ANNUAL REPORT

Fiscal Year 2020
UNC Wilmington
Office of Internal Audit
Annual Report

UNC Wilmington Office of Internal Audit

MESSAGE FROM THE INTERIM CHIEF AUDIT EXECUTIVE

Fiscal year 2020 (FY20) was successful for the Office of Internal Audit at the University of North Carolina at Wilmington (UNCW). Despite staffing changes throughout FY20 and the COVID-19 pandemic requiring remote work for most units across campus beginning March 2020, the Office of Internal Audit always maintained a professional team that worked together to ensure the office provided the best possible services to the university.

Within our primary services, the Office of Internal Audit completed six audits, eight follow up audits, one investigation, and three formal advisory engagements. In addition, numerous other projects and work was completed during FY20 to ensure the Office of Internal Audit continued to provide resources and outreach across the university. Notable accomplishments include expanding offerings of the internal controls course taught by the office, serving on search committees for key positions across the campus, and participating in various university functions to stay engaged with campus operations.

For most of FY20, Stefanie Powell, CPA, CISA, served as the Chief Audit Executive, until March 2020 when she accepted a position with and joined UNCW’s College of Health and Human Services. I was appointed as Interim Chief Audit Executive at that time and am thankful for the opportunity to lead the office. To assist with the backlog of projects from staffing transitions within the office, funding was provided for a time-limited auditor position, and Eric Faust, a CPA with prior audit experience, was hired in February 2020.

I am looking forward to a great FY21 with this audit team and hope to expand the resources and outreach of the office.

Kelly Mintern, CPA, CIA
Interim Chief Audit Executive

FY20 UNCW INTERNAL AUDIT TEAM

Kelly Mintern, CPA, CIA
Interim Chief Audit Executive

Stefanie Powell, CPA, CISA
Former Chief Audit Executive

Elizabeth Davis, CFE
Auditor

Shelley Morris, CIA
Auditor

Eric Faust, CPA
Auditor

Annie Edmonston
Audit Intern (July 2019-August 2019)
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. Our next external assessment will occur in 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 for 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. Formal memos are also issued approximately two years after the initial audit to update all parties involved of progress if findings are unresolved.

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 formal investigations listed in the box to the right, the Office of Internal Audit assisted with 4 minor investigations during FY20 for which there was no formal reporting requirement and the complaint could be resolved by obtaining clarifying information or referring the complaint to another department.

FY20 Audits
Center for Marine Science (CMS)
Fixed Assets
Fraud Risk Assessment
Friends of UNCW
One Card Office
Quality Assurance Review – Self-Assessment

FY20 Follow Ups
Cameron School of Business (formal memo issued)
Center for Innovation and Entrepreneurship (CIE) (formal memo issued)
Center for Marine Science (CMS)
College of Arts & Sciences (CAS) (formal memo issued)
Environmental Health & Safety (EH&S)
Parking Services
Project Management (Facilities) (formal memo issued)
Purchasing Card (formal memo issued)

FY20 Investigations
Free Speech/Expression Complaint
Referral from UNCW Responsible Officer for Free Expression – July 2019
WORK ALLOCATION (CONTINUED)

Advisory/Consulting 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.

Engagements
Three formal advisory engagements were completed during FY20 for:
- University Testing Services
- Graduate School
- Physical Plant

Campus Education and Outreach
In order to proactively educate campus departments about the role of Internal Audit, how to report suspected fraud, and best practices for internal controls, Internal Audit developed and teaches the course INT 101: How to Pass an Audit (An Introduction to Internal Controls). This course was originally offered only through the Finance Certificate Program, however, in order to expand offerings across the campus, is now dually offered through the Dare to Learn Academy. During FY20, the course was attended by 71 employees, representing 41 campus units, including all four academic colleges, and all 5 of UNCW’s divisions.

In addition, our office held a departmental level training for 11 individuals from the College of Health and Human Services (CHHS) Business Core Service team at management’s request.

