Office of Internal Audit

Activity Report

Period from January 1, 2014 – March 15, 2014

Internal Audit Team

Stefanie Powell, CPA, CISA
Interim Director

Karen Barnard, CPA
Auditor

Kelly Mintern, CPA
Auditor

Cynthia Nickerson, CPA
Auditor

April Abreu
Audit Intern
Executive Summary

This report contains a summary of the Office of Internal Audit’s operations for the period from January 1, 2014 - March 15, 2014. This report is being issued prior to the end of the quarter due to the timing of the upcoming meeting of the Board of Trustees. The following highlights provide an overview of the office’s work.

Completed Projects
- Friends of UNCW Financial Audit
- Business Entertainment Consultation

Pending Projects
- AiM System Review
- Annual Risk Assessment
- Self-Assessment for Quality Assurance

Follow Ups
No follow up work was completed for the period ended March 15, 2014 due to schedule limitations for both campus departments with open audit findings and Internal Audit. Audit follow ups will resume in late spring 2014.

Other
- UNC Internal Audit Advisory Team
- University of North Carolina at Chapel Hill, Quality Assurance Review
- Public Records Request
- REC 476, Budgeting and Finance, Presentation
- Departmental Questions

Service Commitments
Individuals from the Office of Internal Audit served on committees, attended meetings, and otherwise participated or aided nine UNCW groups and four external organizations.

Professional Development
- Karen Barnard, CPA, joined our staff as a time-limited auditor in order to assist our office in addressing a backlog of work resulting from staffing changes over the past 15 months.
- Individuals from the Office of Internal Audit attended UNCW training courses and externally offered webinars. Collectively, staff members earned 3 hours of Continuing Professional Education (CPE) credit.
Completed Projects

Scheduled Audits and Consultations

Friends of UNCW Financial Audit
Our office completed the annual audit of the financial statements of the Friends of UNCW (Friends), a minor associated entity with limited activity. This project was completed with the assistance of Kelley Horton, Internal Audit Director at UNC Pembroke to ensure work was completed by someone who was independent in both fact and appearance as required for North Carolina CPAs.

The audit was conducted in accordance with auditing standards generally accepted in the United States, and our work also included a review of Friends’ compliance with the requirements of a minor associated entity under the policy of UNC General Administration. Friends received an unqualified audit opinion, and the final report was issued January 7, 2014.

Special Request Audits and Consultations

Business Entertainment Consultation
At the request of management, we reviewed all university business entertainment expenditures for the quarter ended September 30, 2013. The review was performed to determine appropriateness of expenditures, compliance with applicable policies and regulations, and to compile data to assist in future management decisions. All transactions tested appeared to have appropriate business purposes and generally complied with the applicable policies and regulations. Recommendations relating to enhancing training to increase the efficiency of the compliance process were shared with management. There were no findings associated with this review, and a final memo was issued March 6, 2014.
Pending Projects

AiM System Review
Fieldwork for this review is nearly complete, and we anticipate issuing a final report in April. Audit objectives include a review of the AiM System in the following areas:

- Work order processing (i.e. how the system is used for billing and for managing expenditures)
- Accuracy and completeness of revenue and expenditure transactions
- General controls and data security and recovery practices
- Configuration and integration of the system with Banner
- Compliance with established policies, procedures and external regulations (as applicable)
- Overall internal controls
- Effectiveness and efficiency of operations

Annual Risk Assessment
Each year our office completes a risk assessment of UNCW operations as part of the audit planning process. Rather than limiting the risk assessment process to a yearly “snapshot,” our office is migrating toward an ongoing process of measuring and monitoring risk. As a result, the interim director and other staff members are engaged in ongoing risk discussions with management. Other components of the risk assessment process include financial analysis, a review of the audit findings database, and reviews of other items with audit impacts. This additional analysis will be completed during the late spring and early summer.

Self-Assessment for Quality Assurance
An external review of internal operations is required every five years by the Standards of the Institute of Internal Auditors. Between external reviews, the Standards require internal audit departments to complete thorough self-assessments which examine all aspects of operations for compliance with the Standards and provide opportunities for benchmarking with best practices. Our office is in the process of undergoing a self-assessment, and we anticipate completing this in May.
Follow Ups

No follow up work was completed for the period ended March 15, 2014 due to schedule limitations for both campus departments with open audit findings and Internal Audit. Audit follow ups will resume in late spring 2014.

The table below displays audit findings as of March 15, 2014. Audit findings are reported below in the following categories:

- **Pending** – Findings for which corrective measures were in process but not yet fully resolved at the time of the most recent follow up.
- **Findings not yet due for follow up** - Due to complexity, annual transaction cycles, and other factors, while these findings remain open, they are not yet due for follow up.

