



**STATE OF NORTH CAROLINA  
OFFICE OF STATE BUDGET AND MANAGEMENT**




**JOSH STEIN**  
GOVERNOR

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STATE BUDGET DIRECTOR

October 14, 2025

**TO:** Joint Legislative Commission on Governmental Operations,  
Joint Legislative Oversight Committee on General Government

**FROM:**   
Barbara Baldwin, Council of Internal Auditing's Executive Director

**SUBJECT:** Internal Auditing Annual Activity Report

Pursuant to G.S. 143-747(c)(11a), the report includes an assessment of the extent to which State agencies have met the minimum key performance indicators. As required by G.S. 143-747(c) (12), the report also highlights the service efforts and accomplishments of State agency internal auditors.

Please find the North Carolina Council of Internal Auditing Annual Activity Report for the period from July 1, 2024, through June 30, 2025, on the following pages. This report, prepared by the Office of State Budget and Management (OSBM) Central Internal Audit Office (CIAO), fulfills the requirement of G.S. 143-747(c) (11a) and (12).

For any questions regarding this report, please contact Barbara Baldwin, Executive Director of the Council of Internal Auditing, at [Barbara.Baldwin@osbm.nc.gov](mailto:Barbara.Baldwin@osbm.nc.gov).

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# **ANNUAL ACTIVITY REPORT**

**As Required by G.S. 143-747(c)(11a) and (12)**

**October 9, 2025**



**PREPARED FOR:**

**STATE OF NORTH CAROLINA  
COUNCIL OF INTERNAL AUDITING**

*Prepared By:*

***Central Internal Audit Office  
Office of State Budget and Management***

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# Table of Contents

EXECUTIVE SUMMARY ..... 5

MESSAGE FROM COUNCIL CHAIR..... 6

INTRODUCTION..... 7

SERVICE EFFORTS AND ACCOMPLISHMENTS

1. RISK BASED AUDIT PLAN ..... 9

2. MANAGEMENT ACCEPTANCE OF RECOMMENDATIONS..... 11

3. INTERNAL AND EXTERNAL ASSESSMENTS OF INTERNAL AUDIT QUALITY ..... 14

4. INTERNAL AUDIT PRODUCTIVITY..... 17

5. SUMMARY OF NOTABLE ACCOMPLISHMENTS ..... 21

6. INVESTIGATING FRAUD, WASTE AND ABUSE ..... 23

APPENDIX ..... 24

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# EXECUTIVE SUMMARY

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## **PURPOSE**

This report provides information on the service efforts and accomplishments<sup>1</sup> of state agencies<sup>2</sup> internal audit functions from July 1, 2024, through June 30, 2025 (FY2025) as required by the North Carolina Internal Audit Act<sup>3</sup> (Act).

## **BACKGROUND**

The Act requires Executive Branch agencies, meeting certain criteria, to establish an internal audit function that (1) promotes an effective system of internal controls, (2) determines if the agency complies with federal and state laws, regulations, and other requirements, (3) reviews the effectiveness and efficiency of agency program operations and service delivery, and (4) periodically audits the agency's accounting, administrative, and information technology systems and controls.

The Act also established the Council of Internal Auditing (Council) to provide services to agency internal audit functions, issue an annual report on agencies' internal audit service efforts and accomplishments, and propose legislation for consideration by the Governor and General Assembly.

There were 190.57 budgeted internal audit positions spread across 43 internal audit functions of the 49 state agencies subject to the Act from July 1, 2024, through June 30, 2025. The following Key Performance Indicators (KPIs) are required in the Internal Audit Act as a way of ensuring alignment with the Global Internal Audit Standards issued by the Institute of Internal Auditors, as mandated by the Act:

- **Audit Plan Completion:** Ensures that the internal audit plan is executed within the designated time frame, demonstrating effective risk management and resource allocation. In total, 75% of audit plans were completed.
  - **Acceptance of Recommendations by Management:** Measures the percentage of internal audit recommendations accepted by management, reflecting the relevance and value of audit findings. Across all agencies, 97% of recommendations made were accepted by management. Internal audit functions also identified \$446,871,305.55 in cost avoidance across state agencies.
  - **Productive Use of Time:** Tracks the efficient use of audit resources, ensuring that most of the time is spent on core audit activities, adding value to the organization. The statewide productivity rate is 85%.
- Conformance with IIA Standards:** Ensures that all internal audit activities comply with the standards set forth by the Institute of Internal Auditors, maintaining professionalism and ethical integrity throughout the audit process. Seventy-three percent of internal audit functions generally conform with IIA Standards.

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<sup>1</sup> Although not defined in statute, the Government Accounting Standards Board (GASB) defines service efforts and accomplishments reporting as reporting that is "intended to include information about the services provided and the effect of those services to assist users in assessing the degree to which the government is achieving its program or government-wide goals."

<sup>2</sup> Agency means department, office, university, commission, or board.

<sup>3</sup> Entire Internal Audit Act is in the Appendix.

# MESSAGE FROM THE CHAIR

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Dear Mr. Speaker, President Pro-Tempore, and members of the General Assembly:

It is my pleasure to submit to you a summary of statewide internal audit results and accomplishments for the period ending June 30, 2025. This report is required by NCGS 143-747 (c)(11a) and (12).

This report captures the results of 47 state agencies and universities. Overall, professional internal audit staff have worked tirelessly to add value to their organizations and are dedicated to reducing and eliminating fraud, waste and abuse in state government. Their work is critical to provide the public they serve with improved confidence and assurance that our state institutions utilize exemplary governance practices in their daily operations.

**Results Focus:** Over the last year, the Council of Internal Audit (Council) has required that each agency succinctly summarize the most notable results and accomplishments. A few examples of notable internal audit results include:

- The North Carolina Educational Lottery Internal Audit functions stopped using the Institute of Internal Auditors (IIA) to perform their external quality assurance review and join the Council's peer review program saving the agency \$30,000.
- The Department of Revenue Internal Audit function conducted the annual comprehensive taxpayer information security review to allow the agency to continue to access federal tax information and collect an additional \$350-\$400 million annually in tax revenue.
- The Department of Public Safety Internal Audit function assisted their agency in providing a sufficient response to the Internal Revenue Service to avoid \$2,000,000 in penalties.

## Increased Work Force Capabilities

This year, staff expanded professional development opportunities to strengthen internal audit capacity across the state. The *Beginning Internal Audit Bootcamp* equipped new auditors with essential knowledge and tools to build confidence and competence early in their careers. *Performing an Effective External Quality Assurance Review* not only deepened participants' understanding of the new IIA Standards but also provided practical strategies to implement conformance, helping agencies demonstrate accountability and maintain credibility. The Certified Internal Auditor *Review Course* supported staff in preparing for professional certification, directly contributing to a more credentialed and capable workforce. Together, these initiatives enhanced skills, elevated professional standards, and advanced our mission to build a resilient and future-ready internal audit community.

With kind regards,



Nels C. Roseland  
State Controller

# Introduction

Internal auditing is an independent, objective assurance and advisory 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.

The North Carolina Internal Auditing Act (Act) requires state agencies to establish an internal auditing function that meets one or more of the following criteria: annual operating budget exceeding \$10,000,000; more than 100 full-time equivalent employees; or receiving and processing more than \$10,000,000 in a fiscal year. In addition, the Act requires agencies to comply with "current Global Internal Audit Standards issued by the Institute for Internal Auditors or, if appropriate, Government Auditing Standards issued by the Comptroller General of the United States." These Standards require internal auditors to follow a methodology that includes developing a risk-based audit plan.

A risk assessment is integral to each agency's internal audit function and should be conducted in accordance with IIA Standards. This assessment helps an organization's internal audit function identify, evaluate, and prioritize risk factors within its immediate landscape. It is a crucial part of the internal audit function and plays a significant role in enhancing an organization's risk management capabilities and directing internal auditors on where to concentrate their audit efforts. The risk assessment is also used to determine the "type" of audit that needs to be performed. Consequently, several different types of audits may be performed to meet risk assessment needs. The internal audit function also performs investigations when necessary. Additionally, Standards require periodic internal and external quality assessments of the internal audit function.

Of the 49 state agencies subject to the Act during FY2025, 43 maintained an internal audit function.

Two agencies outsourced their internal audit function to other agencies as follows:

- North Carolina School of the Arts outsourced to Winston-Salem State University
- North Carolina State Education Assistance Authority outsourced to the University of North Carolina System Office.

Another two state agencies used the Office of State Budget and Management (OSBM) services instead of having an in-house internal audit function. OSBM provided internal audit services for the following agencies during FY2025:

- Office of the Governor
- Office of the State Auditor

Furthermore, two new agencies have become subject to the Act. These agencies have been working to secure the necessary resources to establish their internal audit functions. For this reason, these agencies are not listed in any of the subsequent tables or charts included in this report:

- State Board of Elections (Subject to the Act effective FY2023)
- State Bureau of Investigations (Subject to the Act effective FY2024)



This report has been presented in the following six sections to provide information about the internal audit services provided and the effect of those services to assist readers of this report in assessing the degree to which the internal audit program is achieving its goals:

- **Section 1:** Provides information on State agencies' efforts and accomplishments in establishing and adhering to a risk-based audit plan.
- **Section 2:** Reports the types of recommendations issued by internal audit functions, managements acceptance rate of the recommendations, and cost avoidance identified by the function.
- **Section 3:** Provides the results of the internal and external quality assurance assessments.
- **Section 4:** Provides details of internal audit functions' productivity time throughout the fiscal year.
- **Section 5:** Provides an overview of some of the notable highlights and accomplishments achieved by internal audit functions.
- **Section 6:** Details the results of investigative engagements.

## 1. Risk-Based Audit Plan

*North Carolina General Statute (NCGS) 143-746(a)(1)* requires state agencies to establish a function of internal auditing that “promotes an effective system of internal controls that safeguards public funds and assets and minimizes incidences of fraud, waste, and abuse.”

Establishing and adhering to a risk-based audit plan, or a plan that is focused on the inherent risk involved in the activities or system and provides assurance that risk is being managed, as required by Global Internal Audit Standards helps to ensure compliance with NCGS 143-746 and provide reasonable assurance that agency plans, methods, policies, and procedures will result in the successful achievement of the entity’s mission, strategic plan, goals, and objectives.

The Global Internal Audit Standards (Standards) issued by the Institute for Internal Auditors states: The chief audit executive<sup>4</sup> must establish a risk-based plan to determine the priorities of the internal audit function, consistent with the organization’s goals.

