

September 21, 2022 at 1:00 p.m.
Via Videoconference and PBS North Carolina Livestream
UNC System Office
140 Friday Center Drive, Room 128
Chapel Hill, North Carolina

AGENDA

OPEN SESSION

- A-1. Approval of the Open Minutes of May 24 and May 25, 2022Terry Hutchens
- A-2. 2021-2022 CARMC Annual Report.....Fred Sellers
- A-3. Approval of CARMC Oversight Responsibilities and Operating Procedures.....Fred Sellers
 - a. Appendix A - Statutory and Policy Authority
 - b. Appendix B - UNC System Office Internal Audit Charter
- A-4. Approval of the UNC System Office 2022-23 Internal Audit Plan.....Lisa Outlaw
- A-5. UNC System Office Internal Audit 2021-22 Year-end ReportLisa Outlaw
- A-6. Summary of Audit Reports Issued by the Office of the State AuditorLisa Outlaw
- A-7. ERM Annual report for the System office and CampusesFred Sellers

CLOSED SESSION

- A-8. Approval of the Closed Minutes of May 24 and May 25, 2022Terry Hutchens
- A-9. Cybersecurity Recommendations Update and Budget Development Process.....Keith Werner
- A-10. Executive Personnel MattersPeter Hans

OPEN SESSION

- A-11. Adjourn



Closed Session Motion

Motion to go into closed session to:

- Prevent the disclosure of information that is privileged or confidential under Article 7 of Chapter 126 and § 143-748 of the North Carolina General Statutes, or not considered a public record within the meaning of Chapter 132 of the General Statutes.
- Consult with our attorney to protect attorney-client privilege.
- Consider the qualifications, competence, performance, or condition of appointment of a public officer or employee or prospective public officer or employee.

Pursuant to: G.S. 143-318.11(a)(1), (3), and (6).

DRAFT MINUTES

May 24, 2022

Via Videoconference and PBS North Carolina Livestream

UNC System Office

140 Friday Center Drive, Room 128

Chapel Hill, North Carolina

This meeting of the Committee on Audit, Risk Management, and Compliance was presided over by Chair Mark Holton. The following committee members, constituting a quorum, were also present in person or by videoconference: Pearl Burris-Floyd, James L. Holmes, Jr., Terry Hutchens, Wendy Floyd Murphy, and Art Pope.

Chancellors participating were Darrell Allison and Sharon Gaber.

Staff members present included Lynne Sanders, Anne Phillips, and others from the UNC System Office.

1. Call to Order and Approval of OPEN Session Minutes (Item A-1)

The chair called the meeting to order at 4:00 p.m., on Tuesday, May 24, 2022.

The chair reminded all members of the committee of their duty under the State Government Ethics Act to avoid conflicts of interest and the appearances of a conflict of interest. The chair asked if there were any conflicts or appearances of conflict with respect to any matter coming before the committee. No members identified any conflicts at the time.

The chair next called for a motion to approve the open session minutes of February 23, 2022.

MOTION: Resolved, that the Committee on Audit, Risk Management, and Compliance approve the open session minutes of February 23, 2022, as distributed.

Motion: Art Pope

Motion carried

2. Report on Strategic Pathways for Campus Law Enforcement Personnel (Item A-2)

UNC System Senior Associate Vice President for Safety and Emergency Operations Fred Sellers and Vice President for Human Resources Matthew Brody provided the committee with a report on strategic pathways for recruiting and retaining campus law enforcement personnel, including long term career ladders and career progressions with promotional opportunities and awards for experience. Mr. Sellers also reported that all four recommendations identified and adopted by the Board of Governors as a strategic path for campus law enforcement were on track

and are being addressed in a manner consistent with the expectations of the committee and the Board of Governors. Those recommendations included:

- Eliminating the cap on tuition waivers for campus law enforcement officers;
- Enhancing the career ladder and organizational structure;
- Operational readiness training and equipment; and
- Developing dual employment between campuses.

This item was for information only.

3. Information Technology Maturity Model: Recommendations (Item A-3)

UNC System Chief Information Officer Keith Werner provided the committee with an update on the status of the seven recommendations approved in April 2021, the timeline, and the initial recommendation for cybersecurity. Mr. Werner also provided an executive briefing on the Annual Report on Implementation of UNC System Information Technology Policies, specific to: Information Technology Governance (1400.1), Information Security Governance (1400.2), and User Identity and Access Control (1400.3).

This item was for information only.

4. UNC System Office Internal Audit Update (Item A-4)

UNC System Vice President for Compliance and Audit Services Lynne Sanders provided the committee with an update on the status of UNC System Office internal audit activities for the 2021-22 fiscal year. The audit team has completed four engagements included on the audit plan and have issued final reports. Three other engagements are underway and in the final stages of completion.

Chair Holton thanked Ms. Sanders for her great work with the committee.

This item was for information only.

5. Closed Session

MOTION: Resolved, that the Committee on Audit, Risk Management, and Compliance move into closed session to Prevent the disclosure of information that is privileged or confidential under Article 7 of Chapter 126 and § 143-748 of the North Carolina General Statutes, or not considered a public record within the meaning of Chapter 132 of the General Statutes; and to consult with our attorney to protect attorney-client privilege pursuant to Chapter 143-318.11(a)(1) and (3) of the North Carolina General Statutes.

Motion: Wendy Floyd Murphy

Motion carried

THE MEETING MOVED INTO CLOSED SESSION AT TIME
(The complete minutes of the closed session are recorded separately.)

THE MEETING RESUMED IN OPEN SESSION AT 4:58 p.m.

6. Adjourn

There being no further business and without objection, the meeting adjourned at 4:58 p.m.

Lee Roberts, Secretary

DRAFT MINUTES

May 25, 2022

Via Videoconference and PBS North Carolina Livestream

UNC System Office

140 Friday Center Drive, Room 128

Chapel Hill, North Carolina

This meeting of the Committee on Audit, Risk Management, and Compliance was presided over by Chair Mark Holton. The following committee members, constituting a quorum, were also present in person or by videoconference: Pearl Burris-Floyd, James L. Holmes, Jr., Terry Hutchens, Wendy Floyd Murphy, and Art Pope.

Chancellors participating were Darrell Allison and Sharon Gaber.

Staff members present included Lynne Sanders, Anne Phillips, and others from the UNC System Office.

The chair called the meeting to order at 12:46 p.m., on Wednesday, May 25, 2022.

The chair reminded all members of the committee of their duty under the State Government Ethics Act to avoid conflicts of interest and the appearances of a conflict of interest. The chair asked if there were any conflicts or appearances of conflict with respect to any matter coming before the committee. No members identified any conflicts at the time.

1. Presentation of Audit Reports Issued by the Office of the State Auditor (Item A-1)

Chair Holton welcomed North Carolina State Auditor Beth Wood, who provided the committee with an overview of the work her office executed at the System's 16 universities, the UNC System Office, and the North Carolina School of Science and Mathematics during the 2021 fiscal year. The overview included comments on the 26 audit reports on the institutions' financial statements, federal compliance audits, information system audits, and one investigative audit her staff performed during the past year. There were 17 financial audits presented, one with one finding. Of the four federal compliance audit reports issued, one institution had one finding related to compliance with financial aid requirements.

Management at the two institutions agreed with the auditor's recommendations and corrective action has already been implemented or is in the process of being implemented at each of the institutions. Additionally, the Office of the State Auditor released three information system audits. After answering questions from the committee, the members thanked Auditor Wood for the work her office does and for the update she provided.

Auditor Wood stressed the importance timeliness and using the appropriate forms for reporting financials. A pro forma set of financial statements are available for use through the State Auditor's Office website.

This item was for information only.

2. Closed Session

MOTION: Resolved, that the Committee on Audit, Risk Management, and Compliance move into closed session to Prevent the disclosure of information that is privileged or confidential under Article 7 of Chapter 126 and § 143-748 of the North Carolina General Statutes, or not considered a public record within the meaning of Chapter 132 of the General Statutes; and to consult with our attorney to protect attorney-client privilege pursuant to Chapter 143-318.11(a)(1) and (3) of the North Carolina General Statutes.

Motion: Terry Hutchens

Motion carried

THE MEETING MOVED INTO CLOSED SESSION AT TIME
(The complete minutes of the closed session are recorded separately.)

THE MEETING RESUMED IN OPEN SESSION AT 1:27 p.m.

3. Adjourn

There being no further business and without objection, the meeting adjourned at 1:31 p.m.

Lee Roberts, Secretary

AGENDA ITEM

A-2. 2021-22 Committee on Audit, Risk Management, and Compliance Annual Report..... Fred Sellers

Situation:	Each standing committee submits an annual report of its activities to the Board of Governors.
Background:	Pursuant to Section 302 E of <i>The Code</i> , "Each standing committee shall make a written report to the Board of Governors at least annually, reviewing the work of the committee during the preceding year."
Assessment:	The annual report on the activities of the Committee on Audit, Risk Management, and Compliance for fiscal year 2021-22 is ready for review and submission.
Action:	This item requires a vote by the committee to accept the report for submission to the Board of Governors.

DUTIES AND MEMBERSHIP

The Committee on Audit, Risk Management, and Compliance is responsible for recommending a committee charter for review and approval by the Board of Governors, addressing the UNC System's internal audit, enterprise risk management, and compliance functions; recommending for approval Systemwide policies regarding internal audit, enterprise risk management, and compliance; reviewing annual and other reports of the constituent institutions, UNC System Office, and affiliated entities; reviewing a summary of the internal audit plans and work of the audit committees of the constituent institutions; reviewing a summary of the annual financial audit reports and management letters on University Major Associated Entities; meeting with the state auditor annually; and taking such other actions as are necessary or appropriate to ensure that risks are identified and properly managed and to assure the integrity of the finances, operations, and controls of the System. This report summarizes the work of the Committee on Audit, Risk Management, and Compliance from July 2021 through June 2022.

The committee was composed of the following Board members: Pearl Burris-Floyd, James L. Holmes, Jr., Mark Holton, Terry Hutchens, Wendy Floyd Murphy, and Art Pope. Mr. Holton served as chair, Mrs. Burris-Floyd served as vice-chair, and Mr. Hutchens served as secretary.

Chancellor Darrell Allison (Fayetteville State University) Chancellor Sharon L. Gaber (University of North Carolina at Charlotte) also served on the committee.