<table>
<thead>
<tr>
<th>Engagement</th>
<th>Number of Pending Findings</th>
<th>Number of Findings Not Yet Due</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Academic Affairs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>College of Arts and Sciences</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>College of Health and Human Services</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td><strong>Business Affairs</strong></td>
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<td></td>
</tr>
<tr>
<td>Credit Card Compliance</td>
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<td>1</td>
</tr>
<tr>
<td>Physical Access</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>University Police</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>Other (a)</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td><strong>Chancellor’s Division/Multi-Divisional</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Athletics {b}</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6</strong></td>
<td><strong>20</strong></td>
</tr>
</tbody>
</table>

(a) Findings relating to Business Affairs activities were identified while completing other engagements. Separate memos were issued to Business Affairs, and Business Affairs is responsible for corrective measures.

(b) Of the five pending findings for Athletics, three are considered by Internal Audit to be partially resolved meaning some, but not all, elements of the finding have been sufficiently addressed by the department.
Other

**UNC Internal Audit Advisory Team**
At the request of the Audit Committee of the UNC Board of Governors, the Internal Audit Advisory Team (IAAT) was formed to identify the best possible model for internal audit operations for the UNC system as well as the resources required to achieve excellence in internal auditing. UNCW’s Interim Director is one of five directors from UNC schools serving on the IAAT.

**University of North Carolina at Chapel Hill, Quality Assurance Review**
The Interim Director was asked to assist in conducting the quality assurance review (peer review) of the Internal Audit office at UNC Chapel Hill. The three-person peer review team included the former Chief Audit Executive of the University of California system and the current Internal Audit Director for the University of Virginia. The peer review included a complete review of the department’s activity in accordance with the *Standards* of the Institute of Internal Auditors, and the on-site portion of the review was completed January 28 – 31, 2014.

**Public Records Request**
Our office responded to a public records request received February 6, 2014.

**REC 476, Budgeting and Finance, Presentation**
A member of our staff was asked to present to students enrolled in REC 476, Budgeting and Finance. The goal of the presentation was to familiarize students with the type of audits they may be involved in during their careers and what to expect during each type of audit.

**Departmental Questions**
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 provide consulting services. In addition, requests are tracked by topical area and this information is incorporated into our office’s annual risk assessment process. For the period ended March 15, 2014, Internal Audit staff members spent time responding to six different questions and requests.
Service Commitments

UNCW
Staff members and the Interim Director of Internal Audit were involved in the following activities at UNCW.

- Athletic Certification Committee
- Controller Search Committee
- Dining Services Request for Proposal (RFP) Committee
- E. L. White and Wilmington Society Luncheon Celebration
- HR Liaison Committee
- Intercultural Week events
- IRM Senior Management/Stakeholder Analysis Workshop
- Leave Audit Workshop
- Systems Coordination Committee

External Organizations
Staff members and the Interim Director of Internal Audit also assisted external organizations in the following ways.

Association of College and University Auditors (ACUA)
Our office continues to be involved with ACUA, and we are currently assisting in securing presenters for ACUA’s next annual conference which will be held in Los Angeles in September 2014.

Institute of Internal Auditors (IIA) – Wilmington Chapter
Our office is responsible for organizing the semi-annual meetings of the Wilmington chapter of the IIA. The spring meeting is scheduled for May 2, 2014.

UNC Internal Audit Teleconferences
The Interim Director participates in this monthly teleconference for the UNC internal audit directors and representatives from UNC General Administration.

University of North Carolina Auditors’ Association (UNCAA)
The Interim Director is currently serving as president of this organization.
Professional Development

Staffing Changes
Karen Barnard, CPA, joined our staff as a time-limited auditor in order to assist our office in addressing a backlog of work resulting from staffing changes over the past 15 months. Karen has experience working in the controller’s area and with financial reporting at Virginia Tech and at the University of Arkansas at Little Rock. Karen has also worked in governmental accounting with the Arkansas Department of Finance and with Montgomery County Government in Virginia.

UNCW Training
Staff members attended the following courses offered by UNCW:
- Benefits Enrollment
- Finance Certificate Courses
- New Employee Orientation
- Title IX Training
- Work Place Safety and Diversity Training
- Trainings via Skillport:
  - Banner Navigation
  - Intro to UNCW Travel
  - Intro to Sharepoint

External Training
Individuals from the Office of Internal Audit attended two webinars and collectively earned 3 hours of Continuing Professional Education (CPE) credit.

Webinars
- “Positioning Internal Audit for the Future” on January 14, 2014
- “The Insider Threat is the Most Serious Threat” on February 25, 2014
Distribution List

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