Agency management are responsible for ensuring that the internal audit function complies with the Standards listed above. Therefore, the Council of Internal Auditing requires the internal audit director (director) and the agency head to certify that the audit plan was prepared in accordance with the Standards. The Act also requires state agencies to submit their risk-based audit plans to the Council. It is imperative that each agency conform to the Standards and create a risk-based audit plan.

Table 1 on page 10 shows state agencies’ efforts and accomplishments in establishing and adhering to a risk-based audit plan. Planned engagements should vary in type to help ensure that agencies are complying with rules and regulations and are being reviewed for any value that could be added. The table arranges each internal audit function into categories based on size according to the FY2025 full-time equivalent (FTE). The table also shows the number of budgeted positions, audit engagements planned to include additions to the audit plan, and the percentage of the audit plan completed. Based on the table’s data, 75% of planned audit engagements were completed across all agencies accounted for.

Since risk-based audit plans are living documents and are constantly updated and monitored, directors may find that risks change and engagements must be added, dropped, or modified as new information is gathered. This can cause a lower percentage of completion rate to show when comparing engagements completed to the original plan. Internal audit functions that use continuous risk assessment or an agile approach may address urgent or high-risk areas more quickly, improving responsiveness. However, this agility can cause disruptions to the initial audit plan, as resources are often reallocated to address immediate risks.

During FY2025, Hurricane Helene swept through North Carolina with devastating force, leaving a trail of destruction that extended far beyond physical infrastructure. Among the less visible but deeply affected areas was the internal audit function across multiple state agencies. The storm’s impact on audit operations was multifaceted with delays to normal operations, disrupted planned engagements, shifted priorities, and exposed vulnerabilities in resource allocation and risk responsiveness. Consideration of this and other outside factors such as longevity of the internal audit director and investigations added must be considered when viewing information on Table 1.

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<sup>4</sup> Generally, the Director of Internal Audit is the chief audit executive in state agencies and universities.

**Table 1: Adherence to Risk-based Audit Plan**

Agency	FY2025 Full-Time Equivalent	Budgeted Positions	Plan Total	Engagements Completed	Percent of Audit Plan Completed
Internal Audit Department Size ≤ 1.39 FTE					
NC School of the Arts***	0.00	0.00	8	7	88%
NC State Education Assistance Authority**	0.00	0.00	7	5	71%
Dept of Military & Veterans Affairs*	0.00	0.00	0	0	0%
Community College System Office	1.00	1.00	9	6	67%
Dept of Justice	1.00	1.00	6	4	67%
Dept of Labor	1.00	1.00	3	2	67%
Dept of Secretary of State	1.00	2.00	5	4	80%
Fayetteville State University	1.00	2.00	8	5	63%
NC School of Science & Math	1.00	1.00	11	7	64%
Office of State Human Resources	1.00	1.00	8	6	75%
UNC - Asheville	1.00	1.00	10	3	30%
Office of the State Controller	1.18	1.20	8	6	75%
NC Housing Finance Agency	1.25	2.00	10	6	60%
UNC - Pembroke	1.38	2.00	8	5	63%
Wildlife Resources Commission	1.39	2.00	8	2	25%
Internal Audit Department Size 2.00-3.3.88 FTE					
Dept of Natural & Cultural Resources	2.00	2.00	10	5	50%
Dept of State Treasurer	2.00	2.00	8	8	100%
UNC - Greensboro	2.00	2.00	9	4	44%
Western Carolina University	2.00	2.00	22	18	82%
UNC - System Office	2.08	3.00	10	9	90%
Elizabeth City State University	2.16	2.00	14	7	50%
Dept of Insurance	2.20	3.00	5	5	100%
Dept of Administration	3.00	3.00	12	8	67%
NC Central University	3.05	3.00	21	12	57%
Dept of Environmental Quality	3.10	3.00	9	2	22%
Dept of Public Instruction	3.25	6.00	6	5	83%
NC A&T State University	3.33	4.00	18	11	61%
Dept of Agriculture & Consumer Services	3.40	3.00	7	7	100%
NC Education Lottery	3.75	4.00	11	10	91%
Dept of Commerce	3.79	4.00	15	10	67%
Appalachian State University	3.88	6.00	28	16	57%
Internal Audit Department Size ≥ 4.00 FTE					
Dept of Revenue	4.00	4.00	14	14	100%
Winston-Salem State University	4.00	4.00	16	9	56%
UNC - Wilmington	4.21	5.00	23	16	70%
Dept of Information Technology	4.69	5.00	20	16	80%
UNC - Hospitals	4.83	7.00	55	31	56%
Dept of Transportation	5.00	5.00	12	9	75%
UNC - Charlotte	6.00	6.00	18	18	100%
Dept of Public Safety	7.40	9.00	56	52	93%
East Carolina University	7.65	7.00	46	38	83%
UNC - Chapel Hill	8.00	8.00	40	40	100%
NC State University	8.50	9.00	29	15	52%
Office of State Budget & Management	11.37	11.37	82	64	78%
Dept of Adult Corrections	14.33	15.00	53	47	89%
Dept of Health & Human Services	23.93	26.00	82	69	84%

\*\*\* Outsourced to Winston-Salem State University

\*\* Outsourced to the University of North Carolina System Office

\* No auditor in place during FY2025

## 2. Management Acceptance of Recommendations

Each audit engagement concludes with any observation of processes that can be improved to streamline procedures and prevent fraud. Additionally, recommendations are provided that address the causes of identified conditions and provide guidance highlighting actions to be taken by management. When implemented these actions help mitigate risks and enhance performance. If no observations are found recommendations may not be given. Reporting recommendations and findings are crucial to an audit plan because they answer the question, "How should this problem be fixed?" A quality recommendation should address the condition as well as the cause of a problem.

Recommendations can be general or specific. In some cases, the internal auditor may recommend a general course of action and specific suggestions for implementation, while in other cases, further investigation, monitoring, or research may be suggested.

Table 2 on page 12 shows the total number of recommendations made and accepted across all agencies, and cost avoidance identified by the internal audit programs. The last column details the percentage of recommendations accepted from those that were made. Based on the table's data, 97% of recommendations made across all agencies represented were accepted by management. Additionally, internal audit functions identified \$446,871,305.55 in cost avoidance across state agencies.

The North Carolina Internal Audit Act states that agencies' internal audit functions should:

- promote an effective system of internal controls that safeguards public funds and assets and minimizes incidences of fraud, waste, and abuse.
- determine if programs and business operations are administered in compliance with federal and state laws, regulations, and other requirements.
- review the effectiveness and efficiency of agency and program operations and service delivery.
- 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.

Chart 1 on page 13 breaks down the percentage of each of the recommendation types that were issued by internal audit functions with the categories being labeled as follows to correspond with the descriptions above:

- (1) Promote Internal Controls
- (2) Compliance
- (3) Improve Operations
- (4) Major Systems and Controls

**Table 2: Recommendations Accepted**

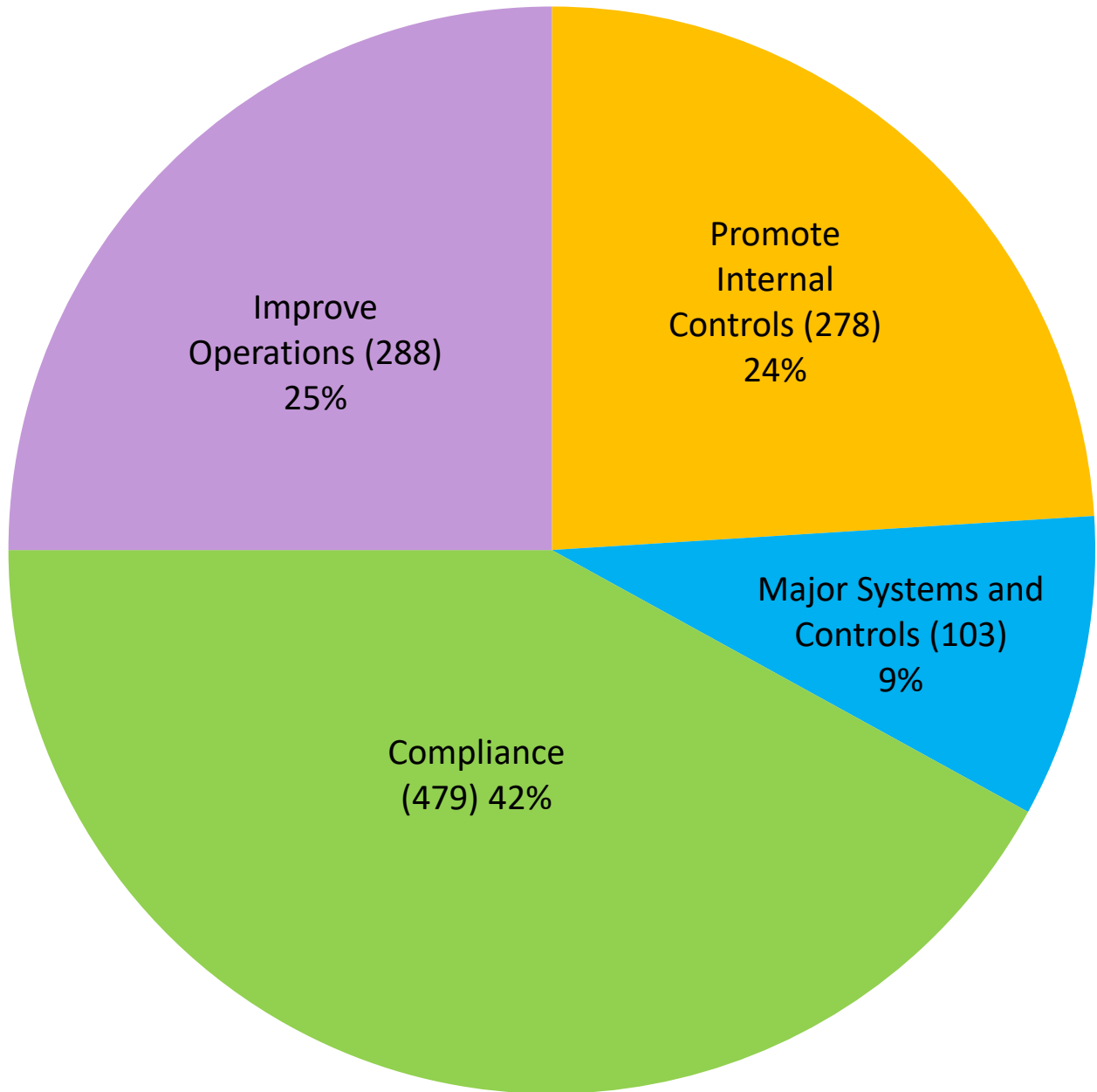
Agency	Recommendations Made	Recommendations Accepted	Cost Avoidance	Percent of Recommendations Accepted
Internal Audit Department Size ≤ 1.39 FTE				
NC School of the Arts***	7	7	\$ -	100%
NC State Education Assistance Authority**	3	3	\$ -	100%
Dept of Military & Veterans Affairs*	0	0	\$ -	0%
Community College System Office	9	9	\$ -	100%
Dept of Justice	18	18	\$ -	100%
Dept of Labor	3	3	\$ -	100%
Dept of Secretary of State	7	6	\$ -	86%
Fayetteville State University	3	3	\$ -	100%
NC School of Science & Math	1	1	\$ 25,298.26	100%
Office of State Human Resources	8	8	\$ 23,600.00	100%
UNC - Asheville	1	1	\$ 5,578.00	100%
Office of the State Controller	17	17	\$ -	100%
NC Housing Finance Agency	22	22	\$ -	100%
UNC - Pembroke	5	5	\$ 41,350.06	100%
Wildlife Resources Commission	2	2	\$ -	100%
Internal Audit Department Size 2.00-3.88 FTE				
Dept of Natural & Cultural Resources	16	14	\$ -	88%
Dept of State Treasurer	7	7	\$ -	100%
UNC - Greensboro	7	7	\$ -	100%
Western Carolina University	2	2	\$ -	100%
UNC - System Office	6	6	\$ -	100%
Elizabeth City State University	8	8	\$ 507.00	100%
Dept of Insurance	13	11	\$ 128,760.00	85%
Dept of Administration	14	14	\$ 185,000.00	100%
NC Central University	3	3	\$ -	100%
Dept of Environmental Quality	2	2	\$ -	100%
Dept of Public Instruction	14	14	\$ -	100%
NC A&T State University	15	15	\$ 38,342.09	100%
Dept of Agriculture & Consumer Services	12	12	\$ -	100%
NC Education Lottery	38	38	\$ -	100%
Dept of Commerce	17	17	\$ -	100%
Appalachian State University	13	13	\$ 3,455.55	100%
Internal Audit Department Size ≥ 4.00 FTE				
Dept of Revenue	42	41	\$ 400,070,941.00	98%
Winston-Salem State University	10	10	\$ -	100%
UNC - Wilmington	14	14	\$ -	100%
Dept of Information Technology	51	51	\$ 3,039,629.53	100%
UNC - Hospitals	92	92	\$ -	100%
Dept of Transportation	41	38	\$ -	93%
UNC - Charlotte	15	15	\$ -	100%
Dept of Public Safety	104	77	\$ 6,418,988.97	74%
East Carolina University	81	81	\$ 85,686.33	100%
UNC - Chapel Hill	44	44	\$ 13,000.00	100%
NC State University	17	17	\$ 11,458.00	100%
Office of State Budget & Management	105	104	\$ 34,558,678.39	99%
Dept of Adult Corrections	169	169	\$ 808,275.37	100%
Dept of Health & Human Services	69	69	\$ 1,412,757.00	100%