ACTIONS

The Committee on Audit, Risk Management, and Compliance met in four regular meetings and one special meeting between July 1, 2021, and June 30, 2022. The major actions of the committee are summarized as follows:

Summary of Approval Actions	Month Approved
Approval of the CARMC Oversight Responsibilities and Operating Procedures a. Appendix A – Statutory and Policy Authority b. Appendix B – UNC System Office Internal Audit Charter	September 2021
UNC System Office Internal Audit 2020-21 Year-end Report	September 2021
Approval of the 2020-21 Committee on Audit, Risk Management, and Compliance Annual Report	September 2021
Approval of the UNC System Office 2021-22 Internal Audit Plan	September 2021
Establishment of an Internal Audit Internship Program	September 2021
Strengthening Campus Safety UNC Campus Police Departments reported declining staffing levels and difficulty in attracting qualified candidates to fill their vacancies. UNC System Office leadership initiated research and consulted with each campus Chief of Police to ascertain the status of their personnel vacancies and backfill issues. It became clear the negative	September 2021

<p>impacts of the shifting national view of law enforcement were more pronounced at UNC System institutions. The four recommendations presented to and subsequently adopted by the Board of Governors as a strategic path for campus law enforcement are as follows:</p> <ol style="list-style-type: none"> 1. Eliminate the cap on tuition waivers for campus law enforcement officers 2. Enhance Career Ladder/Organizational Structure 3. Operational Readiness Training and Equipment 4. Dual Employment Between Campuses 	
Report on Implementation of Information Security Recommendations	September 2021
Summary of Audit Reports Issued by the Office of the State Auditor	September 2021
Approval of UNC System Internal Audit Plans for 2021-22	November 2021
<p>UNC System Enterprise Risk Management Report</p> <p>The committee received an update on top enterprise risks identified by the UNC System Office and the constituent institutions.</p>	November 2021
<p>Property Insurance Update</p> <p>In collaboration with risk managers at each institution, staff at the UNC System Office and the North Carolina Department of Insurance performed a System-wide evaluation to identify property that needs to have demotion value assigned so the proper adjustments could be made to property records and premiums for insurance coverage.</p>	November 2021
Summary of Annual Audit Reports of Major Associated Entities	November 2021
<p>Introduction of CIO Council and Information Security Council Chairs</p> <p>Mike Barker, chief information officer at the University of North Carolina at Chapel Hill, and chair of the CIO Council; and Joel McKenzie, chief information security officer at Western Carolina University, and chair of the Information Security Council were introduced to the committee.</p>	November 2021
Information Security in Higher Education	November 2021
2021 North Carolina Internal Audit Award of Excellence, Kara Hefner (UNC-CH)	February 2022
UNC System Office Internal Audit Update	February 2022
Audit Reports Issued by the Office of the State Auditor	February 2022
Information Technology Maturity Model – Progress, Momentum and Maturity of Information Security in the UNC System	February 2022
<p>Strengthening Campus Safety</p> <p>The University of North Carolina System and the Charlotte Field Office of the Federal Bureau of Investigation partnered to conduct a virtual symposium on higher education security issues.</p>	February 2022

Information Technology Maturity Model – Recommendations	May 2022
UNC System Chief Information Officer Keith Werner provided the committee with a set of recommendations to improve and mature the information technology controls and information security posture for each institution.	
Report on Strategic Pathways for Campus Law Enforcement Personnel	May 2022
UNC System Office Internal Audit Update	May 2022
Annual Presentation of Audit Reports Issued by the Office of the State Auditor	May 2022

AGENDA ITEM

A-3. Approval of CARMC Oversight Responsibilities and Operating Procedures Fred Sellers

Situation:	Annual updates to the oversight responsibilities and operating procedures for the Committee on Audit, Risk Management, and Compliance (CARMC) are presented for review and approval.
Background:	As required by North Carolina General Statutes, the North Carolina Council of Internal Auditing, and the standards prescribed by The Institute of Internal Auditors, both the committee and the internal audit function should have a charter to outline its respective roles and responsibilities. The CARMC Oversight Responsibilities and Operating Procedures outline roles and responsibilities for the committee and the internal audit function for the UNC System Office.
Assessment:	Updates to the Oversight Responsibilities and Operating Procedures for CARMC are included with the materials for review and approval.
Action:	This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

Committee on Audit, Risk Management, and Compliance Committee Charter

I. Background and Authority

The Committee on Audit, Risk Management, and Compliance (CARMC) is a standing committee of the Board of Governors. The committee acts on behalf of the Board of Governors to provide independent oversight of the University's audit, risk management, and compliance functions as well as the University's internal control practices. The committee shall be supported and staffed by the chief of staff, the office of legal affairs, internal audit/compliance staff, information technology staff, and safety and enterprise risk management/compliance staff, whose roles and responsibilities shall be defined and described by the president.

The committee also has access to other members of management and employees, and relevant information across the UNC System that the committee considers necessary to discharge its oversight responsibilities.

The legislation and policies relevant to the committee's jurisdiction and oversight responsibilities are set forth in Appendix A.

The committee's oversight responsibility with respect to the UNC System Office internal audit function is set forth in the charter attached as Appendix B.

II. Purpose

The purpose of CARMC is to act on behalf of the Board to provide structured, systematic oversight of the University of North Carolina System's audit, risk management, and compliance functions, as well as the University's internal control practices. The committee does not exercise decision-making authority on behalf of the University. It is the responsibility of management at the System Office and at each constituent institution to maintain programs and systems of internal audit, risk management, compliance, ethics, legal affairs, and internal controls. The committee exercises oversight responsibilities on behalf of the Board as defined herein and makes reports and recommendations to the Board related to:

- A. The integrity of the University's annual financial statements.
- B. The University's systems of internal control and management practices.
- C. The internal audit function, external auditors, firms, and other providers of assurance.
- D. The University's compliance with legal, regulatory, ethics, conflict of interest, and policy requirements.
- E. The University's information governance and security program.
- F. Designation of special responsibility constituent institutions.
- G. The required elements of University associated entities.
- H. System-wide enterprise risk management and compliance processes.
- I. Campus safety and emergency operations.

III. Organization

The chair of the Board of Governors selects the committee members and designates the committee officers after

evaluating the members' collective competencies and balance of skills. As provided in *The Code* of the University of North Carolina, the committee shall consist of voting members and be appointed from the membership of the other standing committees. A quorum for the committee will be a majority of the voting members. The CARMC members:

- A. Must be independent of the UNC System or associated entity management and free of any relationship that would impair the members' independence.
- B. May not receive, directly or indirectly, consulting, advisory, or other fees from any of the constituent institutions, affiliated entities, associated entities, the UNC System Office, or outside contractors hired to perform special engagements.
- C. Should collectively possess sufficient knowledge of audit, finance, higher education, information technology, law, governance, risk, compliance, and principles of internal control in order to respond to regulatory, economic, reporting, and other emerging developments and needs.
- D. Should adhere to the UNC System's code of conduct and values and ethics established by the UNC System. It is the responsibility of the committee members to disclose any conflict of interest or appearance of conflict of interest to the CARMC chair.
- E. Are obligated to prepare for and participate in committee meetings, as provided in Section 200.7 of the UNC Policy Manual.

IV. Meetings

The committee shall meet no fewer than four times a year. The committee will invite, when needed, the president of the University, the chancellors of the constituent institutions, external and internal auditors, representatives of the Office of the State Auditor, and others to attend the meetings and provide pertinent information as required and requested. The committee will communicate its information requirements, including the nature, extent, and timing of information. The committee expects all communication with UNC System staff, as well as external assurance providers, to be direct, open, and complete.

The committee chair will collaborate with the president, the chief of staff, general counsel, vice president for safety and enterprise risk management, and chief audit officer to establish a work plan that ensures the responsibilities of CARMC are properly scheduled and carried out. Meeting agendas and related materials will be prepared and provided in advance to members. Minutes will be prepared in accordance with applicable requirements.

V. Education

The president and the designated committee staff are responsible for providing the committee with educational resources related to auditing, compliance, risk management, accounting principles and practices, legal and regulatory requirements, ethics, conflicts of interest, and other information that the committee may require. The University's vice president for safety and enterprise risk management, chief audit officer, chief of staff, and the general counsel will assist the committee in maintaining literacy in the appropriate areas related to the committee's function.

VI. Duties and Responsibilities

The following shall be the principal duties and responsibilities of this committee:

A. General

1. Adopt and annually update a formal committee charter describing the committee's responsibilities and operating procedures for approval by the Board of Governors. The operating procedures shall describe the scope of the duties and responsibilities of the committee, the structure of the University's functions within the committee's oversight responsibilities, and the basic responsibilities of management with respect to each function.
2. As needed, recommend for approval by the Board of Governors and issuance by the president annual guidance, initiatives, and areas of focus for the relevant committees of the boards of trustees of the constituent institutions in the areas of internal audit, risk management, ethics, and legal and regulatory compliance.
3. Hold meetings in accordance with the requirements of the Open Meetings Act.
4. Report committee oversight activities to the Board of Governors, along with advice and recommendations as the committee may deem appropriate.
5. Oversee, authorize, and/or hear reports concerning investigations into any matters within the committee's scope of oversight responsibility. The committee will ordinarily expect management to conduct investigations within its oversight responsibility. When deemed necessary by the Board of Governors on the committee's recommendation, the committee may authorize independent auditors and others to conduct investigations and deliver reports.
6. Review and monitor implementation of management's response to recommendations by internal and external audit or other assurance providers.
7. Review and/or recommend policies to the Board that support the internal audit, risk management, governance, compliance, ethics, and legal functions.
8. Consider and advise regarding the effectiveness of the University's internal control system in responding to risks, including information technology governance and security.
9. Perform other oversight responsibilities assigned by the Board of Governors.

B. Financial Statements. Management is responsible for the preparation, presentation, and integrity of the University's financial statements and for the appropriateness of the accounting, internal control, and reporting policies used by the University. The Office of the State Auditor currently conducts the annual audits of the University's financial statements, which includes financial statement audits of each of the constituent institutions and the UNC System Office. The following shall be the principal duties and responsibilities of the committee regarding the financial statements of the University, including its constituent institutions:

1. Receive an annual overview from the State Auditor or a designated representative regarding the annual audits (financial and compliance) of the constituent institutions. Review the results of the UNC System Office's independent financial statement audit by the State Auditor, including any difficulties encountered and reportable issues.
2. Resolve any differences between management and the State Auditor regarding financial reporting and other matters.
3. Review with management and the University general counsel any legal matters (including pending litigation) that may have a material impact on the University's financial statements and any material reports or inquiries from regulatory or governmental agencies.

C. External Audit/Outside Auditors. In addition to the annual financial statement audits (noted above),

the Office of the State Auditor conducts federal compliance audits of select institutions on an annual basis, and may, on occasion, conduct other audits or investigations of the University. Other external auditors may also be engaged by the UNC System Office or by the constituent institutions for particular projects and matters. With respect to any such external audits, the committee's responsibilities are as follows:

1. Review significant audit-related communications from the Office of the State Auditor or, as necessary, other external audit groups or firms with respect to the University and the constituent institutions. Meet separately with the external auditors or firms, if necessary, to discuss sensitive and any other matters that the committee or auditor believes should be discussed privately.
2. Review reports on the progress of implementing approved management action plans and audit recommendations resulting from completed audit engagements.
3. Be available to meet during the year with external auditors (the State Auditor, engaged CPA firm, or audit staff) for consultation purposes or to discuss the auditor's judgment about the quality, not just the acceptability, of any accounting principles and underlying estimates in the preparation of a financial statement and other matters required to be communicated to the committee under generally accepted auditing standards.
4. Receive audit reports in those matters where the Board of Governors or the president authorize or request an external audit or other independent review.
5. Where needed and appropriate, as determined by the president, chief audit officer, or the general counsel, receive audit reports in those matters where a board of trustees or the chancellor/executive director of a constituent institution or affiliated entity authorizes or requests an external audit or other independent review.

