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Annual Report

MESSAGE FROM THE CHIEF AUDIT OFFICER

Fiscal year 2022 (FY22) was successful for the Office of Internal Audit at the University of North Carolina Wilmington (UNCW). Despite staffing challenges, the Office of Internal Audit maintained a professional team that worked together to ensure the office provided the best possible services to the university.

Within our primary services, during FY22, the Office of Internal Audit completed six audits, five follow up audits, one investigation, and two formal advisory engagements. In addition, we were able to expand our campus education and outreach by providing ongoing training on internal controls to campus employees and engaging in events and presentations to provide awareness of internal audit services and support. We also continued to provide informal advisory services and participate in university committees and various university functions to stay engaged with campus operations.

Throughout FY22, we continued to build relationships across campus and enhance audit processes. Positive results were received from the deployment of audit exit surveys to solicit feedback regarding the office and the audit process. Feedback from these surveys is used to promote continuous improvement and ensure the office continues to deliver high-quality services.

I am looking forward to a great FY23 for the Office of Internal Audit and strive to continue to provide outstanding support and service to campus. I appreciate the support received from senior leadership and the Audit, Risk and Compliance Committee of the Board of Trustees.

Kelly Mintern, CPA, CIA
Chief Audit Officer
INTERNAL AUDIT OVERVIEW

The Office of Internal Audit at UNCW was established July 1, 1983 to provide assurance regarding the adequacy of financial controls, compliance with university policies and external regulations, and the accuracy and appropriateness of financial statements. Since 1983, the university and the profession of internal auditing have matured and evolved.

Today, the mission of the Office of Internal Audit is:

To enhance and protect the university's value by providing stakeholders with risk-based, objective and reliable assurance, advice, and insight.

Our work is conducted and managed in accordance with The Institute of Internal Auditors’ (IIA’s) International Professional Practices Framework, which includes the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). In order to fully comply with the Standards, our office must have a quality assurance and improvement program that includes both internal and external assessments. Our most recent external assessment was conducted in June 2021, and our office obtained the highest possible rating within the IIA’s quality assessment framework. Our next external assessment will occur in 2026.

For more information about the Office of Internal Audit, please see our website at: http://www.uncw.edu/ia/
WORK ALLOCATION

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 for the area under review and any findings and recommendations that were identified.

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. Formal memos are also issued approximately two years after the initial audit to update all parties involved of progress if findings are unresolved.

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. In addition to the formal investigations noted in the box to the right, the Office of Internal Audit assisted with 6 minor investigations during FY22 for which there was no formal reporting requirement, and the complaint could be resolved by obtaining clarifying information or referring the complaint to another department.

FY22 Audits
CARES Act HEERF
Friends of UNCW
Follow up of Information System Audit Recommendations
Human Resources
IT Resource Management
Sponsored Programs and Research Compliance (SPARC)

Note: Due to staffing transitions throughout fiscal year 2022, two engagements were in process at the end of the fiscal year (Title IX Compliance and the Office of Institutional Diversity & Inclusion (OIDI)).

FY22 Follow Ups
CMS – MDG Operations (formal memo issued)
CMS – Program Income Compliance (formal memo issued)
IT Resource Management
One Card (formal memo issued)
Sponsored Programs and Research Compliance (SPARC)

FY22 Investigations
Office of the State Auditor (OSA) Referral (July 2021)

Note: At the end of the fiscal year, one investigation was in process (Online Complaint – June 2022).
Advisory/Consulting Services

The Office of Internal Audit provides consultative and advisory services which are intended to provide advice and information on internal controls, risk management, and sound business practices. Advisory services allow the Office of Internal Audit to reach more individuals and departments than can be done through the traditional audit process.

Engagements

Two formal advisory engagements were completed during FY22 for:

- Information Technology Services – Lifecycle Computer Processes
- Student Affairs – Spending Review

In addition, throughout FY22, 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.

Campus Education and Outreach

To proactively educate campus departments about the role of the Office of Internal Audit, how to report suspected fraud, and best practices for internal controls, Internal Audit participated in the following activities during FY22.

- **How to Pass an Audit (An Introduction to Internal Controls)** – Internal Audit developed and taught a course on internal controls offered through both the Finance Certificate Program (via Skillport) and Dare to Learn Academy. Through this course, the office was able to advise and educate on internal controls to 35 employees from 31 units across all UNCW divisions.

