ANNUAL ACTIVITY REPORT

As Required by G.S. 143-747(c)(12)

December 2020

PREPARED FOR:

STATE OF NORTH CAROLINA
COUNCIL OF INTERNAL AUDITING

Prepared By:

Office of Internal Audit
Office of State Budget and Management

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EXECUTIVE SUMMARY

The purpose of this report is to provide the North Carolina Council of Internal Auditing members (Council) information on activities performed by the Council staff and agencies[1] Internal Audit (IA) programs. This report describes activities performed from July 1, 2019 through June 30, 2020. The Council is staffed by the Office of State Budget and Management (OSBM). The Office of Internal Audit has eight people, with an Internal Audit Director and a Program Officer/Internal Auditor serving as staff to the Council. The Office of Internal Audit had an operating budget of $579,383 for FY19-20.

The first section of this report describes Council staff responsibilities and activities. The activities and efforts of the Council staff this fiscal year included:

- Supported Council meetings and kept minutes of the proceedings.
- Updated and promulgated guidelines, technical manuals and suggested best practices.
- Supported ten requests for Peer Reviews. Three are completed and seven are in progress.
- Sponsored training sessions on fraud, data analytics (2 sessions), and a Certified Internal Auditor review course and others as described on pages four and five of this report.
- Awarded the North Carolina Award of Excellence to Winston Salem State University.
- Provided audit services to the Commissioner of Banks, Department of Military and Veteran Affairs, Offices of State Budget and Management, State Human Resources, Governor, State Auditor and the Recovery and Resiliency Office.
- Maintained a central database of Agency Internal Audit plans. Collected agency reports and audit plans. Two IA programs offices did not provide an audit plan and six did not provide any reports. Eight IA programs were late submitting reports. Contact and subsequent follow-up were made to agencies' Internal Audit staff in an attempt to resolve these issues.
- Created the statewide Internal Audit Service Efforts and Accomplishments Report.
- Administered the Institute of Internal Auditors (IIA) government group membership program providing a 39% discount on IIA memberships.
- Supported a data analytics initiative that provided software licenses and training to all State government internal audit programs.
- Worked frequently with individual agencies to suggest best internal audit practices. Numerous conversations take place during the year to provide audit tips and solutions. Consultations take place almost daily when the phone rings and agency internal auditors are seeking support and assistance.

The second section of the report describes the State Agency Internal Audit Program efforts. This section includes Audit Resources, Efforts and Accomplishments, and Compliance with the Internal Audit Act and Council's requirements. Charts and graphs, beginning on page 8, show details of this section.

[1] Agency means department, office, university, commission, board.

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INTRODUCTION

The purpose of this report is to provide the North Carolina Council of Internal Auditing members (Council) information on activities performed by the Council staff and agencies[2] internal audit programs. This report describes activities performed from July 1, 2019 through June 30, 2020.

The North Carolina Internal Audit Act[3] (the Act) established the Council and requires all Executive Branch Agencies to establish a program of internal auditing. The Council is mandated to administer program and provides services to these internal audit programs. Issuing this report on service efforts and accomplishments of these programs; and propose legislation for consideration by the Governor and General Assembly is one of the mandates within the Act.

During the development of this report, subsequent events occurred that are documented in Appendix C at the end of this report.

COUNCIL OF INTERNAL AUDITING

Council Resources and Requirements

Membership and Programs

The Council membership is set by statute as shown in Table 1. The Council meets at least quarterly to provide guidance, set policies, and assess progress of internal auditing efforts within State government.

Table 1

Council of Internal Auditing Members	
Dr. Linda Combs, Chair	State Controller
Charles Perusse	State Budget Officer
Machelle Sanders	Secretary of Administration
Josh Stein	Attorney General
Ronald Penny	Secretary of Revenue
Beth Wood	State Auditor (nonvoting)

The Council has 12 mandated requirements within the North Carolina Internal Audit Act. The mandates included holding meeting and/hearings and administer programs and activities. For details on the Council mandated requirements see page 3.

Council Staff and Expenditures

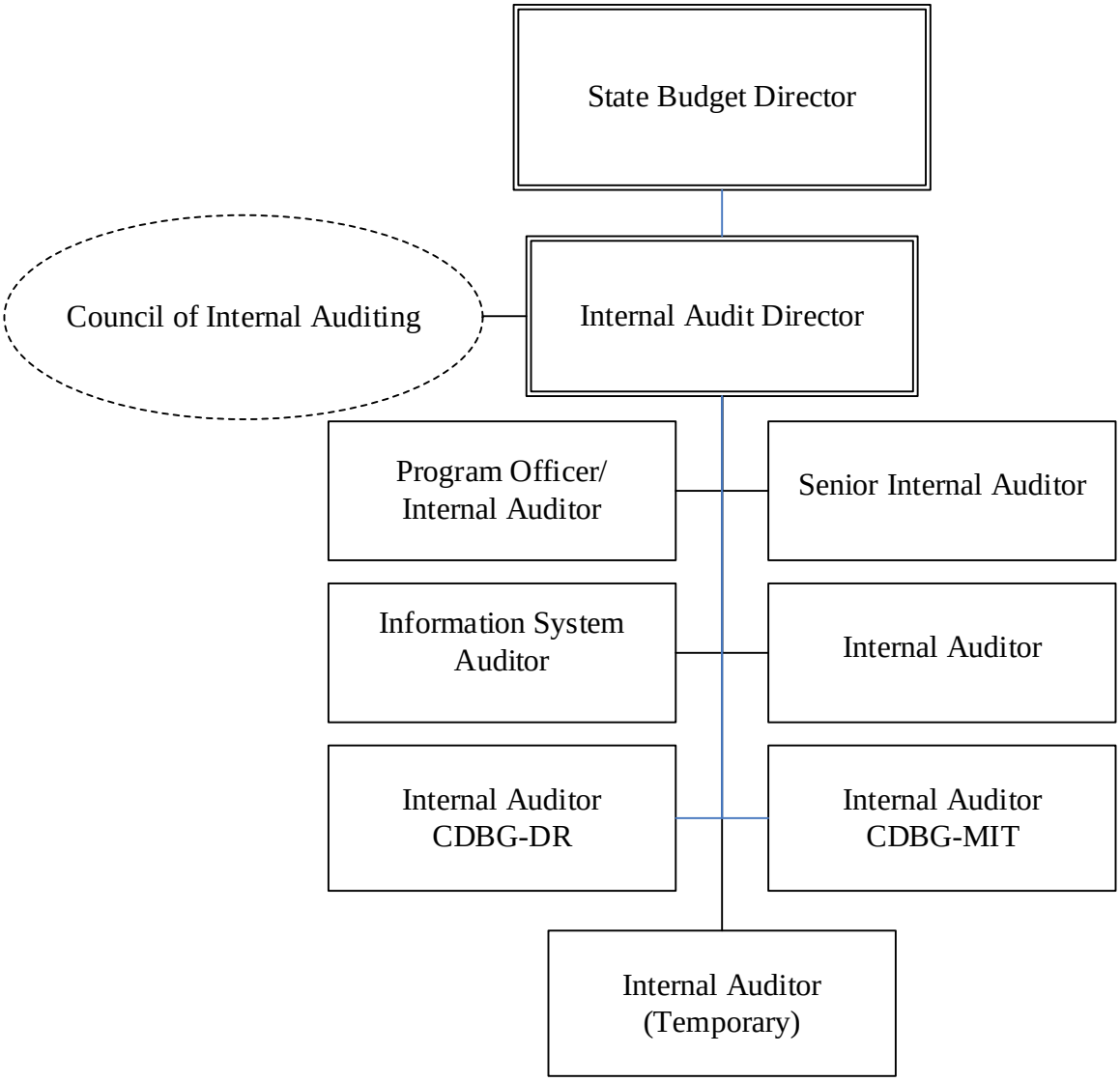
The Office of State Budget and Management (OSBM) supports the Council and established the Office of Internal Audit (OIA) to house the Council staff. The organizational structure of the OIA is shown in Exhibit 1 on the next page. The eight internal auditors hold ten professional credentials as follows:

- Three Certified Internal Auditors
- Two Certified Fraud Examiners
- One Certified Government Audit Professional
- Two Certified Public Accountants
- One Certified Internal Control Auditor
- One Certified Information System Auditor

[2] Agency means department, office, university, commission, board.
[3] Entire Internal Audit Act is in Appendix A.

Exhibit 1

Office of Internal Audit as of June 30, 2020



The expenditures for FY2015-16 through FY2019-20 are shown in Table 2, on the next page. The Office of Internal Audit had a seven percent (7%) overall decrease in expenditures compared to the prior year. The decrease is attributed to the completion of the data analytics initiative which provided software and training to enhance internal audit effort through data analytics.

