criteria an overhaul and substantial time commitment is required. OSFA will concentrate a team of individuals to project completion over a reasonable amount of time.
- FERPA training has been implemented within HCM to be completed on an annual basis. Upon hire and annually, employees will take FERPA training. OSFA managers will utilize HCM reminders to address timely completion of all required training.
- OSFA has a current Policies and Procedures document that focuses on the administration of federal aid as required by the Department of Education. A recent restructured position was developed to address internal operations, communications, policies, and procedures with specific focus on the administration of non-federal programs and will add the recommended departmental procedures to the policies and procedures manual. OSFA will work with Foundation, Sponsored Programs, and Student Financial Services to further develop cross-communication and collaboration to ensure effective administration of related programs.

Observation #2

Financial Management needs to be improved

Criteria (control framework or policy that establishes the standard)

Information is necessary for the entity to carry out internal control responsibilities to support the achievement of its strategic objectives. Management should obtain or generate and use relevant and quality information to support the functioning of internal control.

Condition (the current state based on testing)

For FY 22, The Office of Scholarships & Financial Aid has an unrestricted operating budget of \$1.5 million to cover administrative and operating expenditures. During the review of expenditures, minor issues were noted with compliance with UW policies and procedures. Documentation of business purpose could be improved.

The department does not have a comprehensive process to review and analyze financial reports (Account Analysis, General Accounting Dashboard, CDO, etc.) to assess and monitor financial activity. As a result, some expenditures require minor action to correct, account balances need to be assessed, and open grants need to be addressed.

Cause (the reason for the difference between the criteria and condition)

The account analysis is provided by the FAST team to leadership for review on a monthly basis. While this review will help identify budget variances, a more in-depth analysis and investigation are required to identify account balances, grant deficiencies, misdirected foundation transfers, etc.

Consequence (the impact to the unit or the University)

Accounts that are carrying balances or deficit balances present a financial risk to the university. Timely identification of these accounts is necessary so that historical information can be applied to make appropriate corrections.

Conclusion (action plans that address the condition, recommendations)

Recommendation:

- The department is encouraged to develop a process to review and analyze the financial reports (Account Analysis, General Accounting Dashboard, CDO, etc.) to assess and monitor financial activity. This will mitigate the risk of accounts carrying balances or deficits and reduce the risk of undetected errors.
- Balances in a designated account need to be reviewed, and sources investigated. Future requests for funds need to ensure that requests incorporate current balances.
- Expired grants need to be closed in the WyoCloud system. If there is a deficit balance, the department needs to work closely and expediently with the Office of Sponsored Programs to rectify the deficit balances.

Response:

- The Office of Scholarships & Financial Aid (OSFA) utilizes the monthly Account Analysis provided by a member of UW's FAST Team to review and reconcile the OSFA budget and internal expenditures. To further utilize the financial reports provided by the institution, OSFA will identify an individual within the office as an internal monitoring control.

- OSFA will work with Sponsored Programs and Student Financial Services to develop cross-communication and collaboration to ensure effective administration of the specified designated account and other related accounts.
- An analysis and review has been completed by Sponsored Programs to reconcile and close by January 2022. A process is being developed to ensure accounts are reconciled throughout the fiscal year to ensure there is no deficit or excess balance. We will maintain active collaboration between OSFA and Sponsored Programs.

Distribution List

Edward Seidel, President of the University of Wyoming
 Neil Theobald, Vice President for Administration and Finance
 Ashlie Reese, Associate Vice President, Finance
 Debra Hintz, Director of Scholarships & Financial Aid
 Anna Terfehr, Associate Director of Scholarships & Financial Aid

Attachment 1 – Account Balances

Designated Account balances – As this account receives reimbursement from the sponsor, it is assumed that it should maintain no balance. This balance needs to be investigated and monitored regularly. Future requests for reimbursement need to be adjusted by the verified balance.

			Balance as per General Acct Dashboard	
Fund Source	Program	Name	13_Jun-21 Ending Bal - A&L	
010002	1978	Overseas Combat Veteran	\$	52,199.04

The following **federal grants** are presenting a deficit balance. The department will need to work with the Office of Sponsored Programs to resolve all deficits and close expired grants in the WyoCloud system.

Project Number	Award Status	Award Start Date	Award End Date	Balance
1003209	EXPIRED	2016-07-01	2018-06-30	\$ (1,850,189.00)
1003560	EXPIRED	2017-07-01	2018-06-30	\$ (1,862.00)
1003561	EXPIRED	2017-07-01	2018-06-30	\$ (42,252.83)
1003562	EXPIRED	2017-07-01	2018-08-31	\$ (105,236.51)
1003564	EXPIRED	2017-07-01	2018-08-31	\$ (11,068.77)
1003933	EXPIRED	2018-07-01	2019-06-30	\$ (8,999.50)
1003934	EXPIRED	2018-07-01	2019-08-31	\$ (4,313.00)
1003935	EXPIRED	2018-07-01	2019-06-30	\$ (3,752.00)
1003936	EXPIRED	2018-07-01	2019-08-31	\$ (222,543.91)
1003937	EXPIRED	2018-07-01	2019-08-31	\$ (62,882.73)
1004327	EXPIRED	2019-07-01	2020-11-24	\$ (33,987.62)
1004328	EXPIRED	2019-07-01	2020-11-03	\$ (2.00)
1004760	ACTIVE	2020-07-01	2021-09-30	\$ (2,283.53)
1005222	ACTIVE	2021-07-01	2022-06-30	\$ (609,804.00)
1005223	ACTIVE	2021-07-01	2022-06-30	\$ (93,766.86)
1005224	ACTIVE	2021-07-01	2022-06-30	\$ (1,886.00)
				\$ (3,054,830.26)



Internal Audit Charter – Draft Review

For internal audit to operate at the highest levels, it must have clearly defined and articulated marching orders from the board and management. This is most easily achieved with a well-designed internal audit charter.

