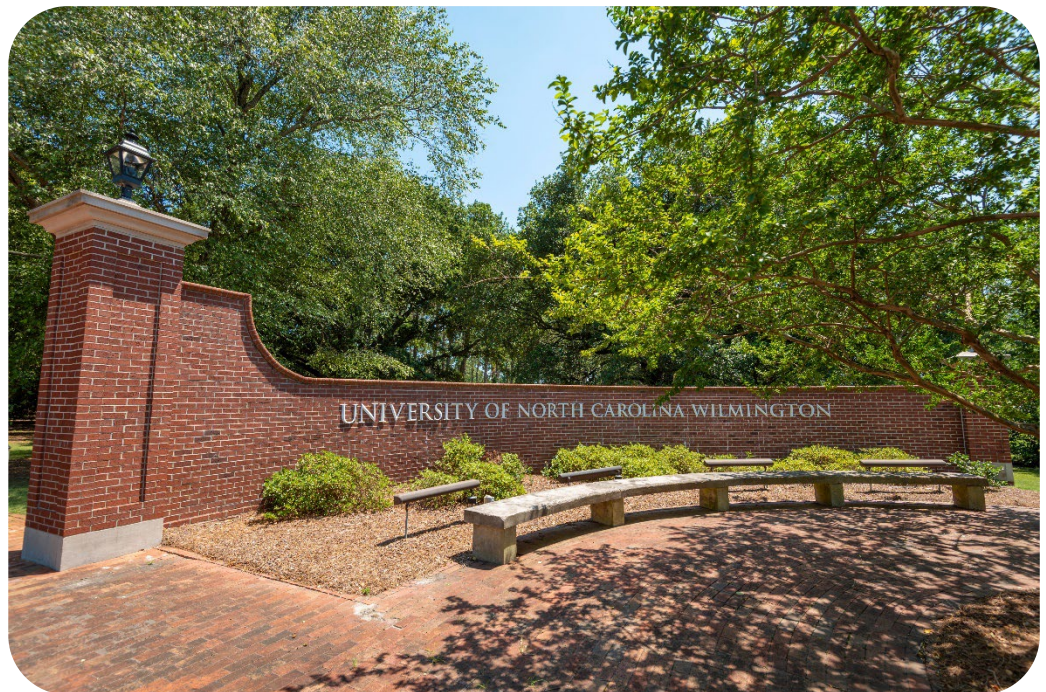


# ANNUAL REPORT



Fiscal Year  
2023

UNC Wilmington  
Office of Internal Audit

# Annual Report

## UNC WILMINGTON OFFICE OF INTERNAL AUDIT

### MESSAGE FROM THE CHIEF AUDIT OFFICER

Fiscal year 2023 (FY23) was another successful and productive year for the Office of Internal Audit at the University of North Carolina Wilmington (UNCW). Despite staffing transitions, the Office of Internal Audit was able to maintain a professional team, filling key positions with experienced staff, to work together to ensure the office provides the best possible services to the university.

Within our primary services, during FY23, the Office of Internal Audit completed five audits, three follow up audits, three investigations, and two formal advisory engagements. We also continued to provide informal advisory services and participate in university committees and various university functions to stay engaged with campus operations.

Throughout FY23, we continued to build relationships across campus and enhance audit processes. Positive results were received from the deployment of audit exit surveys to solicit feedback regarding the office and the audit process. Feedback from these surveys is used to promote continuous improvement and ensure the office continues to deliver high-quality services.

I am looking forward to a great FY24 for the Office of Internal Audit and strive to continue to provide outstanding support and service to campus by enhancing our skillsets and providing additional consultative and advisory services.

I appreciate the support received from senior leadership and the Audit, Risk and Compliance Committee of the Board of Trustees.