D. Internal Audit

1. Receive, review, and approve an annual summary of the internal audit plans submitted by each constituent institution and the UNC System Office.
2. Receive and review an annual summary of the internal audit activities overseen by the audit committee of each constituent institution's boards of trustees. This report will incorporate a summary of audits, reviews, investigations, or special assignments completed by the internal audit department of each constituent institution and the UNC System Office, and will note material reportable conditions and the status of their resolution. In addition, the annual summary will affirm that the structure of each internal audit function across the UNC System aligns with legislative requirements.
3. Serve as the audit committee for the UNC System Office's internal audit function. The committee's oversight is defined in the charter for the UNC System Office internal audit function as set forth in Appendix B.
4. The UNC System Office chief audit officer's appointment or termination of appointment shall be by the president, after consultation and concurrence of the Board of Governors.

- E. Legal Affairs, Risk Management and Compliance. It is the responsibility of management, rather than the committee and its members, to ensure adherence to laws, regulations, and policies. The responsibilities of the committee regarding the University's legal, risk management, and compliance activities are as follows:

1. Support the efforts, establishment of, and collaboration among the risk management, ethics, and compliance programs within the University, including recommending to the Board University-wide policies regarding internal audit, enterprise risk management, and compliance.
2. Receive regular reports concerning enterprise risk management and compliance activities from enterprise risk management the general counsel, chief audit officer, and senior officers.
3. Provide general oversight of the University's adherence to laws, regulations, and policies that pertain to University operations. Review the programs and policies of the University designed by management to assure compliance with applicable laws and regulations.
4. When necessary, meet privately with the general counsel and/or senior management to discuss any matter that the committee or the general counsel and/or senior management believes should be discussed privately.
5. Coordinate with other Board committees as appropriate on legal, risk management, and compliance matters.

F. Other Responsibilities

1. As necessary, monitor the audit finding resolution requirements for special responsibility constituent institutions.
2. Review a summary of the annual financial audit reports of the University's major associated entities.
3. Review the required elements of a University-associated entity relationship.
4. Provide oversight of the UNC System information governance and security program.
5. Oversee management's procedures for the prevention and detection of fraud to ensure appropriate antifraud programs and controls are in place to identify potential fraud and to take appropriate action if fraud is detected.
6. Consult with the general counsel to review legal matters that may have a significant impact on a financial statement, overall financial performance, enterprise risk management, or compliance with applicable state, local, or federal laws and regulations. Review and provide advice on systems, practices, policies, and standards of ethical conduct. Identify and manage any legal or ethical violations.
7. Take other actions, as necessary, to ensure that risk exposures are identified and properly managed to assure the integrity of the finances, operations, and controls of the University. These actions include reviewing the established governance processes and advising on related policies and procedures that should be in place.

The committee may modify or supplement these duties and responsibilities as needed.

The committee shall have the authority, subject to the restrictions and requirements of state law, to engage independent counsel or other advisors as necessary to carry out its duties in accordance with state rules and regulations. The committee may also request a supplemental review or other audit procedures by internal audit, the State Auditor, or other advisors when the circumstances dictate that further review is required. The UNC System Office shall provide appropriate funding, as determined by the committee, for payment to advisors employed by the committee.

The committee shall annually review and assess the adequacy of the committee charter, with the assistance of staff at the UNC System Office. The committee chair will confirm annually that the relevant responsibilities in this charter have been carried out.

Terry Hutchens, Chair

Date

History: Approved July 23, 2020, September 2021, September 2022.

Statutory and Policy Authorities

Summarized below are state statutes and Board of Governors policies related to the jurisdiction and oversight authority of the Committee on Audit, Risk Management, and Compliance (CARMC)

[CARMC Functions](#) (Section 301 G of *The Code*)

The Code of the University establishes the CARMC as a standing committee of the UNC Board of Governors and sets out the committee's primary responsibilities, including:

- Recommending a committee charter for review and approval by the Board
- Addressing the University's internal audit, enterprise risk management, and compliance functions
- Recommending to the Board for approval System-wide policies regarding internal audit, enterprise risk management, and compliance
- Reviewing annual and other audit reports of the constituent institutions, the UNC System Office, and affiliated entities
- Reviewing a summary of the internal audit plans and work of the audit committees of the constituent institutions
- Reviewing a summary of the annual financial audit reports and management letters on University major associated entities
- Meeting with the state auditor annually
- Taking such other actions as are necessary or appropriate to ensure that risks are identified and properly managed and to assure the integrity of the finances, operations, and controls of the University

[Audit: Audits by the State Auditor](#) ([Article 5A, Chapter 147](#))

As a state agency, the University of North Carolina System, including its constituent institutions, affiliated entities, and System Office, are subject to audit by the North Carolina State Auditor.

[Audit: Internal Audit Program](#) ([GS 143-746](#))

As a state agency, the University of North Carolina System is required to establish an internal audit program consistent with statutory requirements.

[Audit: Special Responsibility Constituent Institutions Audits by State Auditor](#) ([GS 116-30.8](#))

Special responsibility constituent institutions are required to have an annual audit conducted by the North Carolina State Auditor (see "Special Responsibility Constituent Institutions" on Page 3 for more information on this designation).

Audit: Associated Entities Audits (Chapter 600 of the UNC Policy Manual)

Chapter 600 of the UNC Policy Manual establishes financial, reporting, and audit policies, regulations, and guidelines for the University of North Carolina, System-related private foundations, and associated entities, including the following:

- [Section 600.2.5](#) requires chancellors to request on an annual basis a copy of the annual financial audit of all private foundations, associations, or clubs organized for the primary purpose of providing financial support to the constituent institution.
- [Section 600.2.5.2\[R\]](#) requires associated entities to have audit committees and perform various audit functions.

Campus Safety, Information Security, and Enterprise Risk Management

Board of Governors policies establish requirements for and oversight of campus safety, information security, and enterprise risk management:

- *Enterprise Risk Management.* [Section 1300.7](#) directs the establishment of enterprise risk management and compliance processes system-wide and at each constituent institution and vests the CARMC with the authority for monitoring system-wide risk and compliance.
- *Insurance Coverage.* [Section 1300.7.1](#) requires the UNC System and its constituent institutions to maintain sufficient minimum insurance coverage.
- *Campus Safety and Security.* [Section 1300.9](#) requires an annual presentation to the Board of Governors on campus safety and security matters; the annual report to the Board may include information presented by each constituent institution to its Board of Trustees.
- *Protection of Minors.* [Section 1300.10](#) requires constituent institutions to adopt policies and minimal standard to ensure the protection of minors conducted by constituent institutions or held on university property.
- *Title IX.* Sec. [1300.11](#) and [1300.11\[R\]](#) require constituent institutions to adopt policies that comply with Title IX.
- *Information Security.* [Section 1400.1](#) establishes requirements for information technology governance at the system and constituent institution level. [Section 1400.2](#) requires the System Office and constituent institutions to establish information security programs and designate a senior officer with information security responsibility (typically referred to as a Chief Information Security Officer or CISO). [Section 1400.3](#) requires establishment and implementation of identify confirmation and access control techniques to protect against unauthorized access to university data and information systems.

Special Responsibility Constituent Institutions ([GS 116-30.1](#); Chapter 600.3 of the UNC Policy Manual – Sections [600.3.1](#), [600.3.2](#), [600.3.3](#), and [600.3.4](#))

The Board of Governors may, upon the recommendation of the president, designate UNC System constituent institutions as special responsibility constituent institutions by expressly finding that each institution to be so designated has the management staff and internal financial controls to enable it to administer competently and responsibly all additional management authority and discretion delegated to it. The Board of Governors has adopted policies to govern the selection and operating criteria for special responsibility constituent institutions. All 17 constituent institutions and the UNC System Office have been granted special responsibility constituent institution status (See UNC Policy Manual, [Section 600.3.2](#) for designations of constituent institutions; see [GS 116-14](#) for designation of the System Office).

UNIVERSITY OF NORTH CAROLINA SYSTEM OFFICE

Internal Audit Charter

A. Purpose, Mission and Scope of Work

The University of North Carolina System Office (UNC System Office) is required to establish a program of internal auditing pursuant to G.S. 143-746. The UNC System Office's internal audit function shall be accountable to the Board of Governors through the Committee on Audit, Risk Management, and Compliance (CARMC) and the president.

The purpose of internal audit is to provide independent and objective assurance and consulting services to add value and improve operations of the UNC System Office. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. Internal audit helps the UNC System Office accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, compliance, and governance processes. It provides a central point for coordinating oversight of activities that promote accountability, integrity, efficiency, and compliance.

B. Standards of Internal Auditing

The internal audit function strives to govern itself by adhering to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which includes the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing (Standards)*, and the Definition of Internal Auditing. The chief audit officer reports periodically to senior management and CARMC regarding internal audit's conformance to the Code of Ethics and the *Standards*.

As applicable, the following will also be used to guide internal audit operations: The Institute of Internal Auditors' implementation and supplemental guidance; *Government Auditing Standards* issued by the Comptroller General of the United States; relevant state and University policies and procedures; and the internal audit function's standard operating procedures manual.

C. Authority

The chief audit officer will report functionally to CARMC and administratively (i.e., day-to-day operations) to the president or the president's designee. To establish, maintain, and assure that the UNC System Office's internal audit function has sufficient authority to fulfill its duties, CARMC will:

1. Review and approve the internal audit charter, ensuring it accurately reflects the internal audit function's purpose, authority, and responsibility.
2. Review and approve the risk-based internal audit plan.
3. Review internal audit reports and communications with management, as well as management's corrective actions. If necessary, review and resolve any significant difficulties or disagreements on audit related matters.
4. Review periodic summaries regarding the status and/or results of audit activities in relation to the plan, approve any significant deviations to the audit plan, and assure the internal audit function has appropriate budget and resources.

5. Confirm and assure the independence of the internal audit function. The CARMC will make appropriate inquiries of management and the chief audit officer to assure there is no inappropriate scope or resource limitations or restrictions placed on the auditor's work.
6. Monitor the effectiveness of the internal audit function, including the efforts made to comply with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (Standards)*, the code of ethics, and compliance with the internal audit charter. The CARMC will ensure the audit function has a quality assurance and improvement program, review assessment results, and monitor implementation of recommended improvements.

The chief audit officer will have unrestricted access to, and communicate and interact directly with, CARMC on significant matters, including in private meetings without management present.

