Office of Internal Audit

Activity Report

For the quarter ending June 30, 2015

Internal Audit Team

Stefanie Powell, CPA, CISA
Chief Audit Executive

Kelly Mintern, CPA, CIA
Assistant Director

Cynthia Nickerson, CPA
Auditor

Taylor Rote
Audit Intern
Executive Summary

This report contains a summary of the Office of Internal Audit’s activity for the quarter ending June 30, 2015. The following highlights provide an overview of the office’s work.

Audits/Assurance Activities

Completed Projects
• Graduate School Review

Pending Projects
• Campus Recreation Review
• Financial Aid Review

Follow Ups
• Follow ups were completed for Campus Life, Physical Access, and University Advancement
• 7 Findings Closed
• 30 Open Findings

Investigations

Pending Project
• ITS Investigation

Consulting/Advisory Services

Completed Projects
• Purchasing Consultation
• Dare to Learn Academy Training Session

Other Advisory Services
• Routine Consultations consisted of 16 different questions and requests
• The office was involved with 8 UNCW committees
• Individuals in the office continued their involvement with a professional organization

Other
• The Office of Internal Audit was a host site for an MSA capstone project.
• Individuals from the office attended or participated in 4 university events.
• Individuals from the Office of Internal Audit attended 4 UNCW training courses. In addition, they participated in a conference and a retreat and completed 11 webinars/self-study courses. Collectively, they earned 29 hours of Continuing Professional Education (CPE) credits.
Audits / Assurance Activities

Overview
Audits and assurance engagements include planned reviews of compliance, operations, information technology, finance, and internal controls. 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 that includes an overall opinion of the area under review and any findings and recommendations that were identified.

Completed Projects
Graduate School Review
The Graduate School audit was performed to assess and evaluate operational and compliance aspects of the Graduate School including the underlying internal controls. The review focused on the operations and activities of the Graduate School, including compliance with the UNCW Graduate Catalogue, UNCW and UNC system policies, and external regulations (as applicable). Areas addressed during the review included the responsibilities of the Graduate School; areas owned or managed by the academic program units or other administrative support functions on campus were outside the scope of this review.

Audit objectives included reviewing the following areas of the Graduate School:

- Academic matters
- Payroll/Personnel
- Financial matters
- General controls/access rights
- Graduate School planning
- Graduate School organizational structure

In our opinion, the system of internal control with respect to the operations of the Graduate School revealed improvements were needed with regard to the degree audit process and payroll and timekeeping. The system of internal control over all other areas reviewed was found to be satisfactory.

There were ten findings associated with this review, and we received a positive response from management to all findings. The final report was issued May 22, 2015.
Audits / Assurance Activities (continued)

Pending Projects

Campus Recreation Review
A review of Campus Recreation is in process. The scope of the audit was determined by conducting a thorough risk assessment at the beginning of the review. Audit objectives include reviewing the following areas:

- Revenue
- Expenditures
- Cash Handling
- Fixed Assets and Computer Inventories
- Payroll and Personnel
- Training and Safety
- General Controls/Access Rights
- Intramural and Sports Clubs
- Tax Matters

Financial Aid Review
A review of the Office of Scholarships & Financial Aid is in process. The scope of the audit was determined by conducting a thorough risk assessment at the beginning of the review. Anticipated audit areas include:

- Scholarship Processing
- Contracted Services
- Compliance Matters
- Revenue
- Expenditures
- Cash Handling
- Payroll and Personnel
- General Controls/Access Rights
Follow Ups

Overview
Follow ups are completed for any audit findings resulting from audit/assurance engagements and may be completed for other engagements as deemed necessary. 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 involved parties of progress.

Completed Follow Ups
University Advancement
Follow up work was performed to determine whether the department had taken steps to adequately, effectively, and timely address the findings identified from the University Advancement review completed in August 2014. Based on the work completed, all eight audit findings associated with the initial review have been resolved.