\*\*\* Outsourced to Winston-Salem State University

\*\* Outsourced to the University of North Carolina System Office

\* No auditor in place during FY2025

**Chart 1: Recommendations by Type**



### 3. Internal and External Assessments of Internal Audit Quality

To comply with the Standards, internal audit functions must obtain an external quality assurance review (QAR) “at least once every five years by a qualified, independent assessor or assessment team from outside the organization.”

According to the Institute of Internal Auditors, external quality assurance reviews validate that the internal audit program conforms with the Global Internal Audit Standards and internal auditors apply The Institute of Internal Auditor’s Code of Ethics.

Agencies can use the Council of Internal Auditing’s (Council’s) Peer Review program or use other methods to obtain the QAR. The Council’s Peer Review program was modeled after and follows all the requirements included in the Institute of Internal Auditors Quality Assessment manual. Internal audit functions receive a rating of generally conforms, partially conforms, or does not conform.

To ensure that agencies are conforming to and reflecting on their own adherence to the Standards, they are required annually to complete and submit a Self-Assurance Maturity Model (SAMM). Once completed, SAMM calculates an average score ranging from 1 to 5 and conformance with the Standards requires a score of 3 or above. Scores below three require the development of a corrective action plan. Scores above 3 reflect internal audit’s ability to implement best practices.

These self-assessments are often used by internal audit functions to improve their own processes and reflect upon challenges. Small internal audit functions (one or two positions) will have the most difficulties conforming with the Standards due to resource limitations.

Table 3 on page 15 shows the results of the internal assessments from the previous three years and the results of the external assessments and the year they were performed. FY2025 FTEs were included in Table 3 because resources limitations can have a direct impact on an internal audit function’s ability to conform with the Standards. Chart 2 on page 16 breaks down the percentage of internal audit functions that: are new and therefore have yet to have an assessment as well as those that generally (GC), partially (PC), or does not conform (DNC) with the Standards based on the results of the external assessments. Table 4 on page 16 lists the internal audit functions who are delinquent in having the QAR completed.

There are circumstances where internal audit functions have no score for internal assessments or no rating for external quality assurance review. These are denoted in the table below as follows:

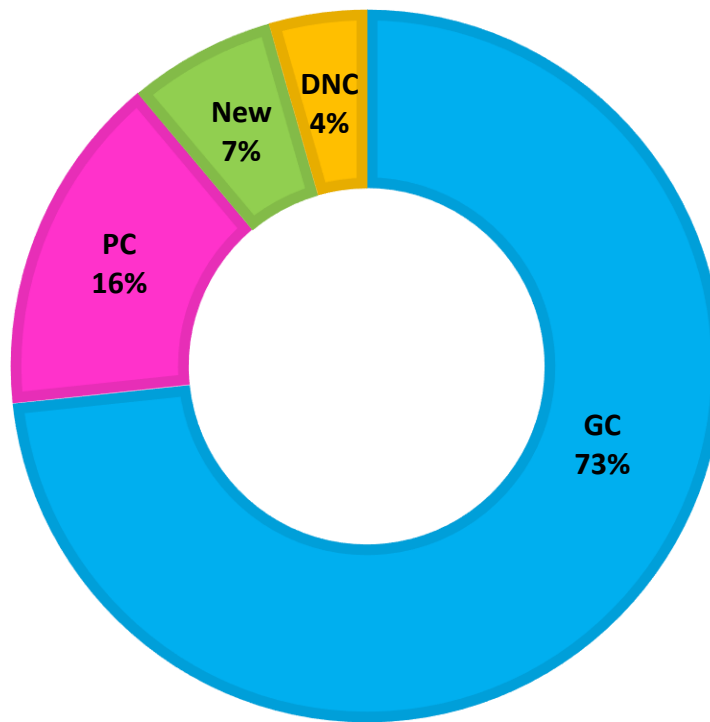
- \*\* Outsourced to the University of North Carolina System Office
- \* No auditor in place during FY2025
- New = internal audit programs established less than five years includes due date for first QAR

**Table 3: Internal and External Assessments**

					External Assessment	
Agency	FY2025 Full-Time Equivalent	FY2023 Score	FY2024 Score	FY2025 Score	QAR Score	Year Received
Internal Audit Department Size ≤ 1.39 FTE						
NC School of the Arts	0.00	**	3.48	3.32	Generally Conforms	2025
NC State Education Assistance Authority**	0.00	**	**	**	Generally Conforms	2024
Dept of Military & Veterans Affairs*	0.00	*	*	*	New (Due 2025)	New
Community College System Office	1.00	3.18	3.36	3.22	Generally Conforms	2024
Dept of Justice	1.00	*	*	2.94	Generally Conforms	2014
Dept of Labor	1.00	2.93	2.91	2.94	New (due 2024)	New
Dept of Secretary of State	1.00	*	3.11	3.12	Generally Conforms	2025
Fayetteville State University	1.00	*	3.23	3.16	Generally Conforms	2019
NC School of Science & Math	1.00	**	**	3.14	Generally Conforms	2024
Office of State Human Resources	1.00	***	3.23	3.12	New (Due 2028)	New
UNC - Asheville	1.00	2.92	2.86	3.22	Generally Conforms	2025
Office of the State Controller	1.18	3.16	3.41	3.78	Generally Conforms	2023
NC Housing Finance Agency	1.25	3.01	3.15	3.56	Generally Conforms	2024
UNC - Pembroke	1.38	3.22	3.26	2.92	Partially Conforms	2020
Wildlife Resources Commission	1.39	2.53	2.26	3.10	Does Not Conform	2021
Internal Audit Department Size 2.00-3.38 FTE						
Dept of Natural & Cultural Resources	2.00	3.08	3.20	3.62	Partially Conforms	2020
Dept of State Treasurer	2.00	3.18	3.18	3.18	Does Not Conform	2021
UNC - Greensboro	2.00	3.06	3.50	3.48	Generally Conforms	2024
Western Carolina University	2.00	3.06	3.36	3.40	Generally Conforms	2023
UNC - System Office	2.08	3.18	3.18	3.48	Generally Conforms	2024
Elizabeth City State University	2.16	3.16	3.11	3.08	Generally Conforms	2021
Dept of Insurance	2.20	*	*	2.88	Generally Conforms	2020
Dept of Administration	3.00	3.03	2.83	3.02	Partially Conforms	2019
NC Central University	3.05	2.98	3.30	3.22	Generally Conforms	2025
Dept of Environmental Quality	3.10	3.53	3.63	3.20	Generally Conforms	2019
Dept of Public Instruction	3.25	3.46	3.55	3.44	Generally Conforms	2021
NC A&T State University	3.33	3.45	3.53	3.50	Generally Conforms	2024
Dept of Agriculture & Consumer Services	3.40	3.50	3.51	3.12	Generally Conforms	2022
NC Education Lottery	3.75	3.76	3.81	3.70	Generally Conforms	2020
Dept of Commerce	3.79	2.96	3.01	3.02	Partially Conforms	2021
Appalachian State University	3.88	3.98	4.05	3.60	Generally Conforms	2023
Internal Audit Department Size ≥ 4.00 FTE						
Dept of Revenue	4.00	3.40	3.75	4.16	Generally Conforms	2024
Winston-Salem State University	4.00	3.58	3.61	3.32	Generally Conforms	2025
UNC - Wilmington	4.21	3.56	3.66	3.56	Generally Conforms	2021
Dept of Information Technology	4.69	3.35	3.58	3.58	Generally Conforms	2024
UNC - Hospitals	4.83	4.06	4.06	3.56	Generally Conforms	2021
Dept of Transportation	5.00	3.05	3.40	3.14	Partially Conforms	2024
UNC- Charlotte	6.00	4.50	4.61	4.20	Generally Conforms	2023
Dept of Public Safety	7.40	3.31	3.31	3.30	Partially Conforms	2021
East Carolina University	7.65	3.60	3.66	3.50	Generally Conforms	2021
UNC - Chapel Hill	8.00	3.30	3.48	3.50	Generally Conforms	2023
NC State University	8.50	3.88	4.18	4.40	Generally Conforms	2023
Office of State Budget & Management	11.37	4.46	4.56	3.64	Generally Conforms	2023
Dept of Adult Corrections	14.33	3.31	3.31	3.26	Partially Conforms	2021
Dept of Health & Human Services	23.93	3.43	3.46	3.34	Generally Conforms	2022