- **Staff Senate Strides** – Internal Audit participated in the sponsored event, which involved departments across campus hosting tables to provide information on the programs and services their department offers to campus. Internal Audit shared how our office can support other departments by conducting audit work, consultations, or investigative work. The office had the opportunity to speak with over 100 staff from 40 departments across all UNCW divisions.

- **Business Week, Cameron School of Business** – The Chief Audit Officer was a co-presenter for the Careers in Internal Auditing Session. The objective of the session was to brief UNCW students on the internal audit profession and related work.

- **New Department Chair Orientation, Center for Faculty Leadership** – The Chief Audit Officer presented a session to this group to provide an overview of the Office of Internal Audit, the consultative services the office provides, and administrative areas that new department chairs/directors may face, advising on best practices and internal controls.

Routine Consultations

The Office of Internal Audit provided informal advisory services through **46 minor projects and requests for information** during FY22.
WORK ALLOCATION (CONTINUED)

Advisory/Consulting Services (Continued)

Other Advisory Work
The following are examples of other advisory work completed in FY22.

<table>
<thead>
<tr>
<th>Committee Work</th>
<th>Service to the Profession</th>
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<tbody>
<tr>
<td>• Athletic Eligibility</td>
<td>• Interview Participant for Western Carolina University (WCU) Director of Internal Audit</td>
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<tr>
<td>• Data Governance</td>
<td>• Central Carolina Chapter of the Association of Certified Fraud Examiners (ACFE) Elections Committee Chair</td>
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<td>• Enterprise Risk Management (ERM) Steering</td>
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<td>• HR Liaison</td>
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<td>• Internal Controls Assessment</td>
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<td>• Staff Senate Nominations</td>
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<tr>
<td>• Staff Senate Scholarship</td>
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<tr>
<td>• Systems Coordination</td>
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Other

Participation in University Functions
In FY22, the Chief Audit Officer and Internal Audit staff participated in numerous campus events including:

- 2021/2022 Finance Forums
- 2021/2022 Staff Award for Excellence Ceremonies
- Alderman Holiday Potluck Luncheon
- Associate Vice Chancellor for Human Resources Candidate Forums
- Board of Trustees Orientation Lunch
- Business Leadership Team Meeting
- Camp Alderman Door Decorating and Social
- Campus Holiday Social
- Campus Celebrations to Honor Chancellor Sartarelli and Chancellor-Elect Volety
- Centro Hispano Open House
- Chancellor Candidate Campus Visits
- Chief Diversity Officer Candidate Campus Forums
- Convocation
- Data Visualization User Group Meetings
- Leave Keeper Meetings
- Research and Grants Quarterly Update Meetings
- Staff Senate Meetings
- Staff Senate Strides Event
- Town Hall: Website Redesign Progress and Demo
- UNC System Board of Governors Lunch and Tour at the Center for Marine Science
- UNC System Strategic Plan Refresh – UNC Wilmington Virtual Town Hall
- UNCW Strategic Design and Planning Virtual Forum
- University Police Department Chief Candidate Forums
Training
Professional development is required for our certifications, and training allows our staff to stay abreast of emerging topics and best practices, helping us to provide the best possible services to the university. The following are examples of training completed in FY22.

<table>
<thead>
<tr>
<th>UNCW Training</th>
<th>Conferences/Workshops</th>
<th>Webinars</th>
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<tbody>
<tr>
<td>• Benefits Open Enrollment</td>
<td>• 2022 Chief Audit Officers (CAO) Retreat</td>
<td>• Academia Security Virtual Symposium: Physical and Research Security Threats</td>
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<tr>
<td>• Finance Certificate Courses</td>
<td>• Back to Basics National Collegiate Athletic Association (NCAA) Certification</td>
<td>• Assessing and Auditing Ethics and Fraud</td>
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<tr>
<td>• ITS Excel Courses</td>
<td>• Diversity, Equity, and Inclusion Leaders Driving Change in 2021 and Beyond</td>
<td>• Audit Evidence and Workpapers</td>
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<tr>
<td>• NextGen Scholarship Software</td>
<td>• Fraud Busters Conference</td>
<td>• Clery Act Fundamentals: Methods to Assist with Compliance and Increase Student Safety</td>
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<tr>
<td>• PeopleAdmin</td>
<td>• Higher Education Virtual Conference</td>
<td>• Investigating Online Fraud: Shifting from Detection to Prevention</td>
</tr>
<tr>
<td>• Search Committee Training</td>
<td>• Institute of Internal Auditors (IIA) Core Curriculum Training</td>
<td>• Law and Internal Audit</td>
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<tr>
<td>• Security Awareness Foundations</td>
<td>• Quality Assurance Review Training Workshop</td>
<td>• New Internal Audit Mandates/Central Database</td>
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<tr>
<td>• SSRS Report Development</td>
<td></td>
<td>• Practices of High-Quality Ethics and Compliance Programs</td>
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<tr>
<td>• Surplus Property</td>
<td></td>
<td>• Research Security: What Auditors Must Know in 2022</td>
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<tr>
<td>• Unconscious Bias: Unpacking the Impact</td>
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<td>• The Influential Power of Workplace Ethics</td>
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<tr>
<td>• VoIP Phone</td>
<td></td>
<td>• We Can See the Future: How to Identify Emerging Risks</td>
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</tbody>
</table>
METRICS