Kelly Mintern, CPA, CIA  
Chief Audit Officer

### FY23 UNCW INTERNAL AUDIT TEAM

Kelly Mintern, CPA, CIA  
Chief Audit Officer

Taylor Rote, CPA  
Assistant Director  
(Joined January 2023)

Michelle Barber  
Auditor (former)  
(Separated February 2023)

Crystal Roberts  
Auditor

Nina Taylor  
Auditor  
(Joined August 2022)

## INTERNAL AUDIT OVERVIEW

The Office of Internal Audit at UNCW was established July 1, 1983 to provide assurance regarding the adequacy of financial controls, compliance with university policies and external regulations, and the accuracy and appropriateness of financial statements. Since 1983, the university and the profession of internal auditing have matured and evolved.

Today, the mission of the Office of Internal Audit is:

**To enhance and protect the university's value by providing stakeholders with risk-based, objective and reliable assurance, advice, and insight.**

Our work is conducted and managed in accordance with The Institute of Internal Auditors' (IIA's) *International Professional Practices Framework*, which includes the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. In order to fully comply with the *Standards*, our office must have a quality assurance and improvement program that includes both internal and external assessments. Our most recent external assessment was conducted in June 2021, and our office obtained the highest possible rating within the IIA's quality assessment framework. Our next external assessment will occur in 2026.

**For more information about the Office of Internal Audit, please see our website at: <http://www.uncw.edu/ia/>**



## WORK ALLOCATION

### Audits/Assurance Services

Audits and assurance engagements include planned reviews of compliance, operations, information technology, financial activity, internal controls, and other topics. 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 which includes an overall opinion for the area under review and any findings and recommendations that were identified.

#### FY23 Audits

D.C. Virgo Preparatory Academy

Friends of UNCW

Follow up of Information System Audit Recommendations

Office of Institutional Diversity & Inclusion (OIDI)

Title IX

*Note: Due to staffing transitions throughout fiscal year 2023, two engagements were in process at the end of the fiscal year (Housing Review and Targeted Expense Review).*

### Follow Up Audits

Follow up work is completed for any audit findings resulting from audit/assurance engagements and may be completed for other engagements as deemed necessary. We typically follow up on open audit findings on a quarterly basis. A formal memo is issued when all findings relating to an engagement are closed. Formal memos are also issued approximately one year after the initial audit to update all parties involved of progress if findings are unresolved.

#### FY23 Follow Ups

Human Resources

IT Resource Management (*formal memo issued*)

Office of Institutional Diversity & Inclusion (OIDI)  
(*formal memo issued*)

Sponsored Programs and Research Compliance  
(SPARC) (*formal memo issued*)

Title IX

### Investigations

Investigations result from tips reported to our office via the Office of State Budget and Management's hotline, our internal hotline, the UNC System Office, and other sources. In addition to the formal investigations noted in the box to the right, the Office of Internal Audit assisted with **4 minor investigations** during FY23 for which there was no formal reporting requirement, and the complaint could be resolved by obtaining clarifying information or referring the complaint to another department.

#### FY23 Investigations

Online Complaint (June 2022)

Office of the State Auditor (OSA) Referral  
(August 2022)

Title IX Complaint (May 2023)



## WORK ALLOCATION (CONTINUED)

### Advisory/Consulting Services

The Office of Internal Audit provides consultative and advisory services which are intended to provide advice and information on internal controls, risk management, and sound business practices. Advisory services allow the Office of Internal Audit to reach more individuals and departments than can be done through the traditional audit process.

#### Engagements

Two formal advisory engagements were completed during FY23:

- Student Organization Facility Use
- Incident Response Procedures

#### Campus Education and Outreach

To proactively educate campus departments about the role of the Office of Internal Audit, how to report suspected fraud, and best practices for internal controls, Internal Audit participated in the following activities during FY23.

- **How to Pass an Audit (An Introduction to Internal Controls)** – Internal Audit developed a course on internal controls, offered through the Finance Certificate Program (via Percipio). Through this course, the office was able to **advise and educate on internal controls to 23 employees from 18 units across 4 UNCW divisions.**
- **Business Week, Cameron School of Business** – The Chief Audit Officer was a co-presenter for the *An Internal Auditor, a Friend (To the Company) Session*. The objective of the session was to brief UNCW students on how internal auditing not only involves reviews of accounting and financial reporting but also operational procedures more generally, and how good internal auditing can help avoid issues with external stakeholders.

