Executive Summary

This report contains a summary of the Office of Internal Audit’s activity for the quarter ending December 31, 2017. The following highlights provide an overview of the office’s work.

Audits/Assurance Services

Completed Project
- Cameron School of Business Review

Pending Project
- Housing and Residence Life Review

Follow Up Audits
- Follow up work was conducted for:
  - Randall Library
  - Cash Handling
  - Aramark Contract
- 15 findings closed during the quarter
- 23 open findings as of December 31, 2017 (4 findings are considered to be “in process”)

Investigations

Pending Project
- Painting Vendor Complaint

Consultations/Advisory Services

Advisory Services
- Routine Consultations include 15 minor projects and requests for information.
- Individuals from 14 departments representing all 5 of UNCW’s divisions attended the Introduction to Internal Controls course taught by Internal Audit. In addition, Internal Audit presented this course to the approximately 15 individuals from Enterprise System Support in ITS.
- The office was involved with 7 UNCW committees.
- The CAE and Assistant Director are members of the UNC-GA Committee on Data Analytics.
- The CAE delivered a guest lecture to students in REC 440, Risk Management in Recreation Settings

Other
- Individuals from the office attended or participated in 8 university events/functions.
- Individuals from the office participated in 5 UNCW training programs. In addition, they attended 5 conferences/workshops and 7 webinars earning over 75 hours of CPE.
Audits/Assurance Services

Audits and assurance engagements include planned reviews of compliance, operations, information technology, financial activity, 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.

Completed Project

Cameron School of Business Review

A review of the Cameron School of Business (CSB) was completed to assess and evaluate select operational, compliance and administrative aspects of the CSB including the underlying internal controls. Our review focused on select administrative operations, including administrative functions performed by the individual academic departments and programs within CSB. We reviewed and assessed the following areas:

- Financial activity/reporting
- CSB operations, including the Swain Center, Small Business Technology Development Center (SBTDC), and International Business Programs
- General controls matters, including system access, physical security, and document storage
- Academic matters, including faculty workload, scholarship awarding, student internships, and study abroad
- Continuity of operations planning

In our opinion, some improvement is needed for the system of internal control with respect to the areas reviewed. There were 4 findings associated with this review, and we received positive responses from management to the findings. The final report was issued December 19, 2017.
Audits/Assurance Services (continued)

Pending Project

Housing and Residence Life Review
A review of Housing and Residence Life is in process. The scope of the audit was determined by conducting a thorough risk assessment at the beginning of the review. Audit objectives include reviewing:

- Billing and collection of all revenue streams
- Expenditure processes and activity
- Asset management
- General controls matters including system maintenance and access, physical security, and document storage
- Continuity of operations planning
- Student employment/timekeeping
- Education/training for professional and student staff

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.

Completed Follow Ups

Randall Library
During fiscal year 2017, our office completed a review of Randall Library, and 12 findings were identified. Follow up work was performed to determine whether Randall Library had taken steps to adequately and effectively address the findings. Based on the work completed, the 12 audit findings associated with the initial review have been closed/resolved. A final memo was issued December 12, 2017.

Cash Handling
During fiscal year 2017, our office conducted surprise cash counts of change funds used by campus departments which regularly receive cash as part of their operations, and 2 findings were identified. Follow up work was performed to determine whether the departments with findings had taken steps to adequately and effectively address the findings. Based on the results of the follow up review, we determined that all findings were closed/resolved. A final memo was issued December 15, 2017.

In addition to the areas noted above, during the quarter ending December 31, 2017, follow up work was also completed related to open findings from the Aramark contract review.
Audit Finding Status
Audit findings are reported below in the following categories:

- **Closed** – Findings which were confirmed to be resolved during the quarter ending December 31, 2017
- **Open** – Findings which have not been resolved as of December 31, 2017

*Note: A summary of open audit findings is included at Appendix A.*

<table>
<thead>
<tr>
<th>Engagement</th>
<th>Original Report Date</th>
<th>Number of Closed Findings</th>
<th>Number of Open Findings</th>
<th>All Findings for Engagement Closed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Academic Affairs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Randall Library</td>
<td>5/16/2017</td>
<td>12</td>
<td>0</td>
<td>Yes</td>
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<tr>
<td>College of Arts &amp; Sciences</td>
<td>9/18/2017</td>
<td>0</td>
<td>15</td>
<td>No</td>
</tr>
<tr>
<td>Cameron School of Business</td>
<td>12/19/2017</td>
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<td>4</td>
<td>No</td>
</tr>
<tr>
<td><strong>Business Affairs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aramark Contract (a)</td>
<td>2/24/2017</td>
<td>1</td>
<td>4</td>
<td>No</td>
</tr>
<tr>
<td><strong>Multi-Divisional</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Handling (b)</td>
<td>6/29/2017</td>
<td>2</td>
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<td>Yes</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>15</strong></td>
<td><strong>23</strong></td>
<td></td>
</tr>
</tbody>
</table>

