Office of Internal Audit

Activity Report

For the quarter ending September 30, 2015

Internal Audit Team

Stefanie Powell, CPA, CISA
Chief Audit Executive

Kelly Mintern, CPA, CIA
Assistant Director

Cynthia Nickerson, CPA
Auditor

Shelley Morris
Auditor

Alan Pearce
Audit Intern
Executive Summary

This report contains a summary of the Office of Internal Audit’s activity for the quarter ending September 30, 2015. The following highlights provide an overview of the office’s work.

Audits/Assurance Activities

**Completed Projects**
- Campus Recreation Review

**Pending Projects**
- Financial Aid Review
- Friends of UNCW Financial Audit

Follow Ups
No follow up work was completed for the quarter ended September 30, 2015 due to schedule limitations for both campus departments with open audit findings and Internal Audit. Audit follow ups will resume in late fall 2015.

Investigations

**Completed Projects**
- ITS Investigation

Consulting/Advisory Services

- Routine Consultations consisted of 13 different questions and requests
- The office was involved with ten UNCW committees
- One staff member presented at the Careers in Accounting Day at Cameron School of Business
- Individuals in the office continued their involvement with two professional organizations

Other

- Individuals from the office attended or participated in two university functions
- Staffing Changes
  - Shelley Morris joined the Office of Internal Audit as an auditor in September of 2015. Before joining UNCW, Shelley worked in the division office for Guilford Mills, a manufacturing company in Wilmington, NC, as a senior financial analyst.
  - Alan Pearce was hired as the office’s new intern. Alan holds a bachelor’s degree in accountancy from UNCW and is participating in UNCW’s Master of Science in Accountancy (MSA) program.
- Individuals from the Office of Internal Audit attended three UNCW training courses. In addition, they participated in a conference and completed 6 webinar courses. Collectively, they earned 10 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
Campus Recreation Review
A review of Campus Recreation was performed to assess and evaluate the financial, operational and compliance aspects of the department including the underlying internal controls.

Audit objectives included reviewing the following areas of Campus Recreation:

- Revenue
- Expenditures
- Cash Handling
- Fixed Assets and Computer Inventories
- Payroll and Personnel
- Training and Safety
- General Controls/Access Rights
- Intramural and Sports Clubs
- Tax Matters

In our opinion, the system of internal control with respect to the operations of Campus Recreation is satisfactory.

There was one finding associated with this review, and we received a positive response from management to the finding. The final report was issued July 29, 2015.
Audits / Assurance Activities (continued)

Pending Projects

Financial Aid Review
A review of the Office of Scholarships & Financial Aid is in process. 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:

- Scholarship Processing
- Institutional Funding
- Contracted Services
- Compliance Matters
- Revenue
- Expenditures
- Cash Handling
- Payroll and Personnel
- General Controls/Access Rights

Friends of UNCW Financial Audit
Our annual audit of the financial statements of the Friends of the University of North Carolina at Wilmington, Inc. (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, the Chief Audit Officer at UNC Pembroke has agreed to assist in the same manner as last year by reviewing all worked performed and issuing the audited financial statements.
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 ended September 30, 2015 due to schedule limitations for both campus departments with open audit findings and Internal Audit. Audit follow ups will resume in late fall 2015.

The table below displays audit findings as of September 30, 2015. 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.

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

<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>Distance Education</td>
<td>9</td>
<td>0</td>
</tr>
<tr>
<td>Graduate School</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td><strong>Business Affairs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physical Access</td>
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<td>0</td>
</tr>
<tr>
<td>Other (a)</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td><strong>Student Affairs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Campus Life</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Campus Recreation</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>20</td>
<td>11</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.
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 Investigation
Our office received a complaint relating to specific selection processes and reporting structure changes for UNCW’s Information Technology Services (ITS). Specific allegations included:

- The process for selecting a vendor to conduct an ITS assessment in the winter of 2014
- The process for selecting the current interim CIO
- The process for removing the reporting structure of ITS from Academic Affairs to Business Affairs
- The process for realigning ITS staff under a new organizational structure

During our review of each of the allegations, we identified no evidence to suggest inappropriate activities. We consider this investigation closed. A final memo was issued September 30, 2015.
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 on 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 several professional organizations 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 September 30, 2015, Internal Audit staff members spent time responding to 13 different questions and requests.

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

- Athletic Eligibility
- Chief Information Officer (CIO) Search Committee
- Data Governance
- HR Liaison Committee
- Institutional Risk Management (IRM) Committee
- IRM Steering Committee
- Internal Control Assessment Team
- IT Advisory Council
- Leadership Council
- Systems Coordination Committee
Consulting / Advisory Services (continued)

Education of Others
A staff member from the Office of Internal Audit presented at the Careers in Accounting Day at the Cameron School of Business.

Service to the Profession

Professional Organizations
The Office of Internal Audit assisted professional organizations in the following ways:

- **UNCAA**
  The Chief Audit Executive is currently serving on the UNCAA board in the role of past president.

