Message from the Chief Audit Executive

Fiscal year 2017 (FY17) was a very successful and productive year for the Office of Internal Audit.

We began our year by finalizing our office’s strategic plan. The strategic plan focuses on the office’s primary services of conducting audits, providing advisory and consulting assistance, and leading investigations. This plan covers the three-year period from FY17 to FY19, and we are using it to guide decisions as we further our services and mature the office’s operations.

Within our primary services, the Office of Internal Audit completed the following during FY17:

- 9 audits
- 6 follow up reviews
- 4 investigations
- 3 advisory/consulting engagements

In addition to the services noted above, Internal Audit made progress toward achieving strategic goals by:

- Continuing to incorporate data analytics into our work
- Collaborating with other campus departments including facilitating a practicum project with Information Technology Services for students in the Master of Science in Accountancy program
- Increasing training for all staff with an emphasis on IT and fraud auditing techniques
- Developing and leading an internal control awareness class for campus

As we continue to build on our recent successes, we are looking forward to another great year in fiscal year 2018!

Stefanie Powell, CPA, CISA
Chief Audit Executive

UNCW
FY17 Internal Audit Team

Stefanie Powell, CPA, CISA
Chief Audit Executive

Kelly Mintern, CPA, CIA
Assistant Director

Shelley Morris
Auditor

Cynthia Nickerson, CPA, CFE
Auditor

Chris Gramlich
Audit Intern
Summer – Fall 2016

Monica Crump
Audit Intern
Summer 2017
Internal Audit Overview

The Office of Internal Audit at UNCW was established July 1, 1983 to provide assurance regarding the adequacy of financial controls, compliance with university policies and external regulations, and the accuracy and appropriateness of financial statements. Since 1983, the university and the profession of internal auditing have matured and evolved.

Today, the mission of the Office of Internal Audit is:

*To enhance and protect the university’s value by providing stakeholders with risk-based, objective and reliable assurance, advice and insight.*

Our work is conducted and managed in accordance with The Institute of Internal Auditors’ (IIA’s) *International Professional Practices Framework*, which includes the core principles for the professional practice of internal auditing, the definition of internal auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. In order to fully comply with the Standards, our office must have a quality assurance and improvement program that includes both internal and external assessments. Our most recent external assessment was conducted in May 2016, and our office obtained the highest possible score overall and in each separately assessed category. We are planning an internal self-assessment for fiscal year 2019, and our next external assessment will occur in the spring of 2021.

For more information about the Office of Internal Audit, please see our website at: http://www.uncw.edu/ia/
Work Allocation

Audits/Assurance Services
Audits and assurance engagements include planned reviews of compliance, operations, information technology, finance, internal controls, and other topics. They also include integrated audits which incorporate more than one of those categories in a single engagement. Audits are typically included on our office’s annual audit plan (work plan), and they result in a formal audit report which includes an overall opinion of the area under review and any findings and recommendations that were identified.

Follow Up Audits
Follow up work is completed for any audit findings resulting from audit/assurance engagements and may be completed for other engagements as deemed necessary. We typically follow up on open audit findings on a quarterly basis. A formal memo is issued when all findings relating to an engagement are closed. If findings are not yet resolved, formal memos are also issued approximately two years after the initial audit to update all parties involved of progress.

Investigations
Investigations result from tips reported to our office via the Office of the State Auditor’s hotline, our internal hotline, and other sources. In addition to the four formal investigations listed to the right, the Office of Internal Audit assisted with 10 minor investigations during FY17.

FY17 Audits
Abrons Student Health Center
Aramark Contract
Cash Handling
Friends of UNCW
Office of the Registrar
Purchasing Compliance - Auxiliary Services Vendor
Randall Library
Sponsored Programs and Research Compliance (SPARC), Phase I
SPARC, Phase II

FY17 Follow Ups
Campus Wide Surprise Cash Counts
Distance Education
Graduate School
Office of Scholarships and Financial Aid
Physical Access
Student Accounts and Cashier Office

FY17 Investigations
Academic Misconduct
Housekeeping
Student Affairs Personnel
Scuba Class (PED 104)
Work Allocation (continued)

Advisory Services
Internal Audit provides advisory services which are intended to provide advice and information on internal controls, risk management, and sound business practices. Advisory services allow the Office of Internal Audit to reach more individuals and departments than can be done through the traditional audit process and provide the impacted areas with a mechanism for having Internal Audit involved while they proactively improve operations.

Engagements
Three formal advisory engagements were completed during FY17 including:

- Banner Disaster Recovery Testing
- ITS Controls Manual Review
- Master of Science in Accountancy Practicum Project

Routine Consultations
In addition to formal advisory work, the Office of Internal Audit provided advisory services through 80 minor projects and requests for information during FY17.

