

October 19, 2020

FINAL AUDIT REPORT

Audit of College of Agriculture and Life Sciences NC Cooperative Extension Business Process Governance

To: Chancellor W. Randolph Woodson

From: Cecile M. Hinson
Chief Audit Officer & Director, Internal Audit Division

The objective of this audit was to assess the effectiveness of governance over NC Cooperative Extension business processes. Those processes included:

- Strategic planning
- Financial management
- Procurement
- Human resources
- Program delivery
- Training
- Compliance with Federal, State, and University guidelines

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**AUDIT OF COLLEGE OF AGRICULTURE AND LIFE SCIENCES NC COOPERATIVE
EXTENSION BUSINESS PROCESS GOVERNANCE**

October 19, 2020

AUDITING STANDARDS

This audit conforms to the definition of internal auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Internal Audit Standards) as defined in the Institute of Internal Auditors' International Professional Practice Framework, 2017 Edition.

BACKGROUND

"The Institute for Internal Auditors (IIA) believes internal audit's role in governance is vital. Internal audit provides objective assurance and insight on the effectiveness and efficiency of risk management, internal control, and governance processes..." (IIA Position Paper – May 2018). We included this audit of College of Agriculture and Life Sciences (CALS) NC Cooperative Extension (NCCE) Business Process Governance on our Fiscal Year (FY) 2019 audit plan based on our knowledge of:

- Governance risks inherent to the decentralized organization with over 900 employees distributed across 101 counties statewide
- Turnover in key leadership at NC State Extension
- Inherent reputational risk due to NCCE's heavy engagement in youth programs and public partnerships
- Business process and compliance control gaps identified through our continuous risk assessment process
- Risks identified in previous investigations and consulting engagements at NCCE county offices