Table 2

Office of Internal Audit Five Year Expenditures					
Expenditures	**FY2019-20**	**FY2018-19**	**FY2017-18**	**FY2016-17**	**FY2015-16**
Personnel					
Employee	*560,123*	*561,399*	*508,707*	*518,220*	*504,252*
Contractor	*0*	*0*	*0*	*15,020*	*29,887*
Total Personnel	**560,123**	**561,399**	**508,707**	**533,240**	**534,139**
Purchased Services					
Software	*5,360*	*32,096*	*2,559*	*5,411*	*4,267*
Training & Development	*1,852*	*16,440*	*15,351*	*2,244*	*4,968*
Information Technology Services	*8,946*	*11,792*	*10,261*	*6,368*	*5,760*
Travel	*1,710*	*1,728*	*2,941*	*7,820*	*2,486*
Total Purchased Services	**17,867**	**62,056**	**31,112**	**21,844**	**17,481**
Supplies	**0**	**0**	**0**	**0**	**50**
Property, Plant, & Equipment	**0**	**0**	**0**	**2,181**	**610**
Other	**1,394**	**1,414**	**1,279**	**1,385**	**452**
Total Expenditures	**579,383**	**624,869**	**541,098**	**558,650**	**552,732**
BREAKDOWN BY FUND SOURCE					
General Fund	**514,525**	**562,833**	**541,098**	**526,422**	**522,845**
CDBG-DR Funds	**64,858**				
State Disaster Funds		**51,324**			
Other State Agencies		**10,712**		**15,020**	
ARRA Race to the Top Fund					**29,887**
Rhode Island QAR				**17,208**	

Efforts and Accomplishments

The Internal Audit Act sets specific requirements for the Council. In addition to these mandated requirements, the Council has initiated other programs to support internal audit program with efficiency and effectiveness.

Council Mandated Requirements

There are twelve mandated requirements within the Act which the Council is responsible for implementing and administer throughout the year.

G.S. 147-747(c)(1and 2)Meetings and Minutes

G.S. 147-747(c)(1) This mandate requires the Council to hold meetings and G.S. 147-747(c)(2) requires keeping minutes of those proceedings.

The Council has regularly scheduled quarterly meetings, as well as special meetings as needed. In June 2020, the Council called for a special meeting to be held in July 2020 to discuss a confidential report drafted by the Program Evaluation Division of Legislative Services. Additional special meetings were held in August and subsequent months in 2020. See Appendix C for information concerning subsequent events.

Council staff kept minutes of all meetings held. Draft minutes were published in the meeting materials for the Council members to review and approve. Approved minutes were maintained by the Council staff.

G.S. 147-747(c)(3) Guidelines

This mandate requires the Council to promulgate guidelines for the uniformity and quality of internal audit activities. The guidelines for all North Carolina internal auditors are found in the Institute of Internal Auditors' International Professional Practices Framework (IPPF). That is the standard by which the Internal Audit community in North Carolina operates today.

G.S. 147-747(c)(4) Staffing Analysis

This mandate requires the Council to recommend the number of internal audit employees required by each State agency.

The Council staff refreshes the staffing analysis every three to four years. The staffing analysis is an abridged review to identify the minimal number of internal audit positions needed, not the optimal. A more extensive review must be conducted to determine the optimal number of positions needed in each internal audit program. The last review was completed in June 2017, which identified 24 agencies with internal audit staffing levels under the minimum needed to address risk within their agencies. Using current model for analysis, the number positions needed to get all agencies to the minimum number is 52.5 positions at a cost[4] of just under $5 million. Details of the specific staffing recommendations can be seen in Appendix B.

G.S. 147-747(c)(5) Guides, Technical Manuals, and Best Practices

This mandate requires the Council to develop the audit guides, technical manuals and suggested best practices

The Statewide Internal Audit Manual (manual) was published in May 2008 and communicated to all internal auditors. The Institute of Internal Auditor's Standards (IIA Standards) is used as its framework, and the manual is updated when necessary. The last update to the manual coincided with the last update to the IIA Standards in 2017. In addition, the Council developed a technical bulletin to provide additional guidance and best practices to internal auditors. Internal Audit staff to the Council works with individual agencies frequently to suggest best internal audit practices. Numerous conversations take place during the year to provide audit tips and solutions. Consultations take place almost daily when the phone rings and Agency internal auditors are seeking support and assistance.

G.S. 147-747(c)(6) Peer Review Program

This mandate requires the Council to administer an independent peer-review system for each State agency internal audit activity; specify the frequency of such reviews consistent with applicable national standards; and assist agencies with the selection of independent peer reviewers from other State Agencies.

Council staff established a Peer Review program, which is a cooperative amongst internal audit programs. All internal audit programs are required to have an external quality assurance review every five years, as set by the IIA Standards. The Peer Review program was modeled after and follows all the requirements included in the Institute of Internal Auditors Quality Assessment manual. Training is provided to internal auditors on how to conduct a review and how to use the tools and templates for completing the review. Council staff receives requests, selects review team members, assists team members during the process, and conducts a quality review of each Peer Review conducted. A manual has been established for this program to outline the process, roles and responsibilities of the review team, internal audit programs and the Council staff.

[4] Annual cost of a position includes: Salary and Benefits – $91,200; and operating cost of $3,800.

For FY2019-20, seven agencies requested services from the Peer Review program. Three reviews were completed, and four are in progress. An addition, three agencies requested reviews after June 30, 2020. See page 19 for more details related to the outcomes of the Peer Review program.

External Quality Assurance Reviews (QAR) are required every ten years. Three were completed this year and seven are in progress. The Department of Justice is overdue for a QAR. The Department of Labor has a new IA program and therefore will not be due for their first QAR until 2024. The Wildlife Commission was due for their QAR in 2020. The Department of Administration received a partial conformance rating, and the Department of Information Technology received a Does Not Conform rating. The remaining IA programs received a Generally Conforms rating, which is the highest rating. See charts and graphs page 20-21 for additional details on QARs.

G.S. 147-747(c)(7) Training and Recognition Programs

This mandate requires the Council to provide central training sessions, professional development opportunities, and recognition programs for internal auditors.

To maintain proficiency, audit standards require internal auditor participation in professional development. During FY2019-20, the Council sponsored four trainings, which provided internal auditors the opportunity to earn up to 78 certified professional education (CPE) hours.

The 4th Annual Fraud Audit Conference was held July 31 and August 1, 2019. This two-day training session provided 14 CPE hours at a cost of $95 per participant. Participants were invited from State Agencies, universities, community colleges, local education agencies, and local governments. There were 183 registered participants with a total cost of approximately $9,800. Based on participant surveys, 97% found value in the training contact.

OIA staff coordinated a four-day Certified Internal Auditor (CIA) review course in conjunction with the Local Chapter of the Institute of Internal Auditors (IIA). The review course corresponded to the three parts of the Certified Internal Auditor examination administered by the IIA. The training occurred between September and November 2019 and provided 32 CPE hours. There were 32 registered participants, and the cost of sponsoring the training totaled approximately $7,500. Based on survey responses, 91% found the training sessions valuable.

As part of the data analytics initiative, four training sessions were held. In May 2019 there were two three-day beginner course and September 2019, a two-day beginner course and a two-day intermediate course. The beginner training provided an understanding of the software application and functionality of visualizing data. The intermediate course focused on data preparation and provided an understanding of combining, shaping, and cleaning. Participants received 16 CPE or 24 CPE hours depending on the courses attended. The cost of all the training sessions were $29,800. There were 54 participants at the beginner training, and 92% found value in the training content. The intermediate training had 21 participants, and 87% found value in the training content. For more information on the Data Analytics initiative see page 6.

In addition to the four training sessions throughout the year, other free or low-cost training was identified and communicated to all internal auditors. Communication takes place via email and postings on the OSBM website. Over the past year, 51 professional development opportunities were identified, providing 140 CPE hours. Over 27% of the training events, which provided 38 CPE, were free of charge.

The North Carolina Award of Excellence is the Council of Internal Auditing award for outstanding achievement in internal auditing. To express its appreciation for excellence in the field of internal auditing, this award is presented annually to honor a state internal auditor or a group of internal auditors who have made extraordinary contributions that promote excellence in internal auditing. The 2019 Internal Auditor Award of Excellence was presented to the Winston-Salem State University Internal Audit Program.

G.S. 147-747(c)(8) Shared Internal Audit Program

This mandate requires the Council to administer a program for sharing internal auditors among State Agencies needing temporary assistance and an assembly of interagency teams of internal auditors to conduct internal audits beyond the capacity of a single agency. The shared internal audit program provides audit services to small State Agencies. To use the internal audit program, a State Agency must:

1. Have an annual operating budget exceeding ten million dollars but less than seventy million dollars; or
2. Employ less than 100 full-time equivalent employees; or
3. Receive and process more than ten million dollars but less than seventy million dollars in cash in a fiscal year; or
4. Be deemed an appropriate recipient of internal audit services by the Council of Internal Auditing.

In addition to servicing six agencies, the program is responsible for conducting audits of the community development block grant disaster recovery and mitigation funds. Finally, the program will assist internal audit programs upon request. Services are dependent upon resource availability of the program. For service efforts of the OSBM Office of Internal Audit, see page 16.

G.S. 147-747(c)(9) Report and Audit Plan Repository

This mandate requires that the Council maintain a central database of all annual internal audit plans; topics for review proposed by internal audit plans; internal audit reports issued and individual findings and recommendations from those reports.

Internal audit programs submitted the audit plans and reports via a SharePoint. Agencies must submit their audit plans by September 30th of each year and audit reports should be submitted within ten days of the issued date. For more details on compliance with requirements, see Compliance on page 18.