#### Routine Consultations

The Office of Internal Audit provided informal advisory services through **34 minor projects and requests for information** during FY23.

#### Other Advisory Work

The following are examples of other advisory work completed in FY23.

Committee Work	Service to the Profession
<ul style="list-style-type: none"> <li>•Athletic Eligibility</li> <li>•Data Governance</li> <li>•Enterprise Risk Management (ERM) Steering</li> <li>•HR Liaison</li> <li>•Internal Controls Assessment</li> <li>•Search Committee - Assistant Director, Office of Internal Audit</li> <li>•Systems Coordination</li> </ul>	<ul style="list-style-type: none"> <li>•OSBM Central Internal Audit Office Workgroup: Audit Plan/Risk Assessment</li> </ul>

## WORK ALLOCATION (CONTINUED)

### Other

#### Participation in University Functions

In FY23, the Chief Audit Officer and Internal Audit staff participated in numerous campus events including:

- Alderman Hall Annual Potluck Luncheon
- AVC for Finance Candidate Interviews
- Campus Holiday Social
- Campus Interviews for Associate General Counsel Candidates
- Campus Tour
- CHHS Dean Candidate Open Forums
- CHSSA Dean Candidate Open Forums
- Closet Cleanout Volunteer Session
- Convocation: Class of 2026
- Faculty Senate Meetings
- FY23 Year-End Forum
- Incident Response Tabletop Exercise
- Installation of Chancellor Aswani K. Volety
- Retirement Reception for Ann Freeman
- Staff Senate Meetings
- Staff Senate Strides
- State Employee Appreciation Ice Cream Social
- Welcome for New Associate General Counsel

### Training

Professional development is required for our certifications, and training allows our staff to stay abreast of emerging topics and best practices, helping us to provide the best possible services to the university. The office participated in the following examples of training completed in FY23.

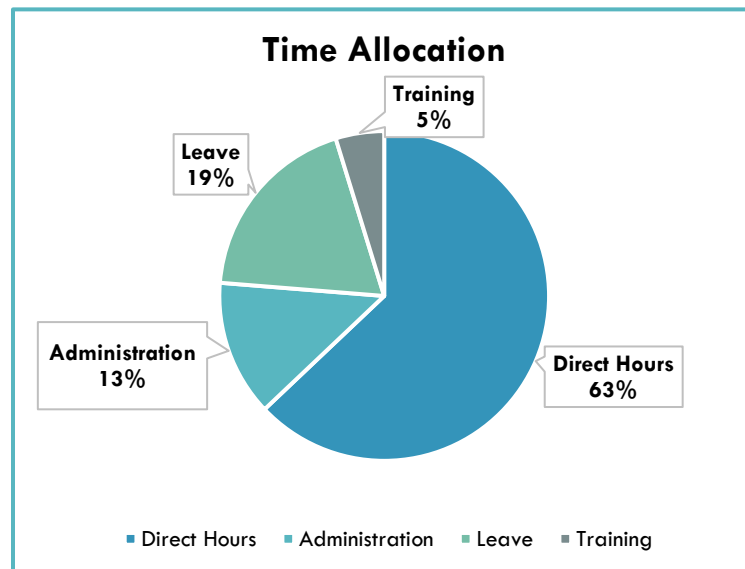
UNCW Training	Conferences/Workshops	Webinars
<ul style="list-style-type: none"> <li>•Active Attacker/Shooter</li> <li>•Data Steward Training</li> <li>•Environmental Health &amp; Safety Training Courses</li> <li>•Finance Certificate Program Courses</li> <li>•Full Cycle Performance: Basics for Staff</li> <li>•Leave Keeping</li> <li>•Records Management Workshop</li> <li>•Seahawk Secure IT Courses</li> <li>•Search Committee Training</li> <li>•Technology Inventory Management System Training</li> <li>•Unlawful Workplace Harrassment Education</li> <li>•Web Content Manager Courses</li> <li>•Workplace Diversity, Equity, and Inclusion in Action</li> </ul>	<ul style="list-style-type: none"> <li>•Certified Internal Auditor (CIA) Exam Preparation</li> <li>•Fraud Busters Conference</li> <li>•Innovating Audit</li> <li>•IT Auditing for Non-IT Auditors</li> <li>•Professional Ethics &amp; Conduct</li> <li>•Self-Assessment and Maturity Model (SAMM)</li> <li>•University of North Carolina Auditor's Association (UNCAA) Annual Conference</li> </ul>	<ul style="list-style-type: none"> <li>•Conflicts of Interest: Risk and Internal Audit Considerations</li> <li>•Ethical Auditor: Keeping an Eye Out for Your Blind Spots</li> <li>•Fraud Data Analytics</li> <li>•Hot Topics in Athletics</li> <li>•How to Integrate ERM Into Your Business</li> <li>•How to Unlock Inclusive Thinking</li> <li>•Internal Controls and the 2023 AICFR</li> <li>•Leadership Development: Influence and Connectivity</li> <li>•Link Risk Assurance to Diversity, Equity and Inclusion</li> <li>•Proposed Changes to the Standards</li> <li>•The Evolution of IPPF and International Standards</li> <li>•Third-Party Risks and Relationships Management</li> </ul>