Audit Finding Status
Audit findings are reported below in the following categories:

- **Closed** – Findings which were confirmed to be resolved during the quarter ending June 30, 2015
- **Open** – Findings which have not been resolved as of June 30, 2015

*Note: A summary of open audit findings is included at Appendix A.*

<table>
<thead>
<tr>
<th>Engagement</th>
<th>Number of Closed Findings</th>
<th>Number of Open Findings</th>
<th>All Findings for Engagement Closed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Academic Affairs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distance Education</td>
<td>0</td>
<td>9</td>
<td>No</td>
</tr>
<tr>
<td>Graduate School</td>
<td>0</td>
<td>10</td>
<td>No</td>
</tr>
<tr>
<td><strong>Business Affairs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physical Access {a}</td>
<td>0</td>
<td>7</td>
<td>No</td>
</tr>
<tr>
<td>Other {b}</td>
<td>0</td>
<td>1</td>
<td>No</td>
</tr>
<tr>
<td><strong>Student Affairs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Campus Life {c}</td>
<td>2</td>
<td>3</td>
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</tr>
<tr>
<td><strong>University Advancement</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>University Advancement</td>
<td>5</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td>7</td>
<td>30</td>
<td></td>
</tr>
</tbody>
</table>
Follow Ups (continued)

{a} Of the seven open findings for Physical Access, six are considered by Internal Audit to be in process. A status of “In Process” indicates progress toward remediation has begun but is not yet complete or there is not a sufficient population to test the effectiveness of corrective measures.

{b} A finding relating to Business Affairs activities was identified while completing another engagement. A separate memo was issued to Business Affairs, and Business Affairs is responsible for corrective measures.

{c} Of the three open findings for Campus Life, one is considered by Internal Audit to be in process.
Investigations

Overview
Investigations result from tips reported to our office via the Office of the State Auditor’s hotline, our internal hotline, and other sources.

Pending Projects

ITS Investigation
We received a complaint involving ITS. We are investigating the allegations and anticipate issuing a final memo in July 2015.
Consulting / Advisory Services

Overview
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 UNC General Administration and several professional organizations and serving as liaisons between the university and various external auditors.

Completed Projects
Purchasing Consultation
A review of Purchasing Services was scheduled for fiscal year 2015 to assess and evaluate related operational and compliance matters. Anticipated areas of review included:

- Compliance with state purchasing guidelines and UNC system policies
- UNCW’s interpretation of state and UNC guidelines as reflected in policies and practices
- Effectiveness and efficiency of operations and processes

An initial risk assessment was conducted in which we interviewed Purchasing staff members and reviewed related North Carolina regulations and UNCW policies. Based on these discussions and our previous audits of purchasing activity in individual campus departments, no items were identified that warranted further review. As a result, we did not conduct a compliance review as planned.

However, at the request of management, a review of purchasing and disbursement processes for efficiencies was completed. Recommendations to increase effectiveness and efficiencies in operations were shared with management.

Dare to Learn Academy Training Session
As part of the UNCW Dare to Learn Academy, Internal Audit recorded a webinar entitled “Mythbusting: Internal Controls” which focuses on small changes departments can make to improve their operations. The webinar is available on the program’s YouTube channel.

Routine Consultations
As part of Internal Audit’s benchmarking process, we track informal questions from campus departments and other internal audit offices within the UNC system. These discussions and small scale research projects offer the opportunity to reach more departments and individuals than we can through traditional audit work. In addition, requests are tracked by topical area and this information is incorporated into our office’s annual risk assessment process. For the quarter ending June 30, 2015, Internal Audit staff members spent time responding to 16 different questions and requests.
Consulting / Advisory Services (continued)

Committee Work
Staff members and the Chief Audit Executive were involved in the following committees at UNCW:

- Chief Information Officer (CIO) Search Committee
- HR Liaison Committee
- Institutional Risk Management (IRM) Committee
- IRM Steering Committee
- Internal Control Assessment Team
- IT Advisory Council
- Leadership Council
- Systems Coordination Committee

Service to the Profession
Professional Organizations
The Office of Internal Audit assisted professional organizations in the following ways:

- UNCAA
  The Chief Audit Executive is currently serving on the UNCAA board in the role of past president.
Other

Overview
This section contains a summary of the other projects and activities of the Office of Internal Audit.