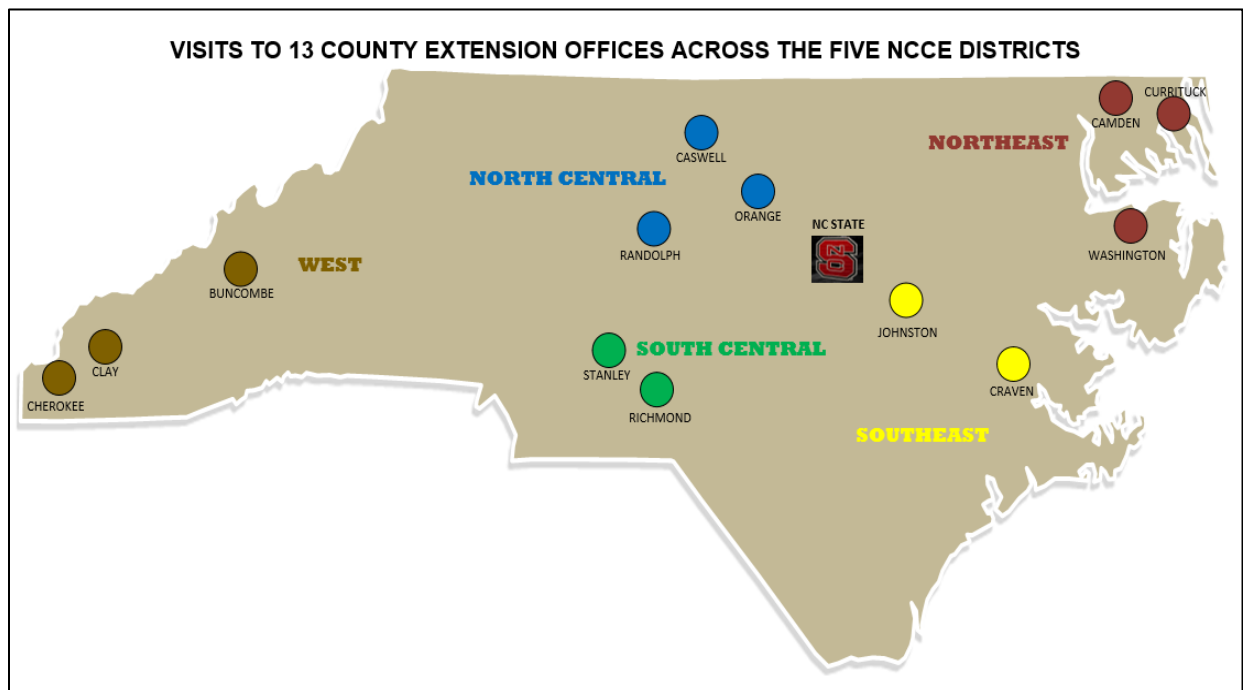
OBJECTIVE AND SCOPE

The objective of this audit was to assess the effectiveness of governance over NCCE business processes. Those processes included:

- Strategic planning
- Financial management
- Procurement
- Human resources
- Program delivery
- Training
- Compliance with Federal, State, and University guidelines

We audited against criteria set forth in Federal, State, and University guidelines and best practices related to both higher education and extension governance. Audit issues and recommendations identified in this report were derived from those guidelines and best practices.

As part of our work, we interviewed 108 personnel in 13 NCCE offices and at NC State’s campus in Raleigh, as shown in the map and table below.



Interviews Conducted	
NCCE County Offices	74
County Extension Directors (CED)s	11
County Extension Agents	38
County Operations Support Staff (County Administrative Assistants, Program Assistants, other support staff)	25
On Campus	34
Dean of College of Agriculture and Life Sciences	1
Associate Dean, CALS and Director, NC State Extension (Extension Director)	1
Extension Program Leadership (Agriculture, 4-H, and FCS)	7
County Operations Team (District Extension Directors and District Administrative Associates)	10
CALS Personnel Supporting NCCE Business Processes (Extension Organizational Development, Extension HR, Extension Marketing & Communications, Extension Evaluation & Accountability, Extension IT, CALS Business Office and NC Agricultural Foundation)	13
University Procurement and Business Services	2
Total	108

EXECUTIVE SUMMARY OF RESULTS

This audit resulted in:

- Advisory feedback provided to CALS and NC State Extension leadership (leadership)
- Communication of positive outcomes from NC State Extension’s efforts
- Identification of three issues that should be corrected by NC State Extension

Advisory Feedback Provided During the Audit

Personnel we interviewed were forthcoming about opportunities they saw for improvement within the organization. Most of these opportunities did not rise to the level of a reportable issue but relate to inherent risks for large decentralized organizations. We provided advisory feedback to leadership regarding these challenges, which included:

- Improving state-wide communication during the vacancy of the NC State Extension County Operations Director position
- Providing consistent professional development training to NCCE personnel across the state
- Coordinating between the CALS Business Office and the decentralized NCCE county offices

- Fostering communication, coordination, and support from extension specialists (faculty at NC State and NC A&T University) out to NCCE county offices
- Communicating the processes for the implementation and use of EventBrite, an event management and payment collection application newly implemented by NC State Extension
- Supporting agent work-life balance, particularly for 4-H agents who often deliver programs during evenings and weekends
- Marketing of NCCE programs within ever-changing and diverse local communities

Positive Outcomes

NCCE personnel interviewed were consistently engaged and enthusiastic about their work, passionate about their mission, supportive of leadership, and optimistic about the future of NCCE.

NC State Extension's leadership was open to, accepting and responsive to our feedback and is already working to address some of the challenges we discussed with them. Examples of steps already taken to address the challenges listed above included:

- Hiring an additional employee within Extension Organizational Development to help provide state-wide delivery of NCCE professional development training
- Hiring three regional 4-H agents to support county 4-H agents in the delivery of youth programs, thus, improving work-life balance for the existing agents
- Providing EventBrite training to NCCE county offices to communicate procedures for implementation and use of the application

Additionally, leadership was proactive in correcting, prior to the issuance of this report, an issue we identified during the audit. NC State Extension did not provide centralized guidance for helping NCCE maintain compliance with REG 01.25.18 – Programs that Involve the Participation of Minors, a regulation with the purpose of safeguarding youth who participate in NCSU programs. In response to our feedback, and in coordination with the NCSU Director of Compliance and Youth programs, NC State Extension implemented a compliance plan and procedures for personnel overseeing programs that involve the participation of minors. The plan and procedures were rolled-out in January 2020.