According to the Institute of Internal Auditors Standard 1000, the charter is a formal document approved by the governing body and/or audit committee and agreed to by management. It must define, at minimum:

- Internal audit's purpose within the organization.
- Internal audit's authority.
- Internal audit's responsibility.
- Internal audit's position within the organization.

Once drafted, the proposed internal audit charter should be discussed with senior management and the board to confirm that it accurately describes the agreed-upon role and expectations or to identify desired changes.


Once the draft has been accepted, the Director of Internal Audit formally presents it during a board meeting to be discussed and approved. It is desired that a standing annual agenda item be added to discuss, update, and approve the internal audit charter.

Annually, the finalized document will then be presented to management for agreement.

This document was last presented to the board in 2010.

The following pages contain:

- Draft of the UW Internal Audit Charter
- 2010 Internal Audit Charter
- Position Paper from the IIA
- Attribute Standard 1000



UNIVERSITY
OF WYOMING

Internal Audit Charter

Purpose and Mission

The purpose of the University of Wyoming's internal audit department is to provide independent, objective assurance and consulting services designed to add value and improve university operations.

The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The internal audit department helps the University of Wyoming accomplish its strategic objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Standards for the Professional Practice of Internal Auditing

The internal audit department will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' (IIA) International Professional Practices Framework (IPPF), including the **Core Principles for the Professional Practice of Internal Auditing**, the **Code of Ethics**, the **International Standards for the Professional Practice of Internal Auditing (the Standards)**, and the **Definition of Internal Auditing**.

The Director of Internal Audit will report periodically to senior management and the Fiscal and Legal Affairs Committee regarding the internal audit department's conformance to the Code of Ethics and the Standards.

Authority

The Director of Internal Audit will report functionally and administratively to the Fiscal and Legal Affairs Committee of the Board of Trustees. Administrative tasks (i.e., approval of leave, and expenditures) will be provided by the Office of the President.

To establish, maintain, and assure that the University of Wyoming's internal audit department has sufficient authority to fulfill its duties, the Fiscal and Legal Affairs Committee will:

- Approve the internal audit department's charter.
- Approve the risk-based internal audit plan.
- Approve the internal audit department's budget and resource plan.
- Receive communications from the Director of Internal Audit on the internal audit department's performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the Director of Internal Audit.
- Approve the remuneration of the Director of Internal Audit.
- Make appropriate inquiries of management and the Director of Internal Audit to determine whether there is inappropriate scope or resource limitations.



The Director of Internal Audit will have unrestricted access to, and communicate and interact directly with, the Fiscal and Legal Affairs Committee, including in private meetings without management present.

The Fiscal and Legal Affairs Committee authorizes the internal audit department to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- The Internal Audit coverage may extend to all areas of the University of Wyoming, including all separately appropriated budgets and related units.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of the University of Wyoming, as well as other specialized services from within or outside the University of Wyoming, in order to complete the engagement.

Independence and Objectivity

The Director of Internal Audit will ensure that the internal audit department remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Director of Internal Audit determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the University of Wyoming or its affiliates.
- Initiating or approving transactions external to the internal audit department.
- Directing the activities of any University of Wyoming employee not employed by the internal audit department, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.



Where the Director of Internal Audit has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Director of Internal Audit will confirm to the Fiscal and Legal Affairs Committee, at least annually, the organizational independence of the Internal audit department.

The Director of Internal Audit will disclose to the Fiscal and Legal Affairs Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Fiscal and Legal Affairs Committee, management, and outside parties (as requested and approved by General Counsel) on the adequacy and effectiveness of governance, risk management, and control processes for the University of Wyoming. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the University of Wyoming's strategic objectives are appropriately identified and managed.
- The actions of the University of Wyoming's officers, directors, employees, and contractors are in compliance with the University of Wyoming's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the University of Wyoming.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Director of Internal Audit will report periodically to senior management and the Fiscal and Legal Affairs Committee regarding:



- The internal audit department's purpose, authority, and responsibility.
- The internal audit department's plan and performance relative to its plan.
- The internal audit department's conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Fiscal and Legal Affairs Committee.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the University of Wyoming.

The Director of Internal Audit also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The internal audit department may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the internal audit department does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Responsibility

The Director of Internal Audit has the responsibility to:

- Submit, at least annually, to senior management and the Fiscal and Legal Affairs Committee a risk-based internal audit plan for review and approval.
- Communicate to senior management and the Fiscal and Legal Affairs Committee the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in the University of Wyoming's business, risks, anonymous reports, operations, programs, systems, and controls.
- Communicate to senior management and the Fiscal and Legal Affairs Committee any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Fiscal and Legal Affairs Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the internal audit department collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.



- Ensure trends and emerging issues/risks that could impact the University of Wyoming are considered and communicated to senior management and the Fiscal and Legal Affairs Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the internal audit department.
- Ensure adherence to the University of Wyoming's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Fiscal and Legal Affairs Committee.

Quality Assurance and Improvement Program

The internal audit department will initiate and maintain a quality assurance and improvement program that covers all aspects of the internal audit department. The program will include an evaluation of the internal audit department's conformance with the Standards and an evaluation of whether internal auditors apply The IIA's Code of Ethics.

