Office of Internal Audit
Report for the Quarter Ending June 30, 2021

University of North Carolina Wilmington
Office of Internal Audit
Executive Summary
This report contains a summary of the Office of Internal Audit’s operations for the quarter ending June 30, 2021. The following highlights provide an overview of the office’s work.

Audits/Assurance Services

Completed Project
- Internal Audit Quality Assurance Review (QAR)

Pending Projects
- Sponsored Programs and Research Compliance (SPARC) Review
- IT Resource Management Review
- Human Resources Review

Follow Up Audits
- Follow up work was conducted on all engagements with outstanding findings. For the following engagements, all findings were resolved and final memos issued:
  - Fixed Assets
  - Parking Services
  - UNCW Center for Marine Science (CMS) - MARBIONC Tenant Management
  - UNCW Center for Marine Science (CMS) Operations
- 14 findings were closed during the quarter
- 13 findings are in process as of June 30, 2021

Investigations

Completed Project
- 1 minor investigation

Consultations/Advisory Services

Advisory Services
- Routine consultations included 13 minor projects and requests for information serving 7 UNCW units, and 2 UNC institutions.
- 5 individuals from 5 units representing 3 out of 5 of UNCW’s divisions attended the Internal Controls course taught by Internal Audit.
- The office was involved with 8 UNCW committees.

Other
- The office’s annual risk assessment was completed.
- Individuals from the office attended or participated in 8 University events/functions.
- Individuals from the office participated in 3 UNCW training programs. In addition, they attended 2 conferences, and 7 webinars/workshops, earning 21.5 hours of CPE.

FY21 Audit Plan Update
One of the Key Performance Indicators (KPIs) tracked by Internal Audit is completion of the annual audit plan. This report includes a summary of the status of the FY21 audit plan.
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

Internal Audit Quality Assurance Review (QAR)
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 (IIA). In May and June 2021, an external quality assessment was performed by an assessment team through the NC Council of Internal Auditing QAR program. The objectives of the assessment were to:

- Assess conformance with the mandatory requirements of the Standards and the Code of Ethics
- Evaluate Internal Audit’s effectiveness in carrying out its mission
- Identify notable successful internal audit practices
- Identify opportunities for improving the internal audit function

Internal Audit received a rating of “Generally Conforms” which is the highest possible rating within the IIA’s quality assessment framework. We also were provided with information on notable strengths and best practices, and opportunities for improvement that will enhance Internal Audit’s conformance to the Standards and improve overall effectiveness. The final report was received June 4, 2021. Plans to address the improvement recommendations were discussed with the assessment team and responses were included within the final report.

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
Audits/Assurance Services (Continued)

Sponsored Programs and Research Compliance (SPARC) Review (Continued)

Fieldwork has been completed and an exit meeting is scheduled for July 2021, with the final report to be issued following the exit meeting.

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

It is anticipated that this review will be completed next quarter. Management has been kept apprised of status.

Human Resources Review
A review of Human Resources (HR) 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 the below HR functions and processes:

- Income Protection Benefits and Retirement
- Classification & Compensation
- Talent Acquisition
- Employee Relations
- Training and conflict of interest requirements
- Policy review
- Staffing
- General controls
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

Fixed Assets
During fiscal year 2020, our office completed a review of Fixed Assets within the Office of the Controller, and 2 findings were identified. Follow up work was completed in December 2020 and June 2021 to determine whether Fixed Assets had taken steps to adequately and effectively address the findings. Based on the work completed, we determined that the 2 findings are considered closed/resolved. A final memo was issued June 17, 2021.

Parking Services
During fiscal year 2019, our office completed a review of UNCW Parking Services, and 6 findings were identified. Follow up work was completed throughout fiscal years 2020 and 2021 to determine whether Parking Services had taken steps to adequately and effectively address the findings. Based on the work completed, we determined that all 6 findings are considered closed/resolved. A final memo was issued June 24, 2021.

UNCW Center for Marine Science (CMS) - MARBIONC Tenant Management
During fiscal year 2020, our office completed a review of the UNCW Center for Marine Science, including Marine Biotechnology in North Carolina (MARBIONC). The review included numerous aspects of the UNCW Center for Marine Science’s operations, including an assessment of MARBIONC tenant management processes, where 15 findings were identified. Follow up work was completed throughout fiscal years 2020 and 2021 to determine whether steps were taken to adequately and effectively address the findings. Based on the work completed, we determined that all 15 findings are considered closed/resolved. A final memo was issued June 24, 2021.

