Executive Summary
This report contains a summary of the Office of Internal Audit’s operations for the period from January 11, 2020 to March 31, 2020. The following highlights provide an overview of the office’s work.

Audits/Assurance Services
Completed Project
- Quality Assurance Review – Self-Assessment

Pending Projects
- UNCW One Card Review
- Architectural and Construction Services Review
- Fixed Assets Review

Follow Up Audits
Limited follow up work was completed for the period ended March 31, 2020 due to schedule limitations for both campus departments with open audit findings and Internal Audit. Audit follow ups will resume next quarter.

Investigations
- There were no investigations completed or pending for the period ended March 31, 2020.

Consultations/Advisory Services
Completed Projects
- Graduate School Consultation
- Physical Plant Consultation

Advisory Services
- Routine consultations included 21 minor projects and requests for information serving 11 UNCW departments, 4 UNC institutions, and 2 other agencies
- 12 individuals from 11 departments representing all 5 of UNCW’s divisions attended the Introduction to Internal Controls course taught by Internal Audit
- The office was involved with 7 UNCW committees
- The CAE and Assistant Director are members of the UNC System Office Internal Audit Advisory Team (IAAT) Workpaper Subgroup

Other
- Eric Faust joined the Office of Internal Audit as a time-limited auditor in February 2020.
- Stefanie Powell recently left the office and joined UNCW’s College of Health and Human Services. Kelly Mintern began serving as Interim Chief Audit Officer on March 30, 2020.
- In response to COVID-19 and guidance requiring all non-mandatory employees to begin work remotely, a remote work plan for Internal Audit was developed and shared with the Chancellor and the Audit, Risk and Compliance Committee.
- On-going risk discussions were held as part of the office’s annual risk assessment process.
- Individuals from the office attended or participated in 6 University events/functions.
- Individuals from the office participated in 8 UNCW training programs. In addition, they attended 16 external trainings (webinars/workshop) earning 31 hours of CPE.
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

Quality Assurance Review – Self-Assessment

Under the North Carolina Internal Audit Act (NCGS 143, Article 79), UNCW’s Office of Internal Audit must comply with the Standards of the International Professional Practices Framework of the Institute of Internal Auditors. The Standards require a quality assurance review (peer review) of the Office of Internal Audit every five years. Between peer reviews, the Standards require internal audit departments to complete thorough self-assessments.

A self-assessment was completed in preparation for the next peer review, scheduled for spring 2021. The self-assessment evaluated the office’s conformance with the Standards and whether internal auditors apply the Code of Ethics. The self-assessment also reviewed the efficiency and effectiveness of the Office of Internal Audit to identify opportunities for improvement.

Based on the work performed, overall, the Office of Internal Audit Generally Conforms to the Standards. Opportunities for improvement were noted that will enhance conformance to the Standards and improve the efficiency and effectiveness of the Office of Internal Audit.

The self-assessment memo was issued on February 14, 2020.

Pending Projects

UNCW One Card Review

A review of UNCW One Card is in process. The scope of the audit was determined by conducting a thorough risk assessment at the beginning of the review. Specific objectives are to review:

- One Card issuance process
- Process for replacing lost/stolen One Cards
- One Card termination process
- Escheating process
- One Card security
- IT practices for One Card systems
- Backup and cross training
Audits/Assurance Services (Continued)
Pending Projects (Continued)

Architectural and Construction Services Review
A review of Architectural and Construction Services within the Office of Facilities is in process. The scope of the audit was determined by conducting a thorough risk assessment at the beginning of the review. Specific objectives are to review:

- Adherence to Project Authorization requirements
- Adherence to Project Design requirements
- Adherence to Project Construction requirements
- Project Closeout processes
- Financial processes

Fixed Assets Review
A review of Fixed Assets within the Office of the Controller is in process. Specific objectives are to review:

- Fixed Assets and Capital Reporting processes for effectiveness and efficiency
- Compliance with UNCW Policy 05.164, University Equipment (Fixed Assets)
- Capital/fixed asset controls identified within the UNCW Self-Assessment of Internal Controls over Financial Reporting (AICFR) for Fiscal Year 2019
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.

Audit Finding Status

Limited follow up work was completed for the period ended March 31, 2020 due to schedule limitations for both campus departments with open audit findings and Internal Audit. Audit follow ups will resume next quarter.