The program will also assess the efficiency and effectiveness of the internal audit department and identify opportunities for improvement. The Director of Internal Audit will communicate to senior management and the Fiscal and Legal Affairs Committee on the Internal audit department's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the University of Wyoming.

Director of Internal Audit

Date

Fiscal and Legal Affairs Committee Chair

Date

President of the University of Wyoming

Date



Mission of Internal Audit

The Mission of Internal Audit articulates what internal audit aspires to accomplish within an organization. Its place in the IPPF is deliberate, demonstrating how practitioners should leverage the entire framework to facilitate their ability to achieve the Mission

“To enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.”

Core Principles for the Professional Practice of Internal Auditing

The Core Principles, taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective, all Principles should be present and operating effectively. How an internal auditor, as well as an internal audit activity, demonstrates achievement of the Core Principles may be quite different from organization to organization, but failure to achieve any of the Principles would imply that an internal audit activity was not as effective as it could be in achieving internal audit’s mission.

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organization.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organizational improvement.

Definition of Internal Auditing

Internal auditing is 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.



Code of Ethics

The Code of Ethics states the principles and expectations governing behavior of individuals and organizations in the conduct of internal auditing. It describes the minimum requirements for conduct, and behavioral expectations rather than specific activities.

Introduction to the Code of Ethics

The purpose of The Institute's Code of Ethics is to promote an ethical culture in the profession of internal auditing. A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about governance, risk management, and control. The Institute's Code of Ethics extends beyond the ***Definition of Internal Auditing*** to include two essential components:

- **Principles** that are relevant to the profession and practice of internal auditing.
- **Rules of Conduct** that describe behavior norms expected of internal auditors.

These rules are an aid to interpreting the *Principles* into practical applications and are intended to guide the ethical conduct of internal auditors

Applicability and Enforcement of the Code of Ethics

This Code of Ethics applies to both entities and individuals that perform internal audit services. For IIA members and recipients of or candidates for IIA professional certifications, breaches of the Code of Ethics will be evaluated and administered according to The Institute's Bylaws and Administrative Directives. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable, and therefore, the member, certification holder, or candidate can be liable for disciplinary action.

Principles

Internal auditors are expected to apply and uphold the following principles:

- 1. Integrity** The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.
- 2. Objectivity** Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.
- 3. Confidentiality** Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
- 4. Competency** Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.



Rules of Conduct

1. Integrity

Internal auditors:

- 1.1- Shall perform their work with honesty, diligence, and responsibility.
- 1.2- Shall observe the law and make disclosures expected by the law and the profession.
- 1.3- Shall not knowingly be a party to any illegal activity or engage in acts that are discreditable to the profession of internal auditing or to the organization.
- 1.4- Shall respect and contribute to the legitimate and ethical objectives of the organization.

2. Objectivity

Internal auditors:

- 2.1- Shall not participate in any activity or relationship that may impair, or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.
- 2.2- Shall not accept anything that may impair, or be presumed to impair their professional judgment.
- 2.3- Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3. Confidentiality

Internal auditors:

- 3.1- Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2- Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

4. Competency

Internal auditors:

- 4.1- Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
- 4.2- Shall perform internal audit services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- 4.3- Shall continually improve their proficiency and the effectiveness and quality of their service.

University of Wyoming Audit Charter (Approved by Trustees 1/2010 Meeting)

Purpose and Definition

The Office of Internal Audit provides independent, objective assurance to the Board of Trustees as well as management through reviews, investigations and/or analysis regarding the current status of various departments and/or functions of the university.

Internal Audit services are designed to add value, improve internal controls and strengthen the University's operations. Internal Audit helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and compliance processes.

Authority of Internal Audit Department

Internal Audit reports to the Financial and Legal Affairs Committee of the Board of Trustees. This organizational structure ensures Internal Audit can perform reviews without undo pressure that may threaten the ability to complete the project in an unbiased manner.

Internal Audit is granted the authority to review all parts of the institution and shall have full and complete access to any of the institution's records, physical properties and personnel. All employees are directed to assist the Internal Audit Department in fulfilling its function. Documents and information given to the auditors will be handled in the same prudent and confidential manner as by those employees normally accountable for them. They will exercise discretion and assure the safekeeping and confidentiality of audit matters.

Internal Audit's objectivity and independence depends largely on having no responsibility for or authority over any of the activities or operations subject to its review. Therefore, an internal audit review in no way relieves management of any assigned responsibilities. The Internal Audit Department should make recommendations for new or additional controls or procedures, but not develop or install them, prepare records or engage in any activities which they would normally be required to review.

Scope of Internal Audit

The scope of Internal Audit shall be sufficiently comprehensive to enable the effective and regular review of all operational, financial and related activities. These areas of audit will be determined by risk assessment processes as well as special requests. The Internal Audit coverage may extend to all areas of the University of Wyoming, including all separately appropriated and budgeted units, and include financial, accounting, administrative, and other operational activities.

Audit Methodology

For all planned audit projects, the unit head responsible for the activity under review shall be advised of the objectives and scope of the procedures to be conducted, prior to the commencement of such procedures. Observations and recommendations will be discussed with the individual(s) responsible for the areas in question during the audit process. Upon completion of audit procedures, the unit head responsible for the activity under review will be asked to provide a written response that includes actions that have been or will be taken to correct any areas needing improvement. A follow up review will be conducted by Internal Audit to report the status of the audit issues.

Values

In carrying out this mission, we share certain beliefs and values.

The primary focus is to provide excellent service to the University. Reviews will be performed in accordance with applicable standards established by the American Institute of Certified Public Accountants and the Institute of Internal Auditors.