**Chart 2: Conformance with the Standards (External)**



**Table 4: Delinquent External Assessments**

Agency	Overdue Since
Department of Administration	2024
Department of Environmental Quality	2024
Department of Justice	2019
Fayetteville State University	2024

## 4. Internal Audit Staff Productivity

Staff time is the primary resource used by internal audit functions to produce audit work. Productivity looks at how individual staff members' time is used. The following 10 categories are used to measure Productivity:

- **Risk Assessments:** Risk assessments are performed to develop an agency's internal audit plan. They identify events that may give rise to risk and opportunities for the achievement of the agency's objectives.
- **Assurance Engagements:** Includes the following types of engagements: Compliance, Financial, Follow-up, Information Technology (IT), Investigative, Operational.
- **Advisory Engagements:** Advisory and related client services activities. Advisory engagements are intended to add value and improve an organization's governance, risk management, and control processes. Examples include counsel, advice, facilitation, and training.
- **Technical Assistance:** Projects or tasks that are limited in time, effort, and scope which provide advice and insight to agency management outside of any of the other formal project types. Examples include service on agency committees and/or other similar tasks.
- **Special Projects:** Projects that are related to the performance, mission, success, and ongoing viability of the internal audit program, that do not fall in any of the other project categories. Examples include software implementation or upgrades, the Quality Assurance, and Improvement Program, receiving a QAR, participating on a QAR team, sponsoring a conference or providing other support to the state or the profession.
- **Management Functions:** Activities that are not related to internal auditing, nor the internal audit function but may be specific requirements completed by internal audit at the request of management. Examples may include supervising a group of individuals which are not internal auditors and developing/writing policies or procedures for activities not related to internal auditing.
- **Council Reporting Requirements:** Resources spent on audit plan and report attestations, SAMM, productivity tool, central database submissions, and annual report.
- **Administration Time:** Routine activities not attributable to a specific project required to effectively manage and direct the internal audit program. Examples may include general tasks related to purchasing, scheduling, budgeting, and human resource management.

- **Leave Time:** Employees' personal time spent away from the agency on vacation leave, sick leave, holidays, community service, or other types of leave (paid or unpaid, including compensatory time).
- **Training:** Activities related to learning new skills or reinforcing existing skills. This generally consists of development opportunities organizationally or professionally recommended or required that enhance knowledge, skills, and other competencies. Examples may include new employee orientation, continuing professional education, and user training for new or existing systems.

While management functions may occupy a small portion of time, internal audit functions should avoid performing management functions, as it is essential to maintain independence and objectivity. The primary value of internal audit lies in its ability to provide impartial assurance and oversight, separate from management activities. This independence ensures that audits are conducted objectively, free from any influence or bias that could compromise the integrity of findings. By maintaining autonomy, internal audit enhances its credibility both within the organization and to external stakeholders, instilling trust in the reliability of its assessments and recommendations. It enables auditors to identify and evaluate risks, ensure compliance, detect fraud, and facilitate organizational improvement with an unbiased perspective. Moreover, an independent internal audit function supports effective board oversight by providing unbiased information for governance and risk management. In essence, the importance of internal audit is underscored by its role in promoting transparency, accountability, and organizational effectiveness through its impartial and objective assessments.

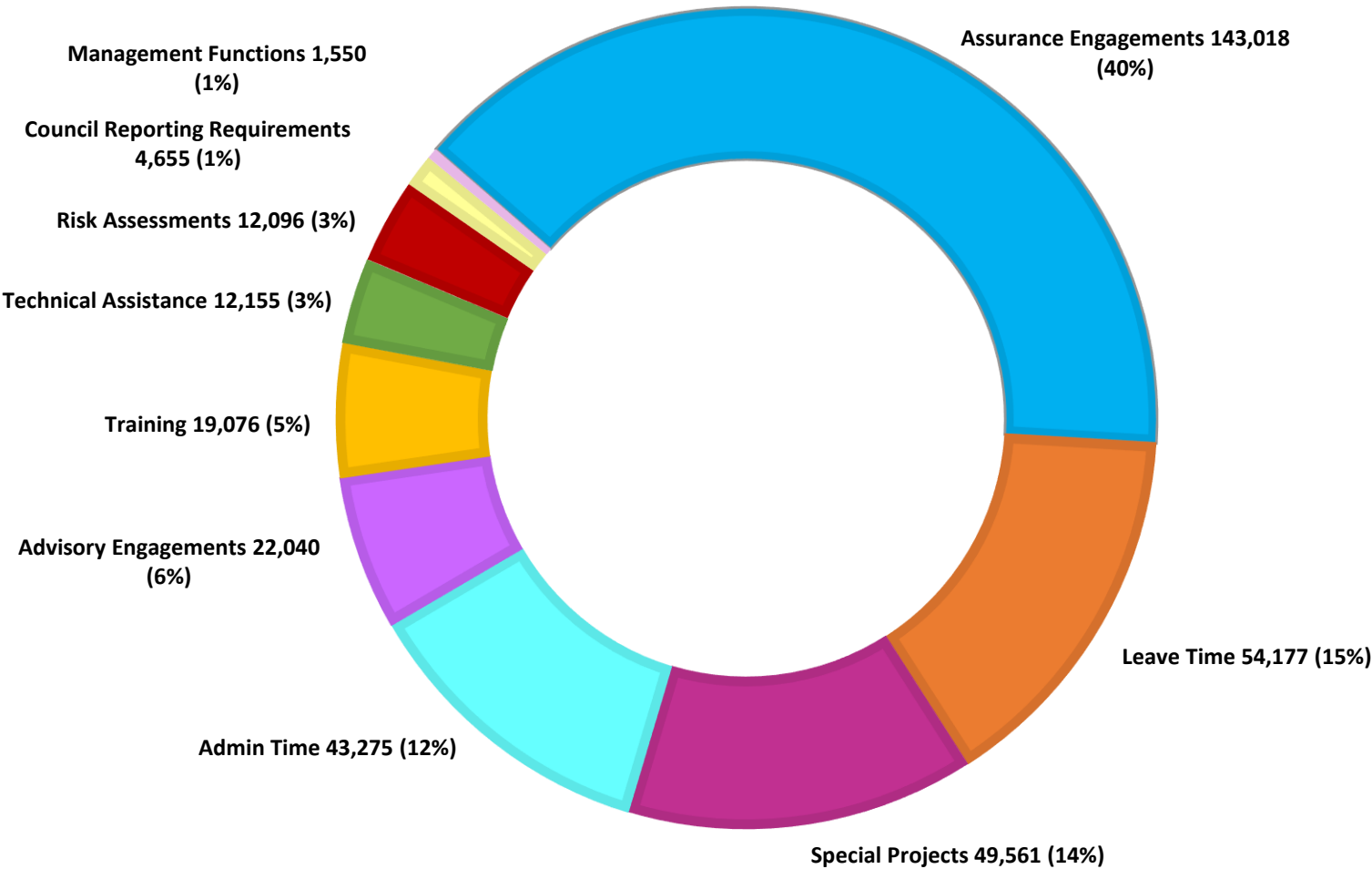
To calculate the overall productivity rate, the metric used compares indirect hours such as those spent on administrative and management functions to direct hours, which include assurance, consulting services, risk assessments, technical assistance, special projects, and council reporting requirements. Leave time is excluded from this calculation due to its unpredictable nature. Table 5 on page 19 shows the productivity time listed by category for each agency. Additionally, chart 3 on page 20 breaks down the percentage of time spent on each category. Three agencies did not report productivity in FY2025 because they outsourced the internal audit function to another agency, or the internal audit position was vacant at the time of submission. These are denoted in the table as follows:

- \*\*\* Outsourced to Winston-Salem State University
- \*\* Outsourced to the University of North Carolina System Office
- \* No auditor in place during FY2025

