Executive Summary
This report contains a summary of the Office of Internal Audit’s operations for the quarter ending March 31, 2022. The following highlights provide an overview of the office’s work.

Audits/Assurance Services
Completed Project
• Human Resources Review
Pending Projects
• Title IX Compliance Review
• Office of Institutional Diversity & Inclusion (OIDI) Review

Follow Up Audits
• Follow up work was conducted on the following engagements:
  o IT Resource Management
  o Sponsored Programs and Research Compliance (SPARC)
• 2 findings were closed during the quarter
• 14 findings are in process as of March 31, 2022
• 16 findings are open as of March 31, 2022

Investigations
Completed Projects
• 4 minor investigations

Consultations/Advisory Services
Completed Projects
• Student Affairs Consultation – Spending Review
• Information Technology Consultation – Lifecycle Computer Processes
Advisory Services
• Routine consultations included 13 minor projects and requests for information serving 7 UNCW units, and the UNC System Office.
• 11 individuals from 9 units representing 3 out of 5 of UNCW’s divisions attended the Internal Controls course taught by Internal Audit.
• The office was involved with 7 UNCW committees.
• The office participated in presentations for Business Week at the Cameron School of Business and the New Department Chair Orientation for the Center for Faculty Leadership.

Other
• Recruitment efforts during the quarter were successful to fill a vacant auditor position.
• Elizabeth Davis resigned in March 2022. Recruitment for this position is being discussed.
• Risk discussions were held as part of the office’s annual risk assessment process.
• The office responded to a public records request received in March 2022.
• 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 1 conference and 3 webinars/workshops, earning 9.5 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 in 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

Human Resources Review

A review of the UNCW Office of Human Resources (HR) was completed to assess and evaluate operations and compliance for HR including the underlying internal controls. We reviewed activity and transactions during fiscal years 2021, 2022, and current processes. Specific objectives were to review:

- Income protection benefits and retirement processes
- Employee separation processes
- Classification and compensation processes
- Talent acquisition processes
- Employee relations processes
- Required HR campus training management and oversight
- Conflict of interest requirements, including secondary employment
- Policy reviews and revisions
- Staffing
- General controls
- Compliance with established policies, procedures, and external regulations
- Overall internal controls
- Effectiveness and efficiency of operations

In our opinion, some improvement is needed for the system of internal control with respect to the areas reviewed within the UNCW Office of Human Resources. There were 9 findings associated with this review, and we received positive responses from management to the findings. The final report was issued March 24, 2022.
Pending Projects

**Title IX Compliance Review**
A review of Title IX 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 Title IX processes:

- Intake process
- Supportive measures
- Informal resolution process
- Formal resolution processes, including investigations and hearings
- Training
- Staffing/organizational structure
- General controls
- Compliance with established policies, procedures, and external regulations
- Overall internal controls
- Effectiveness and efficiency of operations

**Office of Institutional Diversity & Inclusion (OIDI) Review**
A review of the Office of Institutional Diversity & Inclusion is in the planning phase. The audit focus will primarily be administrative and business operations within the Office of Institutional Diversity & Inclusion, including the three Diversity & Inclusion units. The specific areas of review will be determined by conducting a thorough risk assessment.
**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).

**Audit Finding Status**

During the quarter ending March 31, 2022, follow up work was completed related to open findings from the following engagements:

- IT Resource Management
- Sponsored Programs and Research Compliance (SPARC)

The table below displays the status of audit findings for the quarter ending March 31, 2022. *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, 2022. 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, 2022, 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>Sponsored Programs and Research Compliance (SPARC)</td>
<td>7/30/2021</td>
<td>18</td>
<td>0</td>
<td>1</td>
<td>10</td>
<td>7</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>1</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td><strong>Chancellor</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human Resources</td>
<td>3/24/2022</td>
<td>9</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total for all Divisions</strong></td>
<td>32</td>
<td>0</td>
<td>2</td>
<td>14</td>
<td>16</td>
<td>16</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></td>
<td></td>
<td></td>
<td></td>
<td><strong>6%</strong></td>
<td>44%</td>
</tr>
</tbody>
</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 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 4 minor investigations for the quarter ending March 31, 2022.

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

Student Affairs Consultation – Spending Review

At the Chancellor’s request, the Office of Internal Audit completed a review of spending and transactional activity within the Vice Chancellor of Student Affairs’ (VCSA) funds from May 2021 to December 2021. Our objectives were to provide an overview of transactional activity, evaluate controls and oversight of spending, and determine if expenditures complied with state regulations and university policies.

Based on the work completed, recommendations to enhance oversight, ensure compliance with spending requirements, and provide considerations on the need to update or clarify policies and guidelines were identified and shared with the Chancellor.

A final memo was issued March 7, 2022.

