



University of the Virgin Islands

Office of Internal Audit

**Strategic
Risk Assessment and Audit Plan
Fiscal Year 2025–2026**

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EXECUTIVE SUMMARY

The Office of Internal Audit (OIA) supports the Board of Trustees, the Audit Committee, the President, and University leadership in their oversight and operational responsibilities. Guided by the Audit Committee Charter, the OIA conducts a **comprehensive Risk Assessment** to evaluate vulnerabilities across all University of the Virgin Islands (UVI) operations and supports the development of the **Annual Audit Plan**. This Audit Plan defines the audit initiatives to be pursued during the period of January to December 2025. OIA will conduct audits in accordance with the Institute of Internal Auditors and the 2 CFR 200 standards and regulations. The audits will focus on assessing risk and provide reasonable assurance regarding effectiveness and efficiency of operations, reliability of financial data and reports, and compliance with laws and regulations. The completion of each audit result will be presented in written reports provided to the Audit Committee, Board of Trustees and any other individuals who have oversight responsibility of the Program or Component Unit audited.

The OIA operates under three main functions:

Governance & Compliance – Evaluating structures, controls, and compliance.

Assurance & Advisory Services – Offering independent assessments.

Investigations – Handling fraud, waste, abuse, or ethical misconduct claims.

The Risk Assessment is a strategic tool updated at least annually to identify and prioritize areas with significant risk, improve audit resource allocation, and ensure consistency with the University's strategic objectives.

It is developed using the Institute of Internal Auditors (IIA) Professional Standards and the Internal Control Framework, which includes five key components:

- ⇒ **Control Environment** sets the tone of an organization influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.
- ⇒ **Risk Assessment** is the entity's identification and analysis of risks relevant to the achievement of its objectives, forming a basis for determining how the risks should be managed.
- ⇒ **Control Activities** are the policies and procedures that help ensure that management's directives are carried out.
- ⇒ **Information and Communication** are the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.

⇒ **Monitoring** is a process that assesses the quality of internal control performance over time.

An **Impact Multiplier** gauges the consequences of control failures, such as financial and reputational risk, operational, workforce, political or legal issues. Input from key staff and administration, who have valuable knowledge, enhances its accuracy and relevance. The Plan is flexible and may be revised based on input from the Audit Committee, senior management, and changing conditions; it currently reflects the relative risks and optimal use of limited audit resources. The selection criteria include:

- ❑ Risk Assessments
- ❑ Management Requests
- ❑ Statutory requirements and recommendations from the local Executive and Legislative branch and other sources of Federal authority
- ❑ University needs as identified through consultation with representatives of the Audit Committee and management;
- ❑ Extent of audit coverage provided by outside sources;
- ❑ Newness, changed conditions, or sensitivity of the activity;
- ❑ Adequacy of the existing internal control systems for the activity;
- ❑ Availability of audit staff;
- ❑ Extent and results of prior reviews.
- ❑ Intake forms through electronic mail and hotline regarding possible fraud, waste, abuse, or ethical concerns, and
- ❑ Extent of UVI resources committed to the activity;

Currently, the OIA is led by the Chief Audit Executive and functions without additional staff, which may limit capacity.

This plan reflects a balanced approach to oversight, aligning audit focus with risk exposure while supporting the University's mission of transparency, accountability, and operational excellence.

Introduction

This document outlines the strategic plan of the Office of Internal Audit (OIA) to fulfilling its ongoing responsibilities related to the audit function during Fiscal Years 2025 and 2026. This plan also serves as a direct response to the directive of the Board of Trustees, the Audit Committee, the President, and University leadership, reflecting their oversight role and commitment to evaluating vulnerabilities across all University operations.

Goals and Objectives

The primary goal of the OIA is to provide reasonable assurance regarding:

- The effectiveness and efficiency of university operations,
- The reliability of financial data and reporting, and
- Compliance with applicable laws, regulations, and policies.

To accomplish this, the OIA will work closely and consistently with directors and managers across the UVI to proactively identify and address issues before they arise.