As part of our office's quality assurance and improvement plan, we track several metrics to measure our performance.

**Time Allocation**

Like other professionals in accounting, internal auditors track the amount of time spent on each project to assist in planning and for benchmarking purposes. Our goal in any year is to spend at least 70% of our time on direct hours, which is time spent working on audits, advisory/consulting work, and investigations. In FY22, this goal was met and 70% of our time was spent on direct hours. The administrative time (13%) includes staff recruitment for position vacancies and staff onboarding. The leave time reported (14%) includes sick, vacation, and holiday hours taken by audit staff. Staff leave is important to promote employee health and wellness which leads to increased productivity.

**Work Allocation**

We also track time spent on each type of engagement, with an emphasis on audit/assurance work. We typically spend about 70% of our direct hours on audit/assurance work. In FY22, only 68% of our direct time was spent on audit/assurance work due to additional time spent on advisory/consulting work, completing two advisory engagements at management's request, and engaging in campus education and outreach efforts. In addition, time was spent on work in the "Other" category, which includes quality assurance work, including the annual risk assessment, internal and external reporting, and engagement in update meetings both internally and with other campus departments.
METRICS (CONTINUED)

Audit Plan Completion

The audit plan completion rate is an indicator of efficiency and alignment with the annual audit plan approved by the Audit, Risk and Compliance Committee of the Board of Trustees. For FY22, we completed 68% of the audit plan, had 19% of the planned engagements in process at the end of the fiscal year, deferred 10% of the planned engagements, and cancelled a single engagement (3%). Engagements in process included audits that were started in FY22 and have carryforward hours, primarily due to staffing resource limitations, and audit follow ups where work has been initiated with additional work planned to ensure resolution of the findings. Deferrals were primarily the result of staff turnover during the year. The cancelled engagement (system access management) was the result of reassessment of planned engagements and existing campus efforts and education in this area.

Financial

In addition to monitoring metrics, the Office of Internal Audit monitors financial activity. Internal Audit is primarily funded by general funds allocated by the state. Total expenditures for FY22 were $468,977 with expenditures primarily related to salaries and benefits. Other expenses of the office include professional expenses such as licenses, memberships, and training. The office also pays for telephone service, supplies, and other administrative expenses. Throughout FY22, due to the virtual environment resulting from COVID-19, many training opportunities were no or low cost.
CLIENT SATISFACTION

At the end of each engagement, clients are asked to submit a survey evaluating our office’s work to help promote continuous improvement. For each question, responses are provided on a scale of 1 to 5 with 5 being the highest score. (Ratings are as follows: 1 (strongly disagree); 2 (disagree); 3 (neither agree nor disagree); 4 (agree); and 5 (strongly agree)).

Survey Results

For FY22, 9 client surveys were received. (Note: For some engagements, surveys were submitted by multiple individuals within the area reviewed.)

Overall scores ranged from agree to strongly agree as displayed in the chart below.

Survey Comments

The following comments were shared by individuals completing the surveys:

- The audit team was very professional and easy to work with.
- The audit team were excellent communicators and made the process very easy.
- The audit process was straightforward, and the audit staff were very professional, collegial, and collaborative. I am grateful for the partnership and helpful feedback.
QUALITY ASSURANCE

The Office of Internal Audit continually seeks to maintain and improve the quality of its services and its conformance with the International Standards for the Professional Practice of Internal Auditing (Standards). Our quality assurance and improvement program (QAIP) includes three elements.