{a} Of the four open findings for the Aramark contract, all are considered by Internal Audit to be in process. A status of “In Process” indicates progress toward remediation has begun but is not yet complete or there is not a sufficient population to test the effectiveness of corrective measures.

{b} For this engagement, due to duplicative findings, findings are listed by number of campus departments with findings rather than by number of findings identified.
Investigations
Investigations result from tips reported to our office via the Office of State Budget and Management’s hotline, our internal hotline, and other sources.

Pending Project
Painting Vendor Complaint
In November 2017, our office received a complaint forwarded by the Office of General Counsel. The complaint includes allegations relating to inappropriate practices for contract awarding, inappropriate changes in scope of work, and overpayments for work not completed. The related investigation is ongoing.

Consultations/Advisory Services
Internal Audit provides consultative and advisory services which are intended to provide advice and information on internal controls, risk management, and sound business practices. This includes reviewing current practices, interpreting policies and procedures, participating on standing committees, completing limited-life projects, attending ad-hoc meetings, and responding to routine questions. In addition, our advisory work includes work with UNC General Administration and professional organizations and serving as liaisons between the university and various external auditors.

Advisory Services
Routine Consultations
In addition to formal advisory work such as serving on committees and leading training, the Office of Internal Audit provided advisory services through 15 minor projects and requests for information during the quarter ending December 31, 2017.

INT 101: How to Pass an Audit (An Introduction to Internal Controls)
During the quarter ending December 31, 2017, 20 individuals took the course, representing 14 departments and all 5 divisions at UNCW. In addition, at the request of ITS, Internal Audit presented this course to approximately 15 individuals from Enterprise System Support during a staff meeting.

Other Advisory Services
Other advisory services were also provided through committee work and service to the profession as noted below.

Committee Work
• Athletic Eligibility
• HR Liaison
• Institutional Risk Management (IRM)
• IRM Steering
• IT Advisory Council
• Leadership Council
• Systems Coordination

Service to the Profession
• UNC General Administration (GA) Data Analytics Subcommittee

Educating Others
• REC 440, Risk Management in Recreation Settings, guest lecture
Other
This section contains a summary of the other projects and activities of the Office of Internal Audit.

Participation in University Functions
Participating in university functions keeps our office informed of activities and events at UNCW, provides team-building opportunities, and creates an opportunity to interact with the university community outside of an audit setting.

Training
Professional development is required for our certifications, and training allows our staff to stay informed of emerging topics and best practices, helping us to provide the best possible services to the university. During the quarter ending December 31, 2017, staff members attended the UNCW-sponsored and external training listed in the table below, obtaining over 75 hours of CPE.
Distribution List
Audit, Risk and Compliance Committee, UNCW Board of Trustees

Dr. Jose V. Sartarelli, Chancellor

Mr. Bradley Ballou, Chief of Staff

Ms. Sharon Boyd, Associate Vice Chancellor for Business Services

Mr. Jim Koebel, Assistant General Counsel

Mr. Mark Lanier, Assistant to the Chancellor and Assistant Secretary, Board of Trustees

Ms. Pat Leonard, Vice Chancellor for Student Affairs

Mr. John Scherer, General Counsel

Dr. Marilyn Sheerer, Provost and Vice Chancellor for Academic Affairs

Mr. Eddie Stuart, Vice Chancellor for University Advancement

Ms. Sara Thorndike, Senior Associate Vice Chancellor for Business Affairs and CFO
## Appendix A

**UNCW Office of Internal Audit**  
**Open Internal Audit Findings**  
**As of December 31, 2017**

<table>
<thead>
<tr>
<th>Engagement</th>
<th>Original Report Date</th>
<th>Number of Open Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Academic Affairs</strong></td>
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<tr>
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<td>9/18/2017</td>
<td>15</td>
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<tr>
<td>Cameron School of Business</td>
<td>12/19/2017</td>
<td>4</td>
</tr>
<tr>
<td><strong>Business Affairs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aramark Contract {a}</td>
<td>2/24/2017</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>23</strong></td>
</tr>
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Appendix A (continued)

Academic Affairs

College of Arts & Sciences

1. Per UNCW Policy 05.164, University Equipment, departments are responsible for the appropriate use, safeguarding, and tracking of all university equipment assigned to their respective department. In addition, departments are responsible for notifying the UNCW Fixed Asset department whenever fixed asset items are transferred to another department or relocated.

