Executive Summary
This report contains a summary of the Office of Internal Audit’s operations for the quarter ending March 31, 2021. The following highlights provide an overview of the office’s work.

Audits/Assurance Services
Pending Projects
• Sponsored Programs and Research Compliance (SPARC) Review
• IT Resource Management Review
• Internal Audit Quality Assurance Review

Follow Up Audits
• Follow up work was conducted on the following engagements:
  o UNCW Payroll
  o Parking Services
• 5 findings were closed during the quarter
• 27 findings are in process as of March 31, 2021

Investigations
Completed Projects
• University Police Department (UPD) Investigation
• 2 minor investigations

Consultations/Advisory Services
Completed Projects
• Department of Educational Leadership Consultation
• Facilities Consultation

Advisory Services
• Routine consultations included 9 minor projects and requests for information serving 5 UNCW units, and 3 UNC institutions.
• 7 individuals from 6 units representing all 5 of UNCW’s divisions attended the Internal Controls course taught by Internal Audit.
• The office was involved with 7 UNCW committees.
• The CAO is participating in a pilot group to provide feedback on the development of an Internal Audit Self-Assessment Maturity Model.

Other
• Michelle Barber joined the office as a time-limited auditor in February 2021.
• Laura LaBree joined the office as the Assistant Director in March 2021.
• Risk discussions were held as part of the office’s annual risk assessment process.
• Individuals from the office attended or participated in 7 University events/functions.
• Individuals from the office participated in 9 UNCW training programs. In addition, they attended 2 conferences and 8 webinars, earning approximately 57 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.

Pending Projects

**Sponsored Programs and Research Compliance (SPARC) Review**
A review of Sponsored Programs and Research Compliance (SPARC) 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:

- Proposal development (pre-award) processes
- Award management (post-award) processes
- Effort reporting
- Subaward processes
- General controls and access rights
- Staffing and organizational structure

Progress on this engagement has been delayed due to additional priorities in the office, including investigative and consultative work, and staff recruitment. It is anticipated that this review will be completed next quarter. Management has been kept apprised of status.

**IT Resource Management Review**
A review of IT Resource Management 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:

- Financial oversight and budgeting
- Telecom expense reporting
- Computer inventory and equipment tracking
- Mobile devices and allowances
- Personnel/hiring practices
- General controls and access rights

**Internal Audit Quality Assurance Review**
A quality assurance review (peer review) of the Office of Internal Audit is required every five years by the Standards of the Institute of Internal Auditors. For its upcoming peer review, Internal Audit is utilizing the NC Council of Internal Auditing’s quality assurance review (QAR) program. During the quarter ending March 31, 2021, Internal Audit finalized the initial planning for the review, held a kickoff meeting with the peer review team, and assisted with information requests.
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

**UNCW Payroll**

During fiscal year 2020, our office completed a review of UNCW Payroll, and 3 findings were identified. Follow up work was completed in March 2021 to determine whether UNCW Payroll had taken steps to adequately and effectively address the findings. Based on the work completed, **we determined that all 3 findings are considered resolved**. A final memo was issued March 30, 2021.

In addition to the above, limited follow up work was also completed related to open findings from the Parking Services review.

Additional follow up work was not completed for other engagements due to schedule limitations for Internal Audit. During the quarter ending March 31, 2021, the office was engaged in investigative and consultative work, staff recruitment, and preparation for our upcoming external quality assurance review. Follow up on remaining open and in process findings will resume next quarter.

Audit Finding Status

The table on the next page displays the status of audit findings for the quarter ending March 31, 2021. 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 quarter ending March 31, 2021. 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 quarter ending March 31, 2021 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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<td><strong>Academic Affairs</strong></td>
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<td>59%</td>
<td>41%</td>
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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.

Completed Projects

University Police Department (UPD) Investigation

In January 2021, our office received a complaint regarding allegations of inaccurate time reporting within the University Police Department (UPD), specifically that UPD employee time entered into LawTime (leave keeping system for law enforcement officers) was being modified after submission by the employee.

Based on the work performed, we could not specifically determine the merit of the allegation as we were unable to conclude whether leave reports were modified based on available records. Enhanced controls around time reporting and system training are needed due to complexity of the system. Applicable recommendations were shared with leadership within UPD and Human Resources, and both were receptive to the recommendations to provide increased transparency for time reporting. No further work regarding this complaint is necessary by our office, and we consider this investigation closed.

A final memo was issued on March 29, 2021.

Minor Investigations

Minor investigations occur when a complaint is received with no formal reporting requirement, and the complaint can be resolved by obtaining clarifying information or referral to another department. The Office of Internal Audit completed two minor investigations for the quarter ending March 31, 2021.
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

Department of Educational Leadership Consultation

At management’s request, the Office of Internal Audit conducted a consultation for the Department of Educational Leadership within the Watson College of Education. The scope of the consultation included a high-level review and assessment of:

- Administrative business processes and internal controls
- Roles and responsibilities of department faculty
- Staffing and organizational structure

Based on the work completed, recommendations to enhance business processes and internal controls, and to provide considerations for faculty coordinator responsibilities and department structure were identified and shared with management.

A final memo was issued on March 11, 2021.

Facilities Consultation

At management’s request, the Office of Internal Audit conducted a consultation for the Office of Facilities. The scope of the consultation included a review and assessment of key control processes, procedures, and policies to ensure adequate controls are in place and operations are efficient and effective. Additionally, best practices for building access methods were considered.

Based on the work completed, recommendations to enhance key control processes, procedures, and policies, and to provide considerations for building access updates were identified and shared with management.

A final memo was issued on March 16, 2021.

