

# Internal Audit Division Annual Report for Fiscal Year 2024



**N.C. Department of Agriculture and Consumer Services  
Internal Audit Division**

## Message from the Chief Audit Officer

Fiscal Year 2024 (FY24) was another successful and productive year for the Internal Audit Division.

Within our primary services, we:

- ❖ Completed four internal audit projects, one special investigation, four special projects, sixteen data analytics projects, and provided over 152 hours of technical assistance.
- ❖ Identified over \$444,165 in matching costs for a federally funded project.
- ❖ Helped a program avoid over \$313,636 in unallowable grant costs.



The Internal Audit Division achieved all four of its annual performance targets for FY24.

Internal Audit's most notable accomplishments for FY24 were in the areas of federal grants management and data analytics.

Our federal grants management compliance audits identified opportunities for improvement with respect to performance monitoring, risk assessments, identification and tracking of non-federal matching costs and unallowable costs avoidance.

Our data analytics program initiated a monthly p-card billing statement analysis and finalized a comprehensive financial dashboards project titled NCDACS Open Checkbook which brings together NCAS general ledger data dating back to 7/1/2018 with current NCFS general ledger data.

We thank the Department's senior management team for their continued support and look forward to adding more value for our stakeholders in Fiscal Year 2025!

Derek Allred, CIA, CISA, CFE  
Chief Audit Officer



## Internal Audit Division Overview

The Internal Audit Division was established in Fiscal Year 2014. The Division's mission is:

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

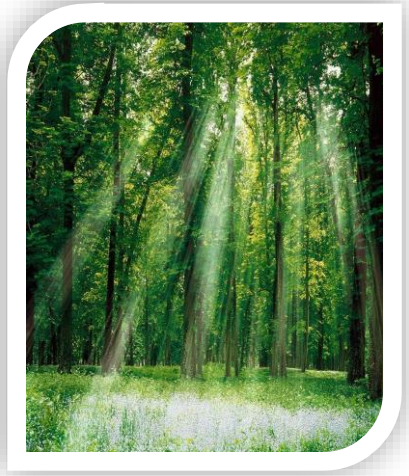
### Staffing

The Internal Audit Division is comprised of the Chief Audit Officer, two internal auditors and an intern.

### Certifications

Our staff hold professional audit certifications including:

- ❖ One Certified Internal Auditor (CIA),
- ❖ One Certified Information Systems Auditor (CISA),
- ❖ One Certified Fraud Examiner (CFE),
- ❖ One Certified Government Auditing Professional (CGAP), and
- ❖ One Certification in Risk Management Assurance (CRMA).



### Training

Professional development helps our staff to stay current with emerging topics and best practices within our profession, which improves our ability to provide high quality services to the Department. Individual training plans are developed and carried out for each staff member annually based on his/her knowledge, skills, abilities, and needs. During FY24, audit staff received over 129 hours in continuing professional education.



Primary Work Allocation				
Assurance Services	Consulting Services	Data Analytics	Follow-Up Audits/Monitoring	Special Investigations

**Assurance Services**

Assurance services include planned audits of strategy, operations, finance, compliance, information technology and other topics. Audits can also be integrated and include more than one of the categories presented. Assurance services are normally planned months in advance and included in our annual audit plan (work plan). This service includes the release of a formal report, which contains a summary of the area under audit and any observations as well as recommendations to mitigate identified risks.

**Consulting Services**

Consulting services are activities in which the nature and scope are agreed upon with the client and are intended to add value and improve an organization’s governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include advice, facilitation, and training.

**Data Analytics**

Data analytics engagements involve a systematic process through which we gather data, assess the quality of the data, cleanse the data, perform analyses and provide the results to management for informed decision making.

**Follow-Up Audits/Monitoring**

Follow-Up Audits/monitoring engagements are completed for any engagement observations deemed high risk to the Department.

**Special Investigations**

Investigations result from tips reported to our office via the Office of the State Auditor, our internal fraud, waste and abuse hotline and other sources. During FY24, the Internal Audit Division received and processed seven investigation tips.



**Performance Metrics**

We track four measures annually to assess our performance.

**Percent of Audit Plan Delivered during the Year (Productivity)**

<b>Target:</b>	75% Audit Plan Completion
<b>Actual:</b>	60% of Original Audit Plan Completed and 100% of the Revised Audit Plan Completed

Our audit plan, approved on June 16<sup>th</sup>, 2023, included five internal audit projects. Of the five projects on our original plan, we completed three or 60%. We later revised the audit plan by removing two projects due to emerging risks and adding two in their place. We completed 100% of the projects on our revised audit plan, exceeding our target.

**Percent of Internal Audit Projects Completed within Budget (Efficiency)**

<b>Target:</b>	80% of Projects Completed within + or – 10% of Budgeted Hours
<b>Actual:</b>	100% of Projects Completed within + or – 10% of Budgeted Hours

Budgeted hours are the number of hours we allocate to complete each internal audit project based on our estimates.

