Office of Internal Audit

Activity Report

For the period from March 16, 2014 to August 8, 2014

Internal Audit Team

Stefanie Powell, CPA, CISA
Interim Director

Kelly Mintern, CPA, CIA
Auditor

Cynthia Nickerson, CPA
Auditor

Karen Barnard, CPA
Auditor

Taylor Rote
Audit Intern
Executive Summary

This report contains a summary of the Office of Internal Audit’s operations for the period from March 16, 2014 to August 8, 2014. The following highlights provide an overview of the office’s work.

Completed Projects
- AiM System Review
- Self-Assessment for Quality Assurance
- Banner Disaster Recovery Consultation
- Information Technology Systems (ITS) Reorganization Consultation

Pending Projects
- Annual Risk Assessment
- University Advancement Review
- Campus Life Review
- Distance Education Review

Follow Ups
- 2 Findings Closed
- 9 Findings Pending
- 16 findings not yet due

Other
- UNC Internal Audit Advisory Team
- Routine Consultations

Service Commitments
Individuals from the Office of Internal Audit served on committees, assisted at events, and otherwise participated or aided seven UNCW groups and four professional organizations.

Professional Development
- April Abreu, Internal Audit’s intern during the 2013-2014 academic year, resigned in order to relocate to California for her husband’s job. Taylor Rote was hired as the office’s new intern. Taylor holds a bachelor’s degree in accountancy from UNCW and will begin the Master of Science in Accountancy (MSA) program at UNCW in the fall.
- Individuals from the Office of Internal Audit attended UNCW training courses. In addition, they participated in three conferences and workshops, attended eleven webinars, and completed six online courses. Collectively, they earned over 58 hours of Continuing Professional Education (CPE) credit.
Completed Projects

Scheduled Audits and Consultations

**AiM System Review**
We completed a review of the AiM System. The purpose was to review 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 AiM System with Banner and with uShop, an e-procurement tool
- Compliance with established policies, procedures and external regulations
- Overall internal controls
- Effectiveness and efficiency of operations

There were no findings associated with this review, and a final memo was issued May 20, 2014.

**Self-Assessment for Quality Assurance**
A quality assurance review (peer review) of the Office of Internal Audit 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 to provide opportunities for benchmarking with best practices. A self-assessment was completed in preparation for the next peer review, scheduled for 2016.

Based on the self-assessment, the Office of Internal Audit continues to meet the criteria of “Generally Conforms” with respect to the *Standards*, and this is the best possible rating. The self-assessment resulted in a recommendation to develop and implement a strategic plan in accordance with best practices. The self-assessment was completed on August 8, 2014.
Completed Projects

Special Request Audits and Consultations

**Banner Disaster Recovery Consultation**
At the request of management, we completed a review of UNCW’s disaster recovery plan for the Banner system. The review included gaining an understanding of the current configuration of the Banner servers and confirming that data from the production servers was properly replicated to another server. Based on work completed, data appears to be appropriately replicated, and there were no findings associated with this consultation. A final memo was issued June 23, 2014.

**ITS Reorganization Consultation**
Per management’s request, we facilitated discussions between two groups of developers in Information Technology Systems (ITS) regarding a merger of the individuals into a single developer team. The group considered current responsibilities, pending workloads, and future projects. The group also determined the most beneficial skill sets and roles for two vacant developer positions.

The group ultimately agreed a merger would be beneficial. Internal Audit’s role included reviewing the proposed organizational structure. Proper segregation of duties, adequate procedural documentation and cross-training, and consistency with best practices were considered in the review. The proposed organizational structure appeared to demonstrate proper internal controls, and there were no findings associated with this consultation. A final memo was issued July 16, 2014.
Pending Projects

Annual Risk Assessment
Each year our office completes a risk assessment of UNCW operations as part of the audit planning process. Throughout fiscal year 2014, the interim director and other staff members were engaged in ongoing risk discussions with management. Other components of the risk assessment process included financial analysis, a review of the audit findings database, and reviews of other items with audit impacts. Based on this risk assessment, an audit plan for fiscal year 2015 was developed. The audit plan will be presented to the Audit Committee of the Board of Trustees for approval at the August 2014 meeting.

University Advancement Review
We are working on a review of University Advancement. The primary focus of the audit is revenue processing and cash handling. We are also reviewing the general controls and data security practices relating to revenue processing. During fieldwork it was agreed that we would expand the scope to include expenditures and payroll processes. Fieldwork is complete, and we anticipate issuing the final report in August 2014.

