Executive Summary
This report contains a summary of the Office of Internal Audit’s operations for the quarter ending June 30, 2022. The following highlights provide an overview of the office’s work.

Audits/Assurance Services
   Completed Project
   • Follow-up of State Auditor Information System Audit Recommendations
   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
   • 16 findings are in process and 12 findings are open as of June 30, 2022

Investigations
   Pending Project
   • Online Complaint – June 2022

Consultations/Advisory Services
   Completed Project
   • Office of the State Auditor IT Controls Audit Assistance
   Advisory Services
   • Routine consultations included 12 minor projects and requests for information serving 7 UNCW units, 1 UNC institution, and 1 state agency.
   • 5 individuals from 5 units representing 2 out of 5 of UNCW’s divisions attended the Internal Controls course taught by Internal Audit.
   • The office was involved with 5 UNCW committees.
   • Service to the profession involved participation in interviews for WCU Director of Internal Audit and serving as elections committee chair for the ACFE Central Carolina Chapter.

Other
   • A new staff auditor joined the office and recruitment for an additional position is in process.
   • The office’s annual risk assessment was completed.
   • Individuals from the office attended or participated in 8 University events/functions.
   • The office participated in the Staff Senate Strides event.
   • The office participated in conference planning for the UNCAA annual conference.
   • Individuals from the office attended 4 conferences/workshops and 10 webinars, participating in 51.5 hours of CPE.

FY22 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 FY22 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 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

**Follow-up of State Auditor Information System Audit Recommendations**

In accordance with North Carolina General Statute § 116-30.1, we completed a follow-up review for the information systems audit completed by the North Carolina Office of the State Auditor (NC OSA). Our objectives were to provide assurance on the University’s progress towards resolving NC OSA’s recommendations resulting from their review and the report published on April 8, 2022. *(In accordance with North Carolina General Statute § 132-6.1(c), the report and related findings and recommendations may contain sensitive security-related information and is considered confidential).*

Our follow-up revealed that management has made satisfactory progress towards addressing each of the recommendations made by NC OSA. A follow-up memo was issued as required to NC OSA and the University of North Carolina System Office on June 16, 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

It is anticipated that reporting for this review will be completed in July 2022. Management has been kept apprised of status.
Audits/Accurance Services (Continued)

Office of Institutional Diversity & Inclusion (OIDI) Review
A review of the Office of Institutional Diversity & Inclusion is in process. The scope of the audit was determined by conducting a thorough risk assessment at the beginning of the review. The audit focus is primarily administrative and business operations within the Office of Institutional Diversity & Inclusion, including the three Diversity & Inclusion units. Specific objectives are to provide an independent assessment regarding:

- Oversight and management of fiscal and human resources functions
- Budget establishment and monitoring
- Staffing and organizational structure related to administrative and business operations
- Minors on campus compliance

It is anticipated that reporting for this review will occur in July 2022. Management has been kept apprised of status.
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 June 30, 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 June 30, 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 June 30, 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 June 30, 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>
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</tr>
<tr>
<td>Sponsored Programs and Research Compliance (SPARC)</td>
<td>7/30/2021</td>
<td>18</td>
<td>1</td>
<td>0</td>
<td>14</td>
<td>3</td>
</tr>
<tr>
<td><strong>Business Affairs</strong></td>
<td></td>
<td></td>
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<tr>
<td>IT Resource Management</td>
<td>9/24/2021</td>
<td>5</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td><strong>Chancellor</strong></td>
<td></td>
<td></td>
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<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></td>
<td></td>
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<tr>
<td></td>
<td>32</td>
<td>2</td>
<td>2</td>
<td>16</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td><strong>Finding % by Status</strong></td>
<td></td>
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<tr>
<td></td>
<td>12%</td>
<td></td>
<td></td>
<td></td>
<td>50%</td>
<td>38%</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.

Pending Project

**Online Complaint – June 2022**

In June 2022, our office received a complaint via the office’s reporting hotline. The complaint includes allegations relating to potential free UNCW housing offered to a UNCW employee, and hiring and promotion concerns for noted positions. Our office is currently reviewing this matter.

