Office of Internal Audit

Quarterly Report
Quarter Ending September 30, 2013

Internal Audit Team
Stefanie Powell, CPA, CISA
Interim Director
Kelly Mintern, 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 September 30, 2013. The following highlights provide an overview of the office’s work.

Completed Projects

- Center for Marine Science Research Investigation
- Senior Management Travel and Entertainment Review
- University Police Review
- Motor Fleet Complaint

Pending Projects

- Friends of UNCW Financial Audit
- Physical Access Review

Follow Ups

- 8 Findings Closed
- 13 Findings Pending
- 17 Findings Not Yet Due

Other

- Risk Assessment and Audit Plan Development
- Supplemental Pay Processing
- Internal Audit Advisory Team Survey
- Departmental Questions

Service Commitments

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

Professional Development

- Staffing changes:
  - Dana Harris’ reassignment to the Department of Athletics was extended through the end of the 2013 calendar year.
  - Lindsey Reynolds, Internal Audit’s intern during 2012 – 2013, resigned in order to devote her full attention to the Masters of Science in Accountancy (MSA) program at UNCW.
  - April Abreu was hired as the office’s new intern. April is a senior majoring in accountancy and holds dual associate’s degrees in arts and business.
  - Laura LaBree, an auditor in the office since 2007, accepted a permanent position in the Department of Athletics beginning mid-August 2013.
  - Individuals from the Office of Internal Audit attended one conference and three webinars. Collectively, they earned 30 hours of Continuing Professional Education (CPE) credits.
Completed Projects

Scheduled Audits and Consultations

Center for Marine Science Research Investigation
In June 2013, our office received a complaint involving the Center for Marine Science (CMS). The complaint included allegations regarding possible mismanagement of research funds associated with the Aquarius Reef Base project and a potential conflict of interest in promoting programs to benefit related persons. We evaluated the allegations and identified no evidence to suggest inappropriate activities. A final memo was issued on July 22, 2013.

Senior Management Travel and Entertainment Review
We reviewed travel and entertainment expenditures for members of the Cabinet and other senior officers on a quarterly basis throughout fiscal year 2013. Travel and entertainment expenses appeared to have appropriate business purposes and complied with relevant regulations and policies. There were no findings associated with this review. A final memo summarizing the results of our review was issued to management on July 31, 2013.

University Police Review
We completed an administrative review of the UNCW Police Department (UPD). Our work included reviews of:

- Departmental financial accuracy and operational efficiency
- Maintenance of departmental assets and equipment
- Payroll and personnel matters
- Compliance to applicable university policies and external regulations
- General controls, data security and recovery
- Tax topics

At the request of the department, a review of compliance with the State Bureau of Investigation (SBI) reporting requirements was also completed. As an administrative review of business operations, our work did not include reviewing policing and law enforcement activities conducted by the department. There were seven findings associated with the review, and we received a positive response to all findings from management. The final report was issued August 7, 2013.

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 August 2, 2013.
Pending Projects

Friends of UNCW Financial Audit
Our annual audit of the financial statements of the Friends of UNCW (Friends) is in progress. This audit is being conducted in accordance with auditing standards generally accepted in the United States, and our work also includes reviewing Friends’ compliance with the requirements of a Minor Associated Entity under the policy of UNC General Administration.

Physical Access Review
We are working on an audit of physical access for the university. The scope includes:

- Key control management
- Electronic door access management
- Other physical access controls
- Compliance with established policies, procedures and external regulations
- Overall internal controls
- Effectiveness and efficiency of operations

We expect to complete fieldwork in October 2013.
Follow Ups

Audit findings are reported below in the following categories:

- **Closed** – Findings which were confirmed to be resolved during the quarter ending September 30, 2013.
- **Pending** – Findings for which corrective measures were in process but not yet fully resolved as of September 30, 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>University Police</td>
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<td>No</td>
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<td>Other {a}</td>
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<td><strong>Chancellor’s Division/Multi-Divisional</strong></td>
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<td>17</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 seven 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

**Risk Assessment and Audit Plan Development**
Throughout the spring and summer of 2013, our office completed a numerically risk-ranked assessment of campus departments and operations. These results, along with other information such as discussions with management, information obtained from our audit findings database, and a review of other items with audit impacts, were reviewed for audit planning purposes. Based on this information, we developed our annual audit plan which was shared with the Audit Committee of the Board of Trustees and approved at the August 2013 meeting.

**Supplemental Pay Processing**
Academic Affairs Resource Management (AARM) has a key role in processing the majority of supplemental pay actions for UNCW. After a change in personnel, AARM met with our staff to discuss compliance and efficiency for their internal supplemental payment process.

**Internal Audit Advisory Team Survey**
In order to provide the best possible information to the Audit Committee of the UNC Board of Governors regarding the current state of internal audit across the UNC system, each institution’s office of internal audit was asked to complete a comprehensive survey of their operations. Information was provided on topics such as:

- Staffing level, qualifications, and cost
- Audit types and audit plan completion
- Professional memberships and training
- Available resources such as computer aided audit tools and reference materials
- The use of contracted services
- The audit universe and the resources needed to complete audits of identified high-risk areas
- Audit findings
- Various other topics such as hotline reporting, consulting activities, and the overall value added by the internal audit function

**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 September 30, 2013, Internal Audit staff members spent over nine hours responding to 20 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
- HR Liaison Committee
- HR Shared Services Workgroup
- 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.

**Association of College and University Auditors (ACUA)**

*Accounting Principles Committee*
In July, a staff member completed a two-year term on this committee which is responsible for keeping ACUA members informed of accounting changes impacting higher education.

**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 will be held in October 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)**
The Interim Director was elected vice president of this organization during the annual meeting in October 2012 and continues to serve in that role.
Professional Development

Staffing Changes
- Dana Harris’ reassignment to the Department of Athletics was extended through the end of the 2013 calendar year.
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UNCW Training
*Business Affairs Conference and Expo, July 23, 2013*
Topics: Building relationships and a collaborative environment, strategic business communication, supporting change management, managing and resolving conflicts

Staff members also completed the following courses offered by UNCW:
- E-Verify training
- Finance certificate courses

External Training
Individuals from the Office of Internal Audit attended one conference and three webinars. Collectively, they earned 30 hours of Continuing Professional Education (CPE) credits.

Conferences and Workshops
*ACUA Annual Conference, Norfolk, VA, September 22 – 26, 2013*
Topics: Various IT audit topics, Clery Act compliance, fraud awareness, leadership development

Webinars
- “2013 Professional Ethics and Conduct” on July 16, 2013
- “Pulse of the Profession” on July 30, 2013
- “Internal Audit Coverage of Risks to Achieving Strategic Objectives” on August 14, 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