Campus Life Review
An entrance meeting was held on July 15, 2014, and this review is currently in process. Audit objectives include reviewing the following administrative aspects of Campus Life:

- Accuracy and completeness of revenue and expenditure transactions
- Cash handling
- Fixed asset, computer asset and equipment management
- Hiring documentation, timesheets and other payroll records
- General controls
- Data security and recovery practices
- Tax matters
- Compliance with established policies, procedures, and external regulations
- Overall internal controls
- Effectiveness and efficiency of operations

Distance Education Review
A review of distance education is in process. The entrance meeting was held July 17, 2014 and fieldwork has begun. The scope of the audit includes:

- Admission procedures, course scheduling, and other academic matters
- Budgeting processes and accuracy and completeness of revenue and expenditure transactions
- Compliance with established policies, procedures, and external regulations
- Overall internal controls
- Effectiveness and efficiency of operations
Follow Ups

Audit findings are reported below in the following categories:

- **Closed** – Findings which were confirmed to be resolved during the period from March 16, 2014 to August 8, 2014
- **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 Closed Findings</th>
<th>Number of Pending Findings</th>
<th>Number of Findings Not Yet Due</th>
<th>All Findings for Engagement Closed</th>
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<tr>
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<td>Other {a}</td>
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<td>No</td>
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<td><strong>9</strong></td>
<td><strong>16</strong></td>
<td></td>
</tr>
</tbody>
</table>

{a} 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.

{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 further the internal audit function in the UNC system. UNCW’s Interim Director is one of five directors from UNC schools serving on the IAAT. Throughout the spring of 2014, the IAAT compiled a procedures manual and templates which can be utilized by all UNC internal audit functions.

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 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 from March 16, 2014 to August 8, 2014, Internal Audit staff members spent time responding to 23 different questions and requests.
Service Commitments

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

- Associate Vice Chancellor for Human Resources Search Committee
- Athletic Certification Committee
- Controller Search Committee
- Dining Services Request for Proposal (RFP) Committee
- HR Liaison Committee
- Systems Coordination Committee
- Spring Commencement

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

Association of College and University Auditors (ACUA)
Our office continues to be involved with ACUA, and the Interim Director is presently serving as a track coordinator 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 was held on May 2, 2014.

MIS Training Institute
The Interim Director presented “Collaborating with Management: An Essential Tool for Small Departments” with Michael Somich, Executive Director of Internal Audits, Duke University, at the SuperStrategies Conference in Chicago in May 2014.

University of North Carolina Auditors’ Association (UNCAA)
The Interim Director is currently serving as president of this organization. In addition, our office is hosting the UNCAA Annual Conference in October 2014.
Professional Development

Staffing Changes
- April Abreu, Internal Audit’s intern during the 2013-2014 academic year, resigned in May in order to relocate to California for her husband’s job.
- Taylor Rote was hired as the office’s new intern. Taylor holds a bachelor’s degree in accountancy from UNCW and will begin the Master of Science in Accountancy (MSA) program at UNCW this fall.

UNCW Training
Staff members attended the following courses offered by UNCW:

- Adobe Contribute Software Training
- Banner Finance Certificate Courses
- Faculty/Staff Unlawful Workplace Harassment Training
- Support Staff Conference

External Training
Individuals from the Office of Internal Audit participated in three conferences and workshops, attended eleven webinars, and completed six online courses. Collectively, they earned over 58 hours of Continuing Professional Education (CPE) credit.

Note: Training hours were higher than normal due to a conference presentation and the office having new staff members and a new intern.

Conference and Workshops
- **Institute of Internal Auditors Local Chapter Meeting, Wilmington, NC, May 2, 2014**
  Topic: “State Bureau of Investigation, Financial Crimes and Case Examples”
- **MIS Training Institute Super Strategies Conference, Chicago, IL, April 29 – May 1, 2014**
  Topics: Auditing project management, reshaping internal audit to add value, data analytics, role of internal audit in the future, safeguarding big data, integrated auditing, internal audit’s role in strategic risk management, and tone in the middle
- **UNC Chief Audit Officer Retreat, Chapel Hill, NC, May 14-15, 2014**
  Topics: Updates provided by President Ross, Chief Operating Officer Charlie Perusse, Vice President and General Counsel Tom Shanahan, and others. Working sessions were held to discuss implementation of system-wide metrics, best practices, and other topics.
External Training (Continued)

Webinars

- “Preventing Procurement Fraud in Higher Education” April 4, 2014
- “Keeping the Risk Universe Current” April 8, 2014
- “Governance – Does your Organization Measure Up? What are you doing to help?” April 9, 2014
- “Your Role in Sustaining a Culture that Deters Fraud” April 16, 2014
- “COSO Framework” April 28, 2014
- “The OMB Uniform Guidance: Key Issues for Universities” May 14, 2014
- “The Title IX Risk Landscape: What You Need to Know” June 12, 2014
- “Benford’s Law for Fraud Detecting & Auditing” July 30, 2014
- “Professional Ethics and Conduct” July 21, 2014
- “From Board Room to War Room – Lessons Learned from Recent Cyber Attacks” July 23, 2014
- “Independent Audit Committees in Public Sector Organizations” July 23, 2014

Online Self-Study CPE

- Advanced Fraud Techniques
- Audit Sampling
- Avoiding Identity Theft by Public Employees
- Monitoring Internal Control
- Revenue Recognition Auditing
- Update on Occupational Fraud
Distribution List

Audit Committee, UNCW Board of Trustees

Dr. William A. Sederburg, Chancellor

Mr. Max Allen, Chief of Staff

Dr. Denise Battles, Provost and Vice Chancellor for Academic Affairs

Mr. Robert Hoon, General Counsel

Dr. Rick Whitfield, Vice Chancellor for Business Affairs