**Table 5: Productivity Time**

Agency	Risk Assessments	Assurance Engagements	Advisory Engagements	Technical Assistance	Special Projects	Management Functions	Council Reporting Requirements	Administration Time	Leave Time	Training	Productive Rate
Internal Audit Department Size ≤ 1.39 FTE											
NC School of the Arts***											
NC State Education Assistance Authority**											
Dept of Military & Veterans Affairs*											
Community College System Office	113.00	153.50	562.00	38.00	680.50	-	69.50	184.50	247.00	40.00	90%
Dept of Justice	239.00	856.50	294.50	63.00	35.00	-	30.25	225.00	277.50	67.25	88%
Dept of Labor	40.00	872.50	-	126.00	216.00	-	170.00	100.00	511.50	64.00	94%
Dept of Secretary of State	250.00	365.00	95.00	-	610.00	-	65.00	140.00	345.00	218.00	92%
Fayetteville State University	174.00	624.00	131.00	96.00	535.50	-	72.00	236.00	112.50	107.00	88%
NC School of Science & Math	120.00	225.00	386.50	192.50	717.50	-	21.00	53.00	296.50	76.00	97%
Office of State Human Resources	240.00	460.00	620.00	2.00	238.00	50.00	59.00	93.00	256.00	62.00	92%
UNC - Asheville	370.00	322.00	105.00	-	709.00	25.00	100.00	127.50	253.00	76.50	92%
Office of the State Controller	168.50	503.50	319.50	120.00	796.00	-	223.00	102.00	260.61	252.40	96%
NC Housing Finance Agency	280.00	593.00	74.00	3.00	1,085.75	-	64.00	112.75	307.50	90.00	95%
UNC - Pembroke	142.00	1,182.00	224.00	128.00	566.00	-	124.00	325.00	256.00	91.40	88%
Wildlife Resources Commission	456.50	3,546.25	179.50	496.25	1,825.75	-	77.25	412.00	1,248.50	228.25	83%
Internal Audit Department Size 2.00-3.88 FTE											
Dept of Natural & Cultural Resources	477.25	1,548.25	-	2.00	534.50	-	34.75	930.25	558.50	90.50	74%
Dept of State Treasurer	184.50	1,655.00	-	129.00	500.50	-	152.75	499.00	687.00	368.25	86%
UNC - Greensboro	50.00	1,177.50	105.50	567.50	534.50	-	62.50	616.50	801.50	302.50	82%
Western Carolina University	340.00	1,900.00	550.00	200.00	260.00	-	95.00	405.00	425.00	149.00	90%
UNC - System Office	242.50	848.00	126.25	500.50	955.25	-	55.00	460.00	668.50	493.00	88%
Elizabeth City State University	275.50	2,034.50	-	-	295.50	-	40.00	743.50	797.00	315.00	80%
Dept of Insurance	100.00	1,000.00	260.50	-	1,027.55	-	124.00	1,413.05	592.25	76.25	65%
Dept of Administration	297.00	1,014.00	420.00	107.00	907.00	-	96.00	1,588.00	1,040.00	795.00	70%
NC Central University	339.17	2,660.60	216.00	-	1,612.99	-	67.00	240.00	1,142.50	90.25	95%
Dept of Environmental Quality	153.00	161.50	-	4.00	2,512.00	-	460.50	1,323.50	1,450.25	417.75	74%
Dept of Public Instruction	815.00	1,588.00	-	136.00	1,616.00	-	96.00	1,026.50	1,134.50	503.00	82%
NC A&T State University	567.75	1,889.25	272.25	389.00	1,153.50	-	67.25	923.00	1,157.00	663.75	84%
Dept of Agriculture & Consumer Services	237.37	2,568.80	838.41	88.15	1,289.53	-	170.00	500.30	1,269.75	209.42	92%
NC Education Lottery	33.50	3,253.25	-	11.50	1,531.50	197.00	51.00	1,234.75	996.00	491.50	79%
Dept of Commerce	162.50	2,329.50	-	299.00	783.94	-	80.00	1,611.81	696.00	765.15	73%
Appalachian State University	77.50	2,071.75	484.00	389.75	793.50	-	217.75	1,570.25	1,882.50	712.50	75%
Internal Audit Department Size ≥ 4.00 FTE											
Dept of Revenue	32.50	5,327.50	-	80.75	748.50	-	26.00	306.50	914.00	916.25	96%
Winston-Salem State University	456.50	3,546.25	179.50	496.25	1,825.75	-	77.25	412.00	1,248.50	228.25	94%
UNC - Wilmington	276.50	3,370.75	189.25	186.00	1,447.70	-	76.50	1,018.80	1,750.25	679.75	86%
Dept of Information Technology	803.00	1,854.00	1,078.50	692.00	1,232.00	-	75.50	2,031.50	1,389.25	783.75	76%
UNC - Hospitals	60.00	4,218.00	660.00	478.00	760.00	613.00	168.00	2,247.00	1,211.00	514.00	71%
Dept of Transportation	83.25	5,973.30	-	-	82.75	144.35	35.00	1,619.60	1,847.00	654.75	79%
UNC - Charlotte	447.00	7,017.50	349.50	302.50	1,035.50	-	170.00	824.50	1,930.50	538.50	92%
Dept of Public Safety	160.00	7,327.00	1,413.00	2,625.50	665.00	414.50	544.00	917.75	1,691.15	160.00	91%
East Carolina University	130.00	9,371.00	1,017.00	763.00	1,109.00	62.00	20.00	1,634.00	2,409.00	875.00	89%
UNC - Chapel Hill	198.00	9,018.25	521.00	732.75	1,044.00	-	58.50	1,588.00	2,891.50	652.00	89%
NC State University	1,401.25	8,255.25	21.50	749.50	2,863.75	4.00	296.25	762.00	2,595.00	791.00	95%
Office of State Budget & Management	177.50	6,949.75	1,591.00	466.25	7,009.95	-	14.00	2,129.75	3,635.25	1,042.50	89%
Dept of Adult Corrections	1,020.50	16,112.50	24.00	79.00	2,745.50	40.00	128.00	3,405.29	4,651.25	1,715.00	86%
Dept of Health & Human Services	137.25	20,221.40	8,158.65	670.60	4,363.75	-	67.00	7,133.60	7,302.65	1,723.25	83%

Chart 3: Productivity Time Spent (hours) by Category



## **5. Summary of Notable Accomplishments**

The following section highlights notable accomplishments of various internal audit functions, showcasing their efforts in enhancing organizational governance, risk management, and compliance. These achievements reflect the team's dedication to ensuring accountability and operational efficiency. Due to the length of certain detailed accomplishments, others have been included in the appendix for further reference.

### **Office of State Human Resources:**

Internal audit continued its work with OSHR's Workers' Compensation Department, providing advisory services to improve invoice reconciliation and assisting with contract amendments. Internal audit updated its audit manual, risk assessment process, and workpaper templates to align with the IIA's new Global Standards. Internal audit worked with new OSHR leadership transition by briefing them on past issues with agency SOPs, Workers' Comp, and Operational and Strategic Risks. Internal audit completed Quality Assessor training and can now assist the Central Internal Audit Office (CIAO) with agency QARs. Internal audit also assisted CIAO with adapting QAR documents with the new Global Standards. Internal audit also assisted with the review of OSBM's risk assessment process.

OSHR's internal audit function's advisory services and audit recommendations have the potential to provide comprehensive cost savings to OSHR of approximately \$23,600.00. \$22,000 comes from pricing structure changes adopted from an advisory audit on Certified Public Manager (CPM) structure, and the other comes from \$1,600.00 in annual NCDIT fees by purging documents located on our Q: Drive.

### **North Carolina Education Lottery:**

FY2025 saw the increase of our NCEL internal audit team from three staff members to four staff members with the addition of an IT Auditor. The team of four were able to complete ten audits (nine out of ten total audits from our audit plan and one yearly risk assessment review) during FY 2025, which represented a 91% completion rate. FY2025 was also the year of the biennial NCEL Performance Audit as well as the department's Quality Assessment Review (QAR) which is currently in progress. The performance audit reflected that as of FY2024, NCEL is the only lottery (out of the existing forty-six lotteries in the US) to increase its operating revenue every year in existence. A large cost savings for The Internal Audit department was having the Council of Internal Auditing perform the Quality Assurance Review instead of using an outside vendor. This saved the department and Agency around \$30,000.

### **Department of Revenue:**

With the addition of a full-time IS Internal Auditor, the Department of Revenue internal audit function has been able to expand testing into new critical areas. During Q2 of FY2025, the function completed a comprehensive review of Artificial Intelligence, an emerging and high impact topic. During Q3 of FY2025, we completed a comprehensive review of the Security Incident Reporting Process. Notable comprehensive cost savings, including cost avoidance, efficiency gains, expense reduction, operational savings, budgetary savings, unallowed costs, financial benefits, and savings realization provided to management by the NCDOR Internal Audit Team during FY2025:

- The annual comprehensive review of Safeguards (i.e., IRS Publication 1075) and reporting to the IRS Office of Safeguards allows the agency to continue to access federal tax information and collect an additional \$350-\$400 million annually in tax revenue.
- The function's comprehensive review of Artificial Intelligence identified the use of an annual maintenance contract totaling \$60,000 for Web Content Filtering; however, the agency was not properly using the application to maximize its effectiveness.
- Per the comprehensive review of Firearms, an understatement of \$10,620 in firearms inventory was identified.

#### **Office of State Budget and Management:**

Internal audit conducted an advisory engagement to validate cost estimates for completing the Hurricane Matthew and Florence Homeowner Recovery Program (HRP), which supports low-income citizens in repairing or replacing homes damaged during the storms. In March, the General Assembly approved funding based on internal audit's estimates. As a result of this work, sufficient funds were secured to ensure all eligible homes could be repaired or replaced. Without this work, an estimated 100 to 120 citizens may have been left without the assistance needed to restore their homes. Internal audit continues providing IT assistance to OSBM staff as they continue to conduct financial monitoring of this program. The \$34 million in cost avoidance is largely attributed to work associated with HRP to ensure that the funding request adequately covered construction cost of all remaining homes. An additional \$87,752.58 is attributed to savings related to in-house trainings which allows for discounted prices for attendees and discounted IIA group memberships.

#### **Department of Information Technology:**

In FY2025, the Office of Internal Audit delivered impactful assurance and advisory projects across a range of critical operational and technical domains, reinforcing NCDIT's commitment to service delivery, accountability, and continuous improvement. Key financial and operational engagements included audits of IT Project Governance; Financial Accounting and Reporting processes; and Workplace Safety. The audit team conducted IT audits of Endpoint Management, Unix, and Mainframe Hosting environments. These engagements identified opportunities to strengthen configuration management, enhance access controls, and modernize governance and oversight. Collectively, these audits not only addressed high-risk areas but also provided actionable insights that supported more informed decision-making and operational efficiency across NCDIT. A key milestone in FY2025 was the full implementation of the NCDIT Audit Management Module in ServiceNow, which significantly streamlined audit engagement tracking and improved transparency across the department. This centralized platform has enhanced collaboration between audit teams and business units by enabling real-time visibility into audit progress, findings, and remediation efforts. Notably, NCDIT leadership and management have fully adopted the tool to monitor and document the resolution of audit findings—strengthening accountability, accelerating response times, and reinforcing enterprise-wide risk management and compliance practices. In FY2025, DIT internal audit identified cost avoidance of \$3,039,629 for which there was inadequate support, or the nature, purpose, and reasonableness of expenditures were in question.

## 6. Investigating Fraud, Waste and Abuse

Internal auditors in the State of North Carolina play a crucial role in conducting fraud investigations, ensuring transparency and accountability while safeguarding public resources. Most fraud is identified through tips from employees, customers, or anonymous whistleblowers, making hotlines and reporting mechanisms the most effective tools for fraud detection. This fiscal year, 77 investigative engagements were conducted with 48 (62%) resulting in substantiated claims and 29 (38%) found to be unsubstantiated. Despite being unsubstantiated, nine of the 29 cases still resulted in reports with recommendations to strengthen internal controls. While unsubstantiated claims do not yield the same outcomes as those that were substantiated, they do take the same amount of effort and documentation and can be useful when finding improvements to be made in a department's processes.