G.S. 147-747(c)(10) Reports on Internal Audit Matters

This mandate allows the Council to require reports in writing from any State Agency relative to any internal audit matter.

In October 2019, Council did not ask for a written report, but instead requested a verbal report from Department of Information Technology (DIT). During the October 2019 meeting, the Department of Information Technology provided a verbal report to the Council on why audit reports were submitted late and corrective action that DIT's internal audit program will implement to conform with the IIA Standards. In August 2020, five Agency leaders were required to provide written and verbal reports to the Council. The Departments of Justice and Public Safety reported on why their external Quality Assurance Reviews were overdue; the Departments of Administration and Information Technology reported on how their internal audit programs will come into compliance with the IIA Standards; and the Department of Transportation reported on corrective actions related to the recommendations within the Program Evaluation report. See Appendix C for information on Subsequent Events.

G.S. 147-747(c) (11) Hearings, Inquiries, and Subpoenas

This mandate allows the Council, when determined necessary by a majority vote of the Council, to conduct hearings relative to any attempts to interfere with, compromise, or intimidate an internal auditor, and to inquire as to the effectiveness of any internal audit unit and authorize the Chair to issue subpoenas for the appearance of any person or internal audit working papers, report drafts, and any other pertinent document or record regardless of physical form needed for the hearing.

During FY 2019-20 the Council did not hold any hearings related to interference, compromise or intimidation of internal auditors, and no subpoenas were issued. The Department of Transportation was required to report to the Council in August 2020. See Appendix C for information on subsequent events.

G.S. 147-747(c)(12) Annual Report

This mandate requires the Council to issue an annual report including, but not limited to, service efforts and accomplishments of State Agency internal auditors and to propose legislation for consideration by the Governor and General Assembly. This report serves as the Council's Annual Report.

Council Initiatives

Institute of Internal Auditors (IIA) Government Group Membership

The purpose of the program is to broaden and support internal audit knowledge by providing a reduced membership rate. Some benefits of membership include free and discounted continuing education development and professional publications; enhanced networking; and exclusive on-line resource materials. The Council staff has worked with the IIA to establish the State of North Carolina Government Group membership program that starts October 1 and ends September 30 of each year. Any government employee[5] can join this group and receive a discount on an IIA membership. On October 1, 2019, the program registered 193 individuals and, throughout the year, added 16 individuals, resulting in a 39% reduction of the regular membership rate.

Data Analytics

Data analytics can be embedded throughout the audit process to perform audits faster, cheaper, and better. A statewide efficiency improvement initiative utilizing data analytics started in June 2018.

A cross-Agency workgroup researched data analytics and software tools; demonstrations were provided by some internal audit programs to showcase specific tools and the types of data analytics performed, including duplicate payments, procurement card usage, and fraud risk analysis. The group determined that there is no one perfect tool for data analytics but did select a user-friendly tool with visualization to improve data presentation.

A one-year software license was provided to each internal audit program, totaling $27,552. Internal audit programs can purchase additional software licenses at a 20% discount. Beginning training was provided to 54 internal audit auditors in May 2019 and September 2019. Twenty-one internal auditor attend data preparation training in September 2019. For more details on training, see the section entitled *Training and Professional Development Opportunities* on page 4.

Council staff has developed a continuous procurement card audit using this software. Instructions were developed and training was provided in January 2020 on the use of the tool. The procurement card audit and instructions were rolled out to all internal audit programs in January 2020.

Proposed Legislation Changes

The Council of Internal Auditing did not sponsor any changes related to the Internal Audit Act during the 2019-2020 Legislative Session.

[5] Local Government, Local Education Agency, State Government internal auditors and any Government employees that holds a certification issued by the IIA can join this group.

STATE AGENCY INTERNAL AUDIT PROGRAM EFFORTS

Audit Resources

Positions and Contracting

There are 47 agencies subject to the Internal Audit Act. Different models are used to establish an internal audit program, from in-house staffing to outsourcing the entire program. Below is information on internal audit positions, contractor use and supplemental staffing via intern or temporary employees.

As shown in Table 3 on the next page, there are 186.25 internal audit positions, which are spread across 38 State Agencies. As of June 30, 2020, 85% of these positions were filled. Although there was one net gain in total position across the State, there were some significant changes within certain State Agencies that included:

- Department of Labor and Fayetteville State University established in-house, one-person internal audit programs
- Department of Transportation lost 10 positions, which represented 40% of its internal audit staff
- Department of Information Technology doubled its size by adding 2 positions
- Department of Administration moved from a one-person to a two-person internal audit program
- Department of Health and Human Services lost two positions this year and 4 positions over the last three years

Four agencies outsource their internal audit program to other agencies or private contractors as follows:

- North Carolina School of the Arts contracts with Winston-Salem State University for audit services
- North Carolina School of Science and Mathematics contracts with the University of North Carolina System Office
- North Carolina State Education Assistance Authority contracts with the University of North Carolina System Office
- North Carolina Housing Finance Agency contracts with Cherry Bekaert

Agencies under $70 million in operating funds may use OSBM as their internal audit program. During fiscal year 2020, six agencies and the Office of Recovery and Resiliency used OSBM services instead of having an in-house internal audit program. Agencies serviced by OSBM during FY2019-20 are:

- Commissioner of Banks
- Department of Military and Veterans Affairs
- Office of State Budget and Management
- Office of State Human Resources
- Office of the Governor
- Office of the State Auditor
- Office of Recovery and Resiliency

The Department of Military and Veterans Affairs is above the required $70 million threshold but uses OSBM due to a lack of resources. The Office of Recovery and Resiliency is required to have an independent internal auditor per the State's application to the Federal Granting Agency and decided to use the OSBM's internal auditors but was required to reimburses OSBM for the cost of the two positions.

Table 3

Statewide Internal Audit Positions[5] Five-Year History					
	2020	**2019**	**2018**	**2017**	**2016**
Community College System Office	2	2	2	2	1
Commissioner of Banks[1]	0	0	0	0	0
Department of Administration	2	1	1	1	1
Department of Agriculture & Consumer Services	3	4	4	4	4
Department of Commerce	3	4	4	4	4
Department of Environmental Quality	3	3	3	2	2
Department of Health & Human Services	36	38	39	41	41
Department of Information Technology	4	2	2	3	3
Department of Insurance	1	1	1	1	1
Department of Justice	0.5	0.5	1	1	1
Department of Labor	1	0	0	0	0
Department of Military and Veterans Affair[1]	0	0	0	0	0
Department of Natural and Cultural Resources	2	2	2	2	2
Department of Public Instruction	2	2	2	2	2
Department of Public Safety	19	18	18	18	18
Department of Revenue	3	2	3	3	3
Department of Secretary of State	1	1	1	2	1
Department of State Treasurer	5	5	6	3	3
Department of Transportation	15	25	25	25	25
Housing Finance Agency[2]	0	0	0	0	1
North Carolina Education Lottery	3	3	3	3	3
Office of State Controller	0.75	0.75	0.5	0.5	0.5
Office of State Human Resources[1]	0	0	0	0	0
Office of State Budget & Management[1]	7	6	5	5	5
Office of the Governor[1]	0	0	0	0	0
Office of the State Auditor[1]	0	0	0	0	0
Wildlife Resources Commission	1	1	1	1	1
Appalachian State University	5	5	5	5	5
East Carolina University	7	7	7	8	8
Elizabeth City State University	2	2	2	1	1
Fayetteville State University	1	0	0	0	0
North Carolina Agricultural & Technical State University	4	4	4	4	4
North Carolina Central University	4	4	4	4	4
North Carolina School of Science and Mathematics[4]	0	0	0	0	0
North Carolina School of the Arts[3]	0	0	0	0	0
North Carolina State Education Assistance Authority[4]	0	0	0	0	0
North Carolina State University	7	7	7	7	7
University of North Carolina - Asheville	1	1	1	1	1
University of North Carolina - Chapel Hill	8	6	7	7.75	7
University of North Carolina - Charlotte	6	5	5	5	5
University of North Carolina - System Office	3	2	2	2	1
University of North Carolina - Greensboro	2	2	2	2	2
University of North Carolina - Pembroke	2	2	2	2	2
University of North Carolina - Wilmington	5	4	4	4	4
Western Carolina University	2	2	2	1	1
Winston-Salem State University	6	6	6	5	5
University of North Carolina - Hospital	7	7	7	7	9
Total	**186.25**	**187.25**	**190.50**	**189.25**	**188.50**

1. Utilizes Office of State Budget and Management Internal Audit program
2. Uses contract auditors
3. Contracts with Winston-Salem State University
4. Contracts with University of North Carolina System Office
5. Information is self-reported by each internal audit program and not verified by Council staff.

Supplement Staffing Efforts

Agencies continue efforts to supplement staffing levels by using: the state term internal audit supplemental staffing convenience contract; and hiring interns and temporary employees. Over the past year, 15 agencies have utilized alternative methods to address resource limitations as shown in Table 4.

