Office of Internal Audit

Activity Report

For the period from August 9, 2014 to October 31, 2014

Internal Audit Team

Stefanie Powell, CPA, CISA
Interim Director

Kelly Mintern, CPA, CIA
Auditor

Cynthia Nickerson, CPA
Auditor

Taylor Rote
Audit Intern
Executive Summary

This report contains a summary of the Office of Internal Audit’s activity for the period from August 9, 2014 to October 31, 2014. This includes all activity since the August 2014 Board of Trustees meeting. The following highlights provide an overview of the office’s work.

Audits/Assurance Activities

Completed Projects
- University Advancement Review

Pending Projects
- Campus Life Review
- Distance Education Review
- Friends of UNCW Financial Audit

Follow Ups
- 4 Findings Closed
- 28 Open Findings

Consulting/Advisory Services

- Routine Consultations consisted of 17 different questions and requests
- The office was involved with seven UNCW committees
- One staff member presented at the Careers in Accounting Day at the Cameron School of Business
- The office hosted the annual conference of the University of North Carolina Auditor’s Association
- Individuals in the office continued their involvement with two professional organizations

Other

- The annual risk assessment was completed, and the audit plan was approved by the Board of Trustees in August 2014
- Individuals from the office attended or participated in six university functions
- Staffing Changes
  - The search for a permanent Chief Audit Executive is currently in process. Campus interviews were held the last week of September and a decision is expected this fall.
  - Karen Barnard, a time-limited auditor who joined the office in March 2014, resigned in September 2014 for personal reasons.
- Individuals from the Office of Internal Audit attended two conferences and seven webinars. Collectively, they earned over 80 hours of Continuing Professional Education (CPE) credits.
Audits / Assurance Activities

Overview
Audits and assurance engagements include planned reviews of items such as 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
University Advancement Review
The primary focus of our audit of University Advancement was revenue processing and cash handling. We also reviewed 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. The audit included activity occurring between July 1, 2013 and March 31, 2014.

In our opinion, the system of internal control with respect to cash handling revealed improvements were needed. The findings appeared to result from a decentralization of the cash collection process throughout the division. A contributing factor may have been staff turnover in several critical roles. It should be noted that we did not detect any fraud or other irregularities resulting from the practices reviewed.

The system of internal control over all other administrative functions reviewed was found to be satisfactory.

There were eight findings associated with this review, and we received a positive response from management to all findings. The final report was issued August 20, 2014.
Audits / Assurance Activities

Pending Projects

**Campus Life Review**
Fieldwork for this audit is complete and an exit meeting was held on October 23, 2014. We anticipate issuing the final report in early November 2014. Audit objectives included reviewing the following administrative aspects of Campus Life:

- Accuracy and completeness of revenue and expenditure transactions including appropriate use of student fees and grant funding
- Cash handling for all areas
- Tracking of fixed assets, computers, and equipment
- Hiring documentation, timesheets, and other payroll records
- Physical security and key tracking
- Continuity of operations planning
- Access and use of computer systems and applications including the related data storage
- Tax matters including unrelated business income tax reporting, sales tax reporting, and taxable fringe benefits
- 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 scope of the audit was determined by conducting a thorough risk assessment at the beginning of the review. Audit objectives include reviewing the following:

- Governance including organizational structure and program goals
- Compliance with Federal and State regulations including the Americans with Disabilities Act and the Title IV requirement for state authorizations to offer distance education programs
- Compliance with the requirements of the Southern Association of Colleges and Schools (SACS) and the policies of UNC General Administration
- Compliance with contracts with outside parties including Academic Partnerships, Coastal Carolina Community College, Camp Lejeune, and others
- Select academic topics including advising and scheduling process, standards for online course layouts and presentations, and retention rates
Audits / Assurance Activities

Pending Projects (continued)

**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 Internal Audit Director 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 assurance engagements and may be completed for other engagements as deemed necessary.

Audit Finding Status
Audit findings are reported below in the following categories:

- **Closed** – Findings which were confirmed to be resolved during the period from August 9, 2014 to October 31, 2014
- **Open** – Findings which have not been resolved as of October 31, 2014