Ongoing Monitoring
Ongoing monitoring is an integral part of the day-to-day supervision, review, and measurement of the internal audit activity. Ongoing monitoring activities include routine activities such as:

- Review of working papers and other work products.
- Supervision and routine discussion with staff members to discuss status of individual projects, new and revised department practices, and status of the audit plan.
- Maintaining an Internal Audit Manual to outline the authority and scope of the internal audit function, to document standards, and provide cohesive guidelines and procedures. The Chief Audit Officer or designee reviews the manual at least once a year for any applicable revisions.

Internal Assessment
Periodic assessments are conducted to evaluate conformance with the Core Principles for the Professional Practice of Internal Auditing, Definition of Internal Auditing, the Code of Ethics, and the Standards. The Chief Audit Officer or designee completes an overall internal assessment of the internal audit activity once between external assurance reviews using the Quality Assessment Manual published by the Institute of Internal Auditors or another appropriate tool. The assessment focuses on independence/objectivity, professional proficiency, scope of work, performance of work, and management of the department.

A self-assessment was completed in FY20 in preparation for the external review in spring of 2021.

External Assessment
External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the university. They appraise and express an opinion as to Internal Audit’s compliance with the Standards. External assessments evaluate the effectiveness of the activity in carrying out the mission as stated in the charter and expressed in the expectations of the Audit, Risk and Compliance Committee (ARC Committee) and management.

Internal Audit’s most recent external quality assurance review was completed in June 2021. Internal Audit received a rating of “Generally Conforms” both overall and in each separately assessed category, meaning that the Office of Internal Audit conforms with the Standards. Opportunities for improvement were identified to enhance conformance to Standards and improve overall effectiveness. These areas of improvement are being explored and implemented to improve operations and further mature the internal audit function. The next external assessment will occur in 2026.
INTERNAL AUDIT STRATEGIC OBJECTIVES

During FY21, an updated strategic plan for the Office of Internal Audit was developed to ensure the office continues to deliver high-quality assurance and consulting services to effect positive change in the university’s governance, risk management, and control activities to ensure risks are being managed and university objectives should be met.

The summary below provides an overview of the Office of Internal Audit’s strategic objectives and information on key measures and activity for FY22.

<table>
<thead>
<tr>
<th>Objective 1: Understand and assist with enhancing the university’s governance, risk management, and control environment</th>
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<tbody>
<tr>
<td><strong>Conduct annual and ongoing risk assessments</strong></td>
</tr>
<tr>
<td>❖ Enhanced the risk assessment process during FY22 with continued collaboration with Enterprise Risk Management (ERM), jointly participating in risk assessment discussions with campus units.</td>
</tr>
<tr>
<td>❖ Worked with Information Technology Services to understand the information technology (IT) risk environment and controls.</td>
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<table>
<thead>
<tr>
<th>Develop and execute an optimal annual audit plan</th>
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<tr>
<td>❖ The FY22 Audit Plan included planned engagements in all UNCW divisions and engagements directly tied to strategic initiatives, including an audit of the Office of Institutional Diversity and Inclusion.</td>
</tr>
<tr>
<td>❖ For FY22, the office completed 68% of the audit plan, had 19% of the planned engagements in process at the end of the fiscal year, deferred 10% of the planned engagements, and cancelled a single engagement (3%). Deferred engagements were primarily the result of staff turnover during the fiscal year.</td>
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<table>
<thead>
<tr>
<th>Provide education on aspects related to governance, risk management, and controls</th>
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<tbody>
<tr>
<td>❖ Throughout FY22, Internal Audit engaged in various campus education and outreach efforts.</td>
</tr>
<tr>
<td>o Facilitation of a internal controls training course - the course was attended by 35 employees, representing 31 campus units, and all UNCW divisions.</td>
</tr>
<tr>
<td>o Participation in Staff Senate Strides event- the office had the opportunity to speak with over 100 staff from 40 departments across all UNCW’s divisions and provide information on the services Internal Audit offers.</td>
</tr>
<tr>
<td>o Presented at Business Week, Cameron School of Business – briefed UNCW students on the internal audit profession and related work.</td>
</tr>
<tr>
<td>o Presented a session at New Department Chair Orientation through the Center for Faculty Leadership – provided participants with an overview of the Office of Internal Audit, the consultative services the office provides, and administrative areas that new department chairs/directors may face, advising on best practices and internal controls.</td>
</tr>
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</table>
Objective 2: Maximize the value of Internal Audit

Understand and meet evolving stakeholder needs and expectations of Internal Audit

- Internal Audit participates in events across campus that provide opportunities for networking and outreach. During FY22, Internal Audit was involved in 6 university standing committees and 2 staff senate committees. In addition, Internal Audit participated in 23 university functions.
- Throughout FY22, Internal Audit continued the deployment of audit exit surveys to solicit feedback regarding the office and the audit process. Feedback from these surveys were used to promote continuous improvement.