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 Project

**Office of the State Auditor IT Controls Audit Assistance**

Throughout fiscal year 2022, UNCW’s Information Technology Services (ITS) underwent an information systems audit by the North Carolina Office of the State Auditor (NC OSA). The Office of Internal Audit participated in applicable update meetings with NC OSA and ITS throughout the audit process. With the distribution of the final report by NC OSA on April 8, 2022, the Office of Internal Audit coordinated required follow-up procedures to ensure progress towards resolving NC OSA’s recommendations.

Advisory Services

**Routine Consultations**

In addition to formal advisory work, the Office of Internal Audit provided advisory services through 12 minor projects and requests for information during the quarter ending June 30, 2022.

**Routine Consultations Served:**
- 7 UNCW Units
- 1 UNC Institution
- 1 State Agency

**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, currently offered through the Finance Certificate Program (via Skillport). Attendance for the quarter ending June 30, 2022, is included to the right.

**INT 101 Attendees:**
- 5 employees representing 5 units
- 2 out of 5 UNCW divisions
Consultations/Advisory Services (Continued)

Other Advisory Services
Other advisory services were also provided through committee work and time spent in service to the profession.

Committee Work
• Athletic Eligibility
• Data Governance
• HR Liaison
• Internal Controls Assessment
• Systems Coordination

Service to the Profession
• Interview Participant for Western Carolina University (WCU) Director of Internal Audit
• Central Carolina Chapter of the Association of Certified Fraud Examiners (ACFE) Elections Committee Chair

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:
• Crystal Roberts, Auditor, joined the office in April 2022.
• Recruitment is in progress for the auditor position vacancy created in March 2022.

Annual Risk Assessment
Each year our office completes a risk assessment of UNCW operations as part of the audit planning process. Throughout fiscal year 2022, 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 2023 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 2022 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, 2022, staff participated in the functions noted to the right.

• 2022 Staff Award for Excellence Ceremony
• Board of Trustees Orientation Lunch
• Business Leadership Team Meeting
• Campus Celebrations to Honor Chancellor Sartarelli and Chancellor-Elect Volety
• Data Visualization User Group Meeting
• Staff Senate Meetings
• Staff Senate Strides Event
• UNCW Strategic Design and Planning Virtual Forum
Other (Continued)

Staff Senate Strides
On May 18, 2022, the office hosted a table at the Staff Senate Strides event. This event involves departments across campus hosting tables to provide information on the programs and services their department offers to campus. During the event, we spoke with over 100 staff from 40 departments across all divisions. We shared how our office can support other campus departments by conducting audit work, consultations, or investigative work. We held a giveaway and promoted the Internal Audit course ‘How to Pass an Audit’.

University of North Carolina Auditor’s Association (UNCAA) Conference Planning
Our office is part of the host region for the UNCAA Annual Conference for all internal auditors in the UNC System. Conference planning and preparation has begun and is coordinated with other UNC schools in the eastern region, including East Carolina University (serving as the host site), Elizabeth City State University, Fayetteville State University, and UNC Pembroke.

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, 2022, staff members attended the external training listed in the table below, participating in 51.5 hours of continuing professional education (CPE).

