Executive Summary

This report contains a summary of the Office of Internal Audit’s activity for the quarter ending March 31, 2016. The following highlights provide an overview of the office’s work.

Audits/Assurance Activities

**Completed Projects**
- Office of Admissions Review

**Pending Projects**
- Athletics Review
- Cash Counts
- Student Accounts and Cashier Services Review
- Internal Audit Quality Assurance Review

Follow Ups

No follow up work was completed for the quarter ending March 31, 2016 due to schedule limitations for both campus departments with open audit findings and Internal Audit. Audit follow ups will resume in summer 2016.

Investigations

**Completed Projects**
- ITS Complaint

**Pending Projects**
- Athletics Facilities Complaint

Consulting/Advisory Services

- Routine Consultations included 23 requests.
- The office was involved with 6 UNCW committees.
- The office was actively involved with one professional organization.

Other

- Individuals from the office attended or participated in 11 university events/meetings.
- Individuals from the office participated in 3 UNCW training programs. In addition, they attended 3 conferences and completed 7 webinars. Collectively, they earned 71 hours of Continuing Professional Education (CPE) credits.
Audits / Assurance Activities

Overview
Audits and assurance engagements include planned reviews of compliance, operations, information technology, finance, and internal controls. 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 that includes an overall opinion of the area under review and any findings and recommendations that were identified.

Completed Projects
Office of Admissions Review
A review of the Office of Admissions was performed to assess and evaluate operational, compliance and administrative aspects of the Office of Admissions including the underlying internal controls. The focus of the audit was admission processes (First-Year and Transfer), compliance with the UNC policies on undergraduate admission, and select administrative responsibilities within the office.

In our opinion, the system of internal control with respect to the operations of the Office of Admissions is satisfactory. There were no findings associated with this review. The final memo was issued March 9, 2016.

Pending Projects
Athletics Review
A review of Athletics is in process, and a report is expected in early April 2016. The scope of the audit was determined by conducting a thorough risk assessment at the beginning of the review. Audit objectives include reviewing the following areas:

- Budget Process
- Cash/Funds Handling
- Facilities Management
- Fixed Assets/Computer Inventories
- General Controls/Access Rights
- Payroll and Personnel
- Revenue/Expenditures Management
- Tax Matters
- Training and Safety
Cash Counts
As required under UNC General Administration’s best practices for internal controls over financial reporting, surprise cash counts are periodically conducted of all UNCW departments that routinely receive funds in any form including, cash, checks, credit card payments, and payments via the UNCW One Card. Throughout fiscal year 2016, Internal Audit is conducting surprise cash counts in departments that have change funds. For each department included in the cash counts, the audit scope includes reviewing:

- Adherence to UNCW Policy 05.141, *Departmental Funds Receipting*
- Written procedures documenting the cash handling process for the department
- Recording of cash receipts
- The deposit process
- Safeguarding of all un-deposited receipts
- The change fund reconciliation process

Student Accounts and Cashier Services Review
Student Accounts and Cashier Services is in the process of being reviewed. Based on a thorough risk assessment, the scope of the audit includes reviewing the following areas:

- Billing
- Cash Handling
- Collections
- Compliance
- General Controls/Access Rights
- Holds/Cancelations/Reinstatements
- Refunds
- Student Fees
- Tax Matters

Internal Audit Quality Assurance Review
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. Internal Audit’s next peer review is scheduled for May 2016. During the quarter ending March 31, 2016, Internal Audit secured a peer reviewer and began the process of compiling all documentation and information needed by the peer reviewer.
Follow Ups

Overview
Follow ups are completed for any audit findings resulting from audit/assurance engagements and may be completed for other engagements as deemed necessary. 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 involved parties of progress.

Audit Finding Status
No follow up work was completed for the quarter ending March 31, 2016 due to schedule limitations for both campus departments with open audit findings and Internal Audit. Audit follow ups will resume in summer 2016.

The table below displays open audit findings (findings which have not been resolved) as of March 31, 2016.

<table>
<thead>
<tr>
<th>Engagement</th>
<th>Number of Open Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Academic Affairs</strong></td>
<td></td>
</tr>
<tr>
<td>Distance Education</td>
<td>6</td>
</tr>
<tr>
<td>Graduate School (a)</td>
<td>8</td>
</tr>
<tr>
<td>Financial Aid (b)</td>
<td>22</td>
</tr>
<tr>
<td><strong>Business Affairs</strong></td>
<td></td>
</tr>
<tr>
<td>Physical Access (c)</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>39</td>
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</table>

*Note: A summary of open audit findings is included at Appendix A.*

(a) Of the eight open findings for the Graduate School, five are considered by Internal Audit to be in process. A status of “In Process” indicates progress toward remediation has begun but is not yet complete or there is not a sufficient population to test the effectiveness of corrective measures.

(b) Of the 22 open findings for the Office of Scholarships and Financial Aid, 20 are considered by Internal Audit to be in process.

