



CALU



CLARION  
UNIVERSITY



EU  
EDINBORO  
UNIVERSITY



KUTZTOWN  
UNIVERSITY



MANSFIELD  
UNIVERSITY

Millersville  
University



Slippery Rock  
University

WCU  
WEST CHESTER  
UNIVERSITY

# **Fiscal Year 2015/16 Annual Report of Activities of the Office of Internal Audit and Risk Assessment**



Pennsylvania's  
**STATE SYSTEM**  
of Higher Education

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Published June 30, 2016



# MESSAGE FROM THE DIRECTOR

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On behalf of the Office of Internal Audit and Risk Assessment (OIARA), I am pleased to present the *Fiscal Year 2015/16 Annual Report of Activities of the Office of Internal Audit and Risk Assessment*. The purpose of this report is to demonstrate accountability to the Board of Governors that the internal audit function is operating as intended.

The report highlights accomplishments of the System's internal audit and risk assessment function and use of resources consistent with our approved fiscal year 2015/16 operating budget and work plan. The OIARA is governed by Board of Governors' Policy 1991-06-A: *State System Audit Policy*.

With support of the Board of Governors' Audit Committee, the System's chancellor, and presidential and executive leadership, the OIARA concluded a productive year. I would also like to acknowledge the dedication of departmental staff and their commitment to sustaining the mission of the OIARA.

The OIARA carried out project assignments at all 14 State System universities and the Office of the Chancellor during the 2015/16 fiscal year. In addition to engagement clients, Audit Committee members are provided with final project reports as they occur. Additionally, local Council of Trustee chairpersons are notified of OIARA completed projects relative to their respective institution.

In summary, this year's work plan defined 32 projects. Eight engagements ongoing as of June 30, 2015, carried forward providing a total of 40 proposed projects for completion in the current fiscal year. Efforts resulted in the issuance of 33 reports reflective of assigned engagements, providing 112 recommendations requiring management response for the consideration of leadership to strengthen operations and enhance internal controls. Seven projects contained in the work plan were not fulfilled due to inadequate available staff hours or other extenuating circumstances. As of June 30, 2016, work remains underway on six work plan engagements anticipated to conclude early in the first quarter of fiscal year 2016/17.

In addition to defined work plan responsibilities, the OIARA assumed eight special project assignments. Special projects supplement OIARA workload and arise from requests to address current needs, evaluate and assess specific matters, and perform investigations of credible accusations. As of June 30, 2016, work concluded on six of the eight special projects with the remaining two projects anticipated to conclude early in the first quarter of fiscal year 2016/17.

During the year, the OIARA completed a self-assessment as defined by the Institute of Internal Auditors' (IIA) *International Professional Practices Framework* of the entire function of audit and consulting work performed by the OIARA. As director, it is my goal for the OIARA to achieve full compliance with the IIA standards governing the professional practice of internal auditing.

Looking ahead, work of the OIARA will continue to contribute to the efficient and effective operation of Pennsylvania's State System of Higher Education. I look forward to further enhancing internal audit services as we move forward in accomplishing initiatives defined within our fiscal year 2016/17 work plan. My intent is to promote internal audit projects based on recognized levels of risk and advance implementation of appropriate internal controls necessary to support the System's mission.

Respectfully,

**Dean A. Weber, CIA, CRMA**  
**Director, Office of Internal Audit and Risk Assessment**


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## SERVICE TO THE SYSTEM

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**T**he Office of Internal Audit and Risk Assessment is charged with enhancing State System operations by providing risk-based, objective and reliable assurance, advice, and insight. The OIARA accomplishes this by:

- Internal audit services in which planned compliance, operational, financial, and information technology engagements are completed.
- Follow-up assessments where prior audit findings are reviewed to determine if effective corrective measures have been implemented supportive of management responses to identified improvement opportunities.
- Special project engagements where System leadership requests consultative services to aid in evaluating risk and the adequacy of internal controls.
- Investigations addressing allegations of fraud, waste, conflict of interest, ethics violations, abuse of System resources, and other matters potentially in violation of governing policy, regulations, and requirements.