Information Technology Consultation – Lifecycle Computer Processes

At management’s request, the Office of Internal Audit conducted a consultation for Information Technology Services (ITS), Consulting Services Support. The scope of the consultation included a review and assessment of lifecycle computer processes to ensure adequate controls are in place, and operations are efficient and effective.

Based on the work completed, recommendations to enhance lifecycle computer processes and procedures were identified and shared with management.

A final memo was issued March 24, 2022.
Consultations/Advisory Services (Continued)

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 March 31, 2022.

*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 March 31, 2022, is included to the right.

*Other Advisory Services*
Other advisory services were also provided through committee work and time spent educating others.

**Committee Work**
- Athletic Eligibility
- Data Governance
- Enterprise Risk Management (ERM) Steering
- HR Liaison
- Staff Senate Nominations
- Staff Senate Scholarship
- Systems Coordination

**Educating Others**
- Business Week, Cameron School of Business - *Careers in Internal Auditing* Session
- New Department Chair Orientation, Center for Faculty Leadership-Internal Audit Session
Other
This section contains a summary of the other projects and activities of the Office of Internal Audit.

Staffing Changes
The following staffing changes occurred:

- Recruitment efforts during the quarter were successful to fill a vacant auditor position open since December 2021. Crystal Roberts will be joining the office in April 2022.
- Elizabeth Davis resigned in March 2022 to pursue an opportunity at another UNC institution. Recruitment for this position is being discussed.

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, 2022, risk assessment planning began, and the office was engaged in risk discussions with management. Information gained will be assessed and used as consideration in the development of the fiscal year 2023 audit plan.

Public Records Request
The office responded to a public records request received in March 2022.

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, 2022, staff participated in the functions noted to the right.

- Associate Vice Chancellor for Human Resources Candidate Forums
- Centro Hispano Open House
- Chancellor Candidate Campus Visits
- Fiscal Year End 2022 Finance Forum
- Staff Senate Meetings
- UNC System Board of Governors Lunch and Tour at the Center for Marine Science
- UNC System Strategic Plan Refresh - UNC Wilmington Virtual Town Hall
- University Police Department Chief Candidate Forums
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 March 31, 2022, staff members attended the UNCW-sponsored and external training listed in the table below, earning 9.5 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>• ITS Excel courses</td>
<td>• Higher Education Virtual Conference</td>
<td>• Academia Security Virtual Symposium: Physical and Research Security Threats</td>
</tr>
<tr>
<td>• Next Gen Scholarship Software</td>
<td></td>
<td>• Financial Crimes Trends and Challenges</td>
</tr>
<tr>
<td>• Search Committee Training</td>
<td></td>
<td>• Law and Internal Audit</td>
</tr>
</tbody>
</table>
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, 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 March 31, 2022

<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>Sponsored Programs and Research Compliance (SPARC)</td>
<td>7/30/2021</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>Business Affairs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT Resource Management</td>
<td>9/24/2021</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Chancellor</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human Resources</td>
<td>3/24/2022</td>
<td>0</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total for all Divisions</strong></td>
<td></td>
<td><strong>14</strong></td>
<td><strong>16</strong></td>
</tr>
</tbody>
</table>

**Academic Affairs**

**Sponsored Programs and Research Compliance (SPARC)**

**In Process Findings**
1. Authority of record is not certifying grant applications
2. Lack of a formal process for review of potential program income
3. Inconsistent processes for salaries applied to grant funds
4. Grant close-out processes need improvement
5. Enhancements needed for subaward communication and data processes
6. Subrecipient invoicing processes need improvement
7. Research Services policies are outdated and require updates
8. Need for policy to enforce authority and timeliness of proposal submissions
9. Need for Facilities and Administration policy
10. Lack of procedures for proposal development and award management processes

**Open Findings**
11. Cost share processes and policies need improvement
12. Need for increased training to campus for cost transfers
13. Banner Effort Reporting earn codes and reporting periods need to be reviewed for accuracy
14. Document storage practices are inconsistent
15. Enhancements needed for record retention and disposition of electronic records
16. Need to ensure compliance processes are occurring for tax exempt debt, State Bonds and build America bonds for academic buildings
17. Lack of adequate backup and cross training for critical functions
Appendix A (Continued)

Business Affairs

IT Resource Management

In Process Findings

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

Chancellor

Human Resources

Open Findings

1. Improvements needed to process and documentation for Workers’ Compensation
2. Inconsistencies in collection of required separation documentation
3. Lack of university guidance and Human Resources’ oversight for the use of search firms
4. Updates needed to the education verification process
5. Enhancements needed to the temporary employment process
6. Improvements needed to monitor compliance and participation in the Equal Employment Opportunity & Diversity Fundamentals (EEODF) program
7. Need to clarify expectations and develop monitoring process for performance appraisal training for newly hired/appointed managerial roles
8. Improvements needed to ensure compliance with the Workplace Harassment Prevention program
9. Human Resources policies are outdated and require updates