Specifically, the OIA will:

- Foster an ethical environment by clearly articulating and communicating its mission and objectives.
- Recommend strategies to reduce the University's risk appetite by conducting desk reviews and both financial and compliance audits.
- Identify inherent control weaknesses within UVI's component units that may impede the achievement of strategic and operational goals by performing targeted internal control assessments.
- Communicate audit findings and associated risk levels consistently across all levels of the University to ensure alignment and accountability.

Ultimately, OIA's work aims to strengthen the mission and vision of the UVI by reducing risk, improving output, and reinforcing sound governance. The OIA is committed to supporting UVI in achieving its institutional goals and objectives. To this end, it will continue to independently perform audits that support decision-making through accurate assessments of operations, compliance, and financial reporting.

By keeping the Audit Committee informed of identified issues and control deficiencies, the OIA will contribute meaningfully to the continuous improvement of the University's management and accountability systems, particularly in relation to federally funded programs.

In fulfilling our mission, OIA staff will adhere to the Code of Ethics established by both UVI and the Institute of Internal Auditors (IIA). We will maintain fairness, uphold professional standards, and remain accountable in meeting our responsibilities. The OIA is committed to innovation and leadership within the internal audit profession and will collaborate respectfully within the UVI organizational structure.

RISK ASSESSMENT

The Audit Committee Charter outlines the duties and responsibilities of the Internal Auditor, which includes preparing and presenting a comprehensive Risk Assessment. This assessment should cover all areas of the UVI's operations and be updated and presented to the Audit Committee at least once a year.

The Risk Assessment serves as a vital tool for identifying high-risk areas, which are crucial in formulating the annual audit plan and optimizing the use of audit resources. Risk is the primary factor in determining the areas to audit, ensuring that the focus is placed on the most vulnerable or critical areas. The office of Internal Audit will also strive to provide coverage for lower-risk areas of the organization, albeit on a less frequent basis.



Additionally, management may identify areas of concern or suggest specific audits they believe are necessary. These requests are considered during the audit selection process to ensure alignment with organizational needs and priorities.

The Risk Assessment was developed using risk factors as defined by the Professional Standards of the IIA, aligned with the Internal Control Framework.

These factors include Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

The Internal Audit Auditor gathered feedback from key staff and administrators to enhance the risk assessment process (Appendix 2, and 3). Their expertise in addressing specific questions was instrumental in shaping audit priorities and actions. As a result, a summary of risk rankings—categorized as high, medium, or low based on average risk scores—was developed for 19 sub-divisions across the 8 component units surveyed. The results are presented in Figure 1 below. A more detailed breakdown of the Risk Factor Summary, including the impact multiplier used in scoring, is provided in Appendix 1.

Figure 1: Risk Ranking by Sub-Division Across Component Units

This figure illustrates the distribution of average risk scores assigned to 19 sub-divisions within 8 component units. Risk scores were categorized into three levels:

- **High Risk** (scores ≥ 51)
- **Medium Risk** (scores between 31 and 50)
- **Low Risk** (scores < 30)

The assessment provides a visual representation of priority areas that may require immediate or enhanced internal control measures.

Figure 1

Department	Component Units	Risk Score
	High Risk	
Admin/Finance	Accounting	60
Admin/Finance	Purchasing/Procurement	56
	Medium Risk	
Institutional Advancement	Reichhold Center	46
Information Services & Institutional Assessment	Libraries & Center for Excellence in Teaching & Learning	42
Enrollment Management	Access & Enrollment	38
Academic Affairs	School of Agriculture	38
Student Success & Innovation Ctr.	Student Affairs	36
Admin/Finance	Human Resources	35
Academic Affairs	College of Science & Math	33
Admin/Finance	Business Services and Bookstore	32
Admin/Finance	Facilities Management	31
Information Services & Institutional Assessment	Institutional Research & Planning	20
	Low Risk	
Admin/Finance	Campus Security and Safety	28
Information Services & Institutional Assessment	Information Technology	26
Academic Affairs	School of Education	24
Academic Affairs	UVI CELL	19
Research & Economic Development	Eastern Caribbean Ctr	18
Student Success & Innovation Ctr.	Athletics	18
Academic Affairs	School of Business	15
Research & Economic Development	Title III & Sponsored Programs	15

The University can strengthen their internal controls, reduce audit risks, and ensure compliance with regulatory standards when guided by specific templates or tools for implementing. In addition, regular updates to risk assessment processes and control measures will help mitigate emerging risks.