The table on the next page displays the status of audit findings for the period ended March 31, 2020. A summary of in process and open audit findings is included at Appendix A.

- **Closed** – Findings which were confirmed to be resolved during previous quarters and the period ended March 31, 2020. This includes findings where sufficient progress has been made and additional follow up work is not planned.
- **In Process** – Findings where progress toward remediation has begun but is not yet complete or there is not a sufficient population to test the effectiveness of corrective measures. Movement of findings from ‘Open’ to ‘In Process’ requires work to be performed by Internal Audit for verification.
- **Open** – Findings which have not been resolved as of the period ended March 31, 2020 or where Internal Audit has not yet performed follow up work.
### Follow Up Audits (Continued)

Audit Finding Status (Continued)

<table>
<thead>
<tr>
<th>Engagement</th>
<th>Original Report Date</th>
<th>Findings from Initial Review</th>
<th>Findings Closed (Previous Quarters)</th>
<th>Findings Closed (Current Quarter)</th>
<th>In Process Findings</th>
<th>Open Findings</th>
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<tbody>
<tr>
<td><strong>Academic Affairs</strong></td>
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<tr>
<td>UNCW Center for Marine Science (CMS) – Operational Report</td>
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<td>CMS – MDG Operational Report</td>
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<td>Parking Services</td>
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<tr>
<td>CMS – MARBIONC Tenant Management Report</td>
<td>1/9/2020</td>
<td>15</td>
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<td>15</td>
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<tr>
<td><strong>Total for all Divisions</strong></td>
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<td><strong>Finding % by Status</strong></td>
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</table>
Investigations

Investigations result from tips reported to our office via the Office of State Budget and Management’s hotline, our internal hotline, the UNC System Office, and other sources.

There were no investigations completed or pending for the period ended March 31, 2020.

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 the UNC System Office and professional organizations and serving as liaisons between the University and various external auditors.

Completed Projects

Graduate School Consultation
At management’s request, the Office of Internal Audit conducted a consultation for the Graduate School. The scope of the consultation included a high-level review and assessment of:
- Graduate School unit processes
- Staffing and organizational structure
- Roles and responsibilities of Graduate School staff
- Graduate School internal control environment
- Communication and training

We conducted interviews with all Graduate School permanent and temporary staff as of January 2020. Based on the interviews conducted, recommendations to improve operations, increase effectiveness and efficiency of operations, and enhance internal controls were identified and shared with management.

A final memo was issued on February 25, 2020.

Physical Plant Consultation
At management’s request, the Office of Internal Audit conducted a consultation for Physical Plant within the Office of Facilities. The scope of the consultation included a high-level review and assessment of:
- The overall process for documenting and centralizing procedures
- Procedures relating to fire alarm and sprinkler system inspections

To meet our objectives, we met with staff in Physical Plant and Facilities Administration, observed fire alarm inspections and staff meetings, and reviewed draft procedures. Based on the work completed, recommendations to increase the effectiveness and efficiency of the procedures centralization and documentation process were identified and shared with management.

A final memo was issued on March 26, 2020.
Consultations/Advisory Services (Continued)

Advisory Services

Routine Consultations
In addition to formal advisory work, the Office of Internal Audit provided advisory services through **21 minor projects and requests for information** during the period ended March 31, 2020.

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 and teach the course **INT 101: How to Pass an Audit (An Introduction to Internal Controls)** offered through the Finance Certificate Program. Attendance for the period ended March 31, 2020 is included to the right.

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

Committee Work
- HR Liaison
- IT Advisory Council (ITAC)
- IT Governance Workgroup
- IT Security Analyst Search
- Staff Senate Bylaws
- Staff Senate Scholarship
- Systems Coordination

Service to the Profession
- UNC System Office Internal Audit Advisory Team (IAAT) Workpaper Subgroup
Other
This section contains a summary of the other projects and activities of the Office of Internal Audit.

Staffing Changes

New Auditor
Eric Faust joined the Office of Internal Audit as a time-limited auditor in February 2020. Before joining UNCW, Eric managed a real estate investment company in Raleigh, NC. Prior to that, Eric was employed by the Office of State Auditor in Raleigh as a performance and financial related auditor. Eric is a Certified Public Accountant (CPA).