## METRICS

As part of our office's quality assurance and improvement plan, we track several metrics to measure our performance.

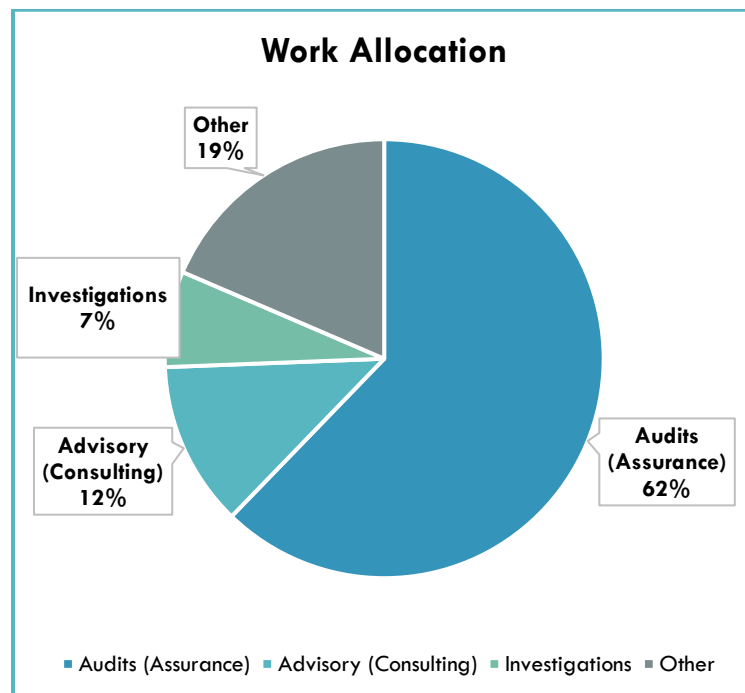
### Time Allocation

Like other professionals in accounting, internal auditors track the amount of time spent on each project to assist in planning and for benchmarking purposes. Our goal in any year is to spend at least 70% of our time on direct hours, which is time spent working on audits, advisory/consulting work, and investigations. In FY23, direct hours fell to 63%, primarily due to increased leave time for a staff member out on FMLA, as well as increased administrative time which includes time for staff recruitment for position vacancies and staff onboarding.



