



STATE OF NORTH CAROLINA

UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS INFORMATION TECHNOLOGY GENERAL CONTROLS

MARCH 2011

PERFORMANCE AUDIT

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

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AUDITOR'S TRANSMITTAL

March 8, 2011

The Honorable Beverly Eaves Perdue, Governor
The General Assembly of North Carolina
Mr. John Mauceri, Chancellor

This report presents the results of our information technology general controls at the University of North Carolina School of the Arts and related services at the University of North Carolina General Administration. Our work was performed by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes* and was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

The objectives of the audit were to review the general controls as they pertain to the University's information technology. The results of our audit disclosed deficiencies that are considered reportable under *Government Auditing Standards*. These items regard access controls which due to their sensitivity are reported to you by separate letter pursuant to *North Carolina G.S. 147-64.6(c)(18)*.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor

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BACKGROUND

The University of North Carolina School of the Arts (UNCSA) is the first state-supported, residential school of its kind in the nation. Established as the North Carolina School of the Arts by the N.C. General Assembly in 1963, UNCSA opened in Winston-Salem in 1965 and became part of the University of North Carolina system in 1972. More than 1,100 students from middle school through graduate school train for careers in the arts in five professional schools: Dance, Design and Production (including a Visual Arts Program), Drama, Filmmaking, and Music. UNCSA is the state's only public arts conservatory, dedicated entirely to the professional training of talented students in the performing, visual and moving image arts.

UNCSA's Information Technologies (IT) division is responsible for centralized information technology management. The IT Division is headed by the Chief Information Officer who reports directly to the Chief Operating Officer. The IT division is composed of three (3) areas: Administrative Systems, Networks/Telecommunications & Video Teleconferencing, and Desktop Support.

The University of North Carolina School of the Arts Banner Finance and Human Resources applications and related databases reside on servers administrated by the University of North Carolina General Administration Shared Services Alliance (UNCGA). The roles and responsibilities of UNCSA and UNCGA for the administration of the Banner applications, servers and databases are defined in a service level agreement. The servers are physically hosted by MCNC, a computer hosting facility in the Research Triangle Park. UNCGA has a separate service level agreement with MCNC for the hosting of the servers.

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OBJECTIVES, SCOPE, METHODOLOGY, AND RESULTS

OBJECTIVES, SCOPE, AND METHODOLOGY

As authorized by Article 5A of Chapter 147 of the *North Carolina General Statutes*, we have conducted a performance audit at the University of North Carolina School of the Arts (UNCSA). The objective of this audit was to determine the effectiveness of general controls which influence the overall organization and operation of the University's information technology (IT). Our audit was conducted between November 19, 2009 and February 19, 2010.

The scope of our audit included the following IT general controls categories: general security, access controls, program maintenance, systems software, systems development, physical security, operations procedures, and disaster recovery, which directly affect the North Carolina School of the Arts' computing operations.

To accomplish our audit objectives, we gained an understanding of University policies and procedures, interviewed key University administrators and other personnel, examined system configurations, tested on-line system controls, reviewed appropriate technical literature, and reviewed computer-generated reports.

As a basis for evaluating general controls, we applied the guidance contained in *Control Objectives for Information and Related Technology* (COBIT), created by the Information Systems Audit and Control Association and the IT Governance Institute. COBIT contains a widely accepted set of best practices in the field of information technology management.

University management, pursuant to North Carolina General Statute §143D-7, bears full responsibility for establishing and maintaining a proper system of internal control which includes IT general controls. A proper system of internal control is designed to provide reasonable, rather than absolute, assurance that relevant objectives are achieved. Because of inherent limitations in internal controls, unauthorized access to data, for example, may nevertheless occur and not be detected. Also, projections of our evaluation in this report of general controls to future periods are subject to the risk that, for example, conditions at the University may change or compliance with University policies and procedures may deteriorate.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

OBJECTIVES, SCOPE, METHODOLOGY, AND RESULTS (CONCLUDED)

RESULTS

The results of our audit disclosed internal control deficiencies that are considered reportable under *Government Auditing Standards*. The deficiencies noted result from a failure to implement access controls in three critical areas.

Details about these deficiencies, due to their sensitive nature, were communicated to University management in a separate letter pursuant to *North Carolina G.S. 147-64.6(c)(18)*.

ORDERING INFORMATION

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