INT 101: How to Pass an Audit (An Introduction to Internal Controls)
In order to proactively educate campus departments about best practices for internal controls, we developed the course INT 101: How to Pass an Audit (An Introduction to Internal Controls). The course was first offered in July 2016 and is offered at least twice per quarter. During FY17, 65 individuals took the course, representing 35 departments. Attendees represented 4 out of 5 of UNCW’s divisions, each of the 4 academic colleges, and many support units.

Other Advisory Work
The following are examples of other advisory work completed in FY17.

**Committee Work**
- Athletic Eligibility
- Cameron School of Business Steering
- Data Governance
- HR Liaison
- Institutional Risk Management (IRM)
- IRM Steering
- Internal Controls
- IT Advisory Council
- IT Security Specialist Search
- Leadership Council
- Office of Institutional Research and Planning Search
- Office of Scholarships & Financial Aid Director Search
- Red Flag Policy & Compliance
- Systems Coordination

**Educating Others**
- REC 440, Risk Management in Recreation Settings, guest lecture
- How to Build Confidence and Call on it When You Really Need It, presentation at the UNCW Women’s Conference
- Cameron School of Business (CSB) Business Week, presentations on Internal Audit and International Careers in Accounting
- Careers in Accounting Day, CSB

**Service to the Profession**
- Association of College and University Auditors (ACUA) Best Practices Committee
- ACUA Mentoring Program
- North Carolina Association of CPAs (NCACPA) Day of Service
Other
In addition to audits, investigations, and advisory engagements, the Office of Internal Audit is involved in other activities that help further the mission of Internal Audit and foster collaboration with other campus departments.

Strategic Plan
A strategic plan was developed for the Office of Internal Audit based off planning work done at a departmental retreat, recommendations from the office’s FY16 quality assurance review (QAR), and best practices. It covers FY17 – FY19, and an internal QAR in FY19 will assist in developing future plans.

Participation in University Functions
In FY17, the CAE and Internal Audit staff participated in numerous campus events including:

- Angel Tree
- AVC HR Candidate Forums
- Budget Managers Meetings
- Chancellor’s Distinguished Lecture Series
- CHHS Campus Wellness Walk
- Commencement Volunteer
- Facilities Master Plan Meeting
- Faculty Senate Meetings
- Finance Certificate Award Ceremony
- Giving Tuesday Celebration
- Leavekeeper Meetings
- Men’s Basketball Welcome
- Seahawk LEADS Mentor Program
- Senior Associate Provost Forums
- Staff Senate Meetings
- Staff Senate Strides Event
- Staff Service Awards
- Taking Flight Celebration
- UNC Strategic Plan Forum

Training
Professional development is required for our certifications, and training allows our staff to stay abreast of emerging topics and best practices, helping us to provide the best possible services to the university. The following are examples of training completed in FY17.

**UNCW Training**
- Active Shooter/Attacker Response
- Cascade Website
- Chrome River
- Creating a More Inclusive Work Environment
- Finance Certificate Training program courses
- Safe Zone Training
- Transitioning to Windows 10

**Conferences/Workshops**
- Audit 101: IT General Controls
- Fraud Busters Conference
- How to Audit…Better!
- Introducing Application Security Flaws at Agile Speed
- State Surplus Training
- UNC Chief Audit Officer Annual Retreat
- UNC Auditors Association Annual Conference

**Webinars**
- 6 Strategies to Becoming a Better Conversationalist
- Auditing at the Speed of Risk
- Cybersecurity Threats to Higher Education
- ERM: How to Use a Risk Committee Effectively
- Getting to Know the Proposed Changes to the Standards
- Managing Fraud Risk in Government
- Minors on Campus: Training, Policies, and Protocols
- Payment Card Industry Compliance
- Think Security – Things You Can Do to Protect Yourself and Your Company
Metrics
As part of our office’s quality assurance and improvement plan, we track several metrics to measure our performance.

Time Allocation
Like other professionals in accounting, internal auditors track the amount of time spent on each project to assist in planning and for benchmarking purposes. Our goal in any year is to spend at least 70% of our time on direct hours, which is time spent working on audits, advisory/consulting work, and investigations. In FY17, 71% of our time was spent on direct hours.

Work Allocation
We also track time spent on each type of engagement, with an emphasis on audit/assurance work. We typically spend about 70% of our time on audit/assurance work. However, in FY17 only 60% of our time was spent on audit/assurance work due to a higher than normal amount of time spent on investigations and on work in the “Other” category which includes quality assurance work, the annual risk assessment, reporting, and collaborating with campus departments and other internal audit offices in the UNC system.
Metrics (continued)

Audit Plan Completion
The audit plan completion rate is an indicator of efficiency and alignment with the annual audit plan approved by the Audit, Risk and Compliance Committee of the Board of Trustees. For FY17, we completed 76% of the audit plan, had 9% of the planned engagements in process at the end of the fiscal year, and cancelled/deferred 15% of the planned engagements. We selected engagements to cancel and defer based on risk, and the cancellations and deferrals were the result of a higher than normal amount of time spent on investigations, our intern resigning in order to accept an internship in public accounting, and a staff member’s extended absence.