### Work Allocation

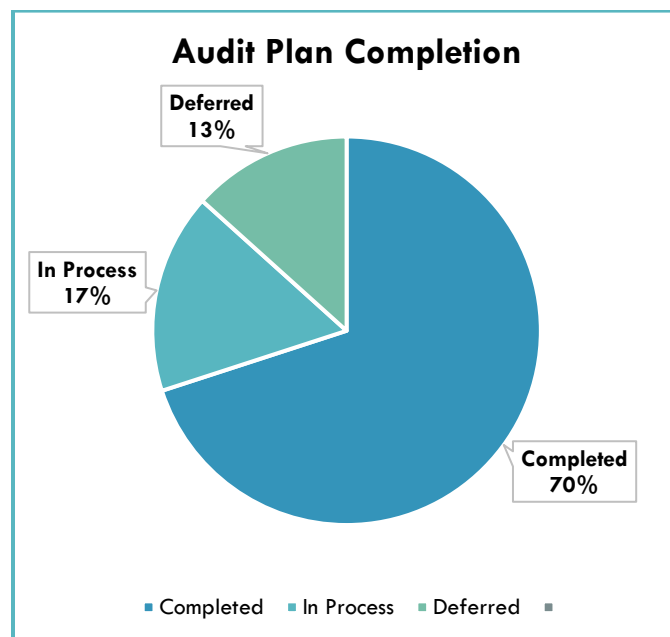
We also track time spent on each type of engagement, with an emphasis on audit/assurance work. We typically spend about 70% of our direct hours on audit/assurance work. In FY23, only 62% of our direct time was spent on audit/assurance work due to additional time spent on advisory/consulting work and investigations, completing two formal advisory engagements at management's request, and three investigations. In addition, elevated time was spent on work in the "Other" category, which includes quality assurance work, including the annual risk assessment and internal and external reporting. Specific time for FY23 not required annually was efforts related to website redesign and conference planning as a co-host for the UNCAA auditor's conference.



## METRICS (CONTINUED)

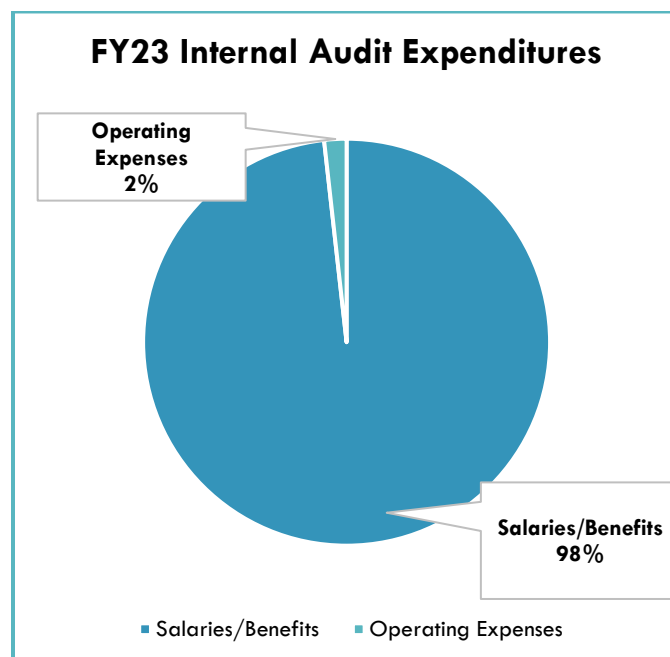
### Audit Plan Completion

The audit plan completion rate is an indicator of efficiency and alignment with the annual audit plan approved by the Audit, Risk and Compliance Committee of the Board of Trustees. For FY23, we completed 70% of the audit plan, had 17% of the planned engagements in process at the end of the fiscal year, and deferred 13% of the planned engagements. Engagements in process included audits that were started in FY23 and have carryforward hours, primarily due to staffing resource limitations, and audit follow ups where work has been initiated with additional work planned to ensure resolution of the findings. Deferrals were primarily the result of staff turnover during the year.



### Financial

In addition to monitoring metrics, the Office of Internal Audit monitors financial activity. Internal Audit is primarily funded by general funds allocated by the state. Total expenditures for FY23 were \$513,515 with expenditures primarily related to salaries and benefits. Other expenses of the office include professional expenses such as licenses, memberships, and training. The office also pays for telephone service, supplies, and other administrative expenses. Throughout FY23, due to the virtual environment resulting from COVID-19, many training opportunities were no or low cost.





