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

Audits/Assurance Services
Completed Projects
- Sponsored Programs and Research Compliance (SPARC) Review
- IT Resource Management Review

Pending Projects
- Human Resources Review
- CARES Act HEERF Review
- Friends of UNCW Financial Audit

Follow Up Audits
- Follow up work was conducted on the following engagements:
  - UNCW One Card Office
  - MDG Operational Review
  - Program Income Compliance
- 4 findings were closed during the quarter
- 9 findings are in process as of September 30, 2021
- 23 findings are open as of September 30, 2021

Investigations
Completed Project
- Investigation - OSA Referral (July 2021)

Consultations/Advisory Services
Advisory Services
- Routine consultations included 11 minor projects and requests for information serving 8 UNCW units, and 2 UNC institutions.
- 12 individuals from 10 units representing 3 out of 5 of UNCW’s divisions attended the Internal Controls course taught by Internal Audit.
- The office was involved with 5 UNCW committees.

Other
- Internal Audit team members completed a full-day retreat on August 31, 2021.
- Kelly Mintern successfully completed UNCW’s LEAD program.
- The office responded to two public records requests received in July 2021.
- A required self-assessment and maturity model (SAMM) was completed.
- Individuals from the office attended or participated in 9 University events/functions.
- Individuals from the office participated in 4 UNCW training programs. In addition, they attended 2 conferences and 7 webinars/workshops, earning 37 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 Projects

Sponsored Programs and Research Compliance (SPARC) Review
A review of Sponsored Programs and Research Compliance (SPARC) was completed to assess and evaluate select operational, compliance, and administrative functions within SPARC including the underlying internal controls. Specific objectives were 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

In our opinion, some improvement is needed for the system of internal control with respect to the areas reviewed within SPARC. There were 18 findings associated with this review, and we received positive responses from management to the findings. The final report was issued July 30, 2021.

IT Resource Management Review
A review of Information Technology (IT) Resource Management was completed to assess and evaluate operational, compliance, and administrative functions performed by IT Resource Management including their underlying internal controls and related compliance considerations. Specific objectives were 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

In our opinion, some improvement is needed for the system of internal control with respect to the areas reviewed within IT Resource Management. There were 5 findings associated with this review, and we received positive responses from management to the findings. The final report was issued September 24, 2021.
Audits/Assurance Services (Continued)

Pending Projects

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

Management has been kept apprised of the status of this review.

CARES Act HEERF Review
A compliance audit of the Coronavirus Aid, Relief, and Economic Security (CARES) Act Higher Education Emergency Relief Fund (HEERF) is in process. Specific objectives are to review:

- Receipt and management of funds
- Use of institutional funds
- Use of student funds
- Reporting requirements

Friends of UNCW Financial Audit
Our annual audit of the financial statements of the Friends of the University of North Carolina at Wilmington, Inc. (Friends) is in process. This audit is being conducted in accordance with auditing standards generally accepted in the United States and work also includes a review of Friends’ compliance with the requirements of a Minor Associated Entity under the policy of the North Carolina System. This engagement is being completed with the assistance of East Carolina University to ensure work is completed by someone who is independent in both fact and appearance as required for North Carolina Certified Public Accountants (CPAs).
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. (Note that the follow up timeframe is being revisited for future engagements).

Completed Follow Ups

UNCW One Card Office

During fiscal year 2020, our office completed a review of the UNCW One Card Office, and 5 findings were identified. Follow up work was completed throughout fiscal years 2021 and 2022 to determine whether steps were taken to adequately and effectively address the findings. Based on the work completed, we determined that all 5 findings are considered closed/resolved. A final memo was issued September 29, 2021.

In addition to the above, follow up work was also completed related to open findings from the UNCW Center for Marine Science (CMS) MDG Operational report and CMS Program Income Compliance report.

Audit Finding Status

The table on the next page displays the status of audit findings for the quarter ending September 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 September 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 September 30, 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></td>
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<td>21%</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.*

### Completed Project

**Investigation – OSA Referral (July 2021)**

In July 2021, the NC Office of the State Auditor (OSA) referred an anonymous hotline complaint pertaining to UNCW. The referral included allegations of potential inaccurate time reporting and inappropriate personnel practices within Information Technology Services (ITS).

We evaluated each of the allegations and the results of our review did not substantiate the allegations made. No further work regarding this investigation is necessary and we consider this investigation closed. **The final investigation memo was issued September 24, 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 11 minor projects and requests for information during the quarter ending September 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 (via Skillport) and Dare to Learn Academy. Attendance for the quarter ending September 30, 2021 is included to the right.

Other Advisory Services
Advisory services were also provided through committee work.

Committee Work
• Athletic Eligibility
• Data Governance
• HR Liaison
• Staff Senate Scholarship
• Systems Coordination

Routine Consultations Served:
8 UNCW Units
2 UNC Institutions

INT 101 Attendees:
12 employees
representing
10 units
and
3 out of 5 UNCW divisions
Other
This section contains a summary of the other projects and activities of the Office of Internal Audit.