**Customer Satisfaction (Effectiveness)**

<b>Target:</b>	Average Rating of 40 out of 50
<b>Actual:</b>	Average Rating of 43.25

At the end of each audit engagement, project sponsors are asked to complete a survey evaluating our audit team’s work to facilitate continuous improvement. Questions on the survey address audit communication, professionalism of our staff, degree of disruption to operations and whether the audit added value. For each question, responses are provided on a scale from 1 to 5 with 5 being the highest possible score. The maximum survey score is 50.

**Conformance to IIA Standards (Quality)**

<b>Target:</b>	Generally Conforms
<b>Actual:</b>	Generally Conforms

Both our recent external and internal quality assurance reviews demonstrated an IIA Standards and Code of Ethics compliance result of “Generally Conforms,” the highest score the Internal Audit Division can achieve.



## Disclosures

The Internal Audit Division adheres to IIA Standards. The following items are being disclosed in conformance with the Standards.

### Audit Charter

The Internal Audit Division audit charter has been reviewed, updated, and approved by senior management as of July of 2023.

### Purpose

The purpose of the Internal Audit Division is to strengthen the Department's ability to create, protect, and sustain value by providing senior management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The Internal Audit Division is established by General Statute Chapter 143, Article 79. The Internal Audit Division's responsibilities are defined by these laws. The North Carolina Council of Internal Auditing has authority to set policy related to the Internal Audit Division.

### Professionalism

The Internal Audit Division will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The Chief Audit Officer will report periodically to senior management regarding the Internal Audit Division's conformance to the Code of Ethics and the Standards.

The Internal Audit Division will also adhere to the requirements within General Statute Chapter 143, Article 79, the Institute of Internal Auditors' Implementation Guidance, and Supplemental Guidance as applicable to guide operations.

The Internal Audit Division will adhere to the North Carolina Department of Agriculture and Consumer Services' relevant policies and procedures and the Internal Audit Division's internal policies and procedures manual.

Lastly, dependent upon engagement type, the Internal Audit Division will adhere to the Code of Ethics and Information System Audit and Assurance Standards issued by the Information Systems Audit and Control Association, the CFE Code of Professional Standards issued by the Association of Certified Fraud Examiners or standards of another professional organization.



## Disclosures (Continued)

### Authority

The Internal Audit Division, with strict accountability for confidentiality and safeguarding records and information, is authorized ready, full, free, and unrestricted access to all the North Carolina Department of Agriculture and Consumer Services' records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the Internal Audit Division in fulfilling its roles and responsibilities.

### Responsibility

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the Department's goals and objectives.

### Independence and Objectivity

The Internal Audit Division will remain free from interference by any element in the Department, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

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

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

### Current Impairments to Independence or Objectivity

The Internal Audit Division has no current independence or objectivity impairments.

### Resolution of Management's Acceptance of Risks

Each engagement can potentially result in observations concerning risks to the Department. In response to high and medium level risk rated observations, audit clients are required to develop management action plans to address the risks. When a management action plan is not developed and/or not implemented resulting in an unacceptable level of risk to the Department, the Chief Audit Officer must communicate the matter to senior management. There were no instances to report for FY24.



## Disclosures (Continued)

### Resources

The Internal Audit Division is currently understaffed by at least three positions and by as many as seven positions based on an internal audit staffing analysis<sup>1</sup> completed by the North Carolina Office of State Budget and Management Central Internal Audit Office, and our annual risk assessment identification of high-risk audit topics. Twenty-five high risk audit topics were declined for Fiscal Year 2025. A vacant internal audit position was transferred to the Purchasing Section in August of 2019. Understaffing decreases the Division's ability to cover many of the Department's high-risk areas resulting in the Department being exposed to a higher level of risk. At a minimum, the additional staffing needed would include an Internal Audit Supervisor to perform work quality reviews as well as advanced audit work, an Internal Auditor III, and an Information Technology Auditor. Prior year funding coupled with adjustments for inflation and approved salary increases will be sufficient to cover the current year's work plan and expenses. Building in funding for the three additional positions mentioned above plus operational unit cost increases for the positions would help Internal Audit to cover more of the high-risk engagement topics declined for Fiscal Year 2025. Please see Exhibit A on page 8 for more details.