Further, when brought to their attention, NC State Extension updated REG 05.10.01 - Appointment, Performance Review, and Promotion Policies for County Extension Personnel on August 11, 2020. The regulation was outdated and conflicted with new NCCE title promotion processes implemented in April 2019.

Audit Issues

We also identified three issues that require management corrective action:

Issue 1 - Strategic Planning

Throughout the engagement, we discussed the top-down communication of NCCE's strategy with various personnel. Extension Program Directors, District Extension Directors, and CALS personnel on campus who support NCCE business processes were uncertain about the long-term strategy for NCCE and the roles and responsibilities for implementing that strategy. The most common reason provided for this uncertainty was the lack of a documented, unified strategic plan with accompanying goals and tactics to focus and direct NCCE activities. The last strategic plan was implemented from 2014-2016 under the previous Extension Director and a new plan is not in place.

Issue 2 - Extension Advisory Councils and Program Committees

There is a lack of updated guidance and training for NCCE personnel working with volunteer county advisory councils and program committees. These responsibilities were previously assigned to the state-wide advisory system leader position. That position has been vacant for several years and the position's responsibilities have not been effectively reassigned. This has contributed to the county-level advisory councils' and program committees' inability to meet the requirements as detailed by the NCCE Advisory Leadership System Operations Manual and the NC State Extension Advisory Council Handbook. Specifically, county-level advisory councils and program committees are not consistently:

- Established and active in every county
- Comprised of a diverse membership from the local communities
- Fulfilling their purpose of advocacy and identification of programing needs

Issue 3 - County Departmental PCard Initiative

NC State Extension has not yet developed guidance or training for a new County Departmental PCard Initiative designed to add purchasing flexibility for NCCE activities. While the initiative is not due to be rolled out until November 2020, it will increase the NCCE personnel who will have access to a PCard and, thus, NCCE funds. The implementation of the initiative should be accompanied by appropriate guidance and training to mitigate the risk of misuse.

See the Audit Issues and Management Responses section below for further detail of the issues, our recommendations, and NC State Extension's planned corrective actions.

AUDIT ISSUES AND MANAGEMENT RESPONSES**ISSUE 1: Strategic Planning****ISSUE NOTED**

NCCE personnel were uncertain about the long-term strategy for NCCE and the roles and responsibilities for implementing that strategy. Personnel at all levels across the organization expressed this uncertainty. However, in particular, 80% of District Extension Directors, 86% of the CALS personnel on campus that support NCCE business processes, and all Extension Program Directors shared concerns related to the lack of a documented, unified strategic plan with accompanying goals and tactics to focus and direct their activities. From 2014-2016, a documented NCCE strategic plan was in place but a new strategic plan has not been created since it expired.

IMPACT OF THE ISSUE

Without a current strategic plan, there is a risk of:

- Disruption to NCCE's mission
- Lack of common goals creating diluted focus and potentially conflicting activities
- Ineffective optimization of resources
- Employee confusion as to their roles and responsibilities in achieving NCCE's mission
- Decreased resiliency to change in the event of disruptions
- Negative impact on employee morale

RECOMMENDATION

We recommend the Dean of CALS ensure the Associate Dean and Director for NC State Extension:

- Develops, documents, and communicates a strategic plan in alignment with both its own mission and the goals of the latest CALS and University Strategic Plans
- Develops an implementation plan

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- Assigns appropriate roles and responsibilities to personnel accountable for its implementation
- Designs meaningful metrics to measure the achievement of the associated goals