We are committed to the highest degree of fairness, integrity and ethical conduct in the performance of our mission. We will adhere to the code of Ethics as established by the Institute of Internal Auditors and the Association of College and University Auditors.

Further, we will not issue a regular audit without first allowing the recipient the opportunity to review, challenge, question and respond to our findings and recommendations.

Our relationship with the University community will be characterized by respect, helpfulness, sharing, patience and openness. We are committed to maintaining our professionalism as internal auditors through continuance of our education and training.

The Internal Audit Charter

A Blueprint to Assurance Success

Introduction

One of the great challenges every organization faces is assuring efficient and effective risk management — those policies and processes designed to leverage or mitigate risks to the organization's advantage. When done well, internal audit provides that assurance as part of its role to protect and enhance organizational value.

For internal audit to operate at the highest levels, it must have clearly defined and articulated marching orders from the governing body and management. This is most easily achieved with a well-designed internal audit charter.

The IIA's Perspective

Every organization can benefit from internal audit, and an internal audit charter is vital to success of the activity (IIA Standard 1000). The charter is a formal document approved by the governing body and/or audit committee (governing body) and agreed to by management. It must define, at minimum:

- Internal audit's purpose within the organization.
- Internal audit's authority.
- Internal audit's responsibility.
- Internal audit's position within the organization.

The IIA has produced model charters available to IIA members [here](#) in eight languages.

Why the Internal Audit Charter Is Important

A charter provides the organization a blueprint for how internal audit will operate and helps the governing body to clearly signal the value it places on internal audit's independence.

Ideally it establishes reporting lines for the chief audit executive (CAE) that support that independence by reporting functionally to the governing body (or those charged with governance) and administratively to executive management. It also provides the activity the needed authority to achieve its tasks, e.g., unfettered access to records, personnel, and physical properties relevant to performing its work.

KEY TAKEAWAYS

The internal audit charter is vital to internal audit's success and should be reviewed annually by the governing body.

The internal audit charter should be approved by the governing body and agreed to by senior management.

The charter should at a minimum include internal audit's purpose and mission, authority, responsibility, its independent reporting relationships, scope and requirement to conform to IIA Standards.

The internal audit charter should include details of how the internal audit activity will assess and report on the quality of the internal audit activity.

A charter provides a blueprint for how internal audit will operate and allows the governing body to clearly signal the value it places on internal audit's independence.

Because internal audit can operate across the entire spectrum of industries, from financial services to chemical manufacturing to government, the audit charter allows the scope of internal audit activity to be defined specifically to unique needs of the organization.

The charter can provide — in great detail if desired — what work internal audit will undertake and the support it will receive from senior management and the governing body to achieve that work. Finally, the audit charter serves as a reference point to measure the effectiveness of the internal audit activity.

Vital Components of an Internal Audit Charter

The IIA has identified seven key areas that support the overall strength and effectiveness of the activity and should be covered in the internal audit charter. While some internal audit charters may not include all of these elements, any area the charter fails to address threatens to weaken it and, ultimately, the activity.

- **Mission and Purpose:**
 - Internal audit's **mission** is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.
 - Internal audit's **purpose** is to provide independent, objective assurance and consulting services designed to add value and improve the organization's operations.
- **International Standards for the Professional Practice of Internal Auditing:**
 - The internal audit activity will govern itself by adherence to the mandatory elements of The IIA's International Professional Practices Framework (IPPF) including its *Standards*, *Core Principles for the Professional Practice of Internal Auditing*, *Definition of Internal Auditing*, and *Code of Ethics*.
- **Authority – The charter should include:**
 - A statement on the CAE's functional and administrative reporting relationship in the organization.
 - A statement that the governing body will establish, maintain and assure that the internal audit activity has sufficient authority to fulfill its duties by:
 - Approving the internal audit charter.
 - Approving a timely, risk-based, and agile internal audit plan.
 - Approving the internal audit budget and resource plan.
 - Receiving timely communications from the CAE on performance relative to its internal audit plan.
 - Actively participating in discussions about and ultimately approving decisions regarding the appointment and removal of the CAE.

FIVE QUESTIONS

Stakeholders must send a clear and unambiguous message about internal audit's role in the organization.

Here are five key questions they should be asking:

- 1.**
Has the governing body created an internal audit charter that establishes the activity's purpose and mission, scope, authority, responsibility, and reporting relationships?
- 2.**
Does the charter address establishing reporting relationships that enable independence and objectivity of the CAE?
- 3.**
Does the charter clearly establish internal audit's right to complete and unfettered access to all records and people to the extent necessary to carry out its work?
- 4.**
Does the audit charter clearly define the responsibility of the CAE?
- 5.**
In addition to requiring internal audit to comply with IIA global internal audit standards, does the audit charter require the activity to report on its effectiveness?