Table 4

Supplemental Staffing Efforts[1]			
Agency	**State Term Contract**	**Interns**	**Temporary Employees**
Department of Commerce			✓
Department of Health & Human Services		✓	✓
Department of Information Technology	✓		✓
Department of Justice	✓		
Department of Public Instruction			✓
Department of Transportation	✓		
Office of State Budget and Management			✓
East Carolina University		✓	
North Carolina Central University			✓
North Carolina State University		✓	✓
North Carolina School of Arts		✓	✓
University of North Carolina - Asheville		✓	
University of North Carolina - Wilmington		✓	
Western Carolina University		✓	
Winston-Salem State University		✓	✓
Total	**3**	**8**	**9**

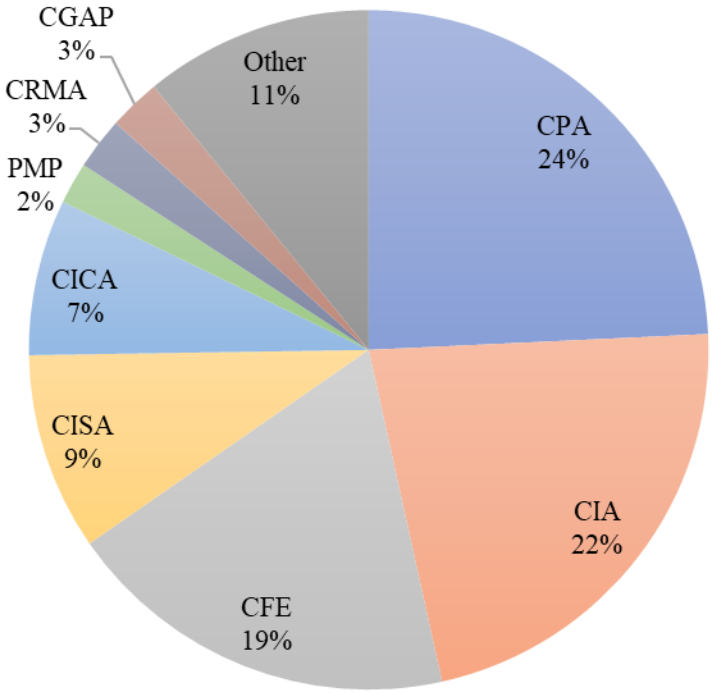
1. Information is self-reported by each internal audit program and not verified by Council staff.

Personnel Proficiency

Professional certifications and advanced degrees may lead to increase proficiency. Overall, internal auditors currently hold 202 professional certifications in 26 different areas, which is no change from last year. Eighty-two percent of the designations held by internal auditors are in five of the 26 areas which are: Certified Public Accountants; Certified Internal Auditors; Certified Information Systems Auditors; Certified Internal Control Auditor; and Certified Fraud Examiners. A breakdown of all designations held by agencies' internal auditors is shown in Chart 1, on the next page.

Chart 1: FY2019-20

Professional Certifications[1]



49 **CPA**/Certified Public Accountant
45 **CIA**/Certified Internal Auditor
38 **CFE**/Certified Fraud Examiner
19 **CISA**/Certified Information Systems Auditor
15 **CICA**/Certified Internal Controls Auditor
5 **CGAP**/Certified Government Audit Professional
5 **CRMA**/Certification in Risk Management Assurance
4 **PMP**/Project Manager Professional

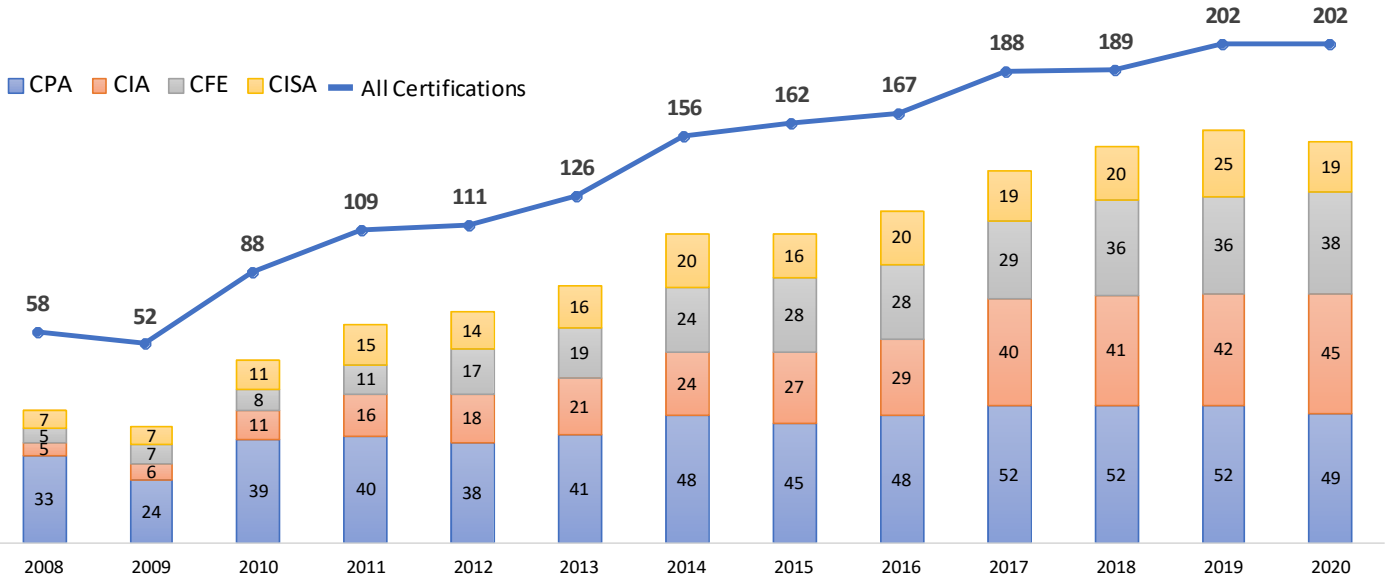
Other:
2 Certified Government Financial Manager
2 Certified Information System Security Professional
2 Certified Network Defense Architect
2 Certified Risk and Information Systems Control
1 Certified Anti-Money Laundering Specialist
1 Certified Compliance and Ethics Professional
1 Certified Ethical Hacker
1 Certified Fraud Specialist
1 Certified Forensic Investigation Professional
1 Certified Healthcare Compliance
1 Certified Health Research Compliance
1 Certified Information System Manager
1 Certified Public Manager
1 Certified Network+
1 Chartered Global Management Accountant
1 Computer Hacking Forensic Investigator
1 EC-Council Certified Security Analyst
1 Lean Six Sigma - Greenbelt

1. Information is self-reported by each internal audit program and not verified by Council staff.

Chart 2 is a historical view of all certifications with an emphasis on the top four certifications held by internal auditors. Although the CIA designation lags the CPA designation, over the last 12 years, the CIA designation held by internal auditors has increased from 5 to 45. Currently, 28% of internal auditors hold the CIA designation.

Chart 2: 13-Year Growth in Certifications Held by Internal Auditors

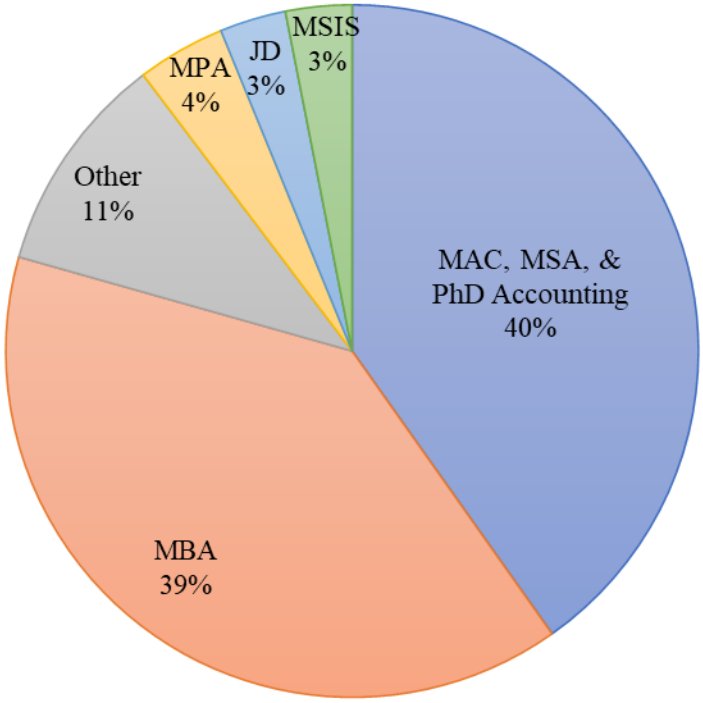
Emphasis on the Top Four Certifications[1]



1. Information is self-reported by each internal audit program and not verified by Council Staff.

Chart 3 illustrates the type of advanced degrees held by the Agency's internal auditors during the fiscal year. Auditors held 97 advanced degrees, with 77% of these being master's degrees in business administration or accounting.