The 48 substantiated claims, on the other hand, have led to disciplinary action, legal consequences, and recovery of funds. Below is a breakout of the fraud schemes they encountered:

Nineteen or 40% of substantiated investigations conducted by internal audit functions involved misallocation of funds. Misallocation of funds via grant programs often begins with deceptive applications, where individuals or organizations submit fraudulent proposals containing false information, such as inflated project costs, fictitious beneficiaries, or misrepresented capabilities. Once grants are awarded, the funds may be improperly distributed, diverted for personal expenses, unrelated projects, or to benefit third parties not included in the original proposal. Fraudsters frequently create or manipulate documentation.

Eleven or 23% of substantiated investigations conducted by internal audit functions involved asset misappropriation. Asset misappropriation refers to the theft or misuse of an organization's resources, often by employees. Examples include falsifying expense reports, misusing purchase cards, and embezzling payroll funds through inflated hours.

Nine or 19% of substantiated investigations conducted by internal audit functions involved noncompliance with organization policy. Noncompliance with organizational policy, in the context of an internal audit fraud investigation, refers to the failure to follow established rules, procedures, or guidelines set by the organization. This involves bypassing controls and ignoring approval processes.

Five or 10% of substantiated investigations conducted by internal audit functions involved conflict of interest. Nepotism and vendor relationships, in an internal audit investigation, involve preferential treatment in hiring or contracting based on personal connections.

Four or 8% of substantiated investigations conducted by internal audit functions involved unauthorized access to information. Unauthorized access to information, in the context of an internal audit investigation, refers to obtaining or using confidential or restricted data without proper authorization. This occurs when individuals inadvertently access records they are not cleared to see, such as financial data or personal information of others.



## APPENDIX

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### 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.
- (a1) Key Performance Indicators and Criteria. - In addition to the requirements of subsection (a) of this section, each agency head shall be responsible for ensuring that agency's internal audit unit meets the required key indicators and criteria established by the Council under G.S. 143-747(c)(3a).
- (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. Each agency head shall annually certify to the Council that the audit plan was developed, and the audit reports were conducted and reported in accordance with required standards.

(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 of staff, 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; 2021-180, s. 24.5(a).)

#### **§ 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. The Attorney General may appoint a designee.
  - (5) The Secretary of Revenue.
  - (6) The State Auditor who shall serve as a nonvoting member. The State Auditor may appoint a designee.
  - (7) One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate pursuant to G.S. 120-121. The member appointed must be a certified public accountant licensed in this State who has experience with internal auditing and is in good standing with the North Carolina State Board of Certified Public Accountant Examiners. The member shall be appointed for a term of four years and shall serve until a successor is appointed. A vacancy for a member appointed under this subdivision shall be filled by the appointing authority set forth in this subdivision to serve the remainder of the unexpired term.
  - (8) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives pursuant to G.S. 120-121. The member appointed must be a certified public accountant licensed in this State who has experience with internal auditing and is in good standing with the North Carolina State Board of Certified

Public Accountant Examiners. The member shall be appointed for a term of four years and shall serve until a successor is appointed. A vacancy for a member appointed under this subdivision shall be filled by the appointing authority set forth in this subdivision to serve the remainder of the unexpired term.

(a1) The Council shall hire an Executive Director as selected by a majority of the Council. The Executive Director shall serve at the will of the Council and be exempt from the provisions of the North Carolina Human Resources Act under Chapter 126 of the General Statutes.

(a2) The Council shall hire two full-time employees, as selected by a majority of the Council, to provide assistance to the Executive Director and to other staff of the Council of Internal Auditing. The employees shall perform any duties delegated by the Executive Director, serve at the will of the Council, and are exempt from the provisions of the North Carolina Human Resources Act under Chapter 126 of the General Statutes.

(b) The Council, including the position of Executive Director, 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.
- (3a) Establish required minimum key performance indicators and criteria that comply with the Professional Practice of Internal Auditing issued by the Institute for Internal Auditors.
- (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.

- (11a) Gather and assess the extent to which State agencies have met the minimum key performance indicators and criteria required under subdivision (3a) of this subsection. The Council shall report its findings to the Joint Legislative Commission on Governmental Operations on or before December 31, 2022, and annually thereafter.
- (12) No later than November 1 of each year, issue a report that shall include, but not be limited to, service efforts and accomplishments of State agency internal auditors and proposed legislation for consideration by the Governor and General Assembly. The annual report shall be prepared by the Office of State Budget and Management and shall be submitted to the Joint Legislative Oversight Committee on General Government. (2007-424, s. 1; 2013-406, s. 1; 2021-180, ss. 24.5(b), 37.1(f); 2022-6, s. 10.2.)

**§ 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.)

## **Notable Accomplishments Continued**

### **Appalachian State University:**

In FY2025, the Office of Internal Audits (OIA) achieved a key milestone by implementing a new automated software system designed to facilitate the planning, documentation, and approval of audit projects. This system also supports OIA's ongoing compliance with the Institute of Internal Auditors (IIA) Global Internal Audit Standards. In alignment with updates to the Standards, OIA conducted a comprehensive review and revision of audit templates across all phases—planning, testing, reporting, and quality assurance. These enhancements streamlined audit procedures, increased operational efficiency, and reinforced the objectives of the Quality Assurance and Improvement Plan. As part of the transition, the legacy system was archived to meet records retention requirements and preserve the historical audit documentation. Concurrently, the Audit Manual was updated to reflect the revised Standards, with pertinent sections incorporated to ensure full alignment. To supplement the Manual, OIA developed a series of Standard Operating Procedures (SOPs), offering detailed guidance particularly beneficial for employee onboarding and role transitions.

OIA also prioritized improvements to the in-house Fraud, Waste, and Abuse hotline. Enhancements were made to the procedures for compiling and resolving hotline reports, and promotional efforts were expanded. As a result, the number of reports increased from 8 in FY2024 to 16 in FY2025. Hotline issues were addressed through interdepartmental collaboration or by initiating targeted audits. OIA continued a collaboration with Enterprise Risk Management and the Office of Compliance and Ethics to conduct the annual campus-wide risk assessment process. Surveys and interviews were utilized to gather data about risks and strategic priorities from all campus divisions. The results were used to prepare the upcoming FY2026 Annual Audit Plan. Additionally, two OIA team members participated in a Managerial/Internal Audit panel for an upper-level accounting course. They provided students with insights into the daily responsibilities of internal auditors within a public institution and engaged in a Q&A session to foster understanding of the profession.

### **Community College System Office:**

The Community College System Office successfully completed the QAR after being overdue for 2 years. The internal audit function is now generally compliant with the Global Audit Standards.

### **Department of Adult Corrections:**

In FY2025 The internal audit function completed a departmentwide compliance audit of procurement cards. This included 39 different locations, 528 P-Cards, over 9,200 transactions, and approximately \$6,000,000 dollars in transactions. The department also held presentations at DAC management meetings, and presented audit tips, audit overviews, and a summary of notable findings at the Division of Community Supervision's New Managers Conference, Institutions' Regional Administrative Service Managers Meetings, and regional manager meetings. We had two auditors enrolled in DAC's Correctional Leadership Development program which is a one-year program with a required project to complete. To close, we completed over 45 audits during FY2025 which is more than 80% of audit plan, exceeding target of 75%. We identified approximately \$1,082,000.00 in cost savings.

**Department of Agricultural and Consumer Services:**

The Department of Agricultural and Consumer Services' internal audit function has made notable accomplishments in the following areas: In the Annual Mountain State Fair internal control improvement opportunity was identified with respect to carnival vendor monitoring to help prevent fraudulent sales underreporting. In the Standards Division- LP Gas Section Allegations (FY25) internal control improvement opportunities were identified with respect to civil penalty revisits to decrease public and gas workers safety risks. In ARPA Swine and Dairy Assistance Program (FY25), internal control improvement opportunities were identified with respect to financial reporting and program administration. And in IT Procurement Process Review (FY25) process efficiency improvement opportunities were identified to decrease processing times, reduce operational disruptions and reduce procurement costs.

**Dept of Environmental Quality:**

The DEQ Office of Internal Audit (OIA) was able to significantly build upon a foundational reset from the prior year. With a continued focus on OIA delivering on the vision to "Provide Services for DEQ's Success" several training opportunities were developed and offered including subrecipient monitoring and internal controls. A newsletter was reestablished to create greater awareness of internal audit within DEQ. A SharePoint and public facing web presence is also underway. A Gap Assessment (GA) was requested by the Institute of Internal Auditors (IIA) to ensure that conformance to the standards is being met. A peer review will be requested in FY2026 to meet requirements and ensure an even greater conformance with the standards that guide our profession. The Chief Audit Executive (CAE) also successfully garnered support for staffing, expanding OIA staff threefold within a year, including adding two lead internal auditors with fraud and information systems certifications, as well as an IT support specialist with business analytics to increase value in reporting, and two junior staff members who are making great strides in their careers. Although this is a lookback, we are also looking forward with great excitement and are already undertaking more heading into the second year than all the first, under the direction of the current CAE.

**Department of Health and Human Services:**

The NCDHHS Office of the Internal Auditor (OIA) performed advisory and audit services to address risk, enhance organizational performance and governance, and provide objective assurance. OIA completed 69 engagements, including audits, follow-up assessments, EAGLE reviews, investigations, and consultations. OIA completed several important information technology audits including a user access review audit, incident management audit, and a cybersecurity assessment, which identified opportunities to improve the reliability and security of information and reduce cyber risk. OIA worked to improve its follow-up process, which included creating an open audit finding dashboard to improve the visibility of past findings and corrective action status. The visibility provided to management on open audit findings resulted in increased work to resolve findings. During the year, OIA completed 18 follow-up assessments and determined that 23 open findings were resolved. OIA prioritized internal improvements to align with Global Internal Audit Standards. We created a new Strategic Plan and made several internal policy updates to provide staff with direction on how to perform work in conformance with the Global Internal Audit Standards. Improved planning and execution led to OIA completing 84% of its audit plan, up from 73%. OIA added

significant strategic value by contributing to improved decision-making and operational excellence. Cost Savings identified were \$1,412,757.00.

#### **Department of Insurance**

NCDOI added two positions to its roster with the lead auditor earning a CIA Certification.

#### **Department of Justice:**

Over the past year, NCDOJ developed its internal audit function, which continues to grow while also adapting to the new Standards, NCDOJ's risk assessment was also updated. From that assessment, three audits were completed, two operational and one advisory, providing management with practical recommendations to improve efficiency and reduce risks. NCDOJ completed the Quality Assessor Certificate Program, equipping the department to strengthen the audit quality and align with the new standards.