ANNUAL PLAN FISCAL YEAR 2025-2026

The Office of Internal Audit serves to support the Board of Trustees, the Audit Committee, the President, and University leadership in fulfilling their oversight, management, and operational responsibilities. Our mission is carried out through:

- **Governance & Compliance:** Evaluating governance processes, internal controls, and adherence to laws, regulations, and University policies.
- **Assurance & Advisory Services:** Providing independent, objective, and timely assessments to enhance risk management and control effectiveness.
- **Investigations:** Conducting audits, reviews, and investigations into potential fraud, waste, abuse, or ethical misconduct.

The Office of Internal Audit operates with a systematic and disciplined approach to identifying risks and strengthening governance. It is led by the Chief Audit Executive (Internal Auditor) and currently functions without support staff. During the Fiscal Year a request was submitted to the Audit Committee and University leadership for additional resources.

PLANNING METHODOLOGY

The Internal Auditor applies a systematic, disciplined approach to assess and strengthen governance, risk management, and internal control processes. Audit selections are selected from various sources, including risk assessments, management requests, and reports of fraud, waste, abuse, ethical misconduct, or financial mismanagement. To support transparency and accountability, a confidential hotline is available for individuals to report concerns.

The Risk Assessment is a key factor in prioritizing audit engagements. While high-risk areas receive primary attention, lower-risk areas are also reviewed periodically to ensure comprehensive oversight. Additionally, management may identify areas of concern or request targeted audits, which are carefully evaluated to align with the University's objectives and enhance organizational effectiveness.

The Annual Plan serves as a strategic tool for efficiently allocating audit resources. It remains flexible and may be adjusted throughout the year to address emerging risks and priorities. Audit reports will be issued upon the completion of audits, desk reviews, and investigations.

Each planned audit will assess the risks and vulnerabilities within the University's component units and evaluate the effectiveness of control activities designed to mitigate those risks. The Fiscal Year 2025-2026 Annual Plan is outlined below. Additionally, as the risk landscape and

audit environment evolve, other audits and special projects may be incorporated to ensure comprehensive oversight, including engaging external audit firms when necessary.

Planned Audits

1. Financial Statements & Major Federal Grant Programs – Corrective Action Plan

The external audit consultants, Ernst & Young, utilize the 14 types of compliance requirements, listed in the A-133 Compliance Supplement, for identifying which requirements applicable to the program are subject to testing. Not all compliance requirements apply to all programs. Conversely, certain types almost always apply.

Objectives: a) Test whether Project Managers have a clear understanding of program requirements and reporting timelines; b) Determine if Project Managers are aware that programs are subject to ongoing reviews and evaluations in accordance with applicable federal requirements; c) Ensure recipients of program funds are accountable for fulfilling reporting obligations and complying with the terms and conditions of their awards; d) Evaluate whether procurement actions comply with federal and agency requirements and result in appropriate, cost-effective contracts that meet user needs. Please see Matrix of the completed FY 2020 Audit that will be used to capture and support management update on Corrective Actions taken (Attachment 1).

Focus Areas:

1. Financial Statements & Federal Award Findings

- Financial Position
- Year-End Close Process
- Capital Assets & Related Expenditures
- Grants Management
- Accuracy of Liabilities
- Net Position Restrictions and Designations
- Bank Accounts
- Small Business Development Centers
- Student Financial Assistance Cluster
- Higher Education Emergency Relief Fund

2. Administration and Finance

Objective: Review processes and internal controls to assess their effectiveness in achieving compliance with established financial controls. Identify inherent weaknesses and validate the implementation of sound financial practices to align with the yearly financial statement and single audit review.