Financial
In addition to monitoring metrics, the Office of Internal Audit monitors financial activity. Internal Audit is funded by a combination of general funds allocated by the state and institutional trust funds. Total expenditures for FY17 were $416,962, and expenditures primarily related to salaries and benefits. Other expenses of the office include professional expenses such as licenses, memberships, and training. The office also pays for telephone service, supplies, and other administrative expenses.
**Client Satisfaction**

At the end of each engagement, clients are asked to submit a survey evaluating our office’s work to help ensure our continuous improvement. For each question, responses are provided on a scale of 1 to 5 with 5 being the highest score.

**Survey Results**

For FY17, 25 client surveys were received. *(Note: For some engagements, surveys were submitted by multiple individuals within the area reviewed.)*

<table>
<thead>
<tr>
<th>FY17 CLIENT SURVEY RESULTS</th>
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<tbody>
<tr>
<td><strong>AUDIT PURPOSE AND SCOPE WERE CLEAR</strong></td>
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<tr>
<td><strong>CLIENT INPUT WAS CONSIDERED</strong></td>
</tr>
<tr>
<td><strong>AUDIT REQUESTS WERE REASONABLE AND CLEAR</strong></td>
</tr>
<tr>
<td><strong>AUDIT TOOK A REASONABLE AMOUNT OF TIME</strong></td>
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<tr>
<td><strong>AUDIT TEAM WAS PROFESSIONAL, POSITIVE, AND COURTEOUS</strong></td>
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<tr>
<td><strong>COMMUNICATION WAS TIMELY AND ADEQUATE</strong></td>
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<tr>
<td><strong>KEY CONCERNS/RISKS WERE CONSIDERED</strong></td>
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<tr>
<td><strong>FINAL REPORT/MEMO WAS ACCURATE AND CLEAR</strong></td>
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<tr>
<td><strong>RECOMMENDATIONS WERE REASONABLE</strong></td>
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<tr>
<td><strong>THE AUDIT ADDED VALUE AND ASSISTED IN IMPROVING OPERATIONS</strong></td>
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<tr>
<td><strong>AVERAGE</strong></td>
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**Additional Comments**

The following comments were shared by individuals completing the surveys:

- This [audit] was a good experience for our office.
- The audit team did a great job of keeping the staff informed of their progress, was careful not to disrupt current operations, and provided valuable feedback on our processes.
- I always love working with Internal Audit. I find the staff very professional, knowledgeable and helpful, without being stuffy and uptight.
- [Their] work communicating the audit’s purpose and process was exceptional. Their professionalism was striking, and their knowledgeable explanations and calm demeanors removed my inherent anxiety connected to the word audit!
Disclosures
The Office of Internal Audit adheres to the Standards of the Institute of Internal Auditors (IIA). The following items are being disclosed in conformance with the Standards.

Organizational Independence
The Office of Internal Audit must confirm to the board, at least annually, the organizational independence of the internal audit activity. The Office of Internal Audit reports functionally to the Audit, Risk and Compliance Committee (ARC Committee) of UNCW’s Board of Trustees and administratively to the Chancellor. In keeping with the Standards, we maintain a strong working relationship with the ARC Committee. Consequently, the Chief Audit Executive (CAE) provides the ARC Committee with copies of the final report or memo from each engagement and presents results of audits and other office activities to the ARC Committee at their quarterly meetings. In addition, the CAE assists the ARC Committee in understanding their role and responsibilities and keeps committee members apprised on emerging trends and best practices.

Impairments to Independence or Objectivity
If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed. There were no impairments to independence or objectivity for any engagements during FY17.

Disclosure of Nonconformance
Occasionally circumstances require the completion of a project or engagement in a manner which is inconsistent with applicable Standards. When this occurs, we must disclose the nonconformance and the impact to senior management and the Board of Trustees. During FY17, there were no instances in which projects were completed in a manner that did not comply with the Standards.

Resolution of Management’s Acceptance of Risks
Each engagement can potentially produce items that may pose risks to university operations. Some items will require management’s attention while others may be situations in which management decides to accept the risk associated with continuing the practice. This is normal in limited circumstances and is often due to cost/benefit constraints. We are required to disclose to senior management and the Board of Trustees any situation in which it is believed university personnel have accepted a level of residual risk that may not adequately reduce or mitigate the risk of loss. There were no such instances during FY17.

Quality Assurance Review
In order to fully comply with the Standards, our office is required to undergo a quality assurance review (peer review) at least once every five years. In May 2016, Patrick Reed, CPA, completed a peer review of our office. We received the highest possible score overall and in each individually assessed category. We are planning a self-assessment for 2019, and our next external review will occur in 2021.