Office of Internal Audit

Quarterly Report

Quarter Ending December 31, 2013

Internal Audit Team

Stefanie Powell, CPA, CISA
Interim Director

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 quarter ending December 31, 2013. The following highlights provide an overview of the office’s work.

Completed Projects
- Physical Access Review
- Motor Fleet Complaint
- Fraternity and Sorority Investigation

Pending Projects
- Friends of UNCW Financial Audit
- Business Entertainment Consultation
- AiM System Review

Follow Ups
- 12 Findings Closed
- 7 Findings Pending
- 19 Findings Not Yet Due

Other
- Public Records Request
- REC 440 Presentation
- NSF Audit Consultation
- Departmental Questions

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

Professional Development
- The reassignment of Dana Harris to the Department of Athletics was extended through March 2014.
- Cynthia Nickerson joined our office as a full-time auditor in November 2013 following the departure of Laura LaBree.
- Kelly Mintern, CPA attained certification as a Certified Internal Auditor (CIA).
- Individuals from the Office of Internal Audit attended two conferences/workshops and eight webinars. Collectively, they earned 24 hours of Continuing Professional Education (CPE) credit.
Completed Projects

Scheduled Audits and Consultations

Physical Access Review
We completed an audit of physical access for the university. Our work included reviews of:

- Key control management
- Electronic door access management
- Stand-alone door access systems
- Alarm systems
- Compliance with established policies, procedures and external regulations (as applicable)
- Overall internal controls
- Effectiveness and efficiency of operations

There were eight findings associated with this review, and we received a positive response from management to all findings. The final report was issued on December 19, 2013 and included six findings. In addition, a finding relating to controls surrounding burglar/panic alarms was shared in a separate memo to management pursuant to North Carolina General Statute 132-1.7(a). Finally, a finding relating to a campus-wide physical security plan was shared in a separate memo to the Vice Chancellor for Business Affairs.

Special Request Audits and Consultations

Motor Fleet Complaint
We conducted an investigation based on a citizen complaint received by State Motor Fleet Management (MFM) regarding a vehicle assigned to UNCW. Based on our review of the complaint, we elected to treat this as a personnel matter. A response was prepared and submitted to MFM, and MFM closed the complaint on November 6, 2013.

Fraternity and Sorority Investigation
In November 2013, a complaint relating to disciplinary actions relative to members of sororities and fraternities associating with former Sigma Alpha Epsilon (SAE) members was referred to our office by the Office of General Counsel. The complaint included allegations that:

- Fraternities and sororities were notified by the Dean of Students that if they associated with former members of the SAE fraternity, their organization would be subject to the loss of charter.
- A sorority member was improperly given a warning for associating with former members of the SAE fraternity.

We evaluated the allegations and identified no evidence to suggest inappropriate activities. A final memo was issued to management on December 19, 2013.
Pending Projects

Friends of UNCW Financial Audit
Our annual audit of the financial statements of the Friends of UNCW (Friends) is in process. This audit is being conducted in accordance with auditing standards generally accepted in the United States, and our work also includes a review of Friends’ compliance with the requirements of a Minor Associated Entity under the policy of UNC General Administration. Due to technicalities related to our staff being licensed as CPAs, our office is unable to issue the audited financial statements. Consequently, we have partnered with Kelley Horton, Internal Audit Director at UNC Pembroke, to complete this audit. Fieldwork for this audit was completed in December 2013, and an exit meeting is scheduled for early January 2014.

Business Entertainment Consultation
At the request of management, we are reviewing all university business entertainment expenditures for the quarter ended September 30, 2013. The primary goal of this engagement is to provide data analysis to assist in future management decisions. Transactions are also being reviewed for compliance to applicable policies and regulations. We expect to complete fieldwork in January 2014.