- **NCACPA**
  One member of the audit staff participated in the NCACPA Day of Service at the Food Bank of Central and Eastern North Carolina on September 18, 2015.
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:

- Convocation
- Student Veteran Resource Center Ribbon Cutting

Staffing Changes
The following staff changes occurred:

- Shelley Morris joined the Office of Internal Audit as an auditor in September of 2015. Before joining UNCW, Shelley worked in the division office for Guilford Mills, a manufacturing company in Wilmington, NC, as a senior financial analyst.
- Alan Pearce was hired as the office’s new intern. Alan holds a bachelor’s degree in accountancy from UNCW and is currently participating in the Master of Science in Accountancy (MSA) program at UNCW.

Professional Development

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

- Banner Training
- Benefits Training
- Support Staff Conference & Expo
Professional Development

External Training
Individuals from the Office of Internal Audit participated in a conference and completed 6 webinar courses. Collectively, they earned 10 hours of Continuing Professional Education (CPE) credits.

Conference
- **ISACA Training, RTP, NC, September 2, 2015**
  Topics: Vendor Risk Management, Managing Risk in Large Programs, and Five Fatal Flaws in Investigations and How to Avoid Them

Webinars
- “People-Centric Skills: Communication Skills When the Stakes are HIGH” July 15, 2015
- “Closing Pandora’s Box: New approaches to electronic communications archives” July 28, 2015
- “Top Tech Tools of Today” August 12, 2015
- “Emerging Technology Audit Hot Topics” August 18, 2015
- “How to Survive in the New Era of Professional Skepticism” September 2, 2015
Distribution List

Audit Committee, UNCW Board of Trustees

Dr. Jose V. “Zito” Sartarelli, Chancellor

Mr. Mark Lanier, Interim Chief of Staff

Ms. Sharon Boyd, Associate Vice Chancellor for Business Services

Ms. Pat Leonard, Vice Chancellor for Student Affairs

Mr. John Scherer, General Counsel

Dr. Marilyn Sheerer, Interim 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 September 30, 2015

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Appendix A

Academic Affairs

Distance Education

1. State authorizations should be obtained for all states in which one or more residents of the state are enrolled in exclusively online courses at UNCW. Consideration should be given to programs and courses that require applied learning experiences which require additional authorizations in some states.

2. Students’ physical location 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.

3. A permanent staff member should be responsible for managing the state authorization process. In addition, there should be cross training of other staff members and documented procedures for the state authorization process.

4. Online courses should meet the requirements of the Americans with Disabilities Act (ADA).

5. 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.

6. Best practices indicate all online courses at UNCW should be consistent in format and navigation.

7. There should be a systematic process for monitoring Academic Partnerships’ contract compliance.

8. The most appropriate organizational structure for Distance Education, either within the Office of External Programs or elsewhere within Academic Affairs, should be determined.

9. 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. Degree audit records should be maintained for a minimum of 5 years after graduation or separation as required by the UNC General Records Retention and Disposition schedule and FERPA.
Appendix A

Academic Affairs (Continued)

Graduate School (Continued)

5. All faculty members selected to teach graduate level courses should submit an “Application for Graduate Faculty or Graduate Research Faculty” and have the required approvals in place prior to the course start date.

6. The Graduate Council bylaws should be consistent with current operations.

7. Compensatory time should be tracked and paid in accordance with NC OSHR Manual, Section 5-Compensatory Time, and UNCW Policy 08.211.

8. Management should review system access on a periodic basis and restrict information to individuals with a business need.

9. A continuity of operations plan should be created to ensure critical functions continue despite unplanned interruptions.

10. 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.

Business Affairs

Physical Access

1. Key Request forms should be completed by campus departments in accordance with the related policy. In addition, Locksmith Services should maintain consistent documentation for all key issuances.

2. The information housed in the KeyStone system used to track keys issued to campus departments should be updated with current information.

3. 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.

4. 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.

5. There should be a UNCW policy or written guidelines that address responsibilities for managing stand-alone card system access.

6. User departments should be informed of the potential limitations of the stand-alone card systems managed by Locksmith Services.

7. Controls surrounding burglar/panic alarms should be improved.

Other Business Affairs

1. There is not currently a UNCW Policy or any written guidelines that address the level of security needed in different areas on campus such as classrooms, laboratories, server rooms, etc. Security levels are determined by department discretion.
Appendix A

Student Affairs

*Campus Life*
1. Fixed asset and computer inventories should be maintained in accordance with UNCW Policy 05.164, *University Equipment*, and UNCW Policy 07.22.05, *Purchase, Inventory, Replacement and Disposal/Surplus of IT Resources*.
2. The assignment and periodic audit of keys issued within a department should adhere to UNCW Policy 05.120, *Key Control*.
3. Management should review user access rights on a periodic basis.

*Campus Recreation*
1. Management should review user access rights on a periodic basis.