<table>
<thead>
<tr>
<th>External Training (Conferences/Workshops)</th>
<th>External Training (Webinars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 2022 Chief Audit Officers (CAO) Retreat</td>
<td>• Analytics in Higher Ed</td>
</tr>
<tr>
<td>• Back to Basics National Collegiate Athletic Association (NCAA) Certification</td>
<td>• Assessing and Auditing Ethics and Fraud</td>
</tr>
<tr>
<td>• Institute of Internal Auditors (IIA) Core Curriculum Training</td>
<td>• Clery Act Fundamentals: Methods to Assist with Compliance and Increase Student Safety</td>
</tr>
<tr>
<td>• Quality Assurance Review Training Workshop</td>
<td>• HBCU Fraud, Risk, and Controls Virtual Townhall</td>
</tr>
<tr>
<td></td>
<td>• Internal Controls and Best Practices</td>
</tr>
<tr>
<td></td>
<td>• New Internal Audit Mandates/Central Database</td>
</tr>
<tr>
<td></td>
<td>• OSA/OSC Year End Update</td>
</tr>
<tr>
<td></td>
<td>• Research Security: What Auditors Must Know in 2022</td>
</tr>
<tr>
<td></td>
<td>• The Three C’s for Managing Unconscious Bias</td>
</tr>
<tr>
<td></td>
<td>• We Can See the Future: How to Identify Emerging Risks</td>
</tr>
</tbody>
</table>
FY22 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 FY22 Audit Plan as of June 30, 2022. The FY22 Audit Plan was approved at the July 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>Watson College of Education (WCE)</td>
<td>Deferred (a)</td>
</tr>
<tr>
<td>Office of Institutional Diversity &amp; Inclusion (OIDI)</td>
<td>In Process</td>
</tr>
<tr>
<td>Counseling Center</td>
<td>Deferred (a)</td>
</tr>
<tr>
<td>Scholarship Administration and Awarding</td>
<td>Deferred (a)</td>
</tr>
<tr>
<td>Title IX</td>
<td>In Process</td>
</tr>
<tr>
<td>CARES Act HEERF (Relief Funds) Compliance</td>
<td>Complete</td>
</tr>
<tr>
<td>Friends of UNCW Financial Audit</td>
<td>Complete</td>
</tr>
<tr>
<td>System Access Management</td>
<td>Cancelled (b)</td>
</tr>
<tr>
<td>Follow-up of State Auditor Information System Audit Recommendations</td>
<td>Complete</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>Office of the State Auditor IT Controls Audit Assistance</td>
<td>Complete</td>
</tr>
<tr>
<td>Student Affairs Consultation – Spending Review</td>
<td>Complete</td>
</tr>
<tr>
<td>Information Technology Consultation – Lifecycle Computer Processes</td>
<td>Complete</td>
</tr>
<tr>
<td>Routine Consultations</td>
<td>Complete</td>
</tr>
<tr>
<td>Committee Assignments</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>Sponsored Programs and Research Compliance (SPARC)</td>
<td>Complete</td>
</tr>
<tr>
<td>IT Resource Management</td>
<td>Complete</td>
</tr>
<tr>
<td>Human Resources</td>
<td>Complete</td>
</tr>
<tr>
<td><strong>Other / Special Projects</strong></td>
<td></td>
</tr>
<tr>
<td>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>FY23 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>Compliance Assurance Mapping</td>
<td>In Process</td>
</tr>
<tr>
<td><strong>Investigations</strong></td>
<td></td>
</tr>
<tr>
<td>Investigation – OSA Referral (July 2021)</td>
<td>Complete</td>
</tr>
<tr>
<td>Online Complaint – June 2022</td>
<td>In Process</td>
</tr>
</tbody>
</table>

(a) Deferred: Engagements will be assessed during the annual risk assessment process and considered for inclusion on the FY23 Audit Plan. Deferred engagements primarily due to staff turnover in the office.

(b) Cancelled: Engagement was cancelled. Efforts occurring under Data Governance and education to campus. This engagement will be considered for inclusion on future audit plans.
**Distribution List**
Audit, Risk and Compliance Committee, UNCW Board of Trustees

Dr. Aswani K. Volety, 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. 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

Ms. Lori Preiss, Associate Vice Chancellor for Human Resources

Dr. Donyell Roseboro, Chief Diversity Officer

Mr. John P. Scherer II, General Counsel

Mr. Eddie Stuart, Vice Chancellor for University Advancement

Ms. Andrea Weaver, Chief Marketing and 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 June 30, 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>14</td>
<td>3</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>2</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>Total for all Divisions</td>
<td></td>
<td>16</td>
<td>12</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. Cost share processes and policies need improvement
3. Lack of a formal process for review of potential program income
4. Inconsistent processes for salaries applied to grant funds
5. Grant close-out processes need improvement
6. Enhancements needed for subaward communication and data processes
7. Subrecipient invoicing processes need improvement
8. Research Services policies are outdated and require updates
9. Need for policy to enforce authority and timeliness of proposal submissions
10. Need for Facilities and Administration policy
11. Lack of procedures for proposal development and award management processes
12. Document storage practices are inconsistent
13. Enhancements needed for record retention and disposition of electronic records
14. Lack of adequate backup and cross training for critical functions

Open Findings
15. Need for increased training to campus for cost transfers
16. Banner Effort Reporting earn codes and reporting periods need to be reviewed for accuracy
17. Need to ensure compliance processes are occurring for tax exempt debt, State Bonds and build America bonds for academic buildings
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

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