Chart 3: FY2019-20 Advanced Degrees[1]



39 **MBA**/Master of Business Administration
38 **MAC**/Master of Accounting & **MSA**/Master of Science Accountancy
4 **MPA**/Master of Public Administration
3 **JD**/Juris Doctorate
3 **MSIS**/Master of Information Systems

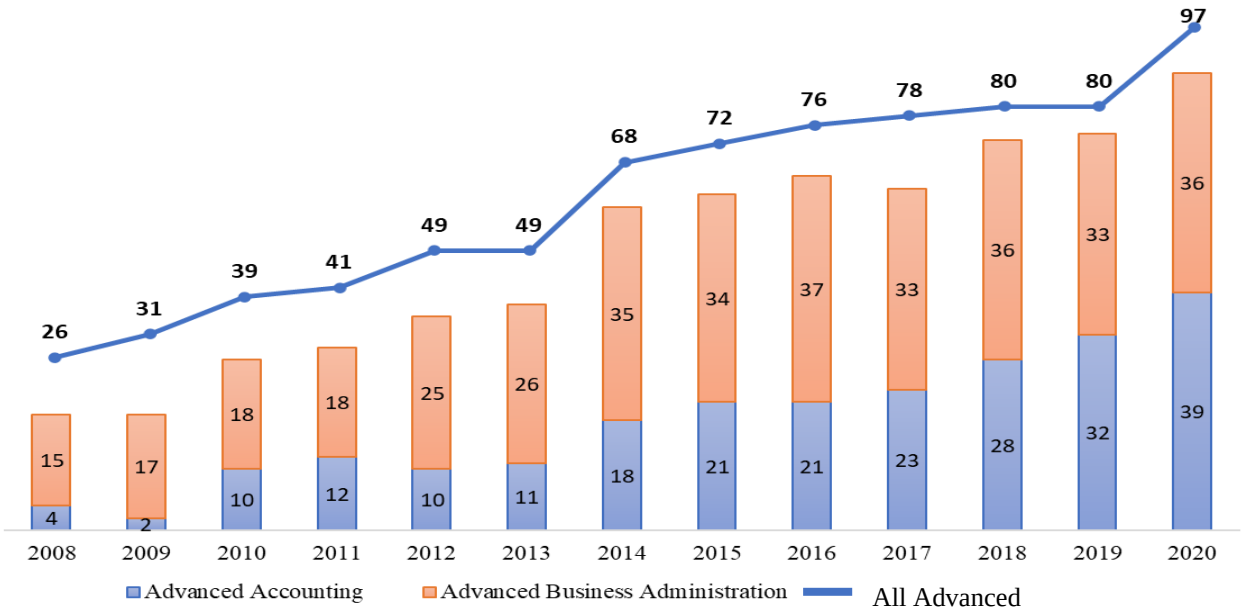
Other:
1 **M.Ed**/Master Education
1 **MOAM**/Master of Organizational Management
8 **Other** Degrees not specified

1. Information is self-reported by each internal audit program and not verified by Council staff.

Chart 4 is a historical view of all advanced degrees which increased 21% over the last year. The Chart emphasis accounting and business administration which increased by 22% and 9%, respectively, in 2020.

Chart 4: 13-Year Growth in Advanced Degrees Held by Internal Auditors

Emphasis on Top Two Advanced Degrees[1]



1. Information is self-reported by each internal audit program and not verified by Council staff.

Computer Assisted Audit Tools

Internal audit programs can use computer-assisted audit tools (CAATs) to improve the efficiency and effectiveness of administrative and audit tasks. Automated tools range from basic office productivity software such as spreadsheets, word processors and text editing programs to more advanced software packages involving the use of statistical analysis and business intelligence tools.

The advanced software products are typically productivity tools or generalized audit software. Productivity tools, such as Teammate and SharePoint, aid with the administration and management of the audit processes. Generalized audit software tools, such as ACL and IDEA, assist with data extraction, analytics, and testing.

Table 5 identifies the types of CAAT products and the number of internal audit programs that have these products during the fiscal year 2020. Some internal audit programs use more than one generalized audit software or productivity tool which is depicted in Table 6 on the next page. Also shown in Table 6, all internal audit programs use Microsoft Office products to enhance productivity through automation. Currently, 30 IA programs have generalized audit software with 18 having multiple tools, and 21 agencies have productivity tools with six have multiple tools.

A 9-year historic view shows a significant growth in IA programs that have CAATs as illustrated in Chart 5.

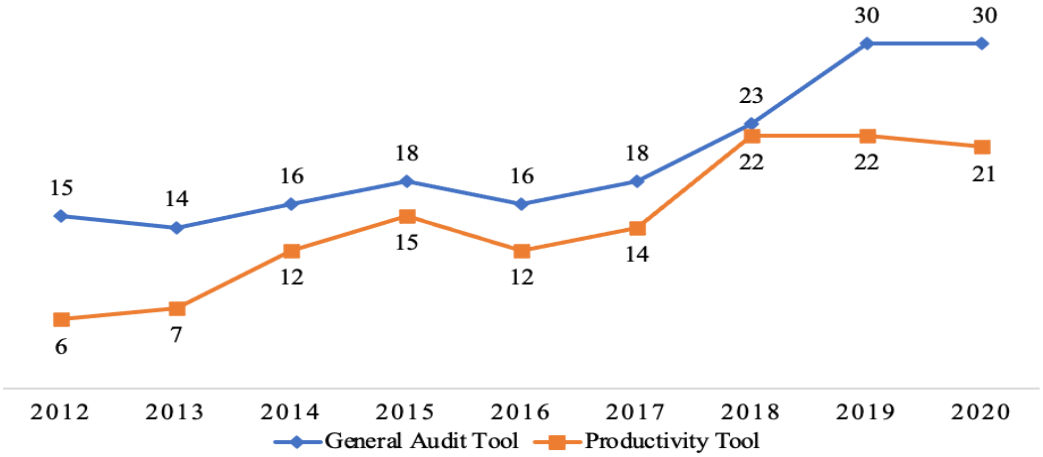
Table 5

Computer Assisted Audit Tools
Use by Internal Audit Functions[1]

Generalized Audit Software		Productivity Tool	
Software	**Users**	**Software**	**Users**
Tableau	27	SharePoint	14
Active Data	9	Auto Audit	5
Power BI	7	TeamMate	3
IDEA	6	Note One	2
ACL	4	Auditor Assistant	1
SQL	2	HighBond	1
TeamMate Analytics	2	ShareFile for Windows	1
Truven	1		
SAS	1		
EnCase	1		
Bank of American Works	1		

1. Information is self-reported by each internal audit program and not verified by Council staff.

Chart 5: Number of Agencies Using CAATs
Nine Year History[1]



1. Information is self-reported by each internal audit program and not verified by Council staff.

Table 6

Computer Assisted Audit Tool Usage[5]			
State Agency	Microsoft Office Products	Generalized Audit Software[1]	Productivity Tool[2]
Community College Central Office	✓	✓	✓
Department of Administration	✓	✓	
Department of Agriculture & Consumer Services[3]	✓	✓	✓
Department of Commerce[3]	✓	✓	✓
Department of Environmental Quality[3]	✓	✓	✓
Department of Health and Human Services[3,4]	✓	✓	✓
Department of Information Technology[4]	✓	✓	✓
Department of Insurance	✓	✓	
Department of Justice	✓		
Department of Labor	✓	✓	
Department of Natural and Cultural Resources	✓	✓	
Department of Public Instruction	✓		
Department of Public Safety	✓		✓
Department of Revenue	✓		
Department of Secretary of State	✓		
Department of State Treasurer	✓	✓	✓
Department of Transportation	✓	✓	✓
North Carolina Education Lottery[3]	✓	✓	
Office of State Budget & Management[3,4]	✓	✓	✓
Office of the State Controller	✓	✓	✓
Wildlife Resource Commission	✓		
Appalachian State University[4]	✓	✓	✓
East Carolina University[3]	✓	✓	✓
Elizabeth City State University[3]	✓	✓	✓
Fayetteville State University	✓		
North Carolina Agricultural & Technical State University[3]	✓	✓	
North Carolina Central University[3]	✓	✓	
North Carolina State University	✓	✓	
University of North Carolina - Asheville[3]	✓	✓	✓
University of North Carolina - Chapel Hill[3]	✓	✓	✓
University of North Carolina - Charlotte[3,4]	✓	✓	
University of North Carolina - System Office[3]	✓	✓	
University of North Carolina - Greensboro	✓	✓	
University of North Carolina - Hospital[3]	✓	✓	✓
University of North Carolina - Pembroke	✓		✓
University of North Carolina - Wilmington[3]	✓	✓	✓
Western Carolina University[3]	✓	✓	✓
Winston-Salem State University[3]	✓	✓	✓