Routine Consultations
The Office of Internal Audit provided informal advisory services through 65 minor projects and requests for information during FY20.
### WORK ALLOCATION (CONTINUED)

**Advisory/Consulting Services (Continued)**

**Other Advisory Work**
The following are examples of other advisory work completed in FY20.

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<thead>
<tr>
<th>Committee Work</th>
<th>Educating Others</th>
<th>Service to the Profession</th>
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</thead>
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<tr>
<td>• Athletic Eligibility</td>
<td>• Cameron School of Business (CSB) Careers in Accounting Day</td>
<td>• UNC System Office Internal Audit Advisory Team (IAAT) Workpaper Subgroup</td>
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<td>• Banner to Oracle Cloud Migration</td>
<td>• Dare to Lead: Awakening Gathering</td>
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<td>• Enterprise Risk Management (ERM)</td>
<td>• REC 440, Risk Management and Liability in Recreation Services, Guest Lecture</td>
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<td>• ERM Steering</td>
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<td>• HR Liaison</td>
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<td>• Internal Controls Assessment</td>
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<td>• IT Advisory Council (ITAC)</td>
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<td>• IT Governance</td>
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<td>• Leadership Council</td>
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<td>• Request for Proposals (2) - All Hazards and Student Banking</td>
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<td>• Search Committees (3) - Associate Controller, Director of Budgets and Financial Analytics, IT Security Analyst</td>
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<td>• Senior Associate Athletic Director for Internal Operations Interviews</td>
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<td>• Staff Senate Bylaws</td>
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<td>• Staff Senate Scholarship</td>
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<td>• Systems Coordination</td>
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**Educating Others**

- Cameron School of Business (CSB) Careers in Accounting Day
- Dare to Lead: Awakening Gathering
- REC 440, Risk Management and Liability in Recreation Services, Guest Lecture

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**Service to the Profession**

- UNC System Office Internal Audit Advisory Team (IAAT) Workpaper Subgroup
WORK ALLOCATION (CONTINUED)

Other

Participation in University Functions

In FY20, the Chief Audit Executive and Internal Audit staff participated in numerous campus events including:

- Alderman Hall Holiday Party
- Budget Manager’s Meetings
- Campus Holiday Social
- Dear Seahawks! Graduation Note Card Initiative
- Doctoral Transition Discussion with UNCC Chancellor
- Emergency Communications Workshop
- Faculty Senate Meetings
- Finance Year-End Forum
- Leave keeper Meetings
- New Employee Coffee Hour
- Provost Search Campus Forums
- Staff Senate COVID-19 Forums
- Staff Senate Meetings
- Thanksgiving Pie Social
- Wings Up for Wilmington

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 FY20.