- Actively participating in discussions about and ultimately approving the remuneration of the CAE.
 - Making appropriate inquiries of management and the CAE to determine if there are any inappropriate scope or resource limitations.
 - Developing and approving a statement that the CAE will have unrestricted access to, and communicate and interact directly with, the governing body without management present.
 - Developing and approving an authorization that the activity will have free and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Independence and Objectivity – The charter should include:
 - A statement that the CAE will ensure that the internal audit activity remains free of conditions that threaten the ability of the activity to carry out its activities in an unbiased matter. If independence or objectivity is impaired in fact or appearance, the CAE will disclose the details of the impairment to the appropriate parties.
 - A statement that the internal audit activity will have no direct operational responsibility or authority over any of the activities audited.
 - A statement that if the CAE has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence and objectivity.
 - A requirement for the CAE to confirm at least annually the independence of the internal audit activity to the governing body.
- Scope of Internal Audit Activities – The charter should include:
 - A statement that the scope of the internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments on the adequacy and effectiveness of governance, risk management, and control processes.
 - A statement that the CAE will report periodically to senior management and the governing body on the results of its department and the work the activity performs.
- Responsibility – The charter should include:
 - Statements as to the responsibility for:
 - Submitting at least annually a risk-based internal audit plan.
 - Communicating with senior management and the governing body the impact of resource limitations on the plan.
 - Ensuring the internal audit activity has access to appropriate resources with regard to competency and skill.
 - Managing the activity appropriately for it to fulfill its mandate.
 - Ensuring conformance with IIA *Standards*.
 - Communicating the results of its work and following up on agreed-to corrective actions.
 - Coordination with other assurance providers.
- Quality Assurance and Improvement Program – The charter should include:
 - A statement that the internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity including its evaluation of conformance to IIA *Standards*.
 - A requirement for the CAE to report periodically the results of its quality assurance and improvement program to senior management and the governing body and to obtain an external assessment of the activity at least once every five years.

Conclusion

The internal audit charter should be viewed by senior management and the governing body as an important board policy document that enables the CAE and internal audit activity to effectively carry out their roles in the organization. It establishes clarity among risk managers within the organization and among stakeholders of internal audit's role in the risk management process, and helps stakeholders to enable and measure internal audit's value to the organization.

A charter provides a blueprint for how internal audit will operate and allows the governing body to clearly signal the value it places on internal audit's independence.

About Position Papers

The IIA promulgates Position Papers on key issues of interest to stakeholders and practitioners with the aim of advocating for sound governance and educating those involved in it. The positions outlined offer insights into various aspects of the governance process and internal audit's vital role in improving governance at all levels and adding value to the organization. Position Papers are developed and reviewed through a rigorous process that solicits input and critique from practicing internal audit professionals and other IIA volunteers who serve on The IIA's Global Advocacy Committee, IIA Standards Board, and The IIA's Professional Responsibility and Ethics Committee.

About The IIA

The IIA is the internal audit profession's most widely recognized advocate, educator, and provider of standards, guidance, and certifications. Established in 1941, The IIA today serves more than 190,000 members from more than 170 countries and territories. The IIA's global headquarters are in Lake Mary, Fla. For more information, visit www.theiia.org.

Disclaimer

The IIA publishes this document for informational and educational purposes. This material is not intended to provide definitive answers to specific individual circumstances and as such is only intended to be used as a guide. The IIA recommends seeking independent expert advice relating directly to any specific situation. The IIA accepts no responsibility for anyone placing sole reliance on this material.

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Attribute Standards

AS1000—Purpose, Authority, and Responsibility

The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *Standards*, and the Definition of Internal Auditing). The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.

Interpretation:

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization, including the nature of the chief audit executive's functional reporting relationship with the board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the board.

1000.A1 – The nature of assurance services provided to the organization must be defined in the internal audit charter. If assurances are to be provided to parties outside the organization, the nature of these assurances must also be defined in the internal audit charter.

1000.C1 – The nature of consulting services must be defined in the internal audit charter.

IG1000 – Purpose, Authority, and Responsibility

Getting Started

The internal audit charter is a critical document, as it records the agreed-upon purpose, authority, and responsibility of an organization's internal audit activity. To create this document, the chief audit executive (CAE) must understand the Mission of Internal Audit and the mandatory elements of The IIA's International Professional Practices Framework (IPPF)—including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing*, and the Definition of Internal Auditing.

This understanding provides the foundation for a discussion among the CAE, senior management, and the board to mutually agree upon:

- Internal audit objectives and responsibilities.
- The expectations for the internal audit activity.
- The CAE's functional and administrative reporting lines.
- The level of authority (including access to records, physical property, and personnel) required for the internal audit activity to perform engagements and fulfill its agreed-upon objectives and responsibilities.

The CAE may need to confer with the organization's legal counsel or the board secretary regarding the preferred format for charters and how to effectively and efficiently submit the proposed internal audit charter for board approval.

Considerations for Implementation

Based on the agreed-upon elements, as noted above, the CAE (or a delegate) drafts an internal audit charter. The IIA offers a model internal audit charter that may be used as a guide. Although charters may vary by organization, they typically include the following sections:

- **Introduction**—to explain the overall role and professionalism of the internal audit activity. Relevant elements of the IPPF are often cited in the introduction.
- **Authority**—to specify the internal audit activity's full access to the records, physical property, and personnel required to perform engagements and to declare internal auditors' accountability for safeguarding assets and confidentiality.
- **Organization and reporting structure**—to document the CAE's reporting structure. The CAE should report functionally to the board and administratively to a level within the organization that allows the internal audit activity to fulfill its responsibilities
- **Independence and objectivity**—to describe the importance of internal audit independence and objectivity and how these will be maintained, such as prohibiting internal auditors from having operational responsibility or authority over areas audited.
- **Responsibilities**—to lay out major areas of ongoing responsibility, such as defining the scope of assessments, writing an internal audit plan, submitting the plan to the board for approval, performing engagements, communicating the results, providing a written engagement report, and monitoring corrective actions taken by management.
- **Quality assurance and improvement**—to describe the expectations for developing, maintaining, evaluating, and communicating the results of a quality assurance and improvement program that covers all aspects of the internal audit activity.
- **Signatures**—to document agreement among the CAE, a designated board representative, and the individual to whom the CAE reports. This section includes the date, names, and titles of signatories.