THE OFFICE OF INTERNAL AUDIT AND RISK ASSESSMENT WAS FORMALLY RESTRUCTURED IN JULY 2009 AS A CENTRALIZED FUNCTION REPORTING TO THE AUDIT COMMITTEE OF THE STATE SYSTEM'S BOARD OF GOVERNORS.

SINCE THAT TIME, THE OIARA HAS COMPLETED A TOTAL OF 147 WORK PLAN ENGAGEMENTS AND 82 SPECIAL PROJECT REQUESTS, THROUGH FISCAL YEAR 2015/16.



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## MISSION STATEMENT

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**T**he mission of the Office of Internal Audit and Risk Assessment is to provide an independent, objective assurance function and consulting services designed to add value and improve operations of the 14 State System universities and the Office of the Chancellor. The OIARA helps the universities and the Office of the Chancellor accomplish their objectives in bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control structures, and governance processes.

The Office of Internal Audit and Risk Assessment is responsible for the establishment of an ongoing, collaborative risk assessment process including each of the System universities and the Office of the Chancellor.

The Office of Internal Audit and Risk Assessment reports functionally to the Audit Committee of the Pennsylvania's State System of Higher Education Board of Governors and administratively to the System's chancellor.

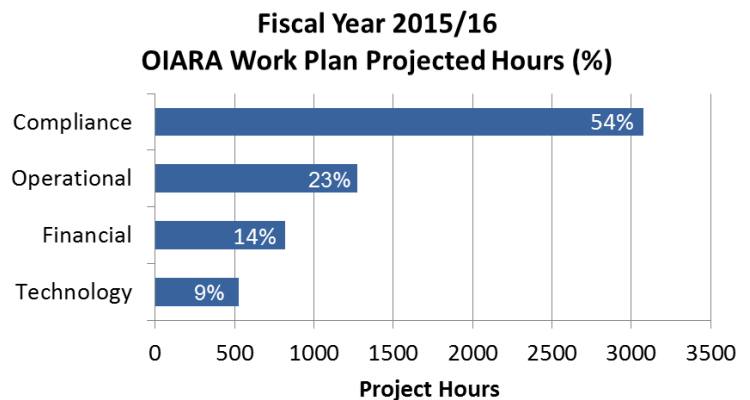
# OVERVIEW OF FISCAL YEAR 2015/16 PROJECTS

The Office of Internal Audit and Risk Assessment works to reduce the State System's exposure to adverse risk, ensure the adequacy of internal controls, assess compliance, and evaluate economies and efficiencies of operations. To that end, an annual work plan is developed each fiscal year through collaborative consultation with State System leadership, evaluation of risk assessment outcomes, and an awareness of the System's current operating environment.

The work plan includes both broad departmental reviews as well as assessments of specific processes or controls. The Board of Governors' Audit Committee evaluates proposed engagements and approves the final version of the plan.

The chart below illustrates the number of projects concluded, underway, and not initiated, along with resulting achievement percentages.

The State System's internal audit work plan encompasses projects defined within the following four strategic risk-based categories: Compliance, Operational, Financial, and Information Technology. OIARA work plan projected hour distribution by engagement category is shown in the chart below:



## Results

The department achieved initiation of 78% of proposed fiscal year 2015/16 engagements as well as 100% completion of prior year carry-over projects, for an overall work plan attainment of 83%.

Additionally, 100% of special project requests have concluded or are underway increasing the total percentage of fiscal year 2015/16 project engagements initiated to 85%.

| Project Source             | Proposed Engagements | Number Concluded YTD | Number Underway | Number Not Initiated | Percent Concluded/Underway |
|----------------------------|----------------------|----------------------|-----------------|----------------------|----------------------------|
| FY2015/16 New Projects     | 32                   | 19                   | 6               | 7                    | 78%                        |
| Prior Year Carry-over      | 8                    | 8                    | -               | -                    | 100%                       |
| <b>Total Work Plan:</b>    | <b>40</b>            | <b>27</b>            | <b>6</b>        | <b>7</b>             | <b>83%</b>                 |
| FY2015/16 Special Projects | 8                    | 6                    | 2               | -                    | 100%                       |
| <b>Cumulative Total:</b>   | <b>48</b>            | <b>33</b>            | <b>8</b>        | <b>7</b>             | <b>85%</b>                 |



# FISCAL YEAR 2015/16 WORK PLAN - PROJECT DETAIL

Supporting individualized project initiatives unique to the needs of each institution, prioritized risk-based planning identified 32 engagements comprising the OIARA fiscal year 2015/16 work plan.