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<th>UNCW Training</th>
<th>Conferences/Workshops</th>
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<tr>
<td>• Active Attacker</td>
<td>• 2020 ACUA Virtual Event (various training topics)</td>
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<tr>
<td>• Cascade Website</td>
<td>• ADAPT: Assurance Reimagined Conference</td>
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<td>• Emergency and Fire</td>
<td>• Fraud Busters Conference</td>
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<td>Preparedness Overview</td>
<td>• NCURA: An Auditor’s Guide to Research Administration</td>
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<td>• Equal Employment Opportunity</td>
<td>• Tableau Software Training</td>
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<td>and Diversity Fundamentals</td>
<td>• University of North Carolina Auditor’s Association (UNCAA) Conference</td>
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<td>• Finance and Administrative Development (LEAD)</td>
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<td>• Harassment Prevention</td>
<td>• Understanding the Coronavirus Risk Landscape at Your Institution</td>
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<td>• Hazard Communication Overview</td>
<td>• Understanding the Final Title IX Regulations</td>
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<td>• Identifying Risks in Your Organization</td>
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<td>• Internet Security When You Work from Home</td>
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<td>• Leadership Enhancement and Administrative Development (LEAD)</td>
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<tr>
<td>• Leading in Times of Uncertainty</td>
<td>• The 4-Step Strategy to Boosting Internal Audit Efficiency and Effectiveness</td>
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<tr>
<td>• Microsoft Teams/SharePoint</td>
<td>• Social Distancing and Internal Audit: Strategies for Auditing in a Time of Crisis</td>
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<tr>
<td>• Pandemics: Slowing the Spread</td>
<td>• Understanding the Coronavirus Risk Landscape at Your Institution</td>
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<td>• Vivid Learning System</td>
<td>• Providing Internal Audit Value in this Time of Uncertainty</td>
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<td>• Understanding the Final Title IX Regulations</td>
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<td></td>
<td>• 2019 Professional Ethics and Conduct</td>
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<td>• 2020 Kevin Mitnick Security Awareness</td>
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<td>• CyberSecurity on the Front Lines: A Call to Action</td>
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<td>• Mitigating the Risk of Fraud in the Public Sector through Data Visualization</td>
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<td>• New Analytics Innovations for Risk Modeling and Assurance Reporting</td>
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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 FY20, 68% of our time was spent on direct hours due to transitional changes in leadership and staff recruitment.

![Time Allocation Chart]

**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 direct time on audit/assurance work. In FY20, we only spent 65% of our direct time on audit/assurance work due to additional time spent on advisory/consulting work, completing three advisory engagements at management’s request. In addition, a higher than typical amount of time was spent on work in the “Other” category. The “Other” category includes quality assurance work, including completion of a quality assurance review self-assessment, the annual risk assessment, and engagement in update meetings both internally and with other campus departments to stay abreast of the changing environment and campus operations due to COVID-19.

![Work Allocation Chart]
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 FY20, we completed 73% of the audit plan, had 15% of the planned engagements in process at the end of the fiscal year, and deferred 12% of the planned engagements. Engagements in process included follow ups where work has been initiated, with additional work planned to ensure resolution of the findings. Deferrals were primarily the result of staff turnover during the year.

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 FY20 were $408,744 with 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 promote continuous improvement. For each question, responses are provided on a scale of 1 to 5 with 5 being the highest score.

Survey Results

For FY20, 10 client surveys were received. (Note: For some engagements, surveys were submitted by multiple individuals within the area reviewed.)

Survey Results

The following comments were shared by individuals completing the surveys:
- [The auditor] was great to work with. [The auditor] is clear and concise in messaging and easy to work with during the process.
- Complicated audit was well done.
- Audit was objective and constructive.
QUALITY ASSURANCE

The Office of Internal Audit continually seeks to maintain and improve the quality of its services and its conformance with the International Standards for the Professional Practice of Internal Auditing (Standards). Our quality assurance and improvement program (QAIP) includes three elements.

Ongoing Monitoring

Ongoing monitoring is an integral part of the day-to-day supervision, review, and measurement of the internal audit activity. Ongoing monitoring activities include routine activities such as:

- Review of working papers and other work products.
- Supervision and routine discussion with staff members to discuss status of individual projects, new and revised department practices, and status of the audit plan.
- Maintaining an Internal Audit Manual to outline the authority and scope of the internal audit function, to document standards, and provide cohesive guidelines and procedures. The Chief Audit Executive or designee reviews the manual at least once a year for any applicable revisions.

Internal Assessment

Periodic assessments are conducted to evaluate conformance with the Core Principles for the Professional Practice of Internal Auditing, Definition of Internal Auditing, the Code of Ethics, and the Standards. The Chief Audit Executive or designee completes an overall internal assessment of the internal audit activity once between external assurance reviews using the Quality Assessment Manual published by the Institute of Internal Auditors or another appropriate tool. The assessment focuses on independence/objectivity, professional proficiency, scope of work, performance of work, and management of the department.