UNCW Center for Marine Science (CMS) Operations
During fiscal year 2020, our office completed a review of the UNCW Center for Marine Science (CMS) Operations, and 18 findings were identified. Follow up work was completed throughout fiscal years 2020 and 2021 to determine whether steps were taken to adequately and effectively address the findings. Based on the work completed, we determined that all 18 findings are considered closed/resolved. A final memo was issued June 28, 2021.

In addition to the above, follow up work was also completed related to open findings from the CMS MDG Operational report, CMS Program Income Compliance report, and UNCW One Card Office review.
Follow Up Audits (Continued)

Audit Finding Status

The table below displays the status of audit findings for the quarter ending June 30, 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 June 30, 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 June 30, 2021 or where Internal Audit has not yet performed follow up work.

<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>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Academic Affairs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNCW Center for Marine Science (CMS) – Operational Report</td>
<td>12/18/2019</td>
<td>18</td>
<td>12</td>
<td>6</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>CMS – MDG Operational Report</td>
<td>12/18/2019</td>
<td>6</td>
<td>5</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>CMS – Program Income Compliance Report</td>
<td>12/18/2019</td>
<td>10</td>
<td>1</td>
<td>1</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td><strong>Business Affairs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parking Services</td>
<td>6/4/2019</td>
<td>7</td>
<td>5</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>6/17/2020</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>UNCW One Card Office</td>
<td>6/29/2020</td>
<td>5</td>
<td>1</td>
<td>0</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td><strong>Multi-Division</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CMS – MARBIONC Tenant Management Report</td>
<td>1/9/2020</td>
<td>15</td>
<td>12</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total for all Divisions</strong></td>
<td>63</td>
<td>36</td>
<td>14</td>
<td>13</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Finding % by Status</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>79%</td>
<td></td>
<td>21%</td>
<td></td>
<td>0%</td>
<td></td>
</tr>
</tbody>
</table>

Office of Internal Audit
Report for the Quarter Ending June 30, 2021
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 Project

Minor Investigation

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 one minor investigation for the quarter ending June 30, 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.

Advisory Services

Routine Consultations

In addition to formal advisory work, the Office of Internal Audit provided advisory services through 13 minor projects and requests for information during the quarter ending June 30, 2021.

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

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 June 30, 2021 is included to the right.
Consultations/Advisory Services (Continued)

Advisory Services (Continued)
Other Advisory Services
Other advisory services were provided through committee work.

Committee Work
- Data Governance
- Enterprise Risk Management (ERM) Steering Committee
- HR Liaison
- Internal Controls Assessment
- IT Advisory Council (ITAC)
- Staff Senate Bylaws
- Staff Senate Scholarship
- Systems Coordination

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

Annual Risk Assessment
Each year our office completes a risk assessment of UNCW operations as part of the audit planning process. Throughout fiscal year 2021, the Chief Audit Officer and other staff members engaged in ongoing risk discussions with management. In addition, throughout the course of our work, we continuously assess risks and areas of impact to the University which are used in the audit planning process. Based on this risk assessment, an audit plan for fiscal year 2022 was developed. The audit plan will be presented to the Audit, Risk and Compliance Committee of the Board of Trustees for approval at the July 2021 meeting.

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 June 30, 2021, staff participated in the functions noted to the right.

- "Because It's Time" Public Artwork Ceremony
- Business Leadership Team Meeting
- College of Arts and Sciences Candidate Open Forum
- Data Visualization User Group Meetings
- Leave Keeper Meetings
- REDress Exhibit
- Research and Grant Quarterly Update Meeting
- Staff Senate Meetings
Other (Continued)

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 June 30, 2021, staff members attended the UNCW-sponsored and external training listed in the table below, earning **21.5 hours of continuing professional education (CPE)** credits.