The chart below identifies project initiatives by university, the status of field work, issuance of final reports, and those projects not completed due to insufficient OIARA staff hours available to complete the engagement or other extenuating circumstances.

| State System University  | Project                       | Project Not Completed | Field Work in Process or Concluded | Final Report Issued | Carryover to 2016/17 Work Plan |
|--------------------------|-------------------------------|-----------------------|------------------------------------|---------------------|--------------------------------|
| Bloomsburg               | NCAA Agreed-upon Procedures   |                       |                                    | 12/04/2015          | N/A                            |
|                          | Minors on Campus              |                       |                                    | 04/04/2016          | N/A                            |
| California               | Minors on Campus              |                       |                                    | 01/27/2016          | N/A                            |
|                          | Recruitment/Admissions        | ✓                     |                                    |                     | N/A                            |
| Cheyney                  | NCAA Agreed-upon Procedures   |                       |                                    | 12/17/2015          | N/A                            |
|                          | University Scholarships       |                       |                                    | 04/07/2016          | N/A                            |
| Clarion                  | University Police Department  | ✓                     |                                    |                     | N/A                            |
|                          | Institutional Grants          |                       |                                    | 04/05/2016          | N/A                            |
| East Stroudsburg         | Registrar Functions           |                       |                                    | 03/14/2016          | N/A                            |
|                          | IT User Access                |                       |                                    | 06/21/2016          | N/A                            |
| Edinboro                 | Tuition Differential          |                       |                                    | 06/17/2016          | N/A                            |
|                          | Campus Safety and Security    |                       |                                    | 12/15/2015          | N/A                            |
| Indiana                  | Minors on Campus              |                       |                                    | 12/14/2015          | N/A                            |
|                          | Jeanne Clery Act Review       |                       | ✓                                  |                     | ✓                              |
| Kutztown                 | NCAA Compliance               |                       |                                    | 05/31/2016          | N/A                            |
|                          | Recruitment/Admissions        | ✓                     |                                    |                     | N/A                            |
| Lock Haven               | Jeanne Clery Act Review       |                       | ✓                                  |                     | ✓                              |
|                          | Campus Safety and Security    |                       |                                    | 04/11/2016          | N/A                            |
| Mansfield                | NCAA Agreed-upon Procedures   |                       |                                    | 01/08/2016          | N/A                            |
|                          | External Financial Support    | ✓                     |                                    |                     | N/A                            |
| Millersville             | Tuition Differential          |                       | ✓                                  |                     | ✓                              |
|                          | Campus Safety and Security    |                       |                                    | 04/21/2016          | N/A                            |
|                          | IT Disaster Recovery          | ✓                     |                                    |                     | N/A                            |
| Shippensburg             | Minors on Campus              |                       |                                    | 02/08/2016          | N/A                            |
|                          | Jeanne Clery Act Review       |                       | ✓                                  |                     | ✓                              |
| Slippery Rock            | Minors on Campus              | ✓                     |                                    |                     | N/A                            |
|                          | Institutional Grants          |                       |                                    | 03/02/2016          | N/A                            |
| West Chester             | Jeanne Clery Act Review       |                       | ✓                                  |                     | ✓                              |
|                          | Minors on Campus              | ✓                     |                                    |                     | N/A                            |
|                          | IT Disaster Recovery          |                       |                                    | 06/17/2016          | N/A                            |
| Office of the Chancellor | Purchasing Card (System-wide) |                       |                                    | Reported Quarterly  | N/A                            |
|                          | SAP Access Controls           |                       | ✓                                  |                     | ✓                              |

## FISCAL YEAR 2014/15 CARRY-OVER PROJECTS

**A**s of June 30, 2015, eight projects were ongoing that carried forward into fiscal year 2015/16 for completion. The projects comprised six prior-year work plan initiatives and two special project engagements. The following chart identifies the eight carry-over projects concluded during the period.