Leadership Transition
Stefanie Powell, who led the Office of Internal Audit since 2012, recently left the office and joined UNCW’s College of Health and Human Services as the Assistant Dean for Administration and Resource Management. Kelly Mintern, Assistant Director, began serving as Interim Chief Audit Officer, effective March 30, 2020. Kelly has been with the Office of Internal Audit since 2010.

COVID-19 Office Impacts
In response to COVID-19 and Human Resources guidance issued on March 18, 2020 requiring all non-mandatory employees to begin work remotely, the Internal Audit staff met to determine our office’s remote work plan during restricted access to the campus buildings. Internal Audit’s remote work plan was shared with the Chancellor and the Audit, Risk and Compliance Committee on March 30, 2020.

Annual Risk Assessment – Ongoing Risk Discussions
Each year our office completes a risk assessment of UNCW operations as part of the audit planning process. During the period ended March 31, 2020, risk assessment planning began and the office was engaged in ongoing risk discussions with management. Information gained will be assessed and used as consideration in development of the fiscal year 2021 audit plan.

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. During the period ended March 31, 2020, staff participated in the functions noted to the right.
**Professional Development / 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 period ended March 31, 2020, staff members attended the UNCW-sponsored and external training listed in the table below, **obtaining 31 hours of continuing professional education (CPE) credits.**

<table>
<thead>
<tr>
<th>UNCW Training</th>
<th>External Training (Webinars/Workshop)</th>
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<tbody>
<tr>
<td>• Benefits Orientation</td>
<td>• 2020 Kevin Mitnick Security Awareness</td>
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<tr>
<td>• Equal Employment Opportunity and Diversity Fundamentals</td>
<td>• Cybersecurity on the Front Lines: A Call to Action</td>
</tr>
<tr>
<td>• Finance Certificate Program Courses</td>
<td>• Designing Emotionally Intelligent Human Experiences</td>
</tr>
<tr>
<td>• Leadership Enhancement and Administrative Development (LEAD) modules</td>
<td>• Environmental Fraud: Introduction to Prevention and Detection</td>
</tr>
<tr>
<td>• Microsoft Teams training</td>
<td>• Expanding on the Kickstarter for Investigations: Misappropriation of Assets</td>
</tr>
<tr>
<td>• NextGen training</td>
<td>• Foreign Influence: How Internal Audit Can Help Address Concerns and Risks on Campus</td>
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<tr>
<td>• SharePoint Online training</td>
<td>• Increase Your Chances of Passing the CIA Exam</td>
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<tr>
<td>• UNCW New Employee Orientation</td>
<td>• IT Change Management</td>
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<td>• NCURA: An Auditor’s Guide to Research Administration Workshop</td>
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<td>• Social Distancing and Internal Audit: Strategies for Auditing in a Time of Crisis</td>
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<td>• Tech Trends 2020: A Government Perspective</td>
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<td>• Third Party Risk: Optimizing the Extended Enterprise</td>
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<td>• UNC System Tableau training</td>
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<td>• Understanding the Coronavirus Risk Landscape at Your Institution</td>
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<td>• Why Coronavirus Will Change Higher Education More than the Great Recession</td>
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</table>
Distribution List
Audit, Risk and Compliance Committee, UNCW Board of Trustees

Dr. Jose V. Sartarelli, Chancellor

Mr. Bradley Ballou, Chief of Staff

Ms. Kristy Burnette, Risk Manager

Ms. Dana Harris, Associate Vice Chancellor for Finance

Mr. Jim Koebel, Assistant General Counsel

Mr. Miles Lackey, Vice Chancellor for Business Affairs

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

Ms. Pat Leonard, Vice Chancellor for Student Affairs

Mr. John P. Scherer II, General Counsel

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

Mr. Eddie Stuart, Vice Chancellor for University Advancement
Appendix A

UNCW Office of Internal Audit
In Process and Open Internal Audit Findings
For the Period Ended March 31, 2020

<table>
<thead>
<tr>
<th>Engagement</th>
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Appendix A (Continued)