Focus Areas:

- Accounting – Assess financial reporting accuracy and reconciliation procedures.
- Payroll – Evaluate payroll processing, compliance with policies, and accuracy of disbursements.
- Human Resources – Review hiring, compensation, benefits administration, and background check processes.

- Business Services – Examine financial transactions, cash handling, and student account management.
- Purchasing – Assess procurement processes, vendor management, and compliance with purchasing policies.

3. Institutional Advancement – Reichhold Center for the Arts

Objective: Evaluate project completion and program processes and controls to ensure alignment with institutional objectives. Assess the effectiveness of internal structures, management oversight, and monitoring of outcomes to maintain transparency and accountability.

Focus Areas:

- Operations
- Construction timeline
- Fundraising Activities, Donations, Gifting Priorities

4. Academic Affairs – School of Education & MMES

Objective: Evaluate program processes and controls to ensure alignment with institutional objectives. Assess the effectiveness of internal structures, management oversight, and monitoring program outcomes to maintain transparency and accountability.

Focus Areas:

- School of Education @ University of St. Maarten – Review governance, financial oversight, and adherence to program objectives.
- MMES and Student Payments – Verify the accuracy and timeliness of financial transactions related to student payments.

5. Information Services and Institutional Assessment

Objective: Evaluate program processes and controls to ensure alignment with institutional objectives. Assess the effectiveness of internal structures, management oversight, and monitoring program outcomes to maintain transparency and accountability.

Focus Areas:

- Academic Resource Support
- Library Service - Copyright issues (implement next year)
- Educational Technology & ITS Support - Data Management & Backup
- System Development Life Cycle & Change Management
- Library Operations and Access - Information Security, Access & Administration

6. Investigations, Inspections, Reviews, and Other Planned Projects

- Hotline Monitoring – Provide support for receiving, reviewing, and following up on allegations and incidents reported via the hotline. A Standard Operating Policy and Procedures document is to be developed to formalize this process.
- Investigations and Inspections – Support is required to conduct investigations and inspections of incidents identified through the hotline, audits, management and employee input, and other sources. Additionally, follow-ups will be conducted on previously completed reports to ensure resolution and compliance.

In accordance with the Audit Charter, any modifications to the audit plan, including management requests for unplanned assignments, will be presented to the Audit Committee for review and approval before commencement.

Appendix 1

AUDIT RISK FACTOR SUMMARY

Risk Factors Defined by the Institute of Internal Auditors (IIA)

Control Environment

The Control Environment defines the overall tone and control consciousness of the entity. Key factors include:

- Integrity and ethical values of personnel
- Competence of personnel
- Management’s philosophy and operating style
- The way management assigns authority and organizes personnel
- The level of attention and direction provided by senior management and the board

A robust control environment is essential for fostering a culture of transparency and accountability within the organization.

Risk Assessment

Risk Assessment is the process of identifying and analyzing risks that may affect the entity’s ability to achieve its objectives. This process evaluates the risks that could impact:

- The effectiveness and efficiency of operations
- The reliability and timeliness of financial and operational information
- Compliance with laws and regulations
- Safeguarding of assets (as outlined by the IIA Red Book)

Risk Assessment evaluates inherent risks in the entity's processes, products, and services, considering the potential threat to business continuity. Factors impacting risk include:

- Changes in personnel, products, services, and systems
- The business and governmental environment
- The level of interaction with customers and the ability to meet their requirements
- Regulatory requirements and legal exposures
- Fraud risk
- Financial reporting pressures, both real and perceived, to meet targets

This comprehensive evaluation enables organizations to proactively address and mitigate potential risks.

Control Activities

Control Activities are policies and procedures that help ensure that management's directives are properly carried out. These activities are necessary to address risks identified during the Risk Assessment and ensure the achievement of the entity's objectives. Control activities include a wide range of actions, such as:

- Approvals, authorizations, verifications
- Reconciliations and performance reviews
- Security of assets and segregation of duties

Control activities are categorized based on the entity's objectives: operations, financial reporting, or compliance. Types of control activities include:

- Preventive controls
- Detective controls
- Manual controls
- Information system controls (both general and application)
- Management controls

Each type of control plays a specific role in ensuring that risks are mitigated, and objectives are achieved.