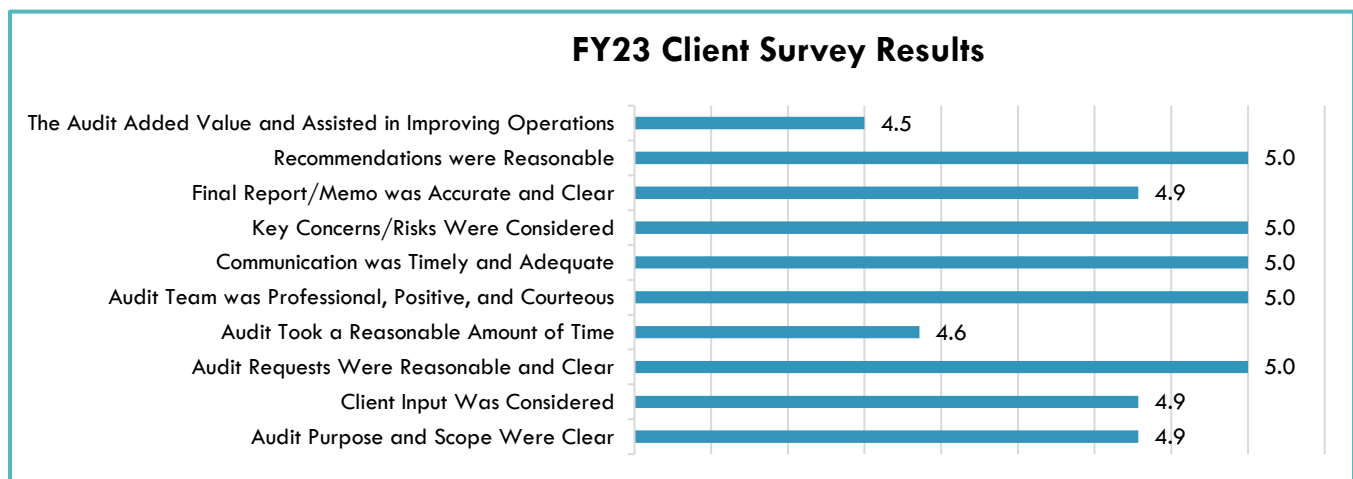
## CLIENT SATISFACTION

At the end of each engagement, clients are asked to submit a survey evaluating our office's work to help promote continuous improvement. For each question, responses are provided on a scale of 1 to 5 with 5 being the highest score. (Ratings are as follows: 1 (strongly disagree); 2 (disagree); 3 (neither agree nor disagree); 4 (agree); and 5 (strongly agree)).

### Survey Results

For FY23, 7 client surveys were received.

**Overall scores ranged from agree to strongly agree as displayed in the chart below.**



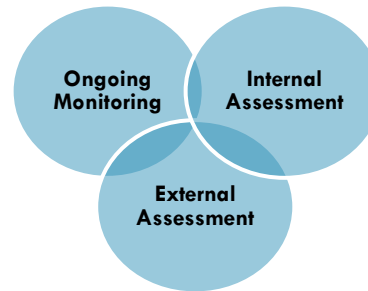
### Survey Comments

The following comments were shared by individuals completing the surveys:

- Highly professional, fair and objective process
- The staff was highly professional, organized, courteous, and careful to utilize time efficiently and effectively. They made the audit process completely painless. Beyond that, they actually made it a really positive experience. I can't say enough about their professionalism and the quality of their work.
- The audit team were very professional and clearly communicated the process throughout the whole audit. It was a pleasure working with them.
- Staff were great at clearly communicating everything we needed, and helped with any questions or concerns that arose.

## QUALITY ASSURANCE

The Office of Internal Audit continually seeks to maintain and improve the quality of its services and its conformance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*. Our quality assurance and improvement program (QAIP) includes three elements.



### Ongoing Monitoring

Ongoing monitoring is an integral part of the day-to-day supervision, review, and measurement of the internal audit activity. Ongoing monitoring activities include routine activities such as:

- Review of working papers and other work products.
- Supervision and routine discussion with staff members to discuss status of individual projects, new and revised department practices, and status of the audit plan.
- Maintaining an *Internal Audit Manual* to outline the authority and scope of the internal audit function, to document standards, and provide cohesive guidelines and procedures. The Chief Audit Officer or designee reviews the manual at least once a year for any applicable revisions.