During FY20, a self-assessment was completed in preparation for the next external review in spring of 2021. Based on the self-assessment, the Office of Internal Audit “Generally Conforms” to the professional standards, and this is the highest possible rating. Opportunities for improvement were identified and planned actions are being implemented to continue to enhance Internal Audit’s operations.

External Assessment

External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the university. They appraise and express an opinion as to Internal Audit’s compliance with the Standards. External assessments evaluate the effectiveness of the activity in carrying out the mission as stated in the charter and expressed in the expectations of the Audit, Risk and Compliance Committee (ARC Committee) and management.

Internal Audit’s most recent external quality assurance review was completed in May 2016. Internal Audit received a rating of “Generally Conforms” overall and in each separately assessed category, meaning that the Office of Internal Audit conforms with the Standards. Recommendations for improvement were identified and incorporated into operations. The next external assessment will occur in the spring of 2021.
INTERNAL AUDIT STRATEGIC OBJECTIVES

The below provides an overview of the Office of Internal Audit’s strategic objectives and information on key measures and activity for FY20.

Expand audit coverage to include key areas/initiatives on a regular basis and all areas/initiatives over time.

• The FY20 Audit Plan included engagements in 4 of UNCW’s 5 divisions.
• The FY20 Audit Plan included engagements directly tied to strategic initiatives, including audits of Architectural & Construction Services (audit in process at end of FY20) and the Center for Marine Science.

Maximize staff knowledge, staff size, and utilization of other staff resources.

• Each staff member obtains an average of 40 hours of Continuing Professional Education (CPE) each year.
• During FY20, funding was provided for a time-limited auditor position to assist with the backlog of work resulting from staffing shortages in the office.

Educate the campus about internal controls and best practices for efficiency/effectiveness.

• Internal Audit participates in events across campus that provide opportunities for networking and outreach.
• Internal Audit offers internal controls training and teaches the course INT 101: How to Pass an Audit (An Introduction to Internal Controls). During FY20, the course was attended by 71 employees, representing 41 campus units, including all four academic colleges, and all 5 of UNCW’s divisions.

Complement assurance work with appropriate advisory services.

• Internal Audit provides advisory services on both an informal basis (routine consultations, committee work) as well as on a formal basis through consulting engagements.
• During FY20, Internal Audit provided informal advisory services through 65 minor projects and requests for information, served on 18 committees, and completed 3 formal advisory engagements.

Conduct timely, systematic, thorough investigations.

• The Chief Audit Executive ensures investigations are systematic, thorough, and timely through participation in planning, a review of workpapers, and monitoring associated staff time. Investigations are typically completed within the same quarter received.

Increase fraud awareness across campus.

• A Fraud risk assessment was completed during FY20.
• During FY20, fraud flyers were created to share with campus units and provide reminders on how to report fraud, waste, or abuse.

Internal audit staff members will complete the annual audit plan.

• The Chief Audit Executive and internal audit team monitors the completion of the annual audit plan.
• For FY20, the office completed 73% of the audit plan, had 15% of the planned engagements in process at the end of the fiscal year, and deferred 12% of the planned engagements.
DISCLOSURES

The Office of Internal Audit adheres to the *International Standards for the Professional Practice of Internal Auditing* (Standards) of the Institute of Internal Auditors (IIA). The following items are being disclosed in conformance with the Standards.

**Professional Standards**

In carrying out our responsibilities, the Office of Internal Audit follows the Institute of Internal Auditors’ (IIA) mandatory guidance including the Core Principles for the Professional Practice of Internal Auditing, Definition of Internal Auditing, the Code of Ethics, and the Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity’s performance.

**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. The Office of Internal Audit also has a “dotted line” functional reporting relationship to the UNC System Office through the UNC Vice President for Compliance and Audit Services, which also assists in ensuring independence from campus management and leadership.

**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 FY20.

**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 FY20, 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 FY20.