Information and Communication

Information and Communication focus on identifying, capturing, and communicating relevant information from both internal and external sources to ensure effective management and control of the entity's operations. This information must be provided in a timely manner and in a form that allows personnel to fulfill their duties efficiently and accurately.

Effective communication ensures that stakeholders are kept informed and can make well-informed decisions based on accurate, up-to-date information.

Monitoring

Monitoring refers to the process through which management assesses the quality and effectiveness of its control system over time. This process ensures that the system continues to operate effectively and remains responsive to emerging challenges. Factors to evaluate include:

- Processes to identify, measure, monitor, and communicate performance results
- Customer service issues and identification of related problems
- The time elapsed since the last audit (internal or external) or regulatory examination
- The timeliness of corrective actions taken

Effective monitoring ensures that the internal controls adapt and evolve in response to any challenges or deficiencies identified.

Appendix 2

Comments - Leadership 2 Cabinet members did not respond to the questionnaire
Q: Are there any special issues or areas of concern to which the department feels the Office of Internal Audit should be aware of or devote additional time? A: The reduction in resources (monetary and staffing) make it difficult to adequately support the University. Additionally, working with all units, ISIA technicians and Banner staff particularly have a clear view of the operations of the University. The unit regularly receives non-technical related issues because other units are non-responsive. Some rely on outdated processing. Some offices are in such horrible state that technicians are not comfortable entering.
Q: In case of an emergency, does a contingency plan exist that would guide the department on how to continue operations? A. While a guide exists, testing is needed.
Q: Does higher level management review the reconciled ledgers and appropriate supporting records and provide documentation of this review? A. Currently we have a third party performing the reconciliations and I am reviewing however, the department historically has not performed reconciliations.
Q: Is the use of property off-campus properly accounted for? A: Unknown
Q: Is off-campus property included in the annual inventory? A: It is not
Q: Are employees responsible for payroll provided with a manual or operating procedure? A: Payroll personnel needs training as they are not current on payroll policies, practices, and compliance.
Q: Have employees charged with payroll and distribution responsibilities been appropriately trained? A: Payroll personnel needs training as they are not current on payroll policies, practices, and compliance.
Q: Are procedures in place to ensure awareness and compliance with the University's policy on Conflict of Interest and Disclosure? A: Based on recent finding Director doesn't follow the process

<p>Q: Are vendor invoices timely processed?</p> <p>A: There are several problems here. (1) all invoices are processed on department levels and do not often times make it to accounting for payment until the vendor is severely delinquent. (2) AP does not enter vendor payment terms, so invoices are not aged. (3) AP does not review the disbursement list to make sure invoices outstanding are there. (4) in a digital world ACH/Wire payments are the standard process. UVI is still on checks. Several risks are in these as large checks are issued. (5) AP does not reconcile vendor statements to ensure the missing invoices are captured before delinquency. (6) I also learned accounting does not practice vendor maintenance and does not maintain contact with vendors</p>
<p>Q: What significant industry or economic issues and trends impact the entity?</p> <p>A: Online options need to be explored ASAP. The need for flexibility and low cost is growing exponentially.</p>
<p>Q: Are there any existing legal exposures?</p> <p>A: Yes</p>
<p>Q: What changes to key personnel, organization, processes, products, systems and business goals have occurred recently?</p> <p>A: About 1/3 of the cabinet is new (less than 6 months)</p> <p>Q: How effectively have the changes been managed?</p> <p>A: Remains to be seen ;-)</p> <p>Q: Are the changes communicated in advance to enable adequate support?</p> <p>A: Yes</p>
<p>Q: Have any recent legal or regulatory action been taken or are expected that could have a major impact?</p> <p>A: National Executive orders; local budgetary restrictions</p>
<p>Q: For all changes noted, how great is the actual or potential impact?</p> <p>A: HUGE impact</p>
<p>Q: Are policies establishing what should be done and procedures defining execution in place? Are policies and procedures documented in writing? If not in writing, is adherence consistent? Are controls described in policy manuals being applied as intended? If not, is appropriate action taken on exceptions? Are supervisory personnel reviewing the functioning of controls?</p> <p>A: 3 We have LOTS of work to do on this issue.</p>
<p>Q: Are duties properly segregated among different people to reduce the risk of error or misappropriation (e.g., responsibilities for authorizing transactions, recording transaction, and handling related assets are divided)?</p> <p>A: 3 We need some discussions on where duties start/stop and cross training is needed in several areas.</p>
<p>Q: Are high-level reviews performed including actual performance versus budget/forecast/prior period/competitors? Are major initiatives tracked (e.g., marketing, cost containment, new products)?</p> <p>A: 3 (I'm not aware of these items being completed)</p>
<p>Q: Are performance indicators (operational and financial) and early warning signals in place and monitored regularly, unusual results/trends investigated, and corrective actions taken?</p> <p>A: 3 I'm not aware of any in place for faculty/staff. We use Bucs Connect for students.</p>
<p>Q: What is the quality and criticality of the computer systems?</p> <p>A: 3 I think we are good on technology. We need to "mandate" some trainings.</p>