#### **Department of Labor:**

NCDOL internal audit function completed both planned compliance audits this year. Through the continuous monitoring of the NCDOL vehicles we have seen another drop in both monthly average number of employees speeding (from 1.9 to 0.9) and monthly average number of instances (from 2.5 to 1.5). NCDOL internal audit continues to pursue opportunities to add value during audits and all special projects throughout the year.

#### **Department of Natural and Cultural Resources:**

The internal audit function at DNCR Completed four audits on the FY2024-2025 DNCR Internal Audit Plan and one investigation audit that was not on the plan. Focus was put on internal audit awareness by sponsoring activities such as the Control or Chaos Internal Audit quiz which was disbursed to employees across the agency with participation from 226 employees. In fraud detection, the function launched the DNCR Fraud, Waste & Abuse webpage on the DNCR website with the option to file a complaint via interactive webform or the designated hotline phone number. As for risk assessment, the function revamped DNCR's internal audit risk assessment process to include a self-assessment evaluation tool completed by division leadership and sub-units within DNCR divisions. Feedback provided from the tool and follow-up interviews allowed internal audit to gauge more in-depth risks across the agency. To keep up with the change in the IIA Standards the function developed the first DNCR Internal Audit Strategic Plan that outlines objectives and initiatives to strengthen the DNCR internal audit function.

#### **Department of Public Instruction:**

During FY25 with only 3.25 audit staff, the DPI internal audit function was able to complete 5 of 6 planned engagements, which was 83% of our audit plan for the year, approximately 136 hours of technical assistance for our agency, and 283 hours supporting coordination between DPI and external auditors. Technical assistance and liaison activities are a significant method by which internal audit adds value to DPI by offering audit expertise to others across the agency. We are excited to have hired an Internal Auditor I in April 2025. We continue to serve as a dual report to both the State Superintendent and State Board of Education, which allows for proper independence and support of the internal audit function.

**Department of Public Safety:**

In FY25, internal audit led 51 engagements, resulting in over 143 findings and \$6.4 million in savings, questionable costs or identified operational inefficiencies. Through our liaison services, we assisted the DPS Controller's Office in providing a sufficient response to the IRS to avoid \$2,000,000 in penalties and facilitated timely resolution of delayed travel reimbursement payments. Our intervention in P-Card processes identified more than \$50,000 in late fees and interest paid in FY24 that has now been avoided in FY25 and future fiscal years. We also strengthened vendor payment processing and reconciliations across the agency. Notably, we enhanced visibility and compliance through the development of automated dashboards for P-card usage, management concerns and vehicle telematics. Internal audit's efforts directly supported increased accountability, improved financial accuracy and sustained interagency compliance with federal and state guidelines. These actions demonstrate measurable impact and operational value of the internal audit function.

Cost Savings come from the following areas: Fixed Asset Correction and Inventory Audit: Internal Audit recommended more than \$7,000 in correction of over and understatements of fixed assets through our ABC follow-up engagement, which encouraged the correction of inaccurate inventory reports (Financial Benefits) IRS Liaison Support: Internal Audit prevented more than a \$2 million penalty via correction of 1099 filing discrepancies (cost savings and savings realization) Travel Reimbursement Improvements: Internal Audit identified that 24% of 14 million, over 3 million was delayed beyond policy; improved timelines (Efficiency Gains), P-card Late Fees Avoided: Internal Audit identified \$52,139.75 in late fees and interest penalties paid in the prior fiscal year that has now introduced savings for future fiscal years by correcting the Bank of America invoice payment errors (Cost Avoidance and Expense Reduction).

**Department of Secretary of State:**

In the first year of SOS having an internal audit director an External Quality Assurance Review (QAR) was successfully requested and completed, with a score of generally conforms in early 2025. As a one-person audit shop, SOS internal audit has independently completed 80% of the annual audit plan, demonstrating strong efficiency, independence, and commitment to meeting professional standards.

**Department of the State Treasurer:**

Effective with FY2025, the Department of State Treasurer (DST) now requires that the internal audit (IA) function meet an accountability metric of 75% of planned audits that enhances the department's governance, risk management, and ensures compliance. Internal audit successfully completed 100% of its planned operational and follow-up engagements on its FY2025 audit plan; thereby managing and controlling the highest potential risks for FY2025. One key area audited was the safeguarding of assets which included an assessment of laptops assigned by IT, and inventoried unclaimed tangible property to determine if they were physically on hand and properly recorded. Sample testing concluded that both risk areas were accounted for; although, recommendations and improvements to the processes were provided.



**Department of Transportation:**

NCDOT internal audit was able to improve its organization's efficiency as shown in the Productivity Report - Percent of Audit Plan Completed from 64% in FYE 24 to 75% in FY25 while maintaining the same number of internal audit staff and while introducing the new Global Internal Audit Standards. We were able to increase efficiencies in four of our engagements by the following numbers: total hours budgeted = 3,354. Total actual hours = 3,100. Difference of 254 hours and an increase efficiency ratio of 7.57%. NCDOT had comprehensive cost savings in our required annual EAGLE audit. For FY24, we had a total of 1,486.00 hours. For FY25, we had a total of 1,375.45 hours. A difference of 110.55 hours and an efficiency rate increase of 7.44%. Thus, a total cost savings of \$6,422.50.

**East Carolina University:**

Engagements this year included several that were notably linked to areas of key risks or strategic goals, including the Student Emergency Response Process, Utilization of Office Space, Brody School of Medicine Provider Compensation Model, the integration of the ECU Health Revenue Cycle, Public Consulting Services (faculty revenue-generating activity), and more. We also completed 13 formal investigative audits and triaged 34 concerns reported to our office. The fact that people are comfortable sharing their questions and concerns is a testament to the culture of openness and ethical expectations at the University. The CAO continues to co-chair the Regulatory Compliance Committee. The committee continued its collaboration to ensure the different compliance functions remain aligned with each other and that new and emerging requirements do not fall through the cracks.

**Elizabeth City State University:**

ECSU Office of Internal Audit completed 50% of the audit plan. This completion rate allowed the audit function to help identify and manage risk before they become significant problems. By evaluating and improving internal controls, the audit function ensures that university processes are streamlined and effective. These audits verify adherence to laws, regulations, and university policies, reducing the risk of non-compliance and associated penalties. Audits ensure that resources are used efficiently and are adequately protected, contributing to the overall financial health of the university. These audits foster a culture of continuous improvement by identifying areas for enhancement and ensuring that corrective actions are implemented effectively.

**Fayetteville State University:**

The internal audit function at Fayetteville State University strengthened its role as a trusted partner in promoting accountability, compliance, and effective governance throughout the year. Efforts were directed toward high-priority areas that aligned with institutional goals and addressed emerging risks. Procedures on purchasing compliance provided assurance over progress towards compliance with newly issued regulations and identified opportunities to improve trainings for staff. An audit of IT Asset Management practices evaluated the accuracy of inventory records and lifecycle management, with recommendations designed to safeguard technology resources and improve oversight. Internal audit also performed a risk assessment of student health and mental well-being, offering leadership critical insights to better align services with student needs and mitigate potential risks in this vital area. Beyond individual projects, internal audit enhanced the annual risk assessment methodology through expanded stakeholder engagement, ensuring the audit plan is closely tied to the University's

strategic objectives. Collaboration with Business and Finance supported implementation of corrective actions and monitoring activities, reinforcing accountability, and compliance. Through these initiatives, internal audit has advanced a culture of integrity, strengthened the control environment, and provided meaningful guidance to university management and the Board of Trustees.

#### **North Carolina Housing Finance Agency:**

For FY2025, NCHFA successfully implemented internal audit software, AuditBoard – Ops Audit Module. The software has allowed the agency to document the annual internal audit risk assessment process with interaction from agency stakeholders, develop and track the progress of the annual audit plan with dashboards available for presentation to the audit committee, the ability to monitor issues and action plans from identification to successful completion, and provide performance measures through internal assessments developed through workpaper reviews and a documented Quality Assurance and Improvement Program (QAIP).

#### **NC School of Science and Math:**

The internal audit function at the NC School of Science and Mathematics is managed by the UNC System Office through an MOU. To increase audit coverage with the expansion of the School to the Morganton campus, the NCSSM Chancellor appointed a Chief Audit Officer that will provide hours to the UNC System Office per MOU. This resulted in the one-person NCSSM internal audit function reporting activity separately from the UNC System Office, such as the SAMM Tool and Productivity Tool. The biggest accomplishments this year as a one-person function were the implementation of the new Global Internal Audit Standards (for NCSSM as well as the UNC System Office), participation on a QAR Peer Review Team, and the development of an Internal Audit Strategic Plan, while still completing much of the FY25 internal audit plan.

#### **North Carolina Central University:**

The internal audit function at North Carolina Central University achieved several key accomplishments over the past year. The team successfully completed the external Quality Assurance Review (QAR), demonstrating its commitment to maintaining the highest professional standards. The function also strengthened its capacity by employing a student intern, who played a valuable role in supporting the completion of audit engagements. In addition, the team enhanced its efficiency and innovation by incorporating AI technology into audit processes. Further, in an advisory capacity, internal audit provided meaningful guidance to university leadership in the development of standard operating procedures and succession planning, reinforcing its role as a trusted partner in promoting accountability and organizational effectiveness.

#### **Office of the State Controller:**

The Office of the State Controller's internal audit function successfully concluded its FY2025 activities, reaffirming our commitment to advancing operational excellence through the evaluation of internal controls, risk management practices, and organizational governance. Our accomplishments highlight the function's ability to navigate complex challenges while effectively balancing competing priorities. FY2025 was a year of significant transition, marked by the rollout of the Institute of Internal Auditors' (IIA) newly released Global Internal Audit

Standards and a 50% turnover in audit staff, including the retirement of a team member with substantial institutional knowledge. These developments required a high degree of flexibility and strategic foresight in audit planning and execution. As part of our response to this transition, we successfully onboarded a highly qualified audit professional, strengthening the team's capacity moving forward.