MANAGEMENT RESPONSE FROM NC STATE EXTENSION

Our current Mission and Vision are available on our web site <https://www.ces.ncsu.edu/how-extension-works/>. This information is also listed inside the front cover of our annual report <https://www.ces.ncsu.edu/how-extension-works/extension-impacts/>. This information was developed as part of the last NC State and CALS strategic plans. NC State is in the process of updating the Strategic Plan for 2020/21. The Associate Dean and Director of NC State Extension and the Dean of CALS have already completed a preliminary step towards the NC State plan with a focus on our Land Grant Mission. Once the University plan moves forward we plan to initiate the new CALS Strategic Plan. Extension plans to work with both campus and county Extension to develop/update our mission and vision as part of the new plan for CALS and NC State.

In having this conversation, we believe that when Extension was faced with budget cuts shortly after the last NC State/CALS/Extension plan was released, there was an expectation that our mission and vision might change. It did not but we have been in a period of adjustment. This opportunity to create a new plan for Extension will be helpful in refocusing the organization.

PERSON RESPONSIBLE FOR IMPLEMENTING CORRECTIVE ACTION

Associate Dean and Director of NC State Extension along with senior leadership in Extension

DATE CORRECTIVE AND PREVENTIVE ACTION WILL BE IMPLEMENTED

This is dependent on the pace of both the University and CALS strategic Plan development. However, we expect that this plan, COVID depending, will be completed by late spring 2021 or before.

ISSUE 2: Advisory Councils and Program Committees

ISSUE NOTED

Extension advisory councils and program committees consist of volunteers who help NCCE engage with communities. However, county advisory councils and program committees were not consistently operating in line with NCCE’s guidelines, including the NCCE Advisory Leadership System - Operations Manual and the NC State Extension Advisory Council Handbook, which require NCCE county offices to have “a vital advisory system that does programming and advocacy work.” All District Extension Directors (DEDs) and 64% of the CEDs we interviewed said that NCCE volunteer advisory councils and program committees from NC communities were not consistently:

- Established and active in all counties
- Comprised of a diverse membership from the local communities
- Fulfilling their purpose of advocacy and identification of programming needs

While some CEDs did note that they had consistent participation from their advisory councils, most discussed challenges with engaging volunteers, particularly through county program committees.

We identified the following factors contributing to the inconsistent engagement with advisory councils and program committees:

- The Program Development and Advisory System Leader position is vacant and the position’s responsibilities have not been effectively reassigned. This position previously provided state-wide leadership for advisory councils and program committees
- The NCCE Advisory Leadership System - Operations Manual for advisory councils and program committees has not been updated since 2005
- Training on effectively engaging advisory councils and program committees is not consistently available to CEDs and agents at the county levels

IMPACT OF THE ISSUE

If advisory councils and program committees are not established in all counties, representative of local communities, and consistently fulfilling their purpose, there is risk of:

- Decreased public awareness of, support of, and involvement with Extension services
- Lack of diversity of perspectives and ideas for delivering Extension services
- Loss of relevancy for addressing the changing needs of rural and urban North Carolina communities

Without state-wide advisory system leadership, updated guidance, and training for working with county advisory councils and program committees, there is a risk that NCCE personnel will not effectively and efficiently engage with the volunteers that make up these councils and committees.

RECOMMENDATION

We recommend the Dean of CALS ensure the Associate Dean and Director for NC State Extension:

- Confirms advisory councils and program committees are established in all counties
- Assigns responsibility to a current leadership position within NCCE for state-wide leadership of advisory councils and program committees
- Creates methodology to ensure advisory councils and program committees are representative of the diversity of their communities and are functioning as intended
- Updates the NCCE operations manual for advisory councils and program committees to reflect NCCE leadership's expectations for operations
- Develop and provide readily-available training for NCCE personnel on effectively engaging advisory council and program committee volunteers

MANAGEMENT RESPONSE FROM NC STATE EXTENSION

Starting July 1, 2020 Extension Administration placed the County Extension Director in Brunswick County in an interim role to work with the District Directors and Counties on how to improve advisory councils. There is a clear expectation that agents have advisory committees for their roles, that counties have advisory councils to help direct the county