(c) The three open findings for Physical Access are considered by Internal Audit to be in process.
Investigations

Overview
Investigations result from tips reported to our office via the Office of the State Auditor’s hotline, our internal hotline, and other sources.

Completed Projects

ITS Complaint
In January 2016, the Office of the State Auditor referred a hotline complaint to our office for investigation. The complaint included allegations relating to employees from the Information Technology Services (ITS) department at UNCW. The complaint alleged that ITS employees were abusing the UNCW teleworking policy and did not have signed and approved agreements on file. In addition, the complaint alleged the teleworking policy is not consistently applied across ITS.

We evaluated the allegations and identified no evidence to suggest inappropriate activities. In our opinion, the allegations did not have merit and we consider this investigation closed. A final memo was issued February 19, 2016.

Pending Projects

Athletics Facilities Complaint
Internal Audit received a complaint related to adequate maintenance of Athletics facilities. We are investigating the allegations and anticipate issuing a final memo in April 2016.
Consulting / Advisory Services

Overview
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 in 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 serving as liaisons between the university and various external auditors.

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 reach more departments and individuals than we can through traditional audit work. 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 March 31, 2016, Internal Audit staff members spent time responding to 23 different questions and requests.

Committee Work
Staff members and the Chief Audit Executive were involved in the following committees at UNCW:

- HR Liaison Committee
- Institutional Risk Management (IRM) Committee
- IRM Steering Committee
- IT Advisory Council
- Leadership Council
- Systems Coordination Committee

Service to the Profession
Professional Organizations
Association of College and University Auditors (ACUA) – The Chief Audit Executive is currently serving on ACUA’s Best Practices Committee and is part of a subcommittee researching best practices around conflict of interest reporting.
Other

Overview
This section contains a summary of the other projects and activities of the Office of Internal Audit.

Participation in University Functions
Staff members and the Chief Audit Executive attended or participated in the following University functions:

- Basketball viewing party for UNCW Men’s Basketball in NCAA competition
- Budget Managers meetings
- Cameron School of Business Outstanding Alumni Recognition and Speaker Breakfast
- Chancellor Installation
- Faculty Senate meetings
- Open forum for permanent Provost appointment
- Open forums during the search process for the Associate Vice Chancellor and Dean of Undergraduate Studies
- Open forums during the search process for the Associate Vice Chancellor of Distance Education
- “Perspectives on Leadership” lecture by Kelly S. King, chairman and chief executive officer of BB&T Corporation
- Registrar Spring Forum
- Strategic Plan Campus Forum

Professional Development

**UNCW Training**
Staff members and the Chief Audit Executive attended the following courses offered by UNCW:

- Banner Finance Certificate Courses
- Dare to Learn Academy Training
- Equal Employment Opportunity Institute
Other (continued)

Professional Development

External Training

Individuals from the Office of Internal Audit participated in three conferences and completed 7 webinars. Collectively, they earned 71 hours of Continuing Professional Education (CPE) credits.

Conferences

- **Institute of Internal Auditors February Membership Meeting and Seminar, Raleigh, NC, February 9, 2016**
  Topics: Cloud Computing, Enterprise Risk Management (ERM), IT Auditing for Non-IT Auditors, Shades of Gray: Conquering Complexity and Uncertainty

- **Institute of Internal Auditors Mid-Atlantic District Conference, Charlotte, NC, March 14-15, 2016**
  Topics: Building a Risk Aware Enterprise Culture, Conducting Root Cause Analysis, Cybersecurity/Social Engineering, Economic Update, IT Audit Update, Promoting Effective Internal Controls, Regulatory Update, Relationship Building through Communication

- **Internal Audit: Piecing the Puzzle Workshop presented by UNC General Administration and the North Carolina Office of Internal Audit, Chapel Hill, NC, March 23, 2016**
  Topics: Communication Skills, Ethics, Internal Auditing Standards, Investigative Interviews, IT Risk Assessments, Statistical Sampling

Webinars

- “Protect your Institution with Effective Cybersecurity Governance” February 10, 2016
- “Getting to Know the Proposed Changes to the Standards” February 11, 2016
- “Filling the Void: Addressing Today’s Skill Gaps in Internal Audit” February 16, 2016
- “Increase Your Chances of Passing the CIA Exam” February 17, 2016
- “Environmental, Health and Safety Auditing” March 10, 2016
Distribution List

Audit, Risk and Compliance Committee, UNCW Board of Trustees

Dr. Jose V. Sartarelli, Chancellor

Mr. Bradley Ballou, Chief of Staff

Ms. Sharon Boyd, Associate Vice Chancellor for Business Services

Mr. Mark Lanier, Assistant to the Chancellor and Assistant Secretary, Board of Trustees

Ms. Pat Leonard, Vice Chancellor for Student Affairs

Mr. John Scherer, General Counsel

Dr. Marilyn Sheerer, Provost and Vice Chancellor for Academic Affairs

Mr. Eddie Stuart, Vice Chancellor for University Advancement

Ms. Sara Thorndike, Associate Vice Chancellor for Finance & Controller

Dr. Rick Whitfield, Vice Chancellor for Business Affairs
Appendix A

UNCW Office of Internal Audit
Open Internal Audit Findings
As of March 31, 2016

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{b} Of the 22 open findings for the Office of Scholarships and Financial Aid, 20 are considered by Internal Audit to be in process.