2. Per UNCW Policy 07.200.05, Purchase, Inventory, Replacement and Disposal/Surplus of IT Resources, “Each department/division is responsible for maintaining an accurate listing including serial number and location of their computer equipment.” Computer equipment includes computers, laptops, iPads, and tablets.

3. Per UNCW Policy 05.164, University Equipment, departments are responsible for the appropriate use, safeguarding, and tracking of all university equipment assigned to their respective departments, whether or not the equipment meets the fixed asset definition. Equipment not meeting the fixed asset definition includes non-consumable equipment costing less than $5,000 (furniture, lab equipment, etc.).

4. Property and equipment no longer in use by a university department is transferred to Surplus Property via a surplus disposal request. Appropriate oversight of these asset disposal requests ensures there is adequate tracking and accountability for university assets.

5. Tracking all current facilities-related projects and the related spending is a vital part of project management. Project tracking provides information on the status of a project as well as a comparison of estimated costs versus actual project spending.

6. Identifying maintenance needs, prioritizing deferred maintenance, and strategizing for long-term building and equipment requirements is at the core of facility management. Future repair and maintenance needs should be tracked to assist in planning.

7. Continuity of operations plans (COOPs) ensure departments have planned and coordinated procedures to ensure business operations continue despite interruptions.

8. For continuity of operations, more than one person should be trained to complete important functions and tasks, with tasks documented in desktop procedures that can be accessed by others in the department.

9. North Carolina General Statute (NCGS) 147-77, Daily deposit of funds to credit of Treasurer, and UNCW Policy 05.141, Departmental Funds Receipting, require any employee or department collecting funds to deposit the funds at least weekly. In addition, funds are required to be deposited daily when they equal or exceed $250. All credit card deposits are required to be deposited daily, regardless of amount.
Appendix A (continued)

College of Arts & Sciences (continued)

10. UNCW Policy 05.141, Departmental Funds Receipting, outlines various requirements for collecting funds, including implementing and maintaining internal controls by establishing departmental procedures, performing monthly departmental reconciliations, and ensuring the safekeeping of all un-deposited receipts held by the department.

11. Cash handling responsibilities should be segregated to facilitate appropriate backup.

12. UNCW Policy 09.100, Organization and Administration of Fund Raising, outlines the guidelines for ensuring accurate reporting of gifts for the university and donors. In particular, it notes that gifts of tangible personal property (gifts-in-kind) need to be reviewed and approved by University Advancement (UA).

13. Financial transactions should be recorded and classified in the most appropriate accounts in Banner based on the nature of the transaction. Miscellaneous accounts should only be used for one-time transactions and activities that are nonrecurring in nature.

14. In accordance with the North Carolina Department of Revenue guidelines and North Carolina General Statute 105-164.4, Tax imposed on retailers and certain facilities, the university must collect and remit sales tax (currently at 7%) on sales of tangible personal property (goods and services).

15. UNCW Policy 08.135, Supplemental Payments for UNCW Employees, states “All requests for supplemental pay must be approved in writing before the actual activity is scheduled to begin.”

Cameron School of Business

1. Financial transactions should be properly recorded and classified in the most appropriate accounts based on the nature of the transaction. In addition, departmental spending should adhere to UNCW’s Basic Spending Guidelines by Fund Source.

2. Appropriate segregation of duties in business operations ensures proper oversight and decreases the potential for errors, fraud, or other inappropriate activity.

3. For donor-funded scholarships, all scholarship award recipients must meet the donor criteria and awarding parameters, as documented in the donor gift agreement, for the scholarship they receive. Any known deviations should be fully documented.

4. Continuity of operations plans (COOPs) ensure departments have planned and coordinated procedures to ensure business operations continue despite interruptions.
Appendix A (continued)

Business Affairs

Aramark Contract

1. Payments to Aramark for food services should include all services rendered unless otherwise formally documented and agreed upon by both parties.
2. Segregation of duties ensures proper oversight and decreases the potential for errors or fraudulent activity.
3. A reconciliation process should be created to ensure that all meal plan categories have been accounted for correctly.
4. For continuity of operations, more than one person should be trained to complete critical functions and tasks.