The Committee on Audit, Risk Management, and Compliance (CARMC) authorizes internal audit to:

1. Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to compliance with the North Carolina General Statutes and accountability for confidentiality and safeguarding records and information.
2. Allocate resources, set frequencies, select subjects, determine scopes of work, apply the techniques required to accomplish audit objectives, and issue reports.
3. Obtain the necessary assistance of personnel in units of the UNC System Office where audits are performed, as well as other specialized services from within or outside the UNC System Office, in order to complete an engagement.

D. Independence and Objectivity

The chief audit officer will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the chief audit officer determines that independence or objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal audit will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. In addition, a balanced assessment will be made of all the relevant facts and circumstances, and the internal audit function will take precautions to avoid being unduly influenced by personal interests or others in forming professional judgments.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment. Internal auditors will not:

1. Assess specific operations for which they had direct responsibility within the previous year.
2. Perform any operational duties for the UNC System Office or its affiliates.
3. Initiate or approve transactions external to the internal audit function.

Where the chief audit officer has or is expected to have roles and/or responsibilities that fall outside of internal auditing, necessary disclosures and/or safeguards will be established to limit impairments to independence and objectivity. Internal auditors will:

1. Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
2. Disclose any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

3. Secure external audit services, as needed, to review any matters of which the chief audit officer has direct responsibilities and share the results with the appropriate parties.

The chief audit officer will confirm to CARMC, at least annually, the organizational independence of the internal audit function.

E. Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to CARMC, management, and outside parties on the adequacy and effectiveness of governance, risk management, compliance, and control processes for the UNC System Office. Internal audit assessments include evaluating whether:

1. Risks relating to the achievement of the UNC System Office's strategic objectives are appropriately identified and managed.
2. The actions of officers, directors, employees, and contractors are in compliance with policies, procedures, and applicable laws, regulations and governance standards.
3. The results of operations or programs are consistent with established goals and objectives.
4. Operations or programs are being carried out effectively and efficiently, and the results are consistent with established goals and objectives.
5. Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the UNC System Office.
6. Information (i.e., financial, managerial, and operational) and the means used to identify, measure, analyze, classify, and report such information, are reliable and have integrity.
7. Resources are acquired economically, used efficiently, and adequately protected.
8. Significant legislative or regulatory issues impacting the UNC System Office are recognized and addressed appropriately.

The chief audit officer will report periodically to senior management and CARMC regarding:

1. The internal audit function's purpose, authority, and responsibility.
2. The internal audit function's plan and performance relative to its plan.
3. The internal audit function's conformance with the Institute of Internal Auditors' Code of Ethics and *Standards*, and action plans to address any significant conformance issues.
4. Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, CARMC.
5. Results of audit engagements or other activities.
6. Resource requirements.
7. Any response to risk by management that may be unacceptable to the UNC System Office.

The chief audit officer will strive to coordinate activities, where possible, and consider relying upon the work of other internal and external assurance and consulting service providers to avoid duplication and provide optimal audit services.

The internal audit function may perform advisory and related services to management, the nature and scope of which will be agreed upon, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified and will be communicated to the appropriate level of management.

F. Responsibility

The chief audit officer has responsibility for audit and non-audit activities. Related to audit activities:

1. Develop a flexible annual audit plan using appropriate risk-based methodology and consider information security and any risks or control concerns identified by management. The chief audit officer will submit the plan to the president and CARMC for review and approval.
2. Communicate to senior management and CARMC the impact of resource limitations on the internal audit plan.
3. Review and adjust the plan, as necessary, in response to changes in the UNC System Office's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved audit plan will be communicated to the president and CARMC.
4. Ensure the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties. When applicable, internal audit will prepare a written report that communicates the engagement's objective, scope, significant results, recommendations, and management's responses.
5. When necessary, assist or conduct the investigation of alleged significant noncompliance, control deficiencies, as well as suspected misuse, fraud or abuse within the UNC System Office and share the results with the president, CARMC, and the appropriate levels of management.
6. When necessary, for any internal or external audit recommendations, solicit corrective actions from management that describes planned actions, including an anticipated timetable for completion or an explanation for any recommendations that will not be implemented. After an appropriate period of time, internal audit will follow-up on engagement findings and corrective actions, and report periodically to senior management and CARMC the status of management's corrective actions, including any corrective actions not effectively implemented.
7. Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
8. Ensure the internal audit function collectively possesses, obtains, and maintains sufficient knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
9. Ensure trends and emerging issues that could impact the UNC System Office are considered and communicated to senior management and CARMC as appropriate.
10. Ensure emerging trends and successful practices in internal auditing are considered.
11. Establish and ensure adherence to policies and procedures designed to guide the internal audit function and compliance with requirements set forth by the North Carolina Council of Internal Auditing.
12. Ensure adherence to the UNC System Office's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and CARMC.
13. Ensure conformance of the internal audit function with the *Standards*, with the following qualifications:
 - If the internal audit function is prohibited by law or regulation from conformance with certain parts of the *Standards*, the chief audit officer will ensure appropriate disclosures and will ensure conformance with all other parts of the *Standards*.
 - If the *Standards* are used in conjunction with requirements issued by other authoritative bodies, the chief audit officer will ensure that the internal audit function conforms with the *Standards*, even if the internal audit function also conforms with the more restricted requirements of the other authoritative bodies.

14. In support of the Council of Internal Auditing's desire to increase capacity of resources available to the internal audit community across the University and state government, manage the Internal Audit Internship Program.

Non-Audit Activities:

1. Develop and manage meetings, conferences, and training sessions in support of providing technical guidance and support, as well as fostering collaboration across the University System.
2. Work with the constituent institutions, as well as UNC System Office leadership, advising on enterprise risk management processes.

G. Quality Assurance and Improvement Program

The internal audit function will maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include an evaluation of the internal audit function's conformance with the *Standards* and an evaluation of whether internal auditors apply The Institute of Internal Auditor's Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit function and identify opportunities for improvement.

The chief audit officer will communicate to CARMC and senior management on the internal audit function's quality assurance and improvement program, including significant results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the UNC System Office.

Lisa Outlaw, Director of Internal Audit

Date

Terry Hutchens, Chair of CARMC

Date

Peter Hans, President

Date

History of revisions and approvals:

August 2013 (first date tracked in the history), February 2015, May 2015, April 2016, March 2017, May 2018, July 2020, September 2021, September 2021, September 2022

AGENDA ITEM

A-4. Approval of the UNC System Office 2022-23 Internal Audit Plan Lisa Outlaw

Situation:	The chief audit officer must develop an annual risk-based audit plan and present it to the committee and president for review and approval.
Background:	The Committee on Audit, Risk Management, and Compliance serves as the audit committee for the UNC System Office internal audit function. In this capacity and as directed by the committee charter and the <i>International Standards for the Professional Practice of Internal Auditing</i> issued by The Institute of Internal Auditors, the committee is the approving and oversight authority for the UNC System Office's annual internal audit plan.
Assessment:	After reviewing the status of the prior year audit plan and performing a comprehensive risk assessment, which included receiving input from management, the attached plan presents the projects the chief audit officer has identified for the fiscal 2023 audit plan.
Action:	This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.



This is the draft audit plan.

Fiscal 2023 Internal Audit Plan

August 2022

Internal Audit Department | UNC System Office

Lisa Outlaw, CISA, CISSP, CRMA, CIA, CFE, CDPSE

Internal Audit Director

UNC System Office Internal Audit Plan
Fiscal Year 2023

Engagements	Planned Hours
Prior Year Carry Over	
No carryover audits	
Annual Risk Assessment - FY2023 Audit Plan Development	240
Assurance Engagements	
Operational: Audit of Organizational Continuity	560
Financial: Audit of Financial Business Processes	560
Information Systems: Audit of Information Systems Policies and Procedures	1040
Compliance: Audit of Compliance with Requirements for use of Governor's Emergency Education Relief (GEER) Funds and American Rescue Plan Act (ARPA) Funds	560
Consultation Engagements	
Information Systems: Interpret National Guard Assessment of Cybersecurity Results	360
<i>Data Analytics Dashboard: Government Affairs: Data Analytic to capture all reports due to General Assembly with Due Dates</i>	360
<i>Data Analytic Dashboard: Chief Operating Officer: Data Sharing Contracts: Information Security Impact in Contracts</i>	520
Technical Assistance to UNC System Management	140
Follow-up on Management Corrective Actions	
SYS OFC: Operational: University Advancement: Shared Services and Gift Planning	80
SYS OFC: Compliance: Budget and Finance: Subrecipient Monitoring for COVID funds	40
SYS OFC: Information Systems: Configuration and Vulnerability Management of IT assets	40
SYS OFC: Information Systems: Change Management	40
SYS OFC: Performance: Budget and Finance: Performance Metrics and Goals for COVID funds	10
PBS NC: Operational: Workflow Analysis	10
Follow-up on years prior to 2022	40
Investigations	
Unplanned/Various as occurs: Investigations of internal/external hotline reports and similar types of investigations.	100
Special Projects	
<i>PowerPoint on the Perils of Email</i>	340
<i>Internal Audit Internship Program Recruitment</i>	20
<i>Internal Audit Internship Program Management</i>	340
Other Hours	
<i>Board Meetings, Unit Oversight, Staff Hiring, MOUs, and Marketing Other Services/Committees: Other routine advisory services to PBS NC and the System Office; assist external auditors; charter updates; annual certifications; CAO/OIA committee meetings; QAIP work; and other projects to be determined.</i>	1,364
Professional Development	120
Other Admin Hours	120
Total Direct Hours to UNC System Office	7004

UNC System Office Internal Audit Plan

Fiscal Year 2023

MOU (Internal Audit Shared Services)	
Internal Audit Services to NCSSM through Internal Audit Shared Services by MOU	860
Internal Audit Services to NCSEAA through Internal Audit Shared Services by MOU	720
Internal Audit Services to Universities through the Internship Program by MOU	1,920
Internal Audit Services to State Agencies through the Internship Program by MOU	3,840
Total Other Hours	7,340
Total Hours	14344
Plus: Leave and Holidays	992
Total Available Hours	15,336
Less (Permanent Resource Hours 2088 x 2, 1560 x 1)	5,736
Difference (Increased Hours Due to 20 Interns * 480 hrs.)	9,600

Peter Hans, President

Date

Terry Hutchens, Committee Chair

Date

UNC System Office Internal Audit Plan

Fiscal Year 2023

Summary of the Planned Services

This document represents the initial internal audit plan; however, it is a dynamic document that may change during the year as circumstances warrant. Requests from management or the Board of Governors, unexpected allegations, or other investigations, and/or significant changes to the organization or its operations can alter the needs and priorities. Thus, if necessary, the audit plan may be adjusted to meet the evolving needs. The planned hours and projects for this annual plan cover work from July 2022 to June 2023. The estimated hours include an allocation of time for one Internal Audit Director, one team lead, one staff auditor, and up to ten internal audit interns.