| State System University | Project  | Final Report Issued |
|-------------------------|--|---------------------|
| Clarion                 | EthicsPoint Case Special Project                   | 08/10/2015          |
| Edinboro                | Camps, Clinics, and Conferences Operational Review | 08/18/2015          |
| Lock Haven              | Camps and Clinics Operational Review               | 07/20/2015          |
| Mansfield               | Expenditures of Public Funds Financial Audit       | 07/30/2015          |
|                         | Student Work-Study Special Project                 | 10/30/2015          |
| Millersville            | International Education Operational Review         | 10/01/2015          |
| Shippensburg            | Limited Scope Financial Aid Audit                  | 07/28/2015          |
| Slippery Rock           | IT User Access Review                              | 10/14/2015          |

## FISCAL YEAR 2015/16 SPECIAL PROJECTS

**I**n addition to specifically identified annual work plan engagements, the Office of Internal Audit and Risk Assessment completes special project engagements presented by the chancellor, university presidents, chief legal counsel, and Board of Governors' members. Furthermore, special projects may result from information received through the State System's Incident Reporting System deemed to be most appropriately addressed by the OIARA. Special project requests supplement project efforts of those identified within the formally approved departmental work plan.

During fiscal year 2015/16, the OIARA assumed responsibility for the completion of eight special project engagements. Of this total, seven were university related and one at the Office of the Chancellor. Work on six of the eight special projects concluded, and two will carry forward for completion in fiscal year 2016/17.

### Fiscal Year 2015/16 Special Project Engagements Comprised Projects Occurring at:

**Bloomsburg University of Pennsylvania**

**Edinboro University of Pennsylvania (2)**

**Indiana University of Pennsylvania**

**Mansfield University of Pennsylvania**

**West Chester University of Pennsylvania (2)**

**Office of the Chancellor**

# DEPARTMENT INITIATIVES

In support of continuous quality improvement of the System's internal audit process, the OIARA completed an internal Quality Assurance and Improvement Self-Assessment as defined by the Institute of Internal Auditors' (IIA) *International Professional Practices Framework*. Client satisfaction surveys were also offered to audit clients for completion to rank various aspects of the internal audit experience. Both practices are intended to enhance the delivery of internal audit services to the System.

## Quality Assurance and Improvement Self-Assessment

### What it is...

The Institute of Internal Auditors (IIA) provides standards and authoritative guidance for the practice of internal auditing known as the *International Professional Practices Framework*. During fiscal year 2015/16, the OIARA completed a self-assessment for compliance with the IIA's *Standards*.

### Goal of the OIARA...

The Board of Governors' Audit Committee and director of the Office of Internal Audit and Risk Assessment support conformity of the State System's internal audit activities with the IIA *Standards*. To that extent, the following activities are anticipated:

- Development of a charter defining OIARA activity
- Completion of a five-year external assessment of OIARA conformity to the *Standards*
- Adoption of an OIARA procedures manual

**The Institute of Internal Auditors** (established 1941) is an international professional association, recognized authority, chief advocate, and principle educator of internal auditors.

## CLIENT SATISFACTION SURVEYS

### What are they...

For engagements completed as part of the fiscal year 2015/16 work plan, satisfaction surveys were sent to engagement clients. Completed surveys provide a method of continuous quality monitoring of the internal audit process. Surveys evaluate and rate:

- Scope of the Internal Audit Work
- Internal Audit Process
- Engagement Satisfaction
- Option for Comment

### Satisfaction Survey Outcomes

94% Strongly Agree or Agree the engagement provided useful outcomes.

94% Strongly Agree or Agree the engagement provided overall value to the function/operation reviewed.



# MANAGEMENT CORRECTIVE ACTIONS

The Office of Internal Audit and Risk Assessment maintains a formalized process to follow-up on prior internal audit report recommendations and actions addressing the implementation of management responses. Each State System entity is provided a quarterly statement defining open internal audit items as well as those closed during the period. This provides a management tool for each entity to use in managing the status of internal audit issues.

Under this process, OIARA staff work collaboratively with university personnel through discussion and review concerning actions taken to improve internal controls, enhance operations, and provide for effective utilization of resources.

