Office of Internal Audit

Annual Report

Fiscal Year 2015

Fiscal Year 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
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 provide independent, objective assurance and consulting services designed to add value and improve the organization’s operations. We help the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and the governance process.

Who are we?
The Office of Internal Audit is comprised of:

- A Chief Audit Executive (CAE)
- An assistant director who serves as audit manager
- Two professional staff members
- An intern who assists with audits and consultations

Certifications
Certifications of the fiscal year 2015 audit team include:

Certified Public Accountant (CPA)
Certified Internal Auditor (CIA)
Certified Information Systems Auditor (CISA)

Our work is conducted and managed in accordance with The Institute of Internal Auditors’ (IIA’s) International Professional Practices Framework, which includes the definition of internal auditing, Code of Ethics, and the 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 May 2011, and our office obtained the highest possible overall rating. Our next external assessment will occur in the spring of 2016.

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

The Office of Internal Audit provides the following services.

- **Auditing and Assurance Services** include planned reviews of departments, processes, and systems. Follow up work is completed for all audit findings resulting from audit/assurance engagements.
- **Consultations and Advisory Services** provide advice and information on internal controls, risk management, and sound business practices. Consulting work also includes committee work and service to the profession.
- **Investigations** are conducted in response to allegations of fraud and abuse, conflicts of interest, nepotism, and other matters in violation of state or federal regulations, university policy, or other guidance.
- **Other** activities completed by the Office of Internal Audit include quality assurance work, conducting the annual risk assessment, reporting, and collaborating with campus departments and other internal audit offices in the UNC system. In fiscal year 2015, the UNCW Office of Internal Audit also served as the host site for the annual conference of the UNC Auditor’s Association.

![2015 Work Allocation Diagram]
Audits/Assurance Services

Audits and assurance engagements include planned reviews of compliance, operations, information technology, finance, 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.

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.

During fiscal year 2015, follow up work was completed and all findings were closed relating to the following engagements:

- Athletics Administration
- College of Health and Human Services
- University Advancement
- University Police

Follow up work was also completed for the following engagements:

- Campus Life*
- Physical Access*

Audit Finding Status

UNCW management has historically worked to ensure audit findings are quickly resolved. The following is an overview of audit findings during fiscal year 2015.

<table>
<thead>
<tr>
<th>Status</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open audit findings as of 7/1/2014</td>
<td>25</td>
</tr>
<tr>
<td>Audit findings added during FY15</td>
<td>32</td>
</tr>
<tr>
<td>Audit findings closed during FY15</td>
<td>27</td>
</tr>
<tr>
<td>Open audit findings as of 6/30/2015</td>
<td>30</td>
</tr>
</tbody>
</table>

*Some findings associated with these engagements remained open as of June 30, 2015 with additional follow up work planned for fiscal year 2016.
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 UNC General Administration and several professional organizations and serving as liaisons between the university and various external auditors.

Consultations completed in FY15 include:

- Facilities Store
- ITS Developer Reorganization
- Purchasing

In addition to formal consulting projects, the Office of Internal Audit assisted with 73 minor projects and requests for information during fiscal year 2015.

The following advisory activities also took place during fiscal year 2015.

Committee Work
Individuals from the Office of Internal Audit served on the following UNCW committees:

- Assistant General Counsel for Compliance, Search Committee Chair
- Associate Vice Chancellor for Human Resources Search Committee
- Athletic Certification Committee
- Dare to Learn Academy – Brainstormers
- HR Liaison Committee
- Institutional Risk Management Committee
- Institutional Risk Management Steering Committee
- IT Security Search Committee
- Systems Coordination Committee

Educating Others
Individuals from the Office of Internal Audit gave the following presentations:

- A member of our staff served as a panelist for Careers in Accounting Day at the Cameron School of Business.
- The CAE was asked to present on internal controls to prevent financial loss to students enrolled in REC 440, Risk Management in Recreation Settings. The emphasis of the presentation was assisting non-business majors in understanding the importance of internal controls and providing them with an overview of basic internal controls.
Consultations/Advisory Services (Continued)

Service to the Profession
The Office of Internal Audit also provided the following service to the profession during fiscal year 2015.

Association of College and University Auditors (ACUA)
- **Track Coordinator** - the CAE served as a track coordinator, securing presenters and making all related arrangements, for ACUA’s annual conference held in September 2014.
- **Internal Audit Task Force** - the CAE served on ACUA’s Internal Audit Task Force. This committee developed materials to assist internal audit departments in educating their campuses on the role of internal audit and the services internal audit departments provide.

University of North Carolina Auditors’ Association (UNCAA)
Having served as President during fiscal year 2014, the CAE continued to serve on the board in the role of Past President during fiscal year 2015.

Investigations
Investigations result from tips reported to our office via the Office of the State Auditor’s hotline, our internal hotline, and other sources. In fiscal year 2015, our office completed investigations relating to a motor fleet complaint and the disposal of a chiller by Physical Plant.

Other
Other major projects completed by our office during fiscal year 2015 include:

- **Dare to Learn Academy** – Internal Audit recorded a webinar entitled “Mythbusting: Internal Controls.” This webinar focused on small changes departments can make to improve their operations for the Dare to Learn Academy led by UNCW’s Office of Human Resources.
- **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 for efficiencies in granting users access to the system.
- **Self-Assessment for Quality Assurance** – A self-assessment of quality assurance was completed in preparation for our office’s quality assurance review (peer review) scheduled for fiscal year 2016.
- **UNCAA Annual Conference** – Our office hosted the annual conference of the UNC Auditor’s Association in October 2014. The host committee included other UNC institutions in our region, and participants received 12 hours of continuing professional education (CPE) credits.
Audit Plan Completion

As part of our office’s quality assurance and improvement plan, we track several metrics to measure our performance. One of these is the audit plan completion rate which is an indicator of efficiency and alignment with the annual audit plan approved by the Audit Committee of the Board of Trustees. While 100% completion is nearly impossible due to special projects, investigations and other unplanned work, the completion rate is monitored to ensure the office generally adheres to the approved audit plan.

Financial

The Office of Internal Audit is funded by a combination of general funds allocated by the state and institutional trust funds. Total expenditures for fiscal year 2015 were $311,732 and nearly all expenses relate to salary and wage expenses for the CAE, staff members, and the audit intern. Annually, the office incurs professional expenses which include licenses, memberships, and training. The remainder of the expenses relate to telephone service, supplies, and other administrative expenses.

FISCAL YEAR 2015 EXPENDITURES

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Benefits</td>
<td>95%</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>5%</td>
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Disclosures
The Office of Internal Audit adheres to the Standards of the Institute of Internal Auditors (IIA). The following items are being disclosed in conformance with the Standards.

Organizational Independence
The Office of Internal Audit reports functionally to the Audit 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 Audit Committee. Consequently, the Chief Audit Executive (CAE) presents results of audits and other office activities to the Audit Committee at their quarterly meetings. In addition, the CAE assists the Audit Committee in understanding their role and responsibilities and keeps committee members apprised on emerging trends and best practices.

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 in fact or appearance during fiscal year 2015.

Disclosure of Nonconformance
Occasionally circumstances require the completion of a project or engagement in a manner which is inconsistent with applicable Standards. During fiscal year 2015, 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. 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 fiscal year 2015.

Quality Assurance Review
In order to fully comply with the Standards, our office is required to undergo a quality assurance review (peer review) at least once every five years. In May 2011, the external CPA and professional services firm of Honkamp Krueger & Co. completed a peer review of our office. We completed a self-assessment during the summer of 2014, and our next external review will occur in the spring of 2016.