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<sup>1</sup> [January 11<sup>th</sup>, 2023 Council of Internal Auditing Meeting Materials](#)





**Exhibit A**

Accounts	FY24 Budgeted Amounts	FY25 Budget Needed to Accomplish Work	Minimum FY25 Budget Needed for Enhanced Coverage of High-Risk Engagement Topics
51210000 SPA-REG SALARIES	\$ 338,119.00	\$ 312,658.00	\$ 604,012.00
51350000 STU TEMP WAGES	\$ -	\$ 17,354.00	\$ 17,354.00
51460000 EPA&SPA-LONGVTY PAY	\$ 3,785.00	\$ 7,193.41	\$ 13,748.88
515 EMPLOYEE BENEFITS	\$ 141,486.00	\$ 171,011.16	\$ 341,220.80
<b>51 PERSONAL SERVICES</b>	<b>\$ 483,390.00</b>	<b>\$ 508,216.57</b>	<b>\$ 976,335.68</b>
5214B000 IT SUBSCRIPTION SUPPORT	\$ 1,135.00	\$ 1,167.80	\$ 2,043.65
52199000 MISC CONTRACTUAL SERVICES	\$ 22.00	\$ 22.64	\$ 39.61
52441000 MAINT AGRMT-OTHER SOFTWARE	\$ 175.00	\$ 180.06	\$ 315.10
52534000 RENT/LEASE-PC/PRINTER	\$ 83.00	\$ 85.40	\$ 149.45
52714000 TRANSP-GRND - IN STATE	\$ 779.00	\$ 801.51	\$ 1,402.65
52721000 LODGING - IN STATE	\$ 1,311.00	\$ 1,348.89	\$ 2,360.55
52722000 LODGING-OUT STATE IN US	\$ 350.00	\$ 360.12	\$ 630.20
52724000 MEALS - IN STATE	\$ 671.00	\$ 690.39	\$ 1,208.19
52811000 TELEPHONE SERVICE	\$ 1,199.00	\$ 1,233.65	\$ 2,158.89
52812000 TELECOMMUN DATA CHRGR	\$ 12.00	\$ 12.35	\$ 21.61
52814000 CELLULAR PHONE SERVICES	\$ 312.00	\$ 321.02	\$ 561.78
52815000 EMAIL AND CALENDARING	\$ 245.00	\$ 252.08	\$ 441.14
52823000 AUTHENTIC & AUTHORIZ SVCS	\$ 147.00	\$ 151.25	\$ 264.68
52850000 PRINT BIND DUPLICATE	\$ 318.00	\$ 327.19	\$ 572.58
52913000 LIABILITY INSURANCE	\$ 11.00	\$ 11.32	\$ 19.81
52919000 OTHER INSURANCE	\$ 7.00	\$ 7.20	\$ 12.60
52920000 BONDING	\$ 25.00	\$ 25.72	\$ 45.01
52930000 REGISTRATION FEES	\$ 630.00	\$ 648.21	\$ 1,134.36
52942000 OTHER EMP EDUCATIONAL EXP	\$ 2,938.00	\$ 3,022.91	\$ 5,290.09
<b>52 PURCHASED SERVICES</b>	<b>\$ 10,370.00</b>	<b>\$ 10,669.69</b>	<b>\$ 18,671.96</b>
53110000 GENERAL OFFICE SUPPLIES	\$ 895.00	\$ 920.87	\$ 1,611.51
53110900 WORKSHOP/CONF-OFF SUPPLY	\$ 180.00	\$ 185.20	\$ 324.10
53150000 SECURITY & SAFETY SUPP	\$ 9.00	\$ 9.26	\$ 16.21
<b>53 SUPPLIES</b>	<b>\$ 1,084.00</b>	<b>\$ 1,115.33</b>	<b>\$ 1,951.82</b>
54511000 FURN-OFFICE	\$ 1,394.00	\$ 1,434.29	\$ 2,510.00
54521000 OFFICE EQUIPMENT	\$ 500.00	\$ 514.45	\$ 900.29
54539000 OTHER EQUIPMENT	\$ 250.00	\$ 257.23	\$ 450.14
54713000 PC SOFTWARE	\$ 10,736.00	\$ 11,046.27	\$ 19,330.97
<b>54 PROPERTY, PLANT AND EQUIPMENT</b>	<b>\$ 12,880.00</b>	<b>\$ 13,252.23</b>	<b>\$ 23,191.41</b>
55830000 MEMBERSHIP DUES&SUBSCRIPT	\$ 815.00	\$ 838.55	\$ 1,467.47
<b>55 OTHER EXPENSES &amp; ADJUSTMENTS</b>	<b>\$ 815.00</b>	<b>\$ 838.55</b>	<b>\$ 1,467.47</b>
<b>TOTAL NON-SALARY ITEMS</b>	<b>\$ 25,149.00</b>	<b>\$ 25,875.81</b>	<b>\$ 45,282.66</b>
<b>EXPENDITURES</b>	<b>\$ 508,539.00</b>	<b>\$ 534,092.38</b>	<b>\$ 1,021,618.34</b>

**Closing Comments**

We appreciate the support provided by senior management during FY24 and look forward to adding more value in FY25.