Advisory Services

Routine Consultations

In addition to formal advisory work, the Office of Internal Audit provided advisory services through 9 minor projects and requests for information during the quarter ending March 31, 2021.
Consultations/Advisory Services (Continued)

Advisory Services (Continued)

**INT 101: How to Pass an Audit (An Introduction to Internal Controls)**

In order to proactively educate campus units about best practices for internal controls, we developed and teach a course on internal controls offered through both the Finance Certificate Program and Dare to Learn Academy. Attendance for the quarter ending March 31, 2021 is included to the right.

**INT 101 Attendees:**
- 7 employees
- representing 6 units
- and 5 out of 5 UNCW divisions

**Other Advisory Services**

Other advisory services were provided through committee work and service to the profession.

**Committee Work**
- Athletic Eligibility
- Coronavirus Relief Funds Group (Office of State Budget and Management)
- Data Governance
- HR Liaison
- IT Advisory Council (ITAC)
- Staff Senate Scholarship
- Systems Coordination

**Service to the Profession**
- Participation in pilot group to provide feedback on the development of an Internal Audit Self-Assessment Maturity Model

**Other**

This section contains a summary of the other projects and activities of the Office of Internal Audit.

**Staffing**

Recruitment efforts resulted in the following hires for the Office of Internal Audit:
- Michelle Barber joined the office as a time-limited auditor in February 2021.
- Laura LaBree joined the office as the Assistant Director in March 2021.

These recent hires filled all vacant positions in the office.

**Annual Risk Assessment**

Each year our office completes a risk assessment of UNCW operations as part of the audit planning process. During the quarter ending March 31, 2021, risk assessment planning began and the office was engaged in risk discussions with management. Information gained will be assessed and used as consideration in development of the fiscal year 2022 audit plan.
Other (Continued)

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 quarter ending March 31, 2021, 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 quarter ending March 31, 2021, staff members attended the UNCW-sponsored and external training listed in the table below, obtaining approximately 57 hours of continuing professional education (CPE) credits.

UNCW Training
- Active Attacker
- Cold, Flu & Transmissible Illness Prevention
- Environmental Health & Safety Training Courses
- Equal Employment Opportunity & Diversity Fundamentals (EEODF)
- Finance Certificate Program Courses
- Leadership Enhancement and Administrative Development (LEAD) module
- New Employee Welcome Seminar
- Pandemics: Slowing the Spread
- Unlawful Workplace Harassment

External Training (Conference)
- 2021 Association of College and University Auditors (ACUA) Audit Interactive Virtual Conference (Various Training Topics)
- Navigating the Ever-Changing Winds Virtual Conference (Internal Controls and Effective Communication)

External Training (Webinars)
- Auditing (and Understanding) Your ERP Beyond ITGC
- Effective Risk Assessments
- IIA Virtual CAE Roundtable
- IT Audit’s Perspectives on the Top Technology Risks for 2021
- Pandemic Related Fraud in Government Agencies
- Risk Analytics Using Tableau
- Setting the 2021 Audit Committee Agenda
- Sponsored Programs - Post Award Kickstarter
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, Associate General Counsel
Mr. Miles Lackey, Vice Chancellor for Business Affairs
Mr. Mark Lanier, Assistant to the Chancellor and Assistant Secretary, Board of Trustees
Mr. John P. Scherer II, General Counsel
Mr. Eddie Stuart, Vice Chancellor for University Advancement
Dr. Brian Victor, Interim Vice Chancellor for Student Affairs
Dr. James J. Winebrake, Provost and Vice Chancellor for Academic Affairs
### Appendix A

**UNCW Office of Internal Audit**  
**In Process and Open Internal Audit Findings**  
**As of March 31, 2021**

<table>
<thead>
<tr>
<th>Engagement</th>
<th>Original Report Date</th>
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</tr>
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<tr>
<td><strong>Total for all Divisions</strong></td>
<td></td>
<td>27</td>
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</tbody>
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Appendix A (Continued)

Academic Affairs

UNCW Center for Marine Science (CMS) – Operational Report

In Process Findings
1. Facility management for the CMS campus
2. Lack of adequate records for the ownership of equipment funded by grants
3. Improvements needed in physical controls to the CMS campus facilities
4. Lack of adequate backup and cross training for critical functions
5. Lack of continuity of operations plan
6. Lack of documented departmental disaster response/recovery plan

CMS – MDG Operational Report

In Process Findings
1. The MARBIONC Development Group, LLC (MDG) Operating Agreement allows for potential conflicts of interest and lacks oversight of the MDG Manager

CMS – Program Income Compliance Report

In Process 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. Required hazardous materials training is not being completed
7. Lack of liability insurance
8. Current income distribution does not follow Federal grant funding requirements or UNCW Policy 1.200, Intellectual Property Policy
9. Significant risks exist with current practices for program income
Appendix A (Continued)

Business Affairs
Parking Services

In Process Findings
1. Noncompliance with North Carolina General Statute and the North Carolina Office of State Budget and Management guidance regarding unpaid citation fines
2. Noncompliance with North Carolina General Statute regarding late payment penalty fees for unpaid parking citations

Fixed Assets

In Process Findings
1. Improvements needed in annual physical inventory process
2. Improvements needed in the inventory spot check process completed by Fixed Assets

UNCW One Card Office

In Process Findings
1. Inconsistent process for request and issuance of UNCW One Cards
2. Inconsistent UNCW One Card revenue reconciliation processes
3. Improvements needed in UNCW One Card funds escheatment process
4. Noncompliance with North Carolina General Statute guidance for escheatment of funds

Multi-Divisional
CMS – MARBIONC Tenant Management Report

In Process 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. Lab safety requirements are not being met