MSA Capstone Project
Internal Audit served as one of the hosting sites for the Master of Science in Accountancy (MSA) capstone projects. A team of four MSA students worked with Internal Audit to review the Banner ERP system utilized by UNCW for efficiencies in granting users access to the system. Recommendations were shared with Internal Audit by the MSA team and will subsequently be shared with the university’s new CIO.

Participation in University Functions
Staff members and the Chief Audit Executive attended or participated in the following University functions:

- Chancellor Luncheon
- College of Health and Human Services Week
- New Chancellor Welcome Ceremony
- UNC GA Business Compliance Monitoring Visit

Professional Development
UNCW Training
Staff members and the Chief Audit Executive attended the following courses offered by UNCW:

- Dare to Learn Academy Training
- Designated Key Control Training
- Title IX Training
- Year-End Purchasing Information Session
Other (continued)

Professional Development

External Training

Individuals from the Office of Internal Audit participated in a conference and a retreat, and completed 11 webinars/self-study courses. Collectively, they earned over 29 hours of Continuing Professional Education (CPE) credits.

Conference and Workshop

- **UNC Chief Audit Officer Retreat, Chapel Hill, NC, May 13-14, 2015**
  
  Topics: COSO 2013, Enterprise Risk Management, Legal Update, SBI Update, IT Risk Assessments

- **Office of Internal Audit Spring Training Event, Raleigh, NC, June 10-11, 2015**
  
  Topics: IT Auditing for Non-IT Auditors, Critical Thinking

Webinars and Self-Study

- “The Risk, Compliance, Internal Audit Triangle” April 10, 2015
- “Shorten the Audit Lifecycle with Data Analytics” April 15, 2015
- “Pulse of Internal Audit” April 21, 2015
- “Promoting the Value of Internal Audit” April 23, 2015
- “Increasing Employee Engagement” May 4, 2015
- “Improper Payments: Sustaining and Renewing the Commitment to Ending Improper Payments” May 5, 2015
- “Amplified Intelligence: Power to the People” June 4, 2015
- “Extend Your Analytics and Turbocharge Results Management” June 11, 2015
- “The Power of Data in Fraud Examinations” June 17, 2015
- ISACA Journal Quiz
Distribution List

Audit Committee, UNCW Board of Trustees

Dr. Jose V. “Zito” Sartarelli, Chancellor

Mr. Mark Lanier, Interim Chief of Staff

Ms. Sharon Boyd, Associate Vice Chancellor for Business Services

Ms. Pat Leonard, Vice Chancellor for Student Affairs

Mr. John Scherer, Interim General Counsel

Dr. Marilyn Sheerer, Interim Provost and Vice Chancellor for Academic Affairs

Mr. Eddie Stuart, Vice Chancellor for University Advancement

Ms. Sara Thorndike, Associate Vice Chancellor for Finance & Controller

Dr. Rick Whitfield, Vice Chancellor for Business Affairs
Appendix A

UNCW Office of Internal Audit
Open Internal Audit Findings
As of June 30, 2015

<table>
<thead>
<tr>
<th>Engagement</th>
<th>Number of Open Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Academic Affairs</strong></td>
<td></td>
</tr>
<tr>
<td>Distance Education</td>
<td>9</td>
</tr>
<tr>
<td>Graduate School</td>
<td>10</td>
</tr>
<tr>
<td><strong>Business Affairs</strong></td>
<td></td>
</tr>
<tr>
<td>Physical Access (a)</td>
<td>7</td>
</tr>
<tr>
<td>Other (b)</td>
<td>1</td>
</tr>
<tr>
<td><strong>Student Affairs</strong></td>
<td></td>
</tr>
<tr>
<td>Campus Life (c)</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>30</td>
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Appendix A

Academic Affairs

Distance Education

1. State authorizations should be obtained for all states in which one or more residents of the state are enrolled in exclusively online courses at UNCW. Consideration should be given to programs and courses that require applied learning experiences which require additional authorizations in some states.