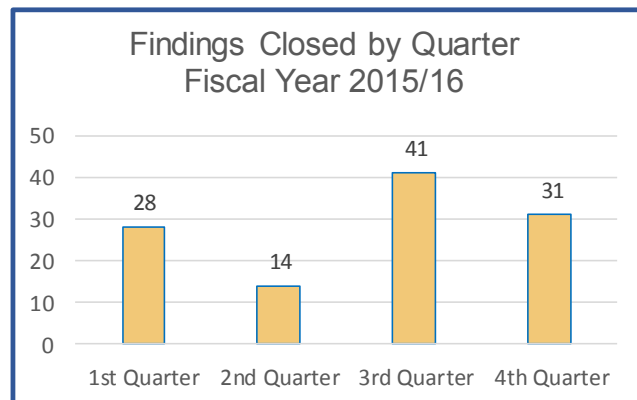
Since the OIARA's restructuring in fiscal year 2009/10, 680 recommendations, of which 567 require follow-up assessment, have been provided through OIARA engagements to enhance internal controls, provide compliance with governing policies/procedures, and strengthen operations.

## Results

Cumulatively, through the end of fiscal year 2015/16, 434 (77%) of the 567 total audit recommendations requiring follow-up have been documented as resolved. With a formalized process in place, future efforts will continue focusing on the evaluation of preceding report recommendations to determine if corrective actions have been successfully implemented to achieve issue resolution.

### STATE SYSTEM SUCCESS.....

THE FOLLOW-UP ASSESSMENT PROCESS HAS IDENTIFIED UNIVERSITIES ACTIVELY EMPLOYING CORRECTIVE MEASURES TO ADDRESS INTERNAL AUDIT REPORT RECOMMENDATIONS.



### Summary of Corrective Action Activity Fiscal Year 2015/16

|   |     |
|---|-----|
| Total Recommendations Unverified as of July 1, 2015                   | 135 |
| New Recommendations Added Fiscal Year 2015/16                         | 112 |
| Prior Recommendations Verified as Resolved during Fiscal Year 2015/16 | 114 |
| Total Recommendations Unverified as of June 30, 2016                  | 133 |

# STATE SYSTEM'S INCIDENT REPORTING SYSTEM

## State System's Commitment...

Pennsylvania's State System of Higher Education is committed to high ethical standards and the enforcement of policies, procedures, and legal requirements. The concerns of employees, students, and others within the university communities regarding matters of wrongdoing are important; therefore, an Incident Reporting System exists as a means for individuals to confidentially identify situations believed to be inappropriate. Individuals can make an anonymous report electronically through the website of each State System entity or may speak with an independent representative by calling the toll-free number, 855-298-5316.

Pennsylvania's State System of Higher Education Board of Governors' Audit Committee supports the existence of an automated Incident Reporting System to receive, record, and track alleged instances of fraud, waste, and abuse of resources perceived as occurring within State System operations. A contract for services was executed with *NAVEX Global/EthicsPoint* providing an automated solution for this process.

The Office of Internal Audit and Risk Assessment, with joint support of the State System Office of Chief Legal Counsel, is responsible for administration of the Incident Reporting System. Each university and the Office of the Chancellor has appointed a liaison to manage case reports at the respective locations. The Incident Reporting System and information on how to report allegations can be accessed from the website home page of each System university, as well as from the State System's website.

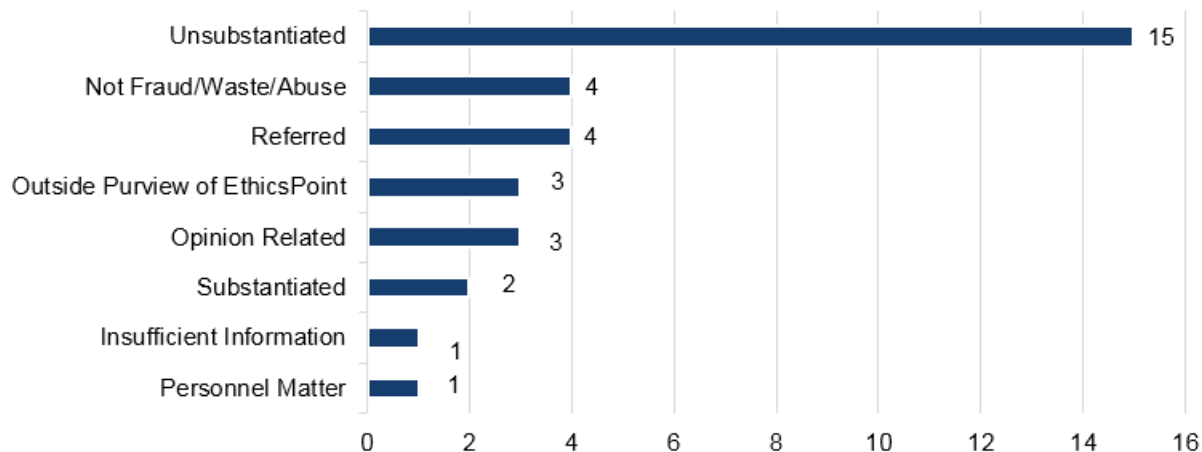
State System Procedure/Standard Number 2013-17: *Conducting Investigations Received through PASSHE's Incident Reporting System*, supports a uniform protocol to address investigation of reports received through the Incident Reporting System.