Once drafted, the proposed internal audit charter should be discussed with senior management and the board to confirm that it accurately describes the agreed-upon role and expectations or to identify desired changes. Once the draft has been accepted, the CAE formally presents it during a board meeting to be discussed and approved. The CAE and the board may also agree on the frequency with which to review and reaffirm whether the agreement's provisions continue to enable the internal audit activity to accomplish its objectives, or whether any changes are warranted. If a question should arise in the interim, the charter may be referenced and updated as needed.

Considerations for Demonstrating Conformance

The minutes of the board meetings during which the CAE initially discusses and then formally presents the internal audit charter provide documentation of conformance. In addition, the CAE retains the approved charter. Typically, the CAE asks the board to create a standing annual agenda item to discuss, update, and approve the internal audit charter as needed. Evidence that the CAE periodically reviews the internal audit charter with senior management and the board also exists in minutes from those meetings.



Internal Audit Plan Review

According to the International Professional Practices Framework adopted by the Institute of Internal Auditors, Performance Standard 2010 states that the Director of Internal Audit must establish a risk-based plan that is consistent with the University's goals.

Progress against the Audit Plan should be evaluated regularly to ensure that risks are being addressed. In any given year, there will be changes that might impact the audit plan due to the University's dynamic nature. As a result, it is important review the audit plan, manage the plan throughout its life cycle, and be flexible to University changes so that resources stay focused on evolving risk areas and concerns.

This section provides an overview of audits that were approved by the FLAC committee and progress against that approved plan.

Audit Schedule for September 2020- August 2021		Audit Year	Presented
Center of Innovation for Flow through Porous media (COIFPM)		2020-2021	9/16/2020
American Heritage Transfer of Management Audit		Approved 2019-2020	11/12/2020
Alumni (Annual) FY 20	<div>31 scheduled 30 completed = 97%</div>	2020-2021	11/12/2020
NCAA (Annual) 2019-2020		2020-2021	1/13/2021
4-H Foundation FY20		2020-2021	1/13/2021
Main Cashier (Annual)		2020-2021	1/13/2021
Change of Management - Art Museum		2020-2021	1/13/2021
Requested CARES Act Expenditure Assesment		ADDITIONAL	1/13/2021
FWA Requested Investigation related to personnel		ADDITIONAL	1/13/2021
Athletics Business Office		2020-2021	3/24/2021
Change of Management - Haub School		2020-2021	3/24/2021
PCARD Initiative		2020-2021	3/24/2021
Risk Assessment Survey / Result analysis / Audit Schedule Development		2020-2021	5/12/2021
Change of Management - SER (attention on grants - Carbon Engineering Initiative)		2020-2021	5/12/2021
U.W. Catering 2019, 2020		2020-2021	5/12/2021
NCAA Football Ticket Verification 2020		2020-2021	cancelled
Shared Business Center for A&S--SSPAIS (School of Politics, Public Affairs and International Studies)--CJ/Soc (Criminal Justice and Sociology)		2020-2021	9/15/2021
Change of Management - Education		2020-2021	9/15/2021
State Match		2020-2021	11/17/2021
Change of Management - Academic Affairs		2020-2021	
Change of Management - President's Office		2020-2021	9/15/2021
U.W. Apartments		2020-2021	11/17/2021
Change of Management - Arts and Sciences		2020-2021	in progress
Change of Management - College of Engineering		2020-2021	in progress
Financial Aid		2020-2021	1/12/2022
Change of Management - Government and Community Affairs		2020-2021	11/17/2021
CARES Act Review		ADDITIONAL	9/15/2021
FWA Investigation - mis management of funds		ADDITIONAL	6/2/2021
FWA Investigation - questionable contract employee		ADDITIONAL	9/15/2021
FWA Investigation - questionable use of equipment		ADDITIONAL	11/17/2021
FWA Investigation - questionable management of appropriations		ADDITIONAL	9/15/2021

Audit Schedule for September 2021- August 2022		Audit Year	Presented
Alumni (Annual) FY 21		2021-2022	11/17/2021
NCAA (Annual)		2021-2022	1/12/2022
4-H Foundation (Annual) FY21		2021-2022	1/12/2022
Main Cashier (Annual)		2021-2022	in progress
NCAA Football Ticket Verification (Annual)		2021-2022	in progress
P-Card Initiative and Continuous Monitoring Progress (Annual)		2021-2022	in progress
Risk Assessment Survey (Annual)		2021-2022	in progress
Results and Reporting (Annual)	20 scheduled 9 completed = 45%	2021-2022	in progress
Audit Schedule Development (Annual)		2021-2022	
Capital Construction Projects		2021-2022	
HR/Payroll Review - scope to be defined		2021-2022	
Cash Advance Process Review		2021-2022	
Student Course/Program Fees		2021-2022	
Student Health Services		2021-2022	
Alternative (see list below)		2021-2022	
Fraud, Waste, and Abuse (FWA) Investigations		2021-2022	
Consultation - Special Projects (COVID)		2021-2022	
Follow-Up Reports / Unfinished audits from previous year		2021-2022	
Change of Management Audit (David Jewell) added 9/2021 per FLAC		Additional	
IMPACT 307		Additional	in progress
Total Hours			
Alternatives:			
Operations			
State Vet Lab			
Crypto Currency/internal controls - College of Business			
Student Media			
OSP Invoicing			
Student Travel			

INFORMATION PAPER

SUBJECT: Enterprise Risk Management (ERM) Update for the BOT FLAC Committee

1. Purpose. To advise FLAC committee members of significant ERM activities during 2021 and those planned for 2022.

2. Action Recapitulation:

a. Significant ERM Related Activities and Accomplishments - 2021:

- Internal Audit's Risk Survey – ERM Concept Incorporated
- ERM Restart – Governance and Cabinet Briefed. Year 0 and Year 1 Activities Initiated with Enterprise Risk Management Advisory Committee (ERMAC) Member Appointments Issued by UW President
- ERM Communications – Enhanced by SharePoint ERM Reference Library; MS Teams Site Established for Working Groups; Periodic Risk Management Topical Emails to Campus Community; and, Peer/Presentation Sharing of Materials with UW Departments
- ERM Assessment Template for Consultations – Developed/Used
- Certification in Risk Management Assurance – Obtained by UW Internal Auditor
- ERM Best Practice Sharing and Presentations Delivered in National Professional Forums
 - ACUA National Virtual Conference: “What Auditors Need to Know about ERM”
 - URMIA Conferences: “If ERM is the Answer, What is the Question?”; “ERM 101”; and, “Outcomes! ERM Mission Essential Tasks”
 - NACUBO: “The ERM Shuffle – Getting Started, Applying Strategies, Measuring Performance”
- ERM Consultations/Research/Inquiries – Various Departments

b. Significant ERM Related Activities and Goals - 2022:

- UW ERM Implementation – Continue with Year 1 and Year 2-n Plan. Mature/Sustain Program Initiative
- Updated Risk Survey – Support Internal Audit in a Supplemental Risk Survey (Emerging Risks or Changes from Previous)
- Integrate ERM Precepts into Strategic Planning and Strategic Decision Making
- Association of Governing Boards (AGB) Panel Member Webinar Presentation - “Engaging Boards in ERM”
- ERMAC Handbook and UW ERM Philosophy - Develop
- Education –Interact with Campus Departments and Leadership Groups. Make Risk Management Tools and ERM Framework Available and Understood.
- ERM Consultations/Research/Inquiries – Various Departments

3. Other: Attached for reference are: UW's Road to Implementation; ERM Year 1 Projects Status; Exec Perspectives on Top Risks Infographic; Top 10 Higher Ed Risk Concerns List

ACTION OFFICER: Tim Wiseman, Chief Risk Officer
Hill Hall, Room 642, 307-766-6787

UW's Road to ERM Implementation

Phase	Overview
(Year 0) Pre-Launch: Feb-June '21	<ul style="list-style-type: none"> General Counsel provides overview to President and Cabinet (Feb) ERM Advisory Committee briefed on milestones and given refreshed charge (Feb) FLAC receives executive-level ERM overview (March) Establish risk communication structure
(Year 1) Implementation/Launch: July '21-June '22	<ul style="list-style-type: none"> "Quick Start" selection of 3 top risk areas to focus on in '21-'22 with WG's assigned Further development of ERM program framework Coordination of effort with internal audit for creation of risk universe/risk register Establish risk communication and education templates for campus community Continued refinement of risk communication

ERM Year 1 Projects Status (as of 12.14.2021)

Risk Area	Remarks
Governmental – Legislative Relations	<p><i>Ongoing discussions related to the Office of Government Relations and how UW can better support the State and engage in the legislative process.</i></p> <p><i>ERMAC Role: Monitor and advise as needed.</i></p>
UW Fiscal Situation and Budget	<p><i>ERMAC reviewed information from previous UW Budget Reduction Working Group to help establish context. Updated status received by VP Theobald for review by ERMAC working group. Continuing to stay connected with UW Budget and Planning team and Deputy Vice President for Budget and Finance to understand changes in UW's fiscal situation and relationship to overall institution risk profile.</i></p> <p><i>ERMAC role: Assist ongoing efforts for program re-alignment and budgetary adjustments. Consider potential gaps in response to fiscal situation or effects of changes in the appropriation and revenue forecasts and relationship to other major risk categories outside of financial.</i></p>
Recruiting, Hiring and Retention of Quality Faculty and Staff	<p><i>Coordinating with UW Human Resources and other internal stakeholders to better contextualize current and planned initiatives related to the three main components of this identified risk area. More detailed analysis scheduled for early 2022.</i></p> <p><i>ERMAC role: ERMAC will continue to actively monitor progress and offer assistance, support and periodic evaluation as needed while acknowledging Human Resources/Office of the Provost lead.</i></p>

ERM Year 1 Projects Status (Continued)

(as of 12.14.2021)

Risk Area	Remarks
Enrollment <u>Mgmt</u> and Student Success	<p><i>ERMAC received two updates from Student Affairs and Academic Affairs reps covering actions/treatments underway for this risk area.</i></p> <p><i>Initiatives include: 1) Academic Support (Supplemental Instructors, Tutoring Center, Math/Writing, Navigate - Study Buddies, First-Year Seminar including Abroad); and 2) Non-academic Support (Living Learning Communities, First Generation Scholars, Veterans Services, UW Food Security Taskforce)</i></p> <p><i>New and emerging initiatives include: Cowboy Comeback Rising Sophomore Program and Cowboy Coaches Peer-to-Peer Mentoring Program</i></p> <p><i>Additional in 2022: 1) Parent and Family Program Council, Student Success Coalition (APLU), EAB Navigate and SSC, Graduate School, Update of University Studies Program , Curricular Analytics, Saddle-UP First-Year Intensive.</i></p> <p><i>UW efforts to date appear appropriate with resources commensurate with the complexity of this risk area.</i></p> <p><i>ERMAC role: Actively monitor progress and offer assistance, support and periodic evaluation as needed while acknowledging Student Affairs/Academic Affairs lead.</i></p>
Vehicle/Driver/Accident Reporting Policies	<p><i>Draft updated policies in final editing phase. Eliminating redundant section wording and adding an additional small section on official vehicle decals/markings. Preparing revised drafts for final review by VPGC and UW leadership prior to implementing.</i></p>