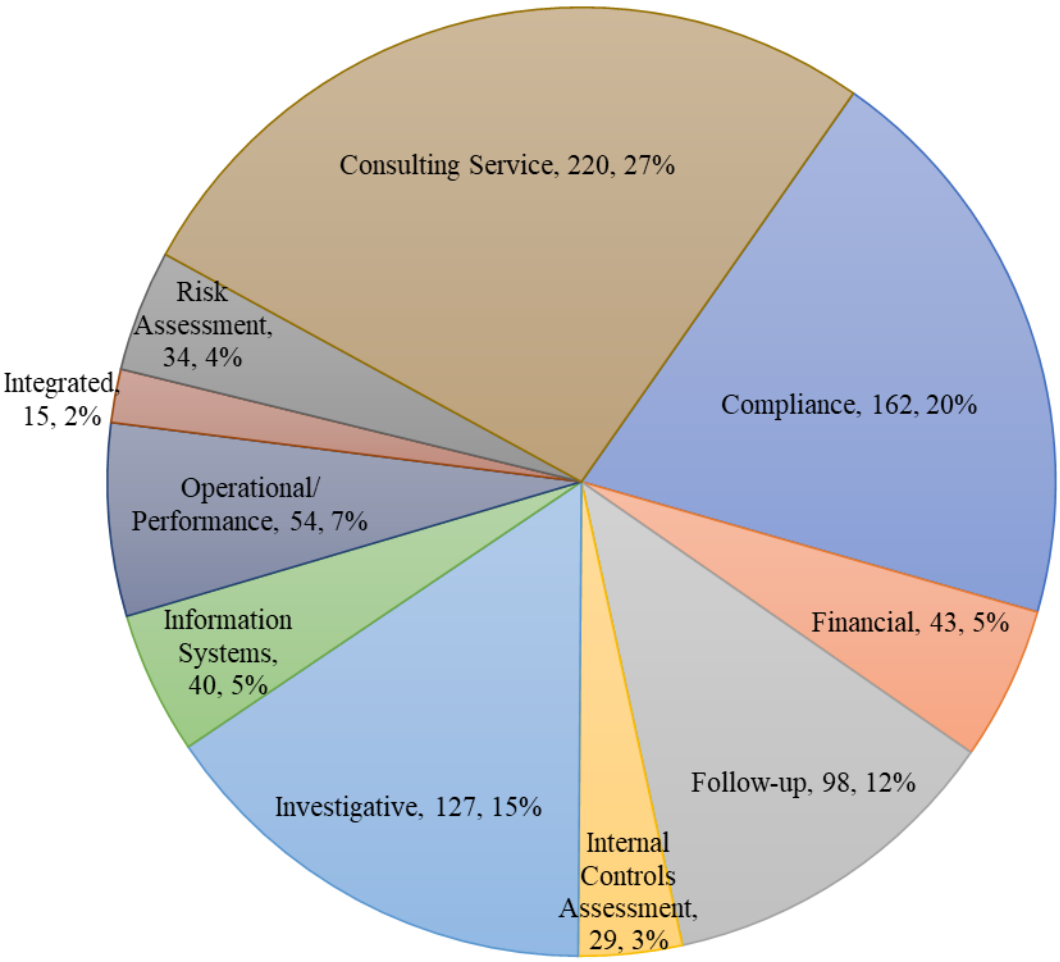
1. Perform routine audit tasks including data extract, analytics, and testing.
2. Streamline processes to manage audits through electronic work papers and work flows.
3. Uses multiple generalized audit tools.
4. Uses multiple productivity tools.
5. Information is self-reported by each internal audit program and not verified by Council staff.

Efforts and Accomplishments

Internal Audit Engagements

From July 1, 2019 through June 30, 2020, Chart 6 shows the number and percentage of internal audit engagements completed by type. More consulting engagements were completed when compared to other internal audit engagements. In addition to the engagement work shown here, most internal audit programs provided technical assistance[6] throughout the year. During the same time, internal auditors provided just under 23,000 hours of assistance to their Agency's management which did not result in the issuance of a report.

Chart 6: 2020 Engagements Statewide



Information is self-reported by each internal audit program and not verified by Council staff.

Engagements by agencies are shown in Table 7 on the next two pages.

[6] Technical assistance is advise provided to agency employees which can take the form of a phone call, in-person or virtual meetings, and/or email. The amount of time to provide the advise is significantly less than the time to complete an engagement.

Table 7 (Continued on next page)

Agency Engagements												
Agency	Compliance	Financial	Follow-up	Information Systems	Internal Controls Assessment	Investigative	Operational/ Performance	Integrated	Risk Assessment	Consulting Service	Total Engagements	Technical Assistance Hours
Community College System Office	1		1		1				1	2	6	80
Department of Administration						1				5	6	500
Department of Agriculture and Consumer Services	1		1			1		3		7	13	85
Department of Commerce	1	5		1		1	3		4	86	101	80
Department of Environmental Quality			1		1				1	3	6	694
Department of Health and Human Services	21	8	24	4		28				25	110	6,263
Department of Information Technology				2	1				1		4	600
Department of Insurance					1		2		1	2	6	240
Department of Justice												240
Department of Labor						8				3	11	464
Department of Natural and Cultural Resources					4	2				1	7	120
Department of Public Instruction					1	3			1		5	1,016
Department of Public Safety	54	8	4			3					69	
Department of Revenue	1			1		1	3	5			11	544
Department of Secretary of State												
Department of State Treasurer		1					4		1		6	120
Department of Transportation	1				1	33	1				36	1,688
North Carolina Education Lottery	10		1	1		1			1		14	1,800
North Carolina Housing Finance Agency	3			1	1		1				6	
Office of State Budget and Management	3			1	1	8	2		6	7	28	367
Office of the State Controller	1									2	3	
Wildlife Resources Commission					1					2	3	810

Information is self-reported by each internal audit program and not verified by Council staff.

Table 7 (Continued from previous page)

Agency Engagements												
Agency	Compliance	Financial	Follow-up	Information Systems	Internal Controls Assessment	Investigative	Operational/ Performance	Integrated	Risk Assessment	Consulting Service	Total Engagements	Technical Assistance Hours
Appalachian State University	12	8	7	6	11	1	2				47	344
East Carolina University	3		9	2		12		6	1	16	49	1,091
Elizabeth City State University			4	1		1	2		1	2	11	50
Fayetteville State University					1	3					4	402
North Carolina Agricultural & Technical State University	1		2		2	3			1		9	53
North Carolina Central University	7		4			4	1		1	3	20	
North Carolina School of the Arts	1		2						1	1	5	12
North Carolina School of Science and Math	1		1						1		3	340
North Carolina State University			10	1			5	1		6	23	1,915
North Carolina State Education & Assistance Authority	1		1						1		3	75
University of North Carolina - Asheville				2					1	5	8	351
University of North Carolina - Chapel Hill	3	3	12	2			5		1	15	41	483
University of North Carolina - Charlotte	4	1	1	3	1	4	6		1	1	22	
University of North Carolina - System Office	1		3	1		1	1		1	1	9	457
University of North Carolina - Greensboro	5			1	1	1			1		9	40
University of North Carolina - Pembroke	2	2	1			1					6	
University of North Carolina - Wilmington	2	1	5			1	3		3	3	18	956
University of North Carolina - Hospital	4	6	1	10		2	7			12	42	
Western Carolina University	18		1			1	6		1	6	33	526
Winston-Salem State University			2			2			1	4	9	130

Information is self-reported by each internal audit program and not verified by Council staff.

Compliance

Internal Audit Act and Council Requirements

The Internal Audit Act requires internal audit programs to submit their annual audit plans and final reports to the Council, and the North Carolina Internal Audit Manual requires submission of audit plans by September 30 of each year. All but two internal audit programs submitted their audit plans on time. The Departments of Justice and Secretary of State did not submit an audit plan for FY 2020.

Engagement reports should be submitted 10 days after the issuance of the final report. Table 8 identifies eight agencies that submitted their reports late and six did not submit any reports.

Table 8

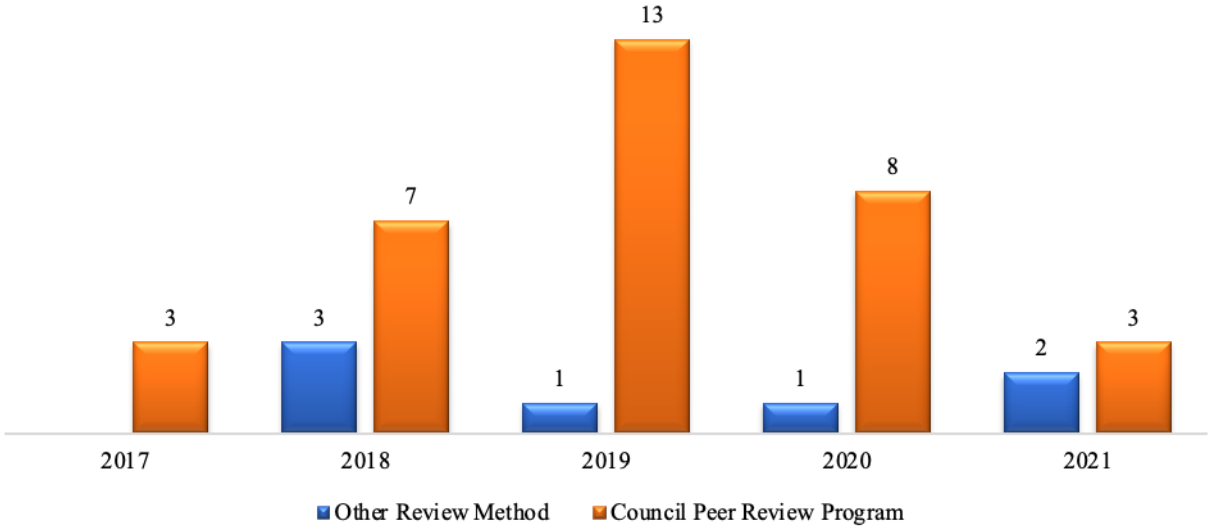
Submission of Plans and Reports					
Agency	**Audit Plan**	**Reports**	**Agency**	**Audit Plan**	**Reports**
Community College Central Office	✓	×	Appalachian State University	✓	✓
Department of Administration	✓	⊘	East Carolina University	✓	✓
Department of Agriculture & Consumer Services	✓	✓	Elizabeth City State University	✓	✓
Department of Commerce	✓	✓	Fayetteville State University	✓	✓
Department of Environmental Quality	✓	⊘	North Carolina Agricultural & Technical State University	✓	✓
Department of Health & Human Services	✓	×	North Carolina Central University	✓	✓
Department of Information Technology	✓	⊘	North Carolina School of the Arts	✓	✓
Department of Insurance	✓	✓	North Carolina School of Science and Mathematics	✓	✓
Department of Justice	⊘	⊘	North Carolina State Education Assistance Authority	✓	✓
Department of Labor	✓	⊘	North Carolina State University	✓	✓
Department of Natural and Cultural Resources	✓	✓	University of North Carolina - Asheville	✓	✓
Department of Public Instruction	✓	×	University of North Carolina - Chapel Hill	✓	×
Department of Public Safety	✓	✓	University of North Carolina - Charlotte	✓	✓
Department of Revenue	✓	✓	University of North Carolina - System Office	✓	✓
Department of Secretary of State	⊘	⊘	University of North Carolina - Greensboro	✓	✓
Department of State Treasurer	✓	✓	University of North Carolina - Hospital	✓	×
Department of Transportation	✓	×	University of North Carolina - Pembroke	✓	✓
Housing Finance Agency	✓	×	University of North Carolina - Wilmington	✓	✓
North Carolina Education Lottery	✓	✓	Western Carolina University	✓	×
Office of State Budget & Management	✓	✓	Winston-Salem State University	✓	✓
Office of the State Controller	✓	✓	**Timely**	**40**	**28**
Wildlife Resource Commission	✓	✓	**Late**	**0**	**8**
			No Submission	**2**	**6**