Despite these challenges and operating with a lean team of just 1.2 full-time equivalents—comprising an Internal Audit Director and two auditors, the function delivered impactful results. Key accomplishments include:

- Completion of the annual risk assessment, which was externally reviewed and found to be in full compliance with IIA Standards.
- Issuance of three Management Action Plan (MAP) follow-up reports.
- Support for external quality assurance reviews at two institutions.
- Execution of two assurance engagements, one of which is currently in progress.
- Completion of one advisory engagement.
- Issuance of twelve recommendations across both assurance and advisory engagements, all of which have been accepted by management for implementation.
- Engagement of an external presenter to deliver a statewide training session on best practices in internal controls. The training was attended by 380 participants from agencies across the state and provided 2 Continuing Professional Education (CPE) hours to attendees.
- Development and delivery of the First Annual Government Internal Audit Summit, in collaboration with the National Association of State Auditors, Comptrollers and Treasurers (NASACT), expanding outreach efforts and providing 8.5 CPE hours to participants.

Throughout the year, the team also worked to integrate the new IIA Global Standards into our internal audit methodology, as required by the Council of Internal Auditing. These efforts underscore our continued dedication to fostering accountability, strengthening internal control environments, and promoting continuous improvement throughout the State Controller's Office and across state government.

#### **University of North Carolina at Asheville:**

The director prepared for, requested, and received a quality assurance review (QAR) with a designation of "generally conforms" in FY25. The report was issued on 6/11/25. Also, during this time, the director began preparing the function to operate under new internal audit standards that went into effect during FY25. Additionally, advisory work was completed for the p-card process and follow up work was performed for an audit completed in FY24 (I-9).

#### **University of North Carolina at Chapel Hill:**

The Office of Internal Audit issued 29 reports on planned engagement work in fiscal year 2025, completing all scheduled work plan engagements and providing 45 audit recommendations to enhance operations. These audits covered operational, compliance, financial, technology, and consulting projects. Additionally, eleven communications were issued regarding completed investigative, special project, and technical assistance engagements. The OIA verified the successful implementation of 42 management action plans from previous engagements that were implemented during FY25, thereby improving operational efficiency and supporting compliance. The Office of Internal Audit completed

three Agreed-Upon Procedure Attestations for the University's Office of Sponsored Programs, where the grantor permitted an independent internal audit department to manage the grant close-out financial attestations. This work saved approximately \$8,000 by avoiding the need to hire an external firm. Additionally, support was provided to a UNC System member university in conducting a QAR self-assessment for independent validation, resulting in an estimated cost saving of about \$5,000. Total collective cost savings are approximately \$13,000.

#### **University of North Carolina at Charlotte:**

UNC Charlotte's internal audit function successfully completed our FY2025 internal audit plan despite having to perform two unplanned advisory projects, one unplanned special project, and one complex investigation. Efforts led to improvements in internal controls over critical processes, identifying compliance and efficiency issues related to lab safety, donor funds, research, and grants. Addressing these issues will enable UNC Charlotte to improve overall safety, avoid costly fines for violations, and enhance the management of research grants and donor funds. Internal audit conducted training sessions to campus partners on internal controls and fraud awareness and participated on several committees, including the Information Assurance Committee, Enterprise Risk Management Committee, and served on employment search committees for various positions. Two members served in leadership roles with the University of North Carolina Auditor's Association (Vice President and Past President).

#### **University of North Carolina at Greensboro:**

During the previous fiscal year, the internal audit function at UNCG issued three reports, provided advisory services, implemented automation, and ensured ongoing conformance with Internal Audit Standards. The function issued a p-card audit that identified improvement opportunities for spending on gift cards, office supplies, and IT hardware and software. P-Card spending for FY2024 was approximately \$14.7 million. Internal Audit issued a follow-up employee eligibility verification audit report indicating that UNCG implemented prior audit recommendations and significantly improved the timeliness of employee eligibility verification. Improvements will help UNCG avoid potential noncompliance penalties/fines ranging from \$5k to \$50k, based on the previous error rate. Internal audit also issued an internal audit report on a component unit of the University (a minor associated entity) saving between \$15k-\$25k in external audit costs. IA automated audit functions and updated audit procedures to improve efficiencies and ensure conformance with Internal Audit Standards. The UNCG internal audit function received a "Generally Conforms" rating on an external QAR for the first time in a decade. IA develop a 5-year Strategic Plan – the first for IA at UNCG, and implemented changes to internal audit procedures, workpaper templates, reports, and forms including a complete overhaul of the Internal Audit Charter. The CAE also obtained certification as a Quality Assessment Reviewer by the IIA.

#### **University of North Carolina at Pembroke:**

In response to poor emergency communications during two (2) active shooter events on or near campus early in 2025, the UNCP Office of Internal Audit confirmed the implementation of more than 20 recommendations to enhance the safety of the entire campus community during emergency situations. Such actions included the purchase and integrations of a Computer-Aided Dispatch (CAD) system which allows CAD-to-CAD operations between UNCP Campus Police and the Pembroke Police Department for emergency situations and

assistance, creation of four dispatch positions to have the “call taker/dispatcher model” in place, and the enhancement of its automated emergency notification system. UNCP Office of Internal Audit identified more than \$20,000 (4% of the audit scope’s population) non-allowable purchases charged to the University P-card. Additionally, approximately 43% of the samples tested had insufficient documentation such as itemized receipts, unreconciled expense reports, and improper management approval. Management immediately implemented recommendations to improve its P-card Program such as reorganizing P-card management, updating P-card policies and procedures, and increasing the frequency of trainings for P-card users.

#### **University of North Carolina System Office:**

UNC System Office Internal Audit partnered with members of IT to review processes and controls surrounding IT contracting and vendor management which allowed for more accurate and documented procedures. The function partnered with members of finance to review processes and controls surrounding vendor ACH payments, allowing for more efficient department controls to assist in decreasing any fraud or waste. Internal audit implemented a new hotline SOP for all UNC System institutions that details how to review a complaint, document a review, provide status updates, as well as how to close a complaint.

#### **University of North Carolina at Wilmington:**

FY2025 was a successful year for the Office of Internal Audit at UNCW. Despite staffing transitions, the function delivered high-quality assurance and advisory services that positively impacted governance, risk management, and control activities. Under our core services, the function completed five audits, six follow-up audits, three investigations, and one formal advisory engagement - all with recommendations accepted by university leadership. Additional efforts focused on refining the risk assessment and audit planning process, enhancing collaboration with Enterprise Risk Management and ITS, and providing informal advisory support across thirty-one minor projects and information requests. Outreach included internal controls and fraud training for campus staff and engagement with UNCW business students to promote awareness of the internal audit profession. Professional development remained a priority to enhance the audit team’s skillset, with the CAO obtaining the Certified Information Systems Auditor (CISA) credential and audit staff engaged in preparation for the Certified Fraud Examiner (CFE) exam.

#### **Western Carolina University:**

During FY25, the WCU Office of Internal Audit (OIA) delivered a broad spectrum of audit services that supported and enhanced the University’s operations. The year began with the OIA conducting its annual risk assessment, which served as the foundation for developing the annual audit plan (plan). This plan was subsequently approved by the WCU Board of Trustees and included a variety of assurance and advisory engagements, with time allocated for follow-up reviews, special projects, hotline investigations, and participation on university committees and councils. Completed assurance audits included:

- Capital Construction Projects – assessment of internal controls and compliance procedures.
- Program Fees and Tuition Differential Fees – evaluation to ensure fees were properly assessed, collected, and used in alignment with their intended purposes.

- Athletics Ticket Office and two additional campus Ticket Offices – review of internal controls and system access controls related to ticketing software.

In addition, the OIA conducted two advisory engagements within the Division of Information Technology, focusing on internal controls over selected operations and evaluating the adequacy of documented standard operating procedures for a specific operational activity. These efforts by the OIA played a vital role in promoting operational efficiency and effectiveness by identifying improvement opportunities and reinforcing sound governance practices.

#### **Wildlife Resources Commission:**

Wildlife Resources Commission (WRC) internal audit's FY2025 activities contributed to strengthened oversight and organizational effectiveness. Internal audit completed a comprehensive risk assessment and a subrecipient consultation. Additionally, internal audit recommended the methodology that was used to resolve a federal external audit finding related to equipment reimbursement rates, saving the agency over \$1.1 million. This approach also enhanced the process for calculating equipment rates, allowing the agency to charge federal awards appropriately and recover an estimated \$300,000 in additional costs moving forward. In addition, internal audit contributed to another external audit, participated in continuous agency governance and risk discussions, and engaged in events that strengthened relationships and increased the visibility of the audit function. Notably, internal audit received approval for and filled a new position, bringing total staffing to 1.38 FTE during the fiscal year. While a recent vacancy is in the process of being filled, the additional position strengthens the foundation for expanded capacity in future engagements. Finally, internal audit developed a strategic plan to align its priorities with risks and guide the function's long-term direction.

#### **Winston-Salem State University:**

Internal audit (IA) at WSSU continues adding value to the university through its continued shared service agreement with the UNCSA. IA continues to successfully do more with less, by servicing two universities. IA underwent an external quality assessment review (QAR) for both universities and received the highest rating of generally conforms to the IA Standards with no gaps. The QAR also identified three key successful practices for the IA function which included trusted advisor, adding value to the organization, and experienced staff with diverse skill sets. The QAR further supports the quality of services provided by the IA function to its respective universities. Additionally, IA's student success initiative supports engagement with the student population through its student intern program which provides students the opportunity to enhance their critical business skills by gaining real world experience. The collaboration also enhances IA's services by gaining fresh perspectives and new ideas from the students.

## ***Key Terminology***

**Budgeted Positions:** The number of full-time equivalent (FTE) internal audit positions an organization has in its budget for FY2025. This figure does not include administrative staff.

**Corrective Action Plan Written:** The corrective action plans written by management to address observations and recommendations for each report. Corrective action plans indicate management's acceptance of recommendations.

**Engagement:** An independent and systematic examination of an agency's financial records, systems, and controls performed by the internal auditor.

**Engagements Completed:** Total number of audit engagements completed and uploaded to the central database for FY2025.

**FY2025 Full-Time Equivalent:** One FTE for each full-time worker an organization has classified as an internal auditor.

**Percent of Audit Plan Completed:** Calculated as completed / (planned + added) = % audit plan completed. Cancelled or deferred engagements have not been removed from this calculation.

**Plan total:** The sum of engagements from the beginning audit plan and additional engagements completed throughout FY2025.

**Cost Avoidance Identified:** The total amount of funds for which there is inadequate support, or the nature, purpose, and reasonableness of an expenditure is in question.

**Recommendations Accepted:** Any suggestion for improvement made by internal audit on any assurance or advisory audit report that was accepted by management.

**Recommendations Made:** Any suggestion for improvement made by Internal Audit that were included on any assurance or advisory engagement report. There can be multiple recommendations in one report or none.