ERM Year 1 Projects Status (Continued)

(as of 12.14.2021)

Risk Area	Remarks
Emergency Response Plan Update	<p><i>ERMAC assigned working group is completing review of draft updated ERP. Next step is to incorporate edits and recommendations, then provide draft to VPGC and VP, Administration prior to presentation to the cabinet. Draft will then move through SAP process for final approval and adoption. Education on the plan and emphasis on departmental business continuity planning will be paramount after adoption.</i></p> <p><i>ERMAC role: ERMAC will continue oversight of the progress of this important enterprise-wide plan. The ERMAC will assist in seeing this to the "finish line" and will facilitate inter-departmental communication related to the ERP's specified and implied tasks. UWPD and Risk Management Co-Leads.</i></p>
Pandemic-COVID19 After Action Review	<p><i>Statement of Work approved and funding obtained for survey development and administration. ERMAC working group met to review draft of survey. Recommendations for edits to survey questions recorded and sent back to WYSOC for survey revision. Target is to have survey launched by Jan 2022.</i></p> <p><i>ERMAC role: Shepherd the survey project until results are obtained with report made available to the institution.</i></p>
Inclusiveness	<p><i>Met with OEDI to discuss ERM projects. Christi C. will be our point of contact moving forward.</i></p> <p><i>ERMAC role: Keep inclusiveness considerations in the dialogue surrounding risk identification, communication and risk treatments.</i></p>



Executive Perspectives on Top Risks for 2022 and 2031

Key issues being discussed in the boardroom and C-suite, according to results from the latest Protiviti-NC State global survey

Ongoing challenges triggered by a once-in-a-century airborne pandemic continue to unfold, reminding executives that the range of uncertainties has triggered an overwhelming landscape of ever-changing risks they must manage. Considering the rapid pace of disruptive innovation and technological developments in a rapidly advancing digital world, the need for resilience and agility at pivoting when the unexpected occurs is at all-time highs.

TOP 10 RISKS FOR 2022	TOP 10 RISKS FOR 2031
1. Pandemic-related government policies and regulation impact business performance	1. Adoption of digital technologies requires new skills or significant efforts to upskill/reskill existing employees
2. Succession challenges, ability to attract and retain top talent	2. Succession challenges, ability to attract and retain top talent
3. Pandemic-related market conditions reduce customer demand	3. Rapid speed of disruptive innovation outpaces our ability to compete
4. Adoption of digital technologies requires new skills or significant efforts to upskill/reskill existing employees	4. Substitute products or services arise that affect our business model
5. Economic conditions, including inflationary pressures, constrain growth opportunities	5. Economic conditions, including inflationary pressures, constrain growth opportunities
6. Increasing labor costs impact profitability targets	6. Entrance of new competitors and other industry changes threaten market share
7. Resistance to change operations and the business model	7. Impact of regulatory change and scrutiny on operational resilience, products, and services
8. Inability to utilize data analytics and "big data" to achieve market intelligence and increase productivity and efficiency	8. Resistance to change operations and the business model
9. Cyber threats	9. Hybrid work environment and changes in nature of work challenge ability to compete
10. Shifts in expectations about social issues and diversity, equity and inclusion (DEI) outpace organization's response	10. Inability to utilize data analytics and "big data" to achieve market intelligence and increase productivity and efficiency

Results are based on a survey of 1,455 board members and C-suite executives worldwide. The full survey report, *Executive Perspectives on Top Risks*, may be accessed at em.ncsu.edu or protiviti.com/toprisks. It includes detailed breakdowns of the results by respondent role, organization size, industry, geography and other categories.

KEY HIGHLIGHTS FROM THE STUDY

- 1. People and culture are at the top of the agenda.** Job markets have been disrupted and executives are concerned about attracting and retaining talent and labor. DEI has elevated in importance. Future of work continues to be a defining business challenge for the next decade. Most ESG matters rate highly.
- 2. Concerns with the pandemic continue to linger near term.** COVID-19 variants and the inability to vaccinate enough people or achieve a critical mass of vaccines globally have sustained the pandemic, hamstringing recovery efforts and dampening economic growth sentiments.
- 3. Buckle up; a disruptive and volatile decade lies ahead.** The speed of disruptive innovation, threat of substitute products and services, fleeting customer loyalty, and ease of entrance of new competitors into the industry are all top risks looking out 10 years, as are risks related to talent, the workplace and organizational culture, and the economy.

- 4. Economic uncertainty remains significant and its long-term impact has increased.** The lingering effects of the pandemic, constricting labor markets, the debate over inflation being transitory or structural, the effects of rising energy costs, and the impact of supply chain congestion and disruption contribute to strained perceptions regarding the economy.
- 5. Cybersecurity and data privacy remain long-term concerns, as do regulatory matters.** There is growing emphasis on privacy due to regulatory developments – this may be a longer-term strategic concern for organizations in terms of determining what data is captured and how that data is stored, used and secured.

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Top 10 Higher Education Institution Risk Concerns

(United Educators Client Institutions Survey - 2021)

1. Enrollment
2. Data Security
3. COVID-19 and Future Pandemics
4. Operational Pressures
5. Funding
6. Facilities and Deferred Maintenance
7. Regulatory and Legal Compliance (Non-Title IX/VAWA)
8. Title IX
9. Sexual Misconduct
10. Public Safety