Academic Affairs
UNCW Center for Marine Science (CMS) – Operational Report
Open Findings
1. Improvements needed in lab safety to ensure compliance with the Chemical Hygiene Plan (CHP)
2. Lack of documentation for lab safety training
3. Facility management for the CMS campus
4. Oversight of shared spaces within MARBIONC
5. Noncompliance with UNCW Policy 05.400, Cart (Golf, Utility, Street Legal) Safety Policy
6. Noncompliance with the UNCW Industrial Truck (Forklift) Safety Program policy
7. Lack of complete tracking of computer equipment
8. Lack of complete tracking of other equipment (not meeting the fixed asset definition)
9. Lack of equipment checkout procedures
10. Lack of adequate records for the ownership of equipment funded by grants
11. Noncompliance with UNCW Policy 05.120, Key Control
12. Improvements needed in physical controls to the CMS campus facilities
13. Lack of adequate backup and cross training for critical functions
14. Lack of continuity of operations plan
15. Lack of documented departmental disaster response/recovery plan
16. Non-compliance with PCI guidance for credit card information received
17. Absence of oversight of financial transactions related to program income revenue
18. Lack of applicable documentation regarding sale activity, creating the potential for a perceived conflict of interest

CMS – MDG Operational Report
Open Findings
1. The MARBIONC Development Group, LLC (MDG) Operating Agreement allows for potential conflicts of interest and lacks oversight of the MDG Manager
2. A Tenant Lab Reseller Agreement was not provided to the Office of General Counsel for review
3. Lack of adequate backup and cross training for critical functions
4. Noncompliance with UNCW Policy 05.141, Departmental Funds Receipting
5. Non-compliance with PCI guidance for credit card acceptance
6. Need for increased financial training for the MARBIONC Business Development Manager
Appendix A (Continued)

Academic Affairs (Continued)

**CMS – Program Income Compliance Report**

**Open Findings**

1. Lack of a formal process for approval of program income generated via grant funding
2. Products were sold in violation of the Code of Federal Regulation and UNCW Policy 01.200, *Intellectual Property Policy*
3. Lack of a formal process for product pricing determination
4. Lack of a formal contract with a by-product reseller
5. Existing liability disclaimers are insufficient and not consistently used
6. Lack of a formal process to ensure sales tax is collected
7. Required hazardous materials training is not being completed
8. Lack of liability insurance
9. Current income distribution does not follow Federal grant funding requirements or UNCW Policy 1.200, *Intellectual Property Policy*
10. Significant risks exist with current practices for program income

**Business Affairs**

**Environmental Health & Safety (EH&S)**

**In Process Findings**

1. Untimely and inconsistent reporting of inspection results
2. Insufficient process for following-up on lab safety findings
3. Need to strengthen oversight and authority over continuity of operations plans

**Open Finding**

4. Improvements needed in lab safety training (*from UNCW Center for Marine Science review*)

**Parking Services**

**In Process Findings**

1. Incomplete collection of faculty and staff parking permit sales

**Open Findings**

2. Noncompliance with North Carolina General Statute and the North Carolina Office of State Budget and Management guidance regarding unpaid citation fines
3. Noncompliance with North Carolina General Statute regarding late payment penalty fees for unpaid parking citations
4. Inaccurate parking permit data in T2 Flex
Appendix A (Continued)

Multi-Divisional
CMS – MARBIONC Tenant Management Report

Open Findings

1. Lack of records of compliance with NIST award requirements regarding the MARBIONC building usage
2. Lack of documented approval for MARBIONC lab space usage by the Department of Chemistry and Biochemistry (Chemistry)
3. Enhancements needed to ensure current and prospective tenants have an active business status
4. Evaluation of prospective tenants should incorporate persons of various science disciplines
5. MARBIONC tenant leasing documentation is not consistently completed and/or approved
6. Criteria for determination of rental rates are not consistently documented
7. Historically standard templates were not used for tenant lease agreements
8. Improvements needed for the MARBIONC tenant billing process to ensure timely payment and adequate oversight
9. Improvements needed for the MARBIONC tenant renewal process
10. Lab safety requirements are not being met
11. Insurance coverage requirements are not being met
12. MARBIONC Leasing Process procedure is not accessible to applicable staff
13. MARBIONC tenant leasing process steps do not align with current procedures or promote efficiency and effectiveness
14. Lack of adequate backup and cross training for tenant management responsibilities
15. Undefined tenant management responsibilities and ownership