## Case Management Fiscal Year 2015/16:

- University 82%
- OIARA & Legal Counsel 13%
- Legal Counsel 5%

Cumulatively for fiscal year 2015/16, 40 user reports were filed through the Incident Reporting System concerning various matters of System operations or activity. As of June 30, 2016, 33 of the user reports filed this fiscal year have been investigated and closed while 7 remain in process of review.

## Fiscal Year 2015/16 Closed Case Outcomes



# BOARD OF GOVERNORS' AUDIT COMMITTEE

The primary mission of the Audit Committee is to assist the Board of Governors in exercising its due care and diligence in discharging System-wide oversight and monitoring responsibilities. An important objective of the Audit Committee is to support and oversee the activities of the Office of Internal Audit and Risk Assessment, maximizing the functions' operations and value across the State System.

## Current Board of Governors' Audit Committee Composition as of June 30, 2016

Jonathan B. Mack, *Chair*  
 Daniel P. Meuser  
 Senator Judith L. Schwank  
 Guido M. Pichini (*ex officio*)  
 Francis L. Hendricks (*nonvoting president liaison*)

## Former Board of Governors' Audit Committee Member Serving During Fiscal Year 2015/16

Marie Conley

## Staff/Professional Certifications Held

- 4 - Certified Public Accountant (CPA)
- 3 - Certified Internal Auditor (CIA)
- 3 - Certified in Risk Management Assurance (CRMA)
- 1 - Certified Fraud Examiner (CFE)
- 1 - Certified Information Systems Auditor (CISA)
- 1 - Certified Information System Security Professional (CISSP)

## OIARA STAFFING

### Dean Weber, CIA, CRMA Director

Dean has been with the State System for 23 years. He is a Certified Internal Auditor and Certified in Risk Management Assurance. Dean is a graduate of Saint Francis University.

### Kimberly Greco, CPA Audit Senior

Kim has been with the State System for 11 years. She is a Certified Public Accountant. Kim earned her undergraduate and graduate degrees at Slippery Rock University of Pennsylvania.

### Shannon Keith, CPA, CFE Audit Senior

Shannon has been with the State System for 10 years. She is a Certified Public Accountant and Certified Fraud Examiner. Shannon is a graduate of Wilmington University and a veteran of the U.S. Air Force.

### Laurie Malatesta, CPA, CIA, CRMA Audit Senior

Laurie has been with the State System for 12 years. She is a Certified Public Accountant, Certified Internal Auditor, and Certified in Risk Management Assurance. Laurie is a graduate of Pennsylvania State University.

### Marianne Pollack Administrative Assistant

Marianne has been with the State System for 2 years. She is a skilled professional assisting departmental staff. Marianne is a graduate of Central Pennsylvania Business College.

### David Shissler, CPA, CISA, CISSP Audit Senior

David has been with the State System for 7 years. He is a Certified Public Accountant, Certified Information Systems Auditor, and Certified Information System Security Professional. David earned his undergraduate degree at Oral Roberts University and his graduate degree at Shippensburg University of Pennsylvania.

### Sylvia Thompson, CIA, CRMA Audit Senior

Sylvia has been with the State System for 7 years. She is a Certified Internal Auditor and Certified in Risk Management Assurance. Sylvia earned her undergraduate degree at Shippensburg University of Pennsylvania and her graduate degree at Temple University.

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Pennsylvania's  
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of Higher Education

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