✓ Timely
× Late
⊘ No Submissions

External Quality Assurance Review

To comply with internal audit standards, external Quality Assurance Reviews (QAR) are required every five years. Agencies can use the Council's Peer Review program or use other methods to obtain the external quality assurance review. For calendar year 2020, three QAR's were completed, seven QAR's were in progress. Chart 7 illustrates the timing and method used by internal audit programs to obtain a QAR. One internal audit program hired the IIA to conduct the QAR. The use of outside sources to obtain a QAR includes professional associations[7] or contractors.

Chart 7: Timing and Method of QAR



This is the second cycle of obtaining QAR since the enactment of the Internal Audit Act. Forty agencies' internal audit programs have received a QAR in the current or prior cycle and obtained a "generally conforms" rating[8] for the most recent review, except for the Department of Administration and Department of Information Technology, which received a "partially conforms" and "does not conform" opinion, respectively. The Wildlife Resources Commission's internal audit programs is due to receive its first QAR in 2020 because it established an in-house internal audit program in 2015. Department of Labor established an in-house internal audit program in 2019 requiring the first QAR in 2024.

Information on each internal audit program's QAR progress and conformance over the prior and current cycle is listed in Table 9 on the next page. The Department of Justice QAR was required in 2019 and is reported as overdue for a QAR.

[7] Institute of Internal Auditors, American Association of State Highway Transportation Officials, and Association of College and University Auditors.

[8] Generally Conforms with the *International Professional Practices Framework* is the highest rating that can be received for an external quality assurance review.

Table 9

External Quality Assurance Review Calendar Year 2017-2022				
		Due Date		
Agency	Rating*	Month	Year	Progress
Community College Central Office	Generally Conforms	April	2017	Complete
Department of Agriculture & Consumer Services	Generally Conforms	August	2017	Complete
North Carolina State University	Generally Conforms	July	2017	Complete
Department of Transportation	Generally Conforms	January	2018	Complete
Office of State Budget and Management	Generally Conforms	June	2018	Complete
University of North Carolina - Charlotte	Generally Conforms	May	2018	Complete
Appalachian State University	Generally Conforms	September	2018	Complete
Western Carolina University	Generally Conforms	October	2018	Complete
North Carolina Central University	Generally Conforms	October	2018	Complete
University of North Carolina - Asheville	Generally Conforms	October	2018	Complete
Department of Secretary of State	Generally Conforms	December	2018	Complete
Office of the State Controller	Generally Conforms	December	2018	Complete
University of North Carolina - Chapel Hill	Generally Conforms	December	2018	Complete
Housing Finance Agency	Generally Conforms	March	2019	Complete
Department of Public Safety	Generally Conforms	March	2019	In Progress
Fayetteville State University	Generally Conforms	May	2019	Complete
North Carolina School of Science and Math	Generally Conforms	May	2019	Complete
State Education Assistance Authority	Generally Conforms	May	2019	Complete
University of North Carolina - System Office	Generally Conforms	May	2019	Complete
Department of Health and Human Services	Generally Conforms	December	2019	Complete
Department of Insurance	Generally Conforms	May	2019	Complete
North Carolina A&T State University	Generally Conforms	June	2019	Complete
Department of Administration	Partially Conforms	July	2019	Complete
Department of Revenue	Generally Conforms	August	2019	Complete
Department of Information Technology	Does Not Conforms	September	2019	Complete
Department of Environmental Quality	Generally Conforms	December	2019	Complete
Department of Justice	Generally Conforms	November	2019	Over Due
University of North Carolina - Hospital	Generally Conforms	August	2020	In Progress
North Carolina School of the Arts	Generally Conforms	February	2020	Complete
Winston-Salem State University	Generally Conforms	February	2020	Complete
Department of Public Instruction	Generally Conforms	February	2020	In Progress
University of North Carolina - Pembroke	Generally Conforms	February	2020	In Progress
NC Education Lottery	Generally Conforms	February	2020	Complete
University of North Carolina - Greensboro	Generally Conforms	March	2020	In Progress
Wildlife Resources Commission	New	May	2020	In Progress
Department of Cultural and Natural Resources	Generally Conforms	July	2020	In Progress
Department of Commerce	Generally Conforms	December	2021	Complete
Elizabeth City State University	Generally Conforms	November	2021	Complete
East Carolina University	Generally Conforms	April	2021	Not Due
Department of State Treasurer	Generally Conforms	March	2021	Not Due
University of North Carolina - Wilmington	Generally Conforms	May	2021	Not Due
Department of Labor	New	April	2024	Not Due

* Generally Conforms with the *International Professional Practices Framework* is the highest rating that can be received for an external quality assurance review.

APPENDIX A: *NORTH CAROLINA INTERNAL AUDIT ACT*

Article 79.
Internal Auditing.

§ 143-745. Definitions; intent; applicability.

(a) For the purposes of this section:

(1) "Agency Head" means the Governor, a Council of State member, a cabinet secretary, the President of The University of North Carolina, the President of the Community College System, the State Controller, and other independent appointed officers with authority over a State Agency.

(2) "State Agency" means each department created pursuant to Chapter 143A or 143B of the General Statutes, and includes all institutions, boards, commissions, authorities, by whatever name, that is a unit of the executive branch of State government, including The University of North Carolina, and the Community Colleges System Office. The term does not include a unit of local government.

(b) This Article applies only to a State Agency that:

(1) Has an annual operating budget that exceeds ten million dollars ($10,000,000);

(2) Has more than 100 full-time equivalent employees; or

(3) Receives and processes more than ten million dollars ($10,000,000) in cash in a fiscal year. (2007-424, s. 1; 2009-516, s. 2; 2013-406, s. 1; 2016-126, 4th Ex. Sess., s. 9.)

§ 143-746. Internal auditing required.

(a) Requirements. - A State Agency shall establish a program of internal auditing that:

(1) Promotes an effective system of internal controls that safeguards public funds and assets and minimizes incidences of fraud, waste, and abuse.

(2) Determines if programs and business operations are administered in compliance with federal and state laws, regulations, and other requirements.

(3) Reviews the effectiveness and efficiency of Agency and program operations and service delivery.

(4) Periodically audits the Agency's major systems and controls, including:

a. Accounting systems and controls.

b. Administrative systems and controls.

c. Information technology systems and controls.

(b) Internal Audit Standards. - Internal audits shall comply with current Standards for the Professional Practice of Internal Auditing issued by the Institute for Internal Auditors or, if appropriate, Government Auditing Standards issued by the Comptroller General of the United States.

(c) Appointment and Qualifications of Internal Auditors. - Any State employee who performs the internal audit function shall meet the minimum qualifications for internal auditors established by the Office of State Human Resources, in consultation with the Council of Internal Auditing.

(d) Director of Internal Auditing. - The Agency Head shall appoint a Director of Internal Auditing who shall report to, as designated by the Agency Head, (i) the Agency Head, (ii) the Chief Deputy or Chief Administrative Assistant, or (iii) the Agency Governing Board, or subcommittee thereof, if such a governing board exists. The Director of Internal Auditing shall be organizationally situated to avoid impairments to independence as defined in the auditing standards referenced in subsection (b) of this section.

(e) Insufficient Personnel. - If a State Agency has insufficient personnel to comply with this section, the Office of State Budget and Management shall provide technical assistance.