<table>
<thead>
<tr>
<th>Engagement</th>
<th>Number of Closed Findings</th>
<th>Number of Open Findings</th>
<th>All Findings for Engagement Closed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Academic Affairs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>College of Arts and Sciences</td>
<td>0</td>
<td>1</td>
<td>No</td>
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<tr>
<td>College of Health and Human Services</td>
<td>0</td>
<td>3</td>
<td>No</td>
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<tr>
<td><strong>Business Affairs</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Physical Access</td>
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<td>7</td>
<td>No</td>
</tr>
<tr>
<td>University Police {a}</td>
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<td>6</td>
<td>No</td>
</tr>
<tr>
<td>Other {b}</td>
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<td>1</td>
<td>No</td>
</tr>
<tr>
<td><strong>Chancellor’s Division/Multi-Divisional</strong></td>
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<td></td>
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<tr>
<td>Athletics {a}</td>
<td>3</td>
<td>2</td>
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</tr>
<tr>
<td><strong>University Advancement</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>University Advancement</td>
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<td>8</td>
<td>No</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4</td>
<td>28</td>
<td></td>
</tr>
</tbody>
</table>

{a} Follow up work regarding other open findings associated with these engagements was in process as of October 31, 2014.

{b} 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.
Consulting / Advisory Services

Overview
Internal Audit provides consultation 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 period from August 9, 2014 to October 31, 2014, Internal Audit staff members spent time responding to 17 different questions and requests.

Committee Work
Staff members and the Interim Director of Internal Audit were involved in the following committees at UNCW:

- Associate Vice Chancellor for Human Resources Search Committee
- Athletic Certification Committee
- Dare to Learn Academy - Brainstormers
- HR Liaison Committee
- IRM Steering Committee
- IT Security Search Committee
- Systems Coordination Committee

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.
Consulting / Advisory Services

Service to the Profession

Annual Conference of the University of North Carolina Auditor’s Association (UNCAA)
Our office hosted the annual conference for all internal auditors in the UNC system on October 13 – 14, 2014. We piloted a model in which the host committee included other UNC institutions in our region, and East Carolina University, Fayetteville State University, and UNC Pembroke helped with the conference planning and preparation. Speakers included representatives from four UNC institutions, UNC General Administration, and the Office of the State Auditor. Participants received 12 hours of continuing professional education (CPE) credits for attending all sessions.

Professional Organizations
The Office 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 served as a track coordinator for ACUA’s annual conference which was held in Los Angeles in September 2014.

- **UNCAA**
  The Interim Director completed her term as president of this organization in October 2014, and she will continue serving on the board for the next year in the role of past president.
Other

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

Projects

Annual Risk Assessment
Each year our office completes a risk assessment of UNCW operations as part of the audit planning process. The risk assessment process begins with a determination of the audit universe and the individual auditable units within the universe. Next, risk factors are determined, and a numerical risk assessment of the auditable units is completed. The results of the risk assessment and other factors are used to compile the annual audit plan. Finally, the audit plan is shared with campus leadership and then submitted to the Audit Committee of the Board of Trustees for approval. The audit plan for fiscal year 2015 was approved by the Board of Trustees on August 22, 2014.

Participation in University Functions
Staff members and the Interim Director of Internal Audit attended or participated in the following University functions:

- 2014-2015 Convocation Address
- Alumni Employee Breakfast
- Cameron School of Business Alumni Speaker Breakfast
- Chancellor Forums including Athletics, Business Affairs, College of Arts and Sciences, Cameron School of Business, ITS, and Watson College of Education
- Employee Appreciation Breakfast
- Housing and Residence Life House Calls Program

Staffing Changes
The following staff changes occurred:

- The search for a permanent Chief Audit Executive is currently in process. Campus interviews were held the last week of September and a decision is expected this fall.
- Karen Barnard, a time-limited auditor who joined the office in March 2014, resigned in September 2014 for personal reasons.
Other

Professional Development

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

- Banner Finance Certificate Courses
- Cyber Security Awareness Month
  Presentation: Cybersecurity: Cyberthreats & Trends on a National Level
- Faculty/Staff Unlawful Workplace Harassment Training
- Travel Card Administrator Class
- Visa Travel Cardholder Training
- Web Content Manager Workshop

External Training
Individuals from the Office of Internal Audit participated in two conferences and attended seven webinars. Collectively, they earned over 80 hours of Continuing Professional Education (CPE) credits.

Conferences

- **Association of College and University Auditors Annual Conference, Los Angeles, CA, September 14-18, 2014**
  Topics: Various IT audit topics, fraud detection techniques, leadership development
- **UNCAA Annual Conference, Wilmington, NC, October 13-14, 2014**
  Topics: Various standards updates, auditing approaches and techniques, fraud management, personal development

Webinars

- “Risks around Social Media” August 28, 2014
- “Going Orange: The Value of Red and Yellow Book Standards” September 18, 2014
- “Unrelated Business Income Tax” September 25, 2014
- “Finding Evidence in an Online World: Trends and Challenges in Computer Forensics” September 29, 2014
- “Human Bias in Capital Deployment Decisions: From Crisis to Quality” October 16, 2014
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