A brief description of the projects are as follows:

Prior Year Carry Over: Prior Year Carry Over includes the following internal audit projects from the prior year audit plan that have final reports to be released and/or processes to be completed before the start of fiscal year 2023 activities:

There were no carry-over audits this year.

Annual Risk Assessment Development: As part of the annual process to prepare an audit plan for fiscal year 2023, internal audit conducted a risk assessment. This entails identifying and rating risks based on feedback from management, current trends, previous audit results, and other criteria. The result is this risk-based audit plan, as required by the Internal Audit Charter and The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (Standards).

Assurance Engagements:

FY23 Operational: *Audit of Organizational Continuity:* The UNC System Office executes the Board of Governors' objectives and provides System-wide leadership in academic affairs, business and financial management, long-range planning, student affairs, research, legal affairs, and government relations. The internal audit team will review the existing controls in these crucial units to improve organizational continuity by identifying key personnel whose absence increases the likelihood that the UNC System Office will not achieve its strategic plan. Additionally, the internal audit team will determine if current departmental policies and procedures exist, and if business process documentation is in place to allow employees to perform their duties should essential personnel depart. Finally, the internal audit team will identify the units that have not begun a business continuity strategy to recommend solutions to reduce future business operation disruptions.

FY23 Financial: *Audit of Budget and Finance Processes:* Budget and Finance is responsible for processing accounts payable, accounts receivable, travel, and other administrative activities in support of the UNC System Office's business objectives. The internal audit team will conduct a review of the controls over the financial business process to provide reasonable assurance that processes are optimized for maximum operational efficiency and effectiveness.

FY23 Information Systems: *Audit of Information Systems Policies and Procedures:* Information Systems is responsible for managing the information systems and cybersecurity activities to protect the confidentiality, availability, and integrity of information assets. The internal audit team will conduct a gap analysis on all applicable information systems policies and procedures and make policy recommendations based on internationally recognized industry standards.

UNC System Office Internal Audit Plan

Fiscal Year 2023

FY23 Compliance: *Audit of Compliance with Requirements for use of Governor's Emergency Education Relief (GEER) Fund and American Rescue Plan Act (ARPA) Funds:* In response to the pandemic, the North Carolina Governor and General Assembly granted the UNC Board of Governors federal financial assistance to support the UNC System Office and its constituent universities with the necessary funding to continue providing educational services to their students, social and emotional support for both students and faculty, and additional funding to safeguard education-related jobs. The internal audit team will examine the UNC System Office and its constituent institutions' compliance with the Department of Education, the US Treasury, and/or the North Carolina Pandemic Recovery Office's requirements for the use of GEER and ARPA funds.

Consulting Engagements:

FY23 Consultation Engagements: As needed, internal audit is available to provide technical advice and other services to management and staff as they consider operational changes, re-evaluate current practices and/or develop new processes and procedures. The objective is to provide proactive feedback, as needed, to help ensure effective controls and operating procedures are designed and, where applicable, promote compliance with state, federal, and UNC System policies. In addition to technical advice, internal audit performs consulting services to provide feedback on the UNC System operations. Some specific advisory services that were requested by management for the FY23 fiscal years includes the following:

- **FY23 Consultation Engagements – FY23 Information Systems:** *Consult on Information Systems Policies and Procedures:* Internal audit will provide advisory services to information systems by interpreting the National Guard Cybersecurity Assessment (JTF) results to assist with strengthening cybersecurity controls in the UNC System Office.
- **FY23 Special Project - Data Analytic Dashboards:** The internal audit team will develop at least two Data Analytic Dashboards to aid government affairs and the chief operating officer in answering two primary questions: is the UNC System Office compliant with respect to timely submission of reports to the General Assembly, and does the UNC System Office overshare information by engaging into contracts without chief information security officer approval? By capturing all reports due to the General Assembly with due dates, and by compiling all contracts to review for provisions pertaining to information sharing, these dashboards will provide visibility into these operational processes to answer these two primary questions and determine the UNC System Office's compliance with state law and obligations to share information due to contractual terms.

Technical Assistance:

- **FY23 Information Systems:** Internal audit will provide advisory services to information systems by embedding with the National Guard Cybersecurity Assessment (JTF) team to observe them conduct the cybersecurity assessment of the UNC System Office Information Technology infrastructure, identify gaps in the assessments, and consider employing new techniques for future IT audit engagements.

UNC System Office Internal Audit Plan

Fiscal Year 2023

- **FY23 System Office Divisions:** Internal audit will provide advisory services to various System Office departments and units as needed. Finance, Information Systems, Human Resources, Academic Affairs, Strategy and Policy, Government Affairs, University Communications, Office of the Secretary, University Advancement, Safety & Emergency Operations, and UNC Affiliates (PBS NC, UNC Press, etc.) are among the UNC System units that receive technical advice from Internal Audit.

Follow-up on Management Corrective Actions:

FY23 Monitoring and Reporting of Management's Corrective Actions: The internal audit team will obtain regular updates from management regarding the status of corrective actions taken to mitigate risks identified in prior audits (from both internal and external audits). The internal audit team will review and assess what audit tests are necessary to verify the status of actions taken. A summary report will be shared with senior management and the Committee on Audit, Risk Management and Compliance to keep them apprised of the progress of management's corrective actions.

Special Projects:

FY23 Special Project – The Perils of Email Overuse: The internal audit team will create a presentation for legal affairs to convey to UNC System Office employees the dangers of excessive use of email. The purpose of the presentation is to educate employees on the top three risks associated with excessive email usage, the five best practices for email use, and to reiterate rules such as the Newspaper rule, Confidentiality Rules, Phishing, and Business Email Compromise. Once approved by legal affairs, this presentation will be included in the training delivered to personnel annually.

FY23 Special Project - Internal Audit Internship Program: The internal audit team has established a program to provide students with the opportunity to conduct assurance and consulting engagements for the UNC System Office, Universities, and State agencies. This internship program provides entities with extra auditing resources and students gain invaluable hand-on experience in internal auditing. The director of internal audit is responsible for supervising engagements, recruiting students to participate in the program, coordinating with chief audit officers on assignment selection, as well as promoting and managing the program.

Internal Shared Services:

FY23 Internal Audit Shared Services: Under the Internal Audit Director's supervision, up to twenty interns will conduct assurance and consulting engagements with the System Office, universities, and state agencies per year. The partnership with these organizations will begin in September 2022. UNC System Office of Internal Audit also serves as the chief audit officer for NCSSM and NCSEAA. Internal audit shall complete engagements in accordance with the memorandum of understanding for these entities.

Other Hours:

FY23 Other/Unplanned: - Internal audit has reserved time for potential investigations, consults, special projects, technical advisory services, and/or other needs that are anticipated to arise throughout the year. Specifically, under the assurance engagements, some unscheduled time has been left for needs that may develop because of unforeseen circumstances or special requests from the president.

UNC System Office Internal Audit Plan

Fiscal Year 2023

Internal audit will incorporate an evaluation of how the organization communicates, directs, reinforces, and monitors adherence to its standards and policies. This will be used to evaluate the culture and structure of governance and, if necessary, to make recommendations for enhancing the governance process.



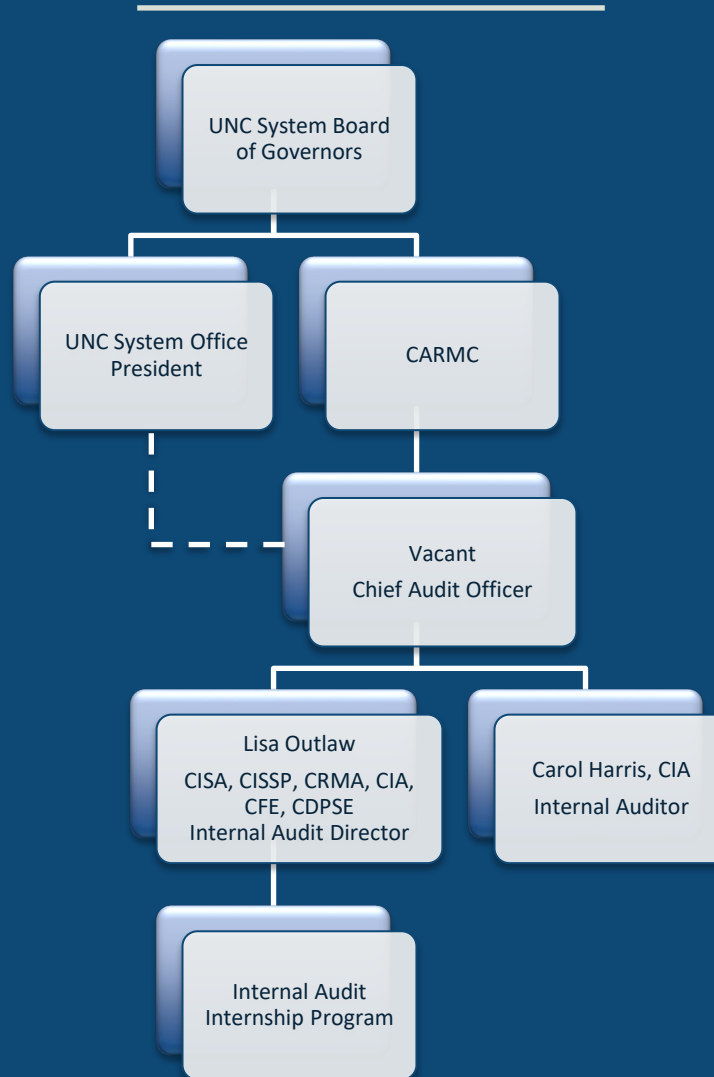
**THE UNIVERSITY OF
NORTH CAROLINA SYSTEM**



INTERNAL AUDIT

UNC System Office of Compliance and Audit Services
Lisa Outlaw, CISA, CISSP, CRMA, CFE, CIA, CDPSE
Director of Internal Audit

Relevance - Authority



Internal Audit Charter

Internal Audit
Charter

Audit
Universe

Risk
Assessment

Appendix B

Appendix B

Appendix B


THE UNIVERSITY OF
NORTH CAROLINA SYSTEM

UNIVERSITY OF NORTH CAROLINA SYSTEM OFFICE Internal Audit Charter

A. Purpose, Mission and Scope of Work

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2. Review and approve the risk-based internal audit plan.
3. Review internal audit reports and communications with management, as well as management's corrective actions. If necessary, review and resolve any significant difficulties or disagreements on audit-related matters.
4. Review periodic summaries regarding the status and/or results of audit activities in relation to the plan, approve any significant deviations to the audit plan, and assure the internal audit function has appropriate budget and resources.

3. Secure external direct responsibility.
- The chief audit officer will perform this function.

E. Scope of Internal Audit

The scope of internal audit is to provide assurance of the adequacy and effectiveness of the UNC System Office's internal audit function.