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Appendix A

Academic Affairs

Distance Education

1. Students’ physical locations should be considered when enrolling them in exclusively online courses and programs to ensure all necessary state authorizations have been obtained by UNCW prior to the students’ enrollment.
2. Online courses should meet the requirements of the Americans with Disabilities Act (ADA).
3. Best practices indicate there should be a consistent use of technology and consistency in the ways of accessing the technology throughout all online courses at UNCW.
4. Best practices indicate all online courses at UNCW should be consistent in format and navigation.
5. There should be a systematic process for monitoring Academic Partnerships’ contract compliance.
6. The most appropriate reporting structure for the Online Accelerated Program, either to the Office of External Programs or elsewhere within Academic Affairs, should be determined. Given the growth of the program to date and the forecasted future growth, dedicated staff should be hired to support the program.

Graduate School

1. Best practices require written policies and procedures to ensure consistency in awarding scholarships and fellowships. Graduate students should be able to easily access a list of all available scholarships and the application process.
2. The degree audit process should provide adequate assurance that each graduating student has met all degree requirements per the approved curriculum.
3. Communication with graduate advisors, coordinators, and academic partners should be improved and proper education should be given to the involved parties to ensure students take the most appropriate courses for their program objectives.
4. The Graduate Council bylaws should be consistent with current operations.
5. Compensatory time should be tracked and paid in accordance with NC OSHR Manual, Section 5-Compensatory Time, and UNCW Policy 08.211.
6. Management should review system access on a periodic basis and restrict information to individuals with a business need.
7. A continuity of operations plan should be created to ensure critical functions continue despite unplanned interruptions.
8. An Associate Dean position and additional support staff member(s) should be considered to ensure the Graduate School can continue to grow in accordance with the strategic plan while ensuring compliance with all applicable guidelines and regulations.
Appendix A

Academic Affairs (Continued)

Office of Scholarships and Financial Aid

1. OSFA management and staff should understand the institutional funding sources and award amounts.
2. The awarding of scholarships should always be strategic and complement UNCW’s enrollment plans for the recruitment and retention of students.
3. The awarding process for institutional funds should be updated to incorporate appropriate segregation of duties to ensure oversight of the award process.
4. Financial Aid funding should be distributed equitably among eligible students.
5. A procedure should be established related to the recalculation of awarded institutional aid for any change in a student’s enrollment status (i.e. complete withdrawal, course withdrawal, etc).
6. Escheat funds should be awarded in accordance with the requirements in the related North Carolina General Statute and the UNC General Administration policy.
7. Donor-funded scholarships should be awarded and applied to students’ accounts in accordance with donor intent.
8. Outside scholarships, such as those provided by philanthropists and foundations, should be posted to students’ accounts in accordance with the terms indicated by the scholarship check and applicable supporting documentation.
9. Budgeted amounts for each donor scholarship should be determined based on the terms of the donor gift agreement and available fund balance, and scholarships should be awarded in full.
10. The NextGen system should be consistently used for awarding institutional scholarships.
11. Information in the NextGen system should be reconciled to Banner (ERP system).
12. OSFA should have the available information and knowledge to explain fluctuations in financial transactional activity.
13. Financial transactions should be recorded and classified in the most appropriate accounts based on the nature of the transactions. Miscellaneous accounts should only be used for one-time transactions/activities that are nonrecurring in nature.
14. Accurate, thorough reconciliations should occur on a regular basis and there should be a process for communicating and correcting any issues/variances.
15. Monies received should be processed in accordance with UNCW Policy 05.141, Departmental Funds Receipting.
16. Wire deposit transmittals should be completed in a timely matter.
17. All contracted services should comply with all North Carolina procurement requirements.
18. The organizational structure should be evaluated to ensure proper segregation of duties and the most efficient and effective manner to operate.
19. Job descriptions should agree to employees’ current responsibilities.
Appendix A

Academic Affairs (Continued)

*Office of Scholarships and Financial Aid*

20. For continuity of operations, more than one person should be trained to complete important administrative functions and tasks, with tasks documented in desktop procedures that can be accessed by others in the department.

21. Access to the Financial Aid module in Banner should ensure appropriate segregation of duties and minimize access to confidential information.

22. There should be a process for regularly reviewing and documenting the appropriateness of system access.

Business Affairs

*Physical Access*

1. The information housed in the KeyStone system used to track keys issued to campus departments should contain current information.

2. Locksmith Services should complete scheduled key audits as required by the related policy. In addition, Locksmith Services should request copies of Key Tracking Logs maintained by campus departments as required by the policy.

3. There should be an emphasis on training or other measures for ensuring departments are aware of and adhering to responsibilities outlined in the key control policy.