### Internal Assessment

Periodic assessments are conducted to evaluate conformance with the Core Principles for the Professional Practice of Internal Auditing, Definition of Internal Auditing, the Code of Ethics, and the *Standards*. The Chief Audit Officer or designee completes an overall internal assessment of the internal audit activity once between external assurance reviews using the *Quality Assessment Manual* published by the Institute of Internal Auditors or another appropriate tool. The assessment focuses on independence/objectivity, professional proficiency, scope of work, performance of work, and management of the department.

A self-assessment was completed in FY20 in preparation for the external review in spring of 2021 and a subsequent assessment will be completed in FY24.

### External Assessment

External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the university. They appraise and express an opinion as to Internal Audit's compliance with the *Standards*. External assessments evaluate the effectiveness of the activity in carrying out the mission as stated in the charter and expressed in the expectations of the Audit, Risk and Compliance Committee (ARC Committee) and management.

Internal Audit's most recent external quality assurance review was completed in June 2021. Internal Audit received a rating of "Generally Conforms" both overall and in each separately assessed category, meaning that the Office of Internal Audit conforms with the *Standards*. Opportunities for improvement were identified to enhance conformance to *Standards* and improve overall effectiveness. These areas of improvement are being explored and implemented to improve operations and further mature the internal audit function. The next external assessment will occur in 2026.

## INTERNAL AUDIT STRATEGIC OBJECTIVES

The Office of Internal Audit's strategic plan was developed to ensure the office continues to deliver high-quality assurance and consulting services to effect positive change in the university's governance, risk management, and control activities to ensure risks are being managed and university objectives should be met. The summary below provides an overview of the Office of Internal Audit's strategic objectives and information on key measures and activity for FY23.

<b>Objective 1: Understand and assist with enhancing the university's governance, risk management, and control environment</b>
<b>Conduct annual and ongoing risk assessments</b>
<ul style="list-style-type: none"> <li>❖ Continued collaboration with Enterprise Risk Management (ERM), jointly participating in risk assessment discussions with campus units.</li> <li>❖ Worked with Information Technology Services to understand the information technology (IT) risk environment and controls.</li> </ul>
<b>Develop and execute an optimal annual audit plan</b>
<ul style="list-style-type: none"> <li>❖ The FY23 Audit Plan included planned engagements in all UNCW divisions, with engagements directly tied to campus priorities.</li> <li>❖ For FY23, the office completed 70% of the audit plan, had 17% of the planned engagements in process at the end of the fiscal year, and deferred 13% of the planned engagements. Deferred engagements were primarily the result of staff turnover during the fiscal year.</li> </ul>
<b>Provide education on aspects related to governance, risk management, and controls</b>
<ul style="list-style-type: none"> <li>❖ Throughout FY23, Internal Audit engaged in various campus education and outreach efforts.               <ul style="list-style-type: none"> <li>○ Facilitation of an internal controls training course - the course was attended by 23 employees, representing 18 campus units, and 4 out of 5 UNCW divisions.</li> <li>○ Presented at Business Week, Cameron School of Business - briefed UNCW students on the internal audit profession and related work.</li> </ul> </li> </ul>
<b>Objective 2: Maximize the value of Internal Audit</b>
<b>Understand and meet evolving stakeholder needs and expectations of Internal Audit</b>
<ul style="list-style-type: none"> <li>❖ Internal Audit participates in events across campus that provide opportunities for networking and outreach. During FY23, Internal Audit was involved in 6 university standing committees and 1 search committee. In addition, Internal Audit participated in 18 university functions.</li> <li>❖ Throughout FY23, Internal Audit continued the deployment of audit exit surveys to solicit feedback regarding the office and the audit process. Feedback from these surveys were used to promote continuous improvement.</li> <li>❖ Newly hired internal audit staff goals include working to enhance university knowledge and campus involvement to improve communication, understanding, and collaboration with the campus community to enhance contribution to audit engagements.</li> </ul>
<b>Elevate the presence and understanding of Internal Audit</b>
<ul style="list-style-type: none"> <li>❖ Promoted Internal Audit Awareness month (May) through the office's website, wearing internal audit pins throughout the month, adding an IIA awareness badge to email signatures, and planned participation in the Staff Senate Strides event.</li> <li>❖ Provided new university leadership with information on internal audit processes, services, and value.</li> </ul>
<b>Complement assurance work with appropriate advisory services</b>
<ul style="list-style-type: none"> <li>❖ Internal Audit provides advisory services on both an informal basis (routine consultations, committee work) as well as on a formal basis through consulting engagements. During FY23, Internal Audit provided informal advisory services through 34 minor projects and requests for information and completed 2 formal advisory engagements.</li> </ul>