1. Risks relating to identified and monitored.
2. The actions of procedures, and
3. The results of operations with established
4. Operations or procedures with established
5. Established procedures that require regulations that:
6. Information (i.e., analyze, classify,
7. Resources are allocated
8. Significant legal addressed approach

F. Internal Audit Function

1. The internal audit
2. The internal audit
3. The internal audit Standards, and a
4. Significant risks requiring the attention
5. Results of audit
6. Resource requirements
7. Any response to

The chief audit officer will perform other internal and external audit services.

The internal audit function will be agreed upon. Opportunities for improvement identified and will be coordinated.

Internal Audit Charter

5. Confirm inquiries
6. Monitor institutional
7. Standards
8. Internal audit function

The chief audit officer will perform this function.

1. Have full carrying account
2. Allocate resources
3. Obtain performance

G. Independence

The chief audit officer will ensure the ability of internal audit selection, that independence disclosed to appropriate internal audit: communicating will be made of avoid being unduly influenced.

1. Assess internal auditor
2. Perform Accordingly, internal records, or engage
3. Initiate

Where the chief audit officer, needs objectivity, internal

1. Disclose
2. Disclose

Internal Audit Charter

Audit Plan



This is the draft audit plan.

Fiscal 2023 Internal Audit

August 2022
Internal Audit Department | UNC System Office
Lisa Outlaw, CISA, CISSP, CRMA, CIA, CFE, CDPSE
Internal Audit Director

UNC System Office Internal Audit Plan Fiscal Year 2023

Engagements	Planned Hours
Prior Year Carry Over	
No carryover audits	
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Assurance Engagements	
Operational: Audit of Organizational Continuity	560
Financial: Audit of Financial Business Processes	560
Information Systems: Audit of Information Systems Policies and Procedures	560
Compliance: Audit of Compliance with Requirements for use of Governor's Emergency Education Relief (GEER) Funds and American Rescue Plan Act (ARPA) Funds	560
Consultation Engagements	
Operational: Academic Affairs: Consult on UNC System's position in Enrollment Decline	520
Information Systems: Interpret National Guard Assessment of Cybersecurity Results	360
Data Analytics Dashboard: Government Affairs: Data Analytics to capture all reports due to General Assembly with Due Dates	340
Data Analytics Dashboard: Chief Operating Officer: Data Sharing Contracts: Information Security Impact in Contracts	500
Technical Assistance to UNC System Management	140
Follow-up on Management Corrective Actions	
SYS OFC: Operational: University Advancement: Shared Services and Gift Planning	80
SYS OFC: Compliance: Budget and Finance: Subrecipient Monitoring for COVID funds	40
SYS OFC: Information Systems: Configuration and Vulnerability Management of IT assets	40
SYS OFC: Information Systems: Change Management	40
SYS OFC: Performance: Budget and Finance: Performance Metrics and Goals for COVID funds	10
PBS NC: Operational: Workflow Analysis	10
Investigations	
Unplanned/Various as occurs: Investigations of internal/external hotline reports and similar types of investigations.	180
Special Projects	
PowerPoint on the Perils of Email	340
Internal Audit Internship Program Recruitment	20
Internal Audit Internship Program Management	340
Other Hours	
Board Meetings, Unit Oversight, Staff Hiring, MOUs, and Marketing Other Services/Committees: Other routine advisory services to PBS NC and the System Office; assist external auditors; charter updates; annual certifications; CAD/DIA committee meetings; QAIP work; and other projects to be determined.	1,384
Professional Development	120
Other Admin Hours	120
Total Direct Hours to UNC System Office	7064

Internal Audit Plan | Page 2
August 2022

UNC System Office
Internal Audit Department

Assurance and Consulting Services Offered



The Audit Plan covers 10 categories:

1. Financial
2. Operational
3. Compliance
4. Information Systems
5. Strategic
6. Special Projects
7. Investigations
8. Consulting (includes Data Analytic Dashboards)
9. Follow-Up
10. Technical Assistance

Engagements and Services by Category



Engagements by Category (4)

Financial (1)

- Audit of Financial Business Processes

Operational/Strategic (1)

- Audit of Organizational Continuity

Compliance (1)

- Audit for Compliance with GEER and ARPA Fund Requirements

Information Technology (1)

- Audit of Information System Policies and Procedures

Defined Other Services (4)

Special Projects/Investigations (1)

- PowerPoint Presentation on the Perils of Email Overuse

Data Analytic Dashboards (2)

- General Assembly Reports
- UNC System Office Contracts

Follow-Up of Prior Year (1)

- Follow-up on the corrective actions taken to resolve prior audit findings.

Technical Assistance (1)

- Assist with the National Guard Cybersecurity Assessment of the UNC Systems Office

Engagements and Services by Category



Engagements Planned for Internal Shared Services:

NCSSM (2)

- 2 engagements

Investigations

- As needed

NCSEAA (2)

- 2 engagements

Data Analytic Dashboards

- Upon Request

Universities (4)

- 4 engagements to participating Universities

Follow-Up (2)

- Follow-up on the corrective actions taken to resolve prior audit findings for NCSSM and NCSEAA

State Agencies (8)

- 8 engagements to participating State Agencies

Technical Assistance

- Upon Request

Recommended Action Required from the Board

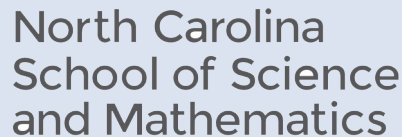
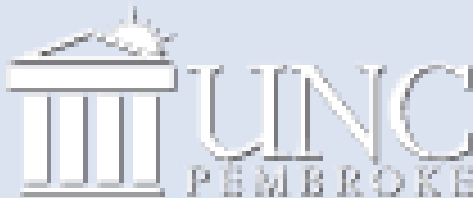


A motion authorizing the CARMC to approve:

- The Internal Audit Charter
- *The Fiscal Year 2023 Internal Audit Plan*
- Audit Resources

UNC System Office

Internal Audit 2021-22 Year-end Report



Summary of Audit Reports Issued by the Office of the State Auditor

Report Number	Title	First Published
FIN-2021-6770	The North Carolina A&T Investment Foundation, Inc.	07/11/2022
ISA-2022-6040	The University of North Carolina at Greensboro - Information Systems Audit	05/24/2022
FIN-2021-6010	The University of North Carolina System Office - Financial Statement Audit	05/05/2022
FSA-2021-6040	The University of North Carolina at Greensboro - Statewide Federal Compliance Audit Procedures	04/12/2022
FSA-2021-6065	East Carolina University - Statewide Federal Compliance Audit Procedures	04/12/2022
FSA-2021-6060	University of North Carolina Wilmington - Statewide Federal Compliance Audit Procedures	04/11/2022
FSA-2021-6055	The University of North Carolina at Asheville - Statewide Federal Compliance Audit Procedures	04/11/2022
ISA-2021-6060	University of North Carolina Wilmington - Information Systems Audit	04/08/2022
FSA-2021-6095	University of North Carolina Hospitals at Chapel Hill - Statewide Federal Compliance Audit Procedures	04/08/2022
FIN-2021-6094	North Carolina School of Science and Mathematics – Financial Statement Audit	03/15/2022
FIN-2021-6090	North Carolina Central University - Financial Statement Audit	03/08/2022
ISA-2021-6082	The University of North Carolina at Pembroke – Information Systems Audit	01/28/2022

Source: <https://www.auditor.nc.gov/audits-reviews/financial-related/universities>

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AGENDA ITEM

A-5. UNC System Office Internal Audit 2021-22 Year-end Report Lisa Outlaw

- Situation:** The chief audit officer will provide an update on the UNC System Office's internal audit activities for the most recent fiscal year.
- Background:** The Committee on Audit, Risk Management, and Compliance serves as the audit committee, and thus the oversight authority, for the UNC System Office's internal audit unit. In this capacity, and as directed by both the committee charter and the internal audit charter, the chief audit officer is to provide the committee with a year-end update on the planned versus actual internal audit activities.
- Assessment:** **Attachment A** lists the projects on the fiscal 2022 audit plan that were approved by the committee and identifies the status of those projects at the end of the 2021-22 fiscal year.
- Attachment B** is a summary of measurements and performance indicators for the UNC System Office's internal audit function for fiscal year 2022. Unless otherwise noted, this summary represents all the hours the internal audit team provided to the following entities served: the UNC System Office (including PBS North Carolina), the North Carolina School of Science and Mathematics, the North Carolina State Education Assistance Authority, the Universities, and the State Agencies.
- Action:** This item is for information only.

University of North Carolina System Office Internal Audit Plan

Fiscal Year 2021-22

Engagements	Status
Prior Year Carry Over	
Annual Risk Assessment - FY2022 Audit Plan Development	Completed
Assurance Engagements	
Operational- <i>University Advancement</i> : (1) Operations of Advancement Shared Services and Gift Planning	Completed (Report Issued May 2022)
Compliance - <i>Finance and Administration</i> : (2) Sub recipient Monitoring for COVID funds	Completed (Report Issued May 2022)
Consultation Engagements	
Operational- <i>PBS NC</i> : (3) Operational Workflow Analysis (Engineering, Contracts, IT)	Completed (Report Issued May 2022)
Information Systems- <i>Infrastructure and Operations</i> : (4) Configuration and Vulnerability Management of IT assets	Completed (Report Issued June 2022)
Compliance- <i>Safety & Emergency Operations, PBS NC</i> : Security Measures	Deferred
Information Systems- <i>Infrastructure and Operations</i> : (5) Change Management Analysis	Completed (Report Issued June 2022)
Performance- <i>Finance and Administration</i> : (6) Performance Metrics and Goals for COVID funds	Completed (Report Issued June 2022)
Information Technology: Clarification of UNC System Office responsibility surrounding information services at units not managed by the System Office	Deferred/Canceled
Technical Assistance to UNC System Management	Completed (Report Issued June 2022)
Monitoring & Reporting on Status of Management Corrective Actions	
(7) <i>Follow-Up on Audits</i>	Completed (Report Issued June 2022)
Investigations	
Unplanned/Various as occurs: Investigations of internal/external hotline reports and similar types of investigations.	None In Progress
Special Projects	
(8) Data Analytics Dashboard Development (Risk Assessment)	Completed
(9) Data Analytics Dashboard Development (Timesheet)	Completed
(10) Data Analytics Dashboard Development (Guidance)	Completed
(11) Data Analytics Dashboard Development (Engagement Tracking)	Completed
(12) Development of UNC System Office Internal Audit Internship Program	Completed
(12) Internal Audit Internship Program Management	Completed