(f) Reporting Fraudulent Activity. - If an internal audit conducted pursuant to this section results in a finding that a private person or entity has received public funds as a result of fraud, misrepresentation, or other deceptive acts or practices while doing business with the State Agency, the internal auditor shall submit a detailed written report of the finding, and any additional necessary supporting documentation, to the State Purchasing Officer. A report submitted under this subsection may include a recommendation that the private person or entity be debarred from doing business with the State or a political subdivision thereof. (2007-424, s. 1; 2013-382, s. 9.1(c); 2013-406, s. 1; 2015-241, s. 25.1(a); 2015-268, s. 7.4.)

§ 143-747. Council of Internal Auditing.

(a) The Council of Internal Auditing is created, consisting of the following members:
- (1) The State Controller who shall serve as Chair.
- (2) The State Budget Officer.
- (3) The Secretary of Administration.
- (4) The Attorney General.
- (5) The Secretary of Revenue.
- (6) The State Auditor who shall serve as a nonvoting member. The State Auditor may appoint a designee.

(b) The Council shall be supported by the Office of State Budget and Management.

(c) The Council shall:
- (1) Hold meetings at the call of the Chair or upon written request to the Chair by two members of the Council.
- (2) Keep minutes of all proceedings.
- (3) Promulgate guidelines for the uniformity and quality of State Agency internal audit activities.
- (4) Recommend the number of internal audit employees required by each State Agency.
- (5) Develop internal audit guides, technical manuals, and suggested best internal audit practices.
- (6) Administer an independent Peer Review system for each State Agency internal audit activity; specify the frequency of such reviews consistent with applicable national standards; and assist agencies with selection of independent peer reviewers from other State Agencies.
- (7) Provide central training sessions, professional development opportunities, and recognition programs for internal auditors.

(8) Administer a program for sharing internal auditors among State Agencies needing temporary assistance and assembly of interagency teams of internal auditors to conduct internal audits beyond the capacity of a single Agency.

(9) Maintain a central database of all annual internal audit plans; topics for review proposed by internal audit plans; internal audit reports issued and individual findings and recommendations from those reports.

(10) Require reports in writing from any State Agency relative to any internal audit matter.

(11) If determined necessary by a majority vote of the council:

a. Conduct hearings relative to any attempts to interfere with, compromise, or intimidate an internal auditor.

b. Inquire as to the effectiveness of any internal audit unit.

c. Authorize the Chair to issue subpoenas for the appearance of any person or internal audit working papers, report drafts, and any other pertinent document or record regardless of physical form needed for the hearing.

(12) Issue an annual report including, but not limited to, service efforts and accomplishments of State Agency internal auditors and to propose legislation for consideration by the Governor and General Assembly. (2007-424, s. 1; 2013-406, s. 1.)

§ 143-748. Confidentiality of internal audit work papers.

Internal audit work papers are confidential except as otherwise provided in this section or upon subpoena issued by a duly authorized court. A published internal audit report is a public record as defined in G.S. 132-1 to the extent it does not include information which is confidential under State or federal law or would compromise the security of a State Agency. An internal auditor shall maintain for 10 years a complete file of all audit reports and reports of other examinations, investigations, surveys, and reviews conducted under the internal auditor's authority. Audit work papers and other evidence and related supportive material directly pertaining to the work of the internal auditor's office shall be retained in accordance with Chapter 132 of the General Statutes. Unless otherwise prohibited by law and to promote intergovernmental cooperation and avoid unnecessary duplication of audit effort, audit work papers related to released audit reports shall be made available for inspection by duly authorized representatives of the State and federal government in connection with some matter officially before them. (2013-406, s. 1.)

§ 143-749. Obstruction of audit.

It shall be a Class 2 misdemeanor for any officer, employee, or agent of a State Agency subject to the provisions of this Article to willfully make or cause to be made to a State Agency internal auditor or the internal auditor's designated representatives any false, misleading, or unfounded report for the purpose of interfering with the performance of any audit, special review, or investigation or to hinder or obstruct the State Agency internal auditor or the internal auditor's designated representatives in the performance of their duties. (2013-406, s. 1.)

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APPENDIX B: STAFFING RECOMMENDATIONS

Internal Audit Staffing Analysis and Recommendation for Minimal Staff Level As of June 30, 2017				
Agency	**Current Positions**	**Minimal Positions Needed**	**Recommended New Positions**	**Estimated Cost of New Positions**
Administrative Office of the Courts	4.00	6.00	2.00	190,000
Department of Administration	1.00	3.00	2.00	190,000
Department of Commerce	4.00	11.00	7.00	665,000
Department of Natural and Cultural Resources	2.00	3.00	1.00	95,000
Department of Environment Quality	2.00	3.00	1.00	95,000
Department of Insurance	1.00	2.00	1.00	95,000
Department of Justice	1.00	2.00	1.00	95,000
Department of Military and Veterans Affairs[1]	-	2.00	2.00	190,000
Department of Public Instruction	2.00	8.00	6.00	570,000
Department of State Treasurer	3.00	13.00	10.00	950,000
North Carolina Education Lottery	3.00	6.00	3.00	285,000
North Carolina Housing Finance Agency[3, 5]	-	2.00	2.00	190,000
Office of State Budget and Management[1]	5.00	6.00	1.00	95,000
Office of State Controller[5]	0.50	2.00	1.50	142,500
Wildlife Resources Commission	1.00	2.00	1.00	95,000
Elizabeth City State University[5]	1.00	2.00	1.00	95,000
Fayetteville State University[3]	-	2.00	2.00	190,000
North Carolina State University	7.00	8.00	1.00	95,000
University of North Health Care System	7.00	14.00	7.00	665,000
University of North Carolina-Asheville	1.00	2.00	1.00	95,000
University of North Carolina-Chapel Hill	7.75	9.00	1.00	95,000
University of North Carolina-Greensboro	2.00	3.00	1.00	95,000
University of North Carolina-General Administration[2]	2.00	3.00	1.00	95,000
Western Carolina University	1.00	2.00	1.00	95,000
Grand Total			**57.50**	**5,462,500**
Agencies at or above Minimum, Using Contractors or Using Shared Pool				
Department of Agriculture and Consumer Services	4.00			
Department of Health and Human Services	41.00			
Department of Information Technology	3.00			
Department of Public Safety	20.00			
Department of Revenue	3.00			
Department of Secretary of State[5]	2.00			
Department of Transportation	25.00			
North Carolina Community College Central Office	2.00			
Appalachian State University	5.00			
East Carolina University	8.00			
North Carolina A&T State University	4.00			
North Carolina Central University	4.00			
University of North Carolina-Charlotte	5.00			
University of North Carolina-Pembroke	2.00			
University of North Carolina-Wilmington	4.00			
Winston-Salem State University[4]	5.00			
North Carolina School of Science & Math	Contracting			
North Carolina School of the Arts	Contracting			
North Carolina State Education Assistance Authority	Contracting			
Commissioner of Banks	Shared Pool			
Department of Labor	Shared Pool			
Office of State Auditor	Shared Pool			
Office of State Human Resources	Shared Pool			
Office of the Governor	Shared Pool			
State Board of Elections	Shared Pool			

1. Provides internal audit services to agencies under $70 million expenditures; Shared Pool agencies listed above. Department of Military and Veteran's Affairs receives service; however, they are not included in OSBM calculation.
2. Provides internal audit services to North Carolina School for Science and Mathematics and NC State Education Assistance Authority which was considered in the calculation.
3. Outsourced internal audit services.
4. Provides internal audit services to North Carolina School for the Arts which was considered in the calculation.
5. Agencies under $70 million operating may use OSBM internal audit services instead established an in-house internal audit function.

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APPENDIX C: SUBSEQUENT EVENTS

In June 2020, the Council called a special meeting on July 9, 2020 to discuss a confidential report issued by the Program Evaluation Division of Legislative Services (PED). The purpose of the meeting was to discuss drafting of a response to the confidential report. A response was drafted and submitted to PED. The formal report was published August 10, 2020.

The Council held a meeting on August 17, 2020 to discuss a solution to issues identified in the PED report related to the Department of Transportation (DOT). The Council members discussed reasonable and workable solutions. First, the Chair of the Council would contact the Joint Legislative Program Evaluation Oversight Committee Chairs to inquire about any specific information they need as it pertains to Internal Audit in State Government. Second, the Council would schedule another called meeting and request four specific Agency heads to attend this next meeting and explain why they are having difficulty with their Peer Review. The DOT was also requested to attend and give the Council an update on steps they are taking to implement the recommendations in their recent PED report.

On August 31, 2020 the Council held a subsequent meeting. Representatives of the Departments of Public Safety, Justice, Administration, and Information Technology attended the meeting. The representative of the Departments of Public Safety and Justice explained why the Peer Review was late and their plans to conform with the required Internal Audit Standard. The Departments of Administration and Information Technology discussed their progress by moving toward full conformance with the Internal Audit Standards. The Department of Transportation discussed their plans to address the recommendations in the PED report. Council members were given an opportunity to question the representatives and comment on their responses.

Several matters referenced in Appendix C are still under consideration as this 2020 report is released to the Council and will be addressed and updated in the 2021 Activity Report.