Elevate the presence and understanding of Internal Audit

- Promoted Internal Audit Awareness month (May) through the office’s website and engagement in the Staff Senate Strides event.
- Provided new university leadership with information on internal audit processes, services, and value.

Complement assurance work with appropriate advisory services

- Internal Audit provides advisory services on both an informal basis (routine consultations, committee work) as well as on a formal basis through consulting engagements. During FY22, Internal Audit provided informal advisory services through 46 minor projects and requests for information and completed 2 formal advisory engagements.
- Throughout FY22, 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 provided advisory services for this audit and participated in applicable update meetings with NC OSA and ITS.

Objective 3: Continuously improve audit processes

Improve the effectiveness and efficiency of the internal audit process to optimize internal auditing value given the current resources

- Throughout FY22, the Chief Audit Officer and Internal Audit team reviewed and updated audit processes.
- An oversight body, the Council of Internal Auditing, introduced new reporting requirements. During FY22, the Office of Internal Audit completed the required self-assessment and maturity model (SAMM). The assessment is used as a framework for assessment of internal standards and best practices and a road map for improvement to further develop the internal audit function.
- The increased use of data analytics on specific engagements is being explored to improve audit efficiencies.
- Opportunities for improvement identified from the office’s external quality assurance review completed in FY21 are being explored and implemented to improve operations and further mature the internal audit function.

Objective 4: Develop a sustainable, highly skilled audit team

- Recruitment efforts were successful during FY22 to fill one vacant auditor position with recruitment pending for an additional vacant auditor position.
- Each certified staff member obtains an average of 40 hours of Continuing Professional Education (CPE) each year, with non-certified staff engaging in relevant professional development for their position.
DISCLOSURES

The Office of Internal Audit adheres to the International Standards for the Professional Practice of Internal Auditing (Standards) of the Institute of Internal Auditors (IIA). The following items are being disclosed in conformance with the Standards.

Professional Standards

In carrying out our responsibilities, the Office of Internal Audit follows the Institute of Internal Auditors’ (IIA) mandatory guidance, including the Core Principles for the Professional Practice of Internal Auditing, Definition of Internal Auditing, the Code of Ethics, and the Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity’s performance.

Organizational Independence

The Office of Internal Audit must confirm to the board, at least annually, the organizational independence of the internal audit activity. The Office of Internal Audit reports functionally to the Audit, Risk and Compliance Committee (ARC Committee) of UNCW’s Board of Trustees and administratively to the Chancellor. In keeping with the Standards, we maintain a strong working relationship with the ARC Committee. Consequently, the Chief Audit Officer (CAO) provides the ARC Committee with copies of the final report or memo from each engagement and presents results of audits and other office activities to the ARC Committee at their quarterly meetings. In addition, the CAO assists the ARC Committee in understanding their role and responsibilities and keeps committee members apprised on emerging trends and best practices. The Office of Internal Audit also has a “dotted line” functional reporting relationship to the UNC System Office through the UNC Vice President for Compliance and Audit Services, which also assists in ensuring independence from campus management and leadership.

Impairments to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed. There were no impairments to independence or objectivity for any engagements during FY22.

Disclosure of Nonconformance

Occasionally circumstances require the completion of a project or engagement in a manner which is inconsistent with applicable Standards. When this occurs, we must disclose the nonconformance and the impact to senior management and the Board of Trustees. During FY22, there were no instances in which projects were completed in a manner that did not comply with the Standards.

Resolution of Management’s Acceptance of Risks

Each engagement can potentially produce items that may pose risks to university operations. Some items will require management’s attention while others may be situations in which management decides to accept the risk associated with continuing the practice. This is normal in limited circumstances and is often due to cost/benefit constraints. We are required to disclose to senior management and the Board of Trustees any situation in which it is believed university personnel have accepted a level of residual risk that may not adequately reduce or mitigate the risk of loss. There were no such instances during FY22.