Department Retreat
All Internal Audit team members completed a full-day retreat on August 31, 2021. The retreat enabled the group to discuss the audit plan for fiscal year 2022, discuss and plan for the recommendations from the recent quality assurance review, and to evaluate the office’s processes for efficiency and effectiveness. Items from retreat discussions will be implemented throughout the fiscal year.

Staff Accomplishments
Kelly Mintern received a Certificate for successfully completing UNCW’s Leadership Enhancement and Administrative Development (LEAD) program.

Public Records Requests
The office responded to two public records requests received in July 2021.

Self-Assessment and Maturity Model (SAMM)
The North Carolina Council of Internal Auditing (through the North Carolina Office of Internal Audit) implemented a new requirement for all state agencies, including universities, to complete a self-assessment and maturity model (SAMM) annually by September 30. The assessment is used as a 1) framework for assessment of internal audit standards and best practices, 2) communication vehicle for communicating what is meant by effective internal auditing, and 3) road map for improvement to address potential gaps and further develop the internal audit function. The assessment results provide a rating as to the extent the internal audit function performs the essential activities in each of the assessed topics.

The required SAMM was completed for the 2020-2021 cycle, and reported achievement of, or exceeding, in each of the assessed topics. The results were shared and discussed with the Chancellor and submitted as required to the North Carolina Office of Internal Audit on September 13, 2021.

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

- 2021 Staff Award for Excellence
- Camp Alderman Door Decorating and Social
- Chief Diversity Officer Virtual Forum
- Convocation
- Data Visualization User Group Meetings
- Leave Keeper Meetings
- Research and Grants Quarterly Update Meeting
- Staff Senate Meetings
- Welcome Back to Campus Ice Cream Social
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 September 30, 2021, staff members attended the UNCW-sponsored and external training listed in the table below, earning 37 hours of continuing professional education (CPE) credits.

### UNCW Training
- PeopleAdmin
- Security Awareness Foundations
- VoIP Phone
- Webinar to Explore New Structure for UNCW's Redesigned Website

### External Training (Conferences)
- Diversity, Equity, and Inclusion Leaders Driving Change in 2021 and Beyond
- Sixth Annual FraudBusters Conference

### External Training (Webinars/Workshops)
- Develop Leaders Who Foster Belonging for All
- Don’t Leave Me! Simple Strategies to Increase Employee Engagement and Retention
- Google Hacking for Auditors
- Investigating Online Fraud: Shifting from Detection to Prevention
- Modern Audit: How to Create Attention Grabbing Audit Reports That Drive Action
- Return to Campus (Tableau)
- Velosio App in A DAY
Distribution List
Audit, Risk and Compliance Committee, UNCW Board of Trustees
Dr. Jose V. Sartarelli, Chancellor
Mr. Bradley Ballou, Chief of Staff
Mr. Jimmy Bass, Director, Athletics
Ms. Kristy Burnette, Risk Manager
Dr. Lowell K. Davis, Vice Chancellor for Student Affairs
Ms. Elaine Doell, Interim Associate Vice Chancellor for Human Resources
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
Dr. Donyell Roseboro, Interim Chief Diversity Officer
Mr. John P. Scherer II, General Counsel
Mr. Eddie Stuart, Vice Chancellor for University Advancement
Ms. Andrea Weaver, Interim Chief Communications Officer
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 September 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>
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<td></td>
<td>9</td>
<td>23</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

Sponsored Programs and Research Compliance (SPARC)

Open Findings

1. Authority of Record is not certifying grant applications
2. Need for review and approval of all grant awards
3. Cost share processes and policies need improvement
4. Lack of a formal process for review of potential program income
5. Inconsistent processes for salaries applied to grant funds
6. Need for increased training to campus for cost transfers
7. Grant close out processes need improvement
8. Banner Effort Reporting earn codes and reporting periods need to be reviewed for accuracy
9. Enhancements needed for subaward communication and data processes
10. Subrecipient invoicing processes needs improvement
11. Research Services policies are outdated and require updates
12. Need for policy to enforce authority and timeliness of proposal submissions
13. Need for Facilities and Administration policy
14. Lack of procedures for proposal development and award management processes
15. Document storage practices are inconsistent
16. Enhancements needed for record retention and disposition of electronic records
17. Need to ensure compliance processes are occurring for tax exempt debt, State Bonds and build America bonds for academic buildings
18. Lack of adequate backup and cross training for critical functions
Appendix A (Continued)

Business Affairs

*IT Resource Management*

**Open Findings**

1. Improvements needed to the ITS Computer Tracking System
2. Improvements needed to campus education on computer tracking requirements
3. Improvements needed to the mobile device allowance process
4. Noncompliance with UNCW Policy 05.120, *Key Control*
5. Improvements needed in oversight of electronic door access