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operation as a whole, and that clusters of 3-4 counties provide a representative to the State Advisory Council that meets 3 times per year, with one of those meetings being joint with NC A&T's equivalent committee. We understand that there is shared accountability here but it has been evident to us that the selection of those on each committee may be more important than we were aware. Finding someone to say yes does not always translate to having an engaged member. One of our goals is to see if a different structure of how often and how we meet may impact our ability to improve the process. We are also focused to ensure that each committee represents the diversity each county has including population and programming needs. Part of this process will also include updating the guidelines and strategies for these committees as well as providing training for new agents and CED's.

PERSON RESPONSIBLE FOR IMPLEMENTING CORRECTIVE ACTION

Associate Dean and Director of NC State Extension in collaboration with Extension leadership, District Directors, and County Directors.

DATE CORRECTIVE AND PREVENTIVE ACTION WILL BE IMPLEMENTED

The interim position will work for a period of 1 year to interview, collaborate, make recommendations, and with Extension Leadership, implement a restructured system. Our plan is to fully rework our committee structure as needed by July 1, 2021.

ISSUE 3: County Departmental PCard Initiative**ISSUE NOTED**

NC State Extension has not yet developed process and compliance guidance or training for the new County Departmental PCard Initiative expected to be rolled out in November 2020. County Departmental PCards will differ from standard NC State PCards in that it will allow multiple users within the same county to use the same PCard. The initiative will increase the number of NCCE personnel who have access to a PCard and NCCE funds; thus, increasing the risk of inappropriate charges. Many of the NCCE personnel being granted new access to PCards are not familiar with NCSU procurement guidance, NCSU Spending Guidelines, or documentation requirements for PCard expenditures. The NC State Extension Director has had discussions with the CBO regarding the initiative, but as of the release of this report, guidance and training for ensuring purchasing compliance within the initiative have not been developed and documented.

IMPACT OF THE ISSUE

Providing access to a PCard without ensuring appropriate guidance and training may create:

- Increased risk for fraud, waste, or abuse
- Non-compliance with state and University procurement guidance
- Inefficiencies and inconsistencies in the PCard purchasing processes and practices within each county

RECOMMENDATION

We recommend that, prior to issuing cards through the County Departmental PCard Initiative, the Dean of CALS ensure the Associate Dean and Director for NC State Extension completes work with the CALS Assistant Dean for Business Operations and the Director of NCSU Procurement and Business Services to:

- Develop process and compliance guidance and training for the County Departmental PCard Initiative

- Deliver guidance and training to NCCE personnel prior to the rollout of the initiative
- Make guidance and training documentation easily accessible to all NCCE employees after the rollout

MANAGEMENT RESPONSE FROM CALS BUSINESS OPERATIONS

CALS will implement departmental PCards throughout the state's county Cooperative Extension offices in a phased approach over several months, with November 2020 being the target for the first round of issuance. Cards will only be issued to a county office after training has been completed and responsible parties with the counties have attested to their understanding of the program compliance requirements and to the internal processes and controls that will be in place in the county office to appropriately control the departmental PCard program.

As part of the rollout, CALS will:

1. Develop process and compliance guidance and training for the County Departmental PCard Initiative
2. Deliver guidance and training to NCCE personnel prior to the rollout of the initiative; and
3. Make guidance and training documentation easily accessible to all NCCE employees after the rollout

PERSON RESPONSIBLE FOR IMPLEMENTING CORRECTIVE ACTION

CALS PCard Program Supervisor and the NC State Extension Interim Assistant Director of County Operations and HR Manager

DATE CORRECTIVE AND PREVENTIVE ACTION WILL BE IMPLEMENTED

1. Develop process and compliance guidance and training for the County Departmental PCard Initiative (November 2020)
2. Deliver guidance and training to NCCE personnel prior to the rollout of the initiative (June 2021); and
3. Make guidance and training documentation easily accessible to all NCCE employees after the rollout (November 2020)