Appendix 3

Comments - Sub Units
In as much as it affects risks UVI seems to be beset within certain areas with inadequate staffing, low employee morale, underappreciation of employee contribution, real/perceived unfair treatment and a developing climate of workplace fear and intimidation;
Filling out this survey relating to operations, performance, communication and monitoring, I believe once these areas receive attention the UVI community will pursue...
There are several fire systems which need to be replaced/upgraded
1)Policies need to be updated and clear. Training needs to be done in all aspects 2) Making timely payments to vendors, faculty, and students would reduce much of the risk. There have been many instances where tools necessary to complete daily job tasks are unavailable due to unpaid invoices. Making purchases in general is often a challenge, hindering progress on both teaching and grant deliverables.
There are several fire systems which need to be replaced/upgraded
I believe there is a lack of accountability University wide not any fault of the current administration, but there is a lack of urgency, complacency, and gatekeeping
In regard to Control Activities, I placed the risk higher because of staff shortage. There is staff burnout
The Reichhold Center has been operating under unusual circumstances due to its destruction from the hurricanes of 2017. Its operations have been hindered by several factors over the years, most without the involvement of its staff. Currently, there are three full time employees that handle all the responsibilities of the Center.
UVI has some complicated, disjointed, redundant, & convoluted processes... Sexual Harassment prevention training-- this has been done in the past - not lately in past couple of years... UVI has many disjointed; not integrated systems that make effective follow up difficult and erratic across departments- IS & IA is an example of a very good model for tracking requests and follow up on services. Any blank spaces reflect that I do not have any information to relate.

Annual Audit Plan 2025	Plan Hours	%
Administration		
Audit Committee and Board Support	75	
Office Administration	120	
Risk Assessment	110	
Preparation of 2024-2025 Audit Plan	250	
FY 2021- 2022 Financial Audit	300	
Continuing Education/Professional Development	80	
Administration - Total Hours	935	48%
Planned Audit Activity		
2025-001 Student Inquiry	40	
Major Federal Grant Programs	300	
Administration and Finance	220	
Academic Affaris	200	
Planned Audit Activity - Total Hours	760	39%
Audit Services - Total Hours	1,695	87%
Hotline		
Investigations and Hotline - Total Hours	80	4%
Management Requests		
Middle States Commission on Higher Education	0	0%
Internal Audit - Total Hours	1,775	91%
Plus - Leave time - vacation/ holidays	175	9%
Estimated Annual Hours Available	1,950	100%
Available Hour Calculation:		
Total Annual Hours January 7 to December 2025	1,775	100%
Less: Vacation / Sick Leave (12)	40	
Holidays (9)	72	
Christmas Break (9)	63	
Total Leave time	175	10%
Estimated Annual Hours Available	1,600	90%