Other Hours	
Board Meetings, Unit Oversight, Staff Hiring, MOUs, and Marketing Other Services/Committees: Other routine advisory services to PBS NC and the System Office; assist external auditors; charter updates; annual certifications; CAO/OIA committee meetings; QAIP work; and other projects to be determined.	Completed
Professional Development	Completed
Audit Services through MOU	
North Carolina School of Science and Mathematics (NCSSM) (3) 13. Audit of Information Systems Audit 14. Audit of Human Resources and Business Workflow Analysis 15. Audit of Performance Report for Coronavirus Relief Funds	Completed
North Carolina State Education Assistance Authority (NCSEAA) (1) 16. Audit of Compliance Audit of Coronavirus Relief Funds	Completed
Internal Audit Internship Program – Universities (4) 17. Data Analytics Dashboard Development (FSU-Split Purchasing) 18. Information Systems Audit (UNCP) 19. Information Systems Audit (ECSU) 20. Compliance Audit of State Ethics (ASU)	Completed
Internal Audit Internship Program - State Agencies (8) 21. Compliance Audit (NCPRO-Edgecombe County) 22. Data Analytics Dashboard Development (DMVA- Veteran and Military Benefits) 23. Data Analytics Dashboard Development (OSBM-General Offset) 24. Data Analytics Dashboard Development (NCPRO-DPI Public Schools) 25. Data Analytics Dashboard Development (NCPRO-Nonprofits) 26. Data Analytics Dashboard Development (NCPRO-Hospitals) 27. Data Analytics Dashboard Development (NCPRO-Universities) 28. Data Analytics Dashboard Development (NCPRO-Counties)	Completed

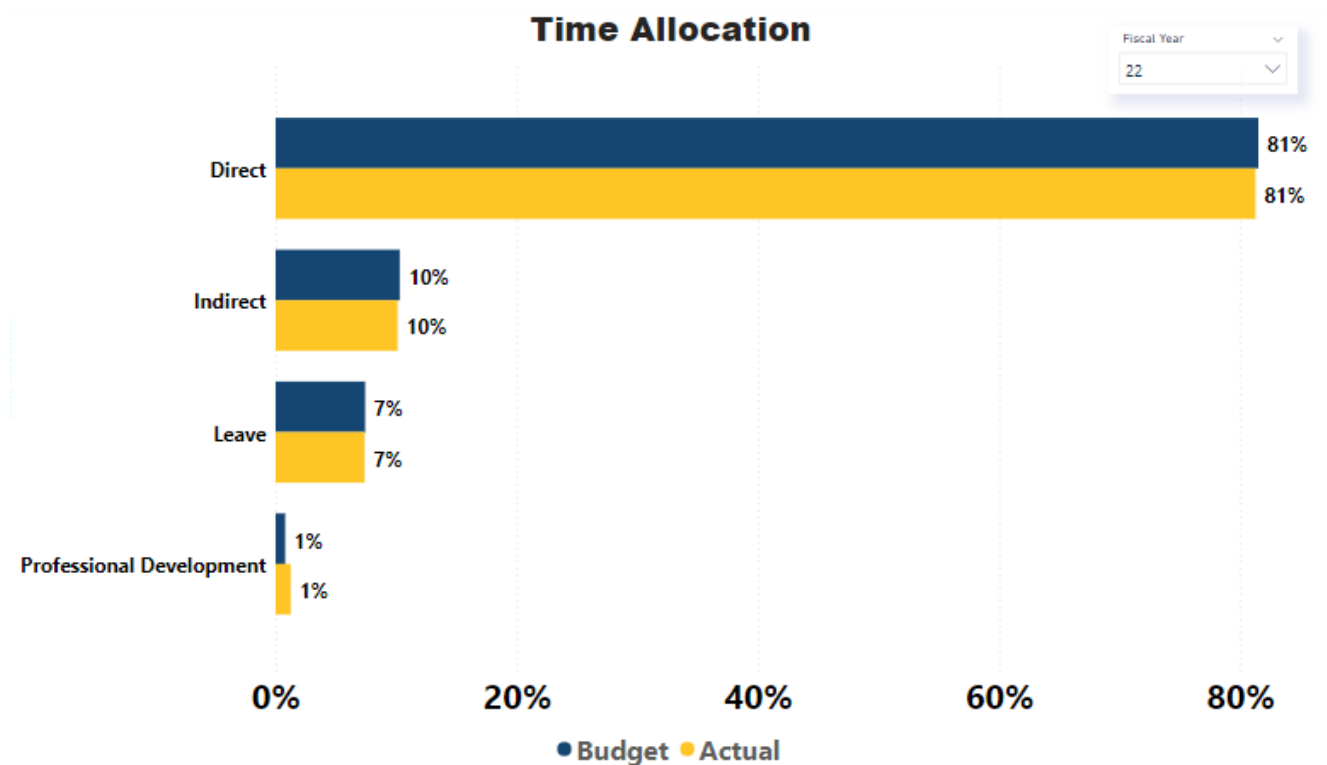
The 2021-2022 Internal Audit Annual Report

In September 2022, the UNC System Office FY22 internal audit plan was approved by the Committee on Audit, Risk Management, and Compliance (CARMC) and the Board of Governors. The planned hours included two full-time audit staff members and one part-time staff member. The planned projects covered the UNC System Office as well as internal audit services to the North Carolina School of Science and Mathematics (NCSSM), the North Carolina State Education Assistance Authority (NCSEAA), and up to four universities and eight state agencies through the inaugural internship program. In accordance with the memorandum of understanding and the internal audit standards, the detailed audit plans for NCSSM and NCSEAA were reviewed and approved by their respective boards. Across all three entities, the planned services included assurance and advisory projects that ranged from compliance, information systems, and operational audits.

As part of the audit office's quality assurance and improvement plan, the following metrics are tracked to assess our performance.

Time Allocation

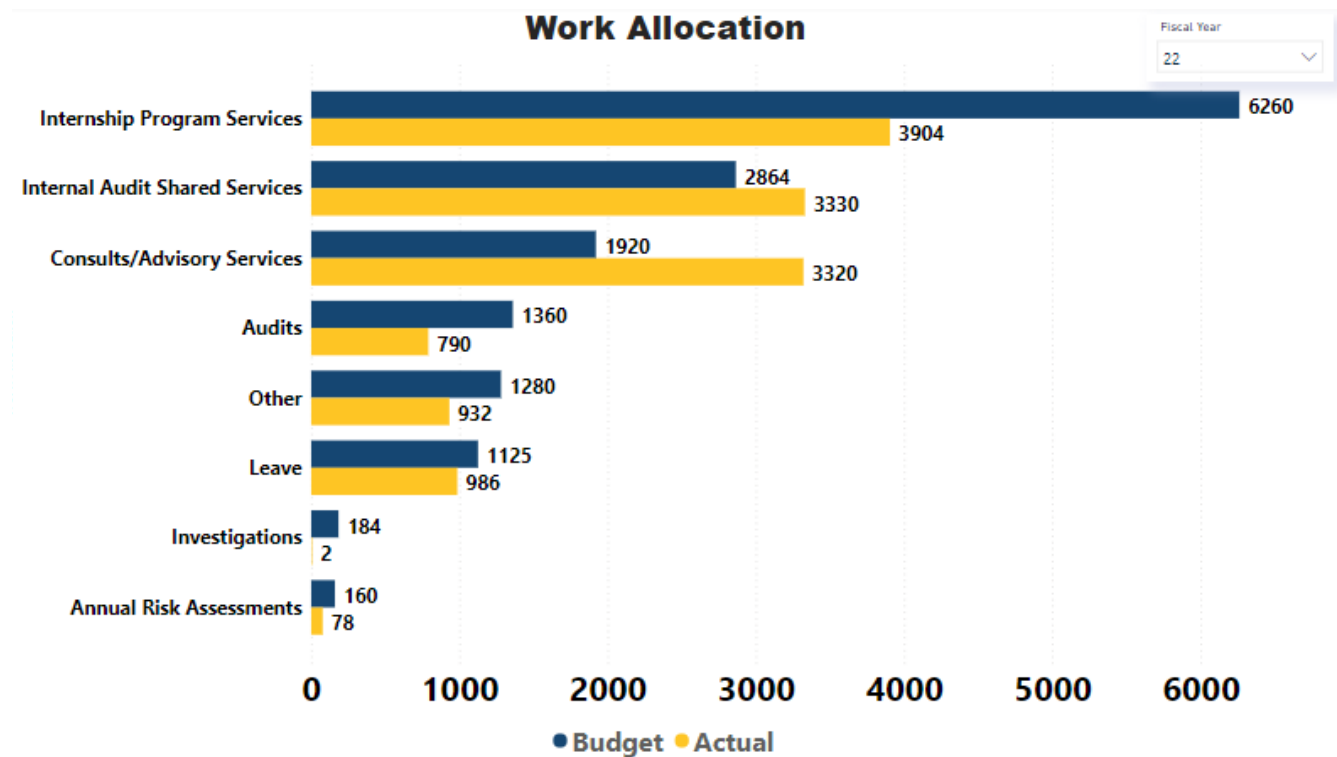
For planning and comparative purposes, the audit team tracks the time spent on each project. The target for the year was to devote at least 75 percent of time to direct audit services, which include audits, advisory/consulting services, investigations, information systems, and audits of business operations. The direct audit hours in the time distribution chart below include internal audit shared services to NCSSM, NCSEAA, and internship program engagements to universities, and state agencies. The System Office audit team is pleased to report that internal audit exceeded the target by spending 81 percent of its time on direct hours.



Work Allocation

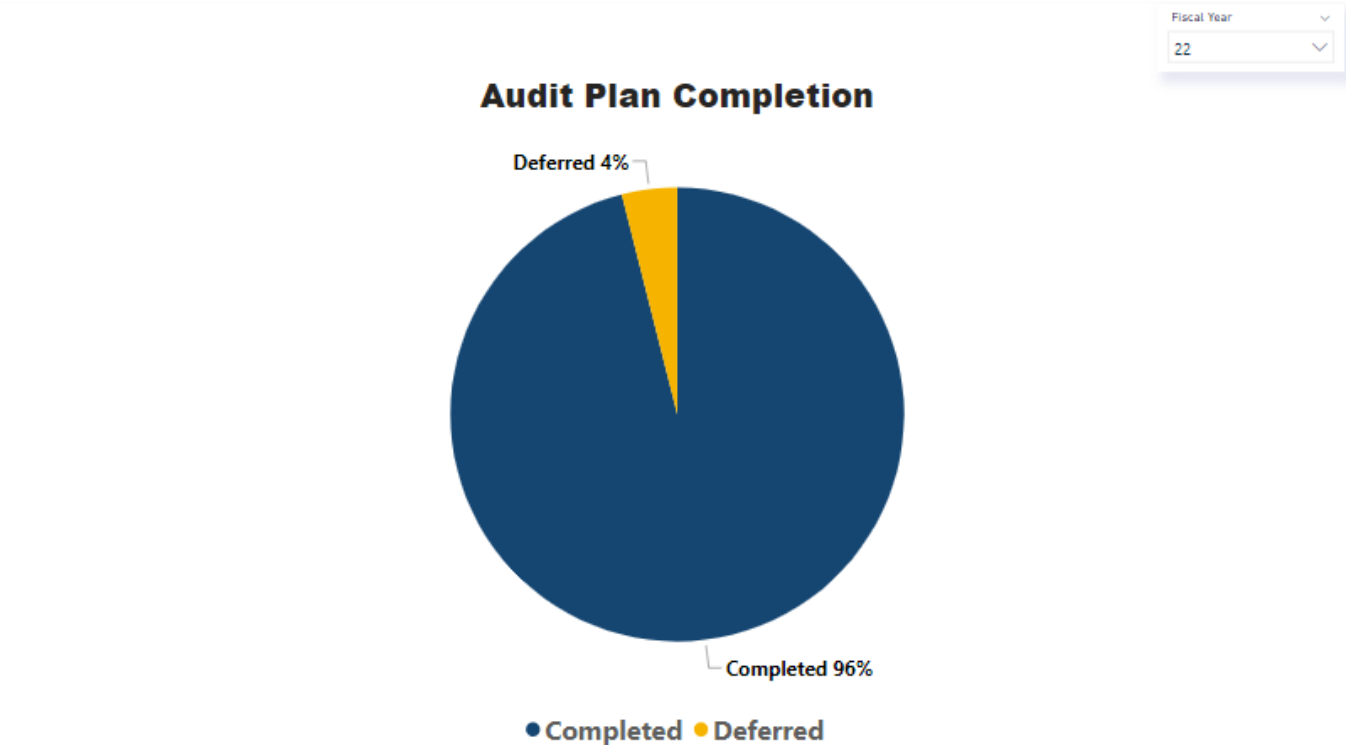
The audit team tracks the time spent on each type of engagement. The chart below represents the types of engagements conducted for the UNC System Office, PBS NC, NCSSM, NCSEAA, universities, and state agencies, allocated by hours worked. Highlights for each category include:

- *Annual Risk Assessments* include the hours to complete the FY22 audit plan and preparing the draft FY23 audit plan.
- *Audits* include the planned audit engagements as well as the tracking, monitoring, and reporting on the status of management actions taken to correct matters noted in prior audit reports.
- *Consults/Advisory Services* have increased significantly because of the Internal Audit Internship Program's ability to use unpaid interns to develop up to three new data analytic dashboards for the UNC System Office to track time, automate the risk assessment process, and track policies, standards, and new external performance metric requirements. The three additional data analytics were provided at no additional cost.
- *Investigations* include one investigative audit that resulted in no reportable findings.
- *Other* includes various efforts such as unit management and oversight, self-review/quality assurance work, staff hiring planning, internal audit marketing, MOU updates, and other routine projects.
- *Internal Audit Shared Services* represent the audit services to NCSSM and NCSEAA. According to the MOU, 760 hours per year are to be delivered to NCSSM and NCSEAA. With the launch of the new internship program, the UNC System Office was able to provide additional services to NCSSM and NCSEAA. Additional hours are attributed to the use of unpaid interns; hence no additional costs were incurred to provide the additional audit services.
- *Internship Program Services* are audit services supplied to universities and state agencies through the Internship Program, as well as internship development, recruitment, and management hours to successfully establish the internship program.



Audit Plan Completion

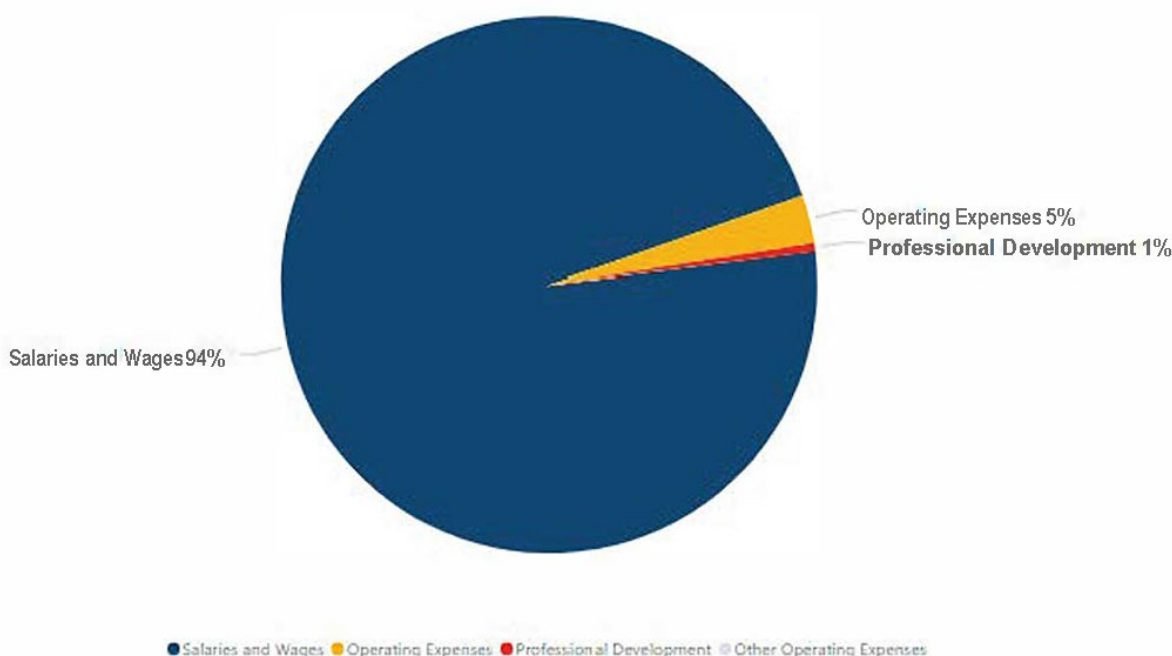
The audit plan completion rate is an indicator of efficiency and alignment with the approved annual audit plan. In FY22, for the UNC System Office, which includes PBS NC, the team completed 28 engagements, deferred two projects (due to the auditees request that the audits be conducted in the next fiscal year because of competing external audit time challenges and turnover of management responsible for the area) thus no audit could be performed until the new manager was hired to assume the duties. The chart below provides a summary of the audit plan’s status of completion by percentage:



Financial Resources

In addition to monitoring metrics, the internal audit unit monitors financial activity. Internal audit is funded by a combination of state funds and the fees charged for the audit services to NCSSM and SEAA. The unit's total expenditures for fiscal 2022 were approximately \$587,400, with salaries and benefits (approximately \$554,393¹) being the primary cost. For fiscal 2022, receipts for internal audit shared services were budgeted at \$150,900², which offsets approximately 25 percent of the unit's salaries and benefits. Other operating expenses totaling \$33,007 included registration fees for staff professional development, association memberships, and other miscellaneous expenditures. The chart below provides a breakdown of the unit's operating costs for the year:

Internal Audit Expenditures



¹ The Internal Audit team has been reorganized with the Chief of Staff serving as the Chief Audit Officer, as well as the Vice President for Compliance and Audit Services (VPCAS) retiring as of May 31, 2022. The salaries and benefits total includes 100% of the former VPCAS's salary and benefits for the period of July 1, 2021 to May 31, 2022.

² NCSSM receipts for FY22 total \$60,900, and SEAA receipts for FY22 total \$50,000. Internship Program receipts for FY22 total 40,000, but were received in FY23.

AGENDA ITEM

A-6. Summary of Audit Reports Issued by the Office of the State Auditor Lisa Outlaw

Situation: The committee will receive a summary of an audit report issued by the Office of the State Auditor.

Background: All constituent institutions and the UNC System Office are subject to audit by the North Carolina State Auditor under Article 5A of Chapter 147 of the North Carolina General Statutes. The state auditor conducts annual financial statement audits at each institution, annual federal compliance audits at select institutions, and periodically performs other audits, such as information technology general controls audits, and investigations at select institutions.

Assessment: The Office of the State Auditor has released one report on one of UNC System constituent institutions for fiscal year 2023.

<https://www.auditor.nc.gov/audits-reviews/financial-related/universities>

Action: This item is for information only.



AGENDA ITEM

A-7. Enterprise Risk Management Annual Report for the UNC System Office and Campuses Fred Sellers

Situation:	The purpose of this item is to provide the Committee on Audit, Risk Management, and Compliance an update on enterprise risk management (ERM) in the UNC System.
Background:	In adopting the policy on University Enterprise Risk Management and Compliance, the Board of Governors provided for the establishment of UNC System-wide and institution-based ERM and compliance processes. The policy aims to address risks related to compliance with laws and ethical standards at the system level, and to complement and support the risk management and compliance processes and activities of the constituent institutions.
Assessment:	The committee will receive an update on top enterprise risks identified by the UNC System Office and the constituent institutions.
Action:	This item is for information only.

2022-23 UNC System Office Risk Register Overview



Crisis Management

- Safety and security of our facilities and IT infrastructure
- Cybersecurity
- Complete and tested business continuity and emergency operations plans including crisis communications systems

Talent Management

- Highly skilled, competitively compensated, stable workforce
- Employee workload management that allows for responding to new, high-demand, high-interest projects that align with the Board's priorities
- Adequate succession planning efforts to ensure continuity of operations and support expected turnover

Business Operations

- Maintenance of up-to-date Board of Governors and departmental policies and procedures, along with supporting business process documentation
- Technology tools that promote efficiencies and technology solutions that support business operations users
- Business Intelligence: Ensuring accurate and timely data analytics and coordinated data project management to inform policy and management decisions

Approved by the System Office Risk Review Board 7/11/2022



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2022 UNC System Campus Risk Register Overview

Cyber Security

- Protection of data and personal identifiable information
- Confidentiality, integrity, and availability of data and information systems
- Hacking/ransomware/phishing
- Inability to maintain and enhance IT security and IT infrastructure resources (people, processes, technology)

Talent Management

- State and System process for hiring impedes ability to attract and retain a diverse pool of high performing employees quickly and competitively
- Faculty and staff wellness, stress, and burnout concerns
- Training and professional development programs
- Morale and effectiveness of the workforce

Student Retention

- Low enrollment adversely impacting financial stability and reputation
- Competition amongst UNC System institutions with limited resources
- Innovate and evolve academic programs and degree completion

Financial

- High levels of inflation further aggravates institutions' ability to attract a competitive and talented workforce.
- Providing professional programs that satisfy market demands
- Adapting to new funding model
- Lack of diversity in funding sources

Facilities Maintenance

- Need for renovations and improvements to meet accessibility
- Impact of aging facilities on recruitment and retention
- Space and facilities needed to support academic and research growth

Regulatory Compliance

- Policies, procedures, and protocols for a variety of programs, departments, and operations across campus need development and updating
- Lack of compliance procedures could present a major threat to public health, safety, funding, and grant management.

Business Processes

- Maximize efficiencies through better institutional coordination for key university services.
- Current structure, core systems, and processes being updated impacts the ability to effectively operate, manage, and support two locations and make informed decisions in a timely manner.
- Need for comprehensive data governance

Mental Health & Public Safety

- Resources and advocacy to entirely address the volume and severity of increasingly prevalent wellbeing and mental health concerns adversely impacting student and employee success outcomes.
- Threats and hazards include but are not limited to violent crimes, theft, emerging student health concerns (particularly increasing concern around mental health issues), impacts and recovery from severe weather events, incidents with hazardous materials, fire safety, and pedestrian safety.



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