AiM System Review
This review is in the planning stages. 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 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
- Other areas as identified based on the planning process

An entrance meeting is scheduled for early January 2014.
Follow Ups

Audit findings are reported below in the following categories:

- **Closed** – Findings which were confirmed to be resolved during the quarter ending December 31, 2013.
- **Pending** – Findings for which corrective measures were in process but not yet fully resolved as of December 31, 2013.
- **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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<tbody>
<tr>
<td><strong>Academic Affairs</strong></td>
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<tr>
<td>Cameron School of Business</td>
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<td>College of Arts and Sciences</td>
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<td>No</td>
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<td>College of Health and Human Services</td>
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<td>Yes</td>
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<tr>
<td>Credit Card Compliance</td>
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<td>0</td>
<td>No</td>
</tr>
<tr>
<td>Physical Access</td>
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<td>0</td>
<td>7 (c)</td>
<td>No</td>
</tr>
<tr>
<td>University Police</td>
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<td>0</td>
<td>7</td>
<td>No</td>
</tr>
<tr>
<td>Other {a}</td>
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<td>0</td>
<td>1 (c)</td>
<td>No</td>
</tr>
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<td><strong>Chancellor’s Division/Multi-Divisional</strong></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Athletics {b}</td>
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<td>No</td>
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<tr>
<td>Compliance Reporting</td>
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<td><strong>12</strong></td>
<td><strong>7</strong></td>
<td><strong>19</strong></td>
<td></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.

{c} Of the eight findings associated with the Physical Access review, resolution for seven of the findings is the responsibility of the Physical Plant. The eighth finding was reported in a separate memo to Business Affairs.
Other

Public Records Request
Our office responded to a public records request received October 30, 2013.

REC 440 Presentation
A member of our staff 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 controls.

NSF Audit Consultation
We assisted the Office of Sponsored Programs in identifying and determining the appropriateness of information and documentation provided to an external audit team in conjunction with a National Science Foundation (NSF) grant.

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 quarter ending December 31, 2013, Internal Audit staff members spent over eight hours responding to 21 different questions and requests.
Service Commitments

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

- Angel Tree
- Athletic Certification Committee
- Dining Services Request for Proposal (RFP) Committee
- HR Liaison Committee
- IRM Steering Committee
- Systems Coordination Committee

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

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 fall meeting was held on October 11, 2013.

UNC Internal Audit Advisory Team
At the request of the Audit Committee of the UNC Board of Governors, this committee 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 across the system. UNCW’s Interim Director is one of five directors from UNC schools serving on this committee.

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)
Having served as vice president during 2012 – 2013, the Interim Director was elected president of this organization during the annual meeting in October 2013.
Professional Development

Staffing Changes
- The reassignment of Dana Harris to the Department of Athletics was extended through March 2014.
- Cynthia Nickerson joined our office as a full-time auditor in November 2013 following the departure of Laura LaBree. Cynthia is a two-time UNCW alumnus who received a bachelor degree in finance in 2008 and a Master of Science in Accountancy in 2010. She previously worked in public accounting at McGladrey in Wilmington, NC.

Staff Achievement
Kelly Mintern, CPA, attained certification as a Certified Internal Auditor (CIA).

UNCW Training
Staff members attended the following courses offered by UNCW:
- Benefit Open Enrollment training
- Information session on UNCW-Enterprise Partnership (for rental cars)
- New Employee Orientation
- Work Place Safety and Diversity Training
- Trainings via Skillport:
  - Banner Navigation
  - Intro to UNCW Travel
  - Employee Travel
  - Non-Employee and Student Travel
  - UNCW List Manager Training
  - Intro to Sharepoint

External Training
Individuals from the Office of Internal Audit attended two conferences/workshops and eight webinars. Collectively, they earned 24 hours of Continuing Professional Education (CPE) credit.

Conferences and Workshops
Wilmington Institute of Internal Auditors (IIA) Fall Meeting, October 11, 2013
Topic: Impact of Client and Partner Relationships on Audit Judgment

University of North Carolina Auditors Association Annual Conference, Boone, NC, October 14-15, 2013
Topics: Interview Dynamics, Current Trends in Audit Results, Clery Act Reporting Requirements, Relationship Between Internal Audit and the CFO
Webinars

- “Future of Internal Audit” on October 8, 2013
- “COSO 2013: What You Need to Know” on November 4, 2013
- “Internal Audit in a Virtual World” on November 12, 2013
- “2013 Professional Ethics and Conduct” on December 9, 2013
- “Preserving the Integrity of Institutional Data Reporting: How Internal Audit Can Help” on December 10, 2013
- “Ethics and the Internal Auditor” on December 17, 2013
Distribution List

Mr. Britt Preyer, Audit Committee Chair, UNCW Board of Trustees

Dr. Gary Miller, Chancellor

Mr. Max Allen, Chief of Staff

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

Mr. Robert Hoon, General Counsel

Mr. Charles Maimone, Vice Chancellor for Business Affairs

Dr. Rick Whitfield, Associate Vice Chancellor for Finance