<table>
<thead>
<tr>
<th>UNCW Training</th>
<th>External Training (Conferences)</th>
<th>External Training (Webinars/Workshops)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• LEAD: Making and Maintaining PEACE in Professional Communication</td>
<td>• Chief Audit Officer Retreat</td>
<td>• Analytics as Part of Every Audit</td>
</tr>
<tr>
<td>• Stamats PDF Training</td>
<td>• Insight 2020ne UNC System Finance Conference</td>
<td>• Emergency Relief Fund</td>
</tr>
<tr>
<td>• Supervisor Information Session: Teleworking and Flexible Work Guidelines</td>
<td></td>
<td>• IIA Emerging Risks Event</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• IIA New Member Webinar</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Improving Your Internal Audit Leadership Skills</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Internal Audit Self Assessment Maturity Model (SAMM) Workshop</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Programmatic Solutions: PowerBI</td>
</tr>
</tbody>
</table>
**FY21 Audit Plan Update**

One of the Key Performance Indicators (KPIs) tracked by Internal Audit is completion of the annual audit plan. The following table summarizes the status of the items on the revised FY21 Audit Plan as of June 30, 2021. The revised FY21 Audit Plan was approved at the January 2021 Audit, Risk and Compliance Committee meeting.

<table>
<thead>
<tr>
<th>Engagement</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Audits/Assurance Services</strong></td>
<td></td>
</tr>
<tr>
<td>Human Resources</td>
<td>In Process</td>
</tr>
<tr>
<td>Sponsored Programs &amp; Research Compliance (SPARC)</td>
<td>In Process</td>
</tr>
<tr>
<td>CARES Act funds (Relief funds) compliance</td>
<td>Deferred (a)</td>
</tr>
<tr>
<td>Title IX</td>
<td>Deferred (a)</td>
</tr>
<tr>
<td>Friends of UNCW Financial Audit</td>
<td>Complete</td>
</tr>
<tr>
<td>IT Resource Management</td>
<td>In Process</td>
</tr>
<tr>
<td>IT Security</td>
<td>Deferred (a)</td>
</tr>
<tr>
<td><strong>Audit Follow Ups</strong></td>
<td></td>
</tr>
<tr>
<td>Various</td>
<td>In Process / Complete</td>
</tr>
<tr>
<td><strong>Consultations/Advisory Services</strong></td>
<td></td>
</tr>
<tr>
<td>Department of Educational Leadership Consultation</td>
<td>Complete</td>
</tr>
<tr>
<td>Facilities Consultation</td>
<td>Complete</td>
</tr>
<tr>
<td>Committee Assignments</td>
<td>Complete</td>
</tr>
<tr>
<td>Routine Consultations</td>
<td>Complete</td>
</tr>
<tr>
<td>Campus Engagement</td>
<td>Complete</td>
</tr>
<tr>
<td><strong>Complete Prior Year Work</strong></td>
<td></td>
</tr>
<tr>
<td>Payroll</td>
<td>Complete</td>
</tr>
<tr>
<td>Facilities - Phase 2 (Architectural &amp; Construction Services)</td>
<td>Complete</td>
</tr>
<tr>
<td><strong>Special Projects</strong></td>
<td></td>
</tr>
<tr>
<td>External Quality Assurance Review; Quality Assurance Activities</td>
<td>Complete</td>
</tr>
<tr>
<td>Other Routine Tasks (i.e. Reporting, Audit Team Collaboration, IIA/UNCAA)</td>
<td>Complete</td>
</tr>
<tr>
<td>FY22 Risk Assessment/Audit Plan</td>
<td>Complete</td>
</tr>
<tr>
<td>Campus Training</td>
<td>Complete</td>
</tr>
<tr>
<td>Data Analytics Enhancements</td>
<td>Complete</td>
</tr>
<tr>
<td><strong>Investigations</strong></td>
<td></td>
</tr>
<tr>
<td>University Police Department (UPD)</td>
<td>Complete</td>
</tr>
</tbody>
</table>

(a) Deferred engagements will be assessed during the annual risk assessment process and considered for inclusion on the FY22 Audit Plan.
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

Dr. Lowell K. Davis, Vice Chancellor for Student Affairs

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. 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 June 30, 2021

<table>
<thead>
<tr>
<th>Engagement</th>
<th>Original Report Date</th>
<th>Number of In Process Findings</th>
<th>Number of Open Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic Affairs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CMS – MDG Operational Report</td>
<td>12/18/2019</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>CMS – Program Income Compliance Report</td>
<td>12/18/2019</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>Business Affairs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNCW One Card Office</td>
<td>6/29/2020</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total for all Divisions</strong></td>
<td></td>
<td><strong>13</strong></td>
<td><strong>0</strong></td>
</tr>
</tbody>
</table>
Appendix A (Continued)

Academic Affairs

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. Lack of liability insurance
7. Current income distribution does not follow Federal grant funding requirements or UNCW Policy 1.200, Intellectual Property Policy
8. Significant risks exist with current practices for program income

Business Affairs

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