## INTERNAL AUDIT STRATEGIC OBJECTIVES (CONTINUED)

**Objective 3: Continuously improve audit processes****Improve the effectiveness and efficiency of the internal audit process to optimize internal auditing value given the current resources**

- ❖ Throughout FY23, the Chief Audit Officer and Internal Audit team reviewed and updated audit processes.
- ❖ The annual required self-assessment and maturity model (SAMM) was completed. The assessment is used as a framework for assessment of internal standards and best practices and a road map for improvement to further develop the internal audit function.
- ❖ The increased use of data analytics on specific engagements is being explored to improve audit efficiencies.
- ❖ Opportunities for improvement identified from the office's external quality assurance review completed in FY21 are being implemented to improve operations and further mature the internal audit function.
- ❖ As part of the university website redesign project, reviewed and updated the Office of Internal Audit website to provide relevant information to campus about the office, our services, and available resources.

**Objective 4: Develop a sustainable, highly skilled audit team**

- ❖ Recruitment efforts were successful during FY23 to fill two positions that experienced turnover, with recruitment pending for an additional vacant auditor position.
- ❖ Each certified staff member obtains an average of 40 hours of Continuing Professional Education (CPE) each year, with non-certified staff engaging in relevant professional development for their position. During FY23, focus was on enhancing knowledge of information technology auditing, with staff participation in 'IT Auditing for Non-IT Auditors' training.
- ❖ Two staff members are engaged in Certified Internal Auditor (CIA) exam preparation.

## DISCLOSURES

The Office of Internal Audit adheres to the *International Standards for the Professional Practice of Internal Auditing (Standards)* of the Institute of Internal Auditors (IIA). The following items are being disclosed in conformance with the *Standards*.

### Professional Standards

In carrying out our responsibilities, the Office of Internal Audit follows the Institute of Internal Auditors' (IIA) mandatory guidance, including the Core Principles for the Professional Practice of Internal Auditing, Definition of Internal Auditing, the Code of Ethics, and the *Standards*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

### Organizational Independence

The Office of Internal Audit must confirm to the board, at least annually, the organizational independence of the internal audit activity. The Office of Internal Audit reports functionally to the Audit, Risk and Compliance Committee (ARC Committee) of UNCW's Board of Trustees and administratively to the Chancellor. In keeping with the *Standards*, we maintain a strong working relationship with the ARC Committee. Consequently, the Chief Audit Officer (CAO) provides the ARC Committee with copies of the final report or memo from each engagement and presents results of audits and other office activities to the ARC Committee at their quarterly meetings. In addition, the CAO assists the ARC Committee in understanding their role and responsibilities and keeps committee members apprised on emerging trends and best practices. The Office of Internal Audit also has a "dotted line" functional reporting relationship to the UNC System Office Internal Audit, which also assists in ensuring independence from campus management and leadership.

### Impairments to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed. There were no impairments to independence or objectivity for any engagements during FY23.

### Disclosure of Nonconformance

Occasionally circumstances require the completion of a project or engagement in a manner which is inconsistent with applicable *Standards*. When this occurs, we must disclose the nonconformance and the impact to senior management and the Board of Trustees. During FY23, there were no instances in which projects were completed in a manner that did not comply with the *Standards*.

### Resolution of Management's Acceptance of Risks

Each engagement can potentially produce items that may pose risks to university operations. Some items will require management's attention while others may be situations in which management decides to accept the risk associated with continuing the practice. This is normal in limited circumstances and is often due to cost/benefit constraints. We are required to disclose to senior management and the Board of Trustees any situation in which it is believed university personnel have accepted a level of residual risk that may not adequately reduce or mitigate the risk of loss. There were no such instances during FY23.