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

Audits/Assurance Services

Completed Projects
- Friends of UNCW Financial Audit
- CARES Act HEERF Review

Pending Projects
- Human Resources Review

Follow Up Audits
- Follow up work was conducted on the following engagements:
  - MDG Operational Review
  - Program Income Compliance
- 9 findings were closed during the quarter
- 23 findings are open as of December 31, 2021

Investigations

Completed Projects
- 2 minor investigations

Consultations/Advisory Services

Advisory Services
- Routine consultations included 10 minor projects and requests for information serving 6 UNCW units, and 2 UNC institutions.
- 7 individuals from 7 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
- Shelley Morris separated from the office and joined UNCW’s College of Health and Human Services. Recruitment for this position is in progress.
- Individuals from the office attended or participated in 7 University events/functions.
- Individuals from the office participated in 6 UNCW training programs. In addition, they attended 1 conference, 1 self-study course, and 3 webinars/workshops, earning 46.5 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

Friends of UNCW Financial Audit
Our office completed the annual audit of the financial statements of the Friends of the University of North Carolina at Wilmington, Inc. (Friends), a minor associated entity with limited activity. This engagement was completed with the assistance of East Carolina University to ensure work was completed by someone who was independent in both fact and appearance as required for North Carolina Certified Public Accountants (CPAs).

The audit was conducted in accordance with auditing standards generally accepted in the United States, and our work included a review of Friends’ compliance with the requirements of a Minor Associated Entity under the policy of the University of North Carolina System. Friends received an unqualified opinion, and the final report was issued October 19, 2021.

CARES Act HEERF Review
A compliance audit of the Coronavirus Aid, Relief, and Economic Security (CARES) Act Higher Education Emergency Relief Fund (HEERF) was completed to verify UNCW met the terms and conditions of the Funding Certification and Agreements for awarding emergency student aid grants and institutional aid under Section 18004 of the CARES Act. Specific objectives were to review:

- Receipt and management of funds
- Awarding and distribution of student aid
- Use of institutional aid
- Required reporting

UNCW met the terms and conditions of the Funding Certification and Agreements for awarding emergency student aid grants and institutional aid under the CARES Act HEERF. All students receiving the $5,283,027 of student aid met eligibility requirements and aid was disbursed according to required guidance and campus guidelines. The $5,283,026 of institutional aid was appropriately applied to offset institutional losses relating to housing and dining refunds provided to students because of campus closure due to COVID-19. Additionally, reporting on the student and institutional aid was timely, accurate, and included all required information.

The final report was issued December 1, 2021.
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.
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

**CMS – MDG Operational Report**

During fiscal year 2020, our office completed a review of the UNCW Center for Marine Science (CMS), and 6 findings were identified that related to MARBIONC Development Group, LLC (MDG) operations. 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 all 6 findings are considered closed/resolved**. A final memo was issued December 20, 2021.

**CMS – Program Income Compliance Report**

During fiscal year 2020, our office completed a review of the UNCW Center for Marine Science (CMS), and 10 findings were identified that related to program income processes. Throughout fiscal years 2021 and 2022, our office has actively monitored progress made on program income processes and resolution of findings. Based on the work completed, **we determined that 2 findings are closed, and the remaining findings are considered in process**. Although findings are not yet fully resolved, progress has been made toward resolving them and management has plans in place to continue corrective measures. A comprehensive plan for program income to address the findings has been established by the Office of Innovation and Commercialization (OIC). Implementation efforts for the plan are in process. Updates on progress will be reported to the Office of Internal Audit as requested and findings will be revisited during future reviews of OIC and/or UNCW Center for Marine Science. A final memo was issued December 20, 2021.

Audit Finding Status

The table on the next page displays the status of audit findings for the quarter ending December 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 December 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 December 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>
</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>CMS – MDG Operational Report</td>
<td>12/18/2019</td>
<td>6</td>
<td>5</td>
<td>1</td>
<td>0</td>
<td>0</td>
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<tr>
<td>CMS – Program Income Compliance Report</td>
<td>12/18/2019</td>
<td>10</td>
<td>2</td>
<td>8*</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Sponsored Programs and Research Compliance (SPARC)</td>
<td>7/30/2021</td>
<td>18</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>18</td>
</tr>
<tr>
<td><strong>Business Affairs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT Resource Management</td>
<td>9/24/2021</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5</td>
</tr>
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<td><strong>Total for all Divisions</strong></td>
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<td>39</td>
<td>7</td>
<td>9</td>
<td>0</td>
<td>23</td>
</tr>
<tr>
<td><strong>Finding % by Status</strong></td>
<td></td>
<td>41%</td>
<td>0%</td>
<td>59%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*For reporting purposes, these findings are included in the closed column above. Although the findings are not yet fully resolved, no additional formal follow up procedures are planned at this time. A comprehensive plan for program income has been established and implementation efforts are in process. Refer to previous page for additional information.

### 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

#### 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 2 minor investigations for the quarter ending December 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.

Advisory Services

**Routine Consultations**

In addition to formal advisory work, the Office of Internal Audit provided advisory services through **10 minor projects and requests for information** during the quarter ending December 31, 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 December 31, 2021 is included to the right.

**Other Advisory Services**

Advisory services were also provided through committee work.

**Committee Work**

- Athletic Eligibility
- Data Governance
- Staff Senate Nominations
- Staff Senate Scholarship
- Systems Coordination

**Routine Consultations Served:**

- 6 UNCW Units
- 2 UNC Institutions

**INT 101 Attendees:**

- 7 employees
- representing
  - 7 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.

Staff Changes
Shelley Morris separated from the office in December 2021 to pursue another employment opportunity at UNCW within the College of Health and Human Services. Recruitment for this position is in process.

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 December 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 December 31, 2021, staff members attended the UNCW-sponsored and external training listed in the table below, earning **46.5 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>
</table>
| • Benefits Open Enrollment  
• Finance Certificate Courses  
• ITS Security Awareness  
• SSRS Report Development  
• Surplus Property  
• Unconscious Bias: Unpacking the Impact | • UNC Auditors Association Annual Conference | • Audit Evidence and Workpapers (self-study)  
• Practices of High-Quality Ethics and Compliance Programs  
• State Health Plan 101: Open Enrollment 2022  
• The Influential Power of Workplace Ethics |
**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 December 31, 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><strong>Academic Affairs</strong>&lt;br&gt; Sponsored Programs and Research Compliance (SPARC)</td>
<td>7/30/2021</td>
<td>0</td>
<td>18</td>
</tr>
<tr>
<td><strong>Business Affairs</strong>&lt;br&gt; IT Resource Management</td>
<td>9/24/2021</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total for all Divisions</strong></td>
<td></td>
<td>0</td>
<td>23</td>
</tr>
</tbody>
</table>

### Academic Affairs

**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