2. Students’ physical location should be considered when enrolling them in exclusively online courses and programs to ensure all necessary state authorizations have been obtained by UNCW prior to the students’ enrollment.

3. A permanent staff member should be responsible for managing the state authorization process. In addition, there should be cross training of other staff members and documented procedures for the state authorization process.

4. Online courses should meet the requirements of the Americans with Disabilities Act (ADA).

5. Best practices indicate there should be a consistent use of technology and consistency in the ways of accessing the technology throughout all online courses at UNCW.

6. Best practices indicate all online courses at UNCW should be consistent in format and navigation.

7. There should be a systematic process for monitoring Academic Partnerships’ contract compliance.

8. The most appropriate organizational structure for Distance Education, either within the Office of External Programs or elsewhere within Academic Affairs, should be determined.

9. The most appropriate reporting structure for the Online Accelerated Program, either to the Office of External Programs or elsewhere within Academic Affairs, should be determined. Given the growth of the program to date and the forecasted future growth, dedicated staff should be hired to support the program.

Graduate School

1. Best practices require written policies and procedures to ensure consistency in awarding scholarships and fellowships. Graduate students should be able to easily access a list of all available scholarships and the application process.

2. The degree audit process should provide adequate assurance that each graduating student has met all degree requirements per the approved curriculum.

3. Communication with graduate advisors, coordinators, and academic partners should be improved and proper education should be given to the involved parties to ensure students take the most appropriate courses for their program objectives.

4. Degree audit records should be maintained for a minimum of 5 years after graduation or separation as required by the UNC General Records Retention and Disposition schedule and FERPA.
5. All faculty members selected to teach graduate level courses should submit an “Application for Graduate Faculty or Graduate Research Faculty” and have the required approvals in place prior to the course start date.
6. The Graduate Council bylaws should be consistent with current operations.
7. Compensatory time should be tracked and paid in accordance with NC OSHR Manual, Section 5-Compensatory Time, and UNCW Policy 08.211.
8. Management should review system access on a periodic basis and restrict information to individuals with a business need.
9. A continuity of operations plan should be created to ensure critical functions continue despite unplanned interruptions.
10. An Associate Dean position and additional support staff member(s) should be considered to ensure the Graduate School can continue to grow in accordance with the strategic plan while ensuring compliance with all applicable guidelines and regulations.

Business Affairs

Physical Access
1. Key Request forms should be completed by campus departments in accordance with the related policy. In addition, Locksmith Services should maintain consistent documentation for all key issuances.
2. The information housed in the KeyStone system used to track keys issued to campus departments should be updated with current information.
3. Locksmith Services should complete scheduled key audits as required by the related policy. In addition, Locksmith Services should request copies of Key Tracking Logs maintained by campus departments as required by the policy.
4. There should be an emphasis on training or other measures for ensuring departments are aware of and adhering to responsibilities outlined in the key control policy.
5. There should be a UNCW policy or written guidelines that address responsibilities for managing stand-alone card system access.
6. User departments should be informed of the potential limitations of the stand-alone card systems managed by Locksmith Services.
7. Controls surrounding burglar/panic alarms should be improved.

Other Business Affairs
1. There is not currently a UNCW Policy or any written guidelines that address the level of security needed in different areas on campus such as classrooms, laboratories, server rooms, etc. Security levels are determined by department discretion.
Appendix A

Student Affairs

Campus Life

1. Fixed asset and computer inventories should be maintained in accordance with UNCW Policy 05.164, University Equipment, and UNCW Policy 07.22.05, Purchase, Inventory, Replacement and Disposal/Surplus of IT Resources.
2. The assignment and periodic audit of keys issued within a department should adhere to UNCW Policy 05.120, Key Control.
3. Management should review user access rights on a periodic basis.