

September 11, 2024 at 11:00 a.m.
Via Videoconference and PBS North Carolina Livestream
UNC System Office
223 S. West Street, Room 1809
Raleigh, North Carolina

AGENDA

OPEN SESSION

- A-1. Approval of the Open and Closed Session Minutes of May 22, 2024 Mark Holton
- A-2. Approval of Annual CARMC Report 2023-24 Fred Sellers
- A-3. Approval of CARMC and IA Charters Appendix A & B (Internal Audit) Fred Sellers
Carol Harris
- A-4. Approval of FY25 Annual Internal Audit Plan for the System Office Jennifer Myers
- A-5. FY24 Annual Year-End Report from Internal Audit Carol Harris
- A-6. ERM Annual Report Bryan Heckle
- A-7. Implementation Update on Cybersecurity Recommendations Maurice Ferrell

DRAFT MINUTES

May 22, 2024 at 9:00 a.m.
Via Videoconference and PBS North Carolina Livestream
UNC System Office
223 S. West Street, 1723
Raleigh, North Carolina

This meeting of the Committee on Audit, Risk Management, and Compliance was presided over by Chair Terry Hutchens. The following committee members, constituting a quorum, were also present in person or by phone: Pearl Burris-Floyd, Kirk Bradley, Jimmy D. Clark, and Art Pope.

Chancellor participating was Todd Roberts.

Staff members present included Fred Sellers, Brad Trahan, 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 9 a.m. on Wednesday, May 22, 2024. The open session minutes from the February 28, 2024, meeting were approved by unanimous consent.

2. Presentation of Audit Reports from the Office of the State Auditor (Item A-2)

Ms. Jordan Chippewa, Director of Financial Audits, briefed us on the summary of audit reports issued by the North Carolina Office of the State Auditor. Also in attendance were Ms. Linda Hollar, chief deputy state auditor, and Mr. Vernon Utleigh, the director of information system audits. One institution had an audit finding, and two audit reports are still pending by the state auditor this year.

This item was for information only.

3. Enterprise Risk Management Progression (Item A-3)

Bryan Heckle, director of enterprise risk management, provided an update on the enterprise risks progression ongoing at the constituent institutions and the UNC System Office.

This item was for information only.

4. Annual Report on Implementation of UNC Information Technology Policies (Item A-4)

Kim Smodic, chief information security officer, briefed the committee on the complex issue of information security and highlighted the need for sound IT governance at each institution and the UNC System Office, as well

as general security and system access controls. The reporting requirements detailed in the policies require status updates on the implementation of these policies. A survey was sent to all institution CIOs in 2024 to collect data and provide status on progress from the inception of the policies.

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 pursuant to Chapter 143-318.11(a)(1), (3), and (6) of the North Carolina General Statutes.

Motion: Kirk Bradley

Motion carried

THE MEETING MOVED INTO CLOSED SESSION AT 9:19 a.m.

(The complete minutes of the closed session are recorded separately.)

THE MEETING RESUMED IN OPEN SESSION AT 10:10 a.m.

Art Pope, Secretary

AGENDA ITEM

A-2. 2023-24 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 2023-24 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, addressing the University’s internal audit, enterprise risk management, and compliance functions; recommending for approval University-wide 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 University. This report summarizes the work of the Committee on Audit, Risk Management, and Compliance from July 2023 through June 2024.

The committee was composed of the following Board members: Terry Hutchens, Pearl Burris-Floyd, Kirk Bradley, Art Pope, Lee Roberts, and Jimmy Clark. Mr. Hutchens served as chair, Mrs. Burris-Floyd served as vice chair, and Mr. Bradley served as secretary.

Chancellors Todd Roberts (North Carolina School of Science and Mathematics) and Johnson Akinleye (North Carolina Central University) 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, 2023, and June 30, 2024. The major actions of the committee are summarized as follows:

Summary of Approval Actions	Month Approved
Approval of the 2022-23 Committee on Audit, Risk Management, and Compliance Annual Report	September 2023
Approval of the CARMC Charter Update	September 2023
Approval of the UNC System Office 2023-24 Internal Audit Plan	September 2023
UNC System Office Internal Audit 2022-23 Year-end Report	September 2023
Enterprise Risk Management Annual Report	September 2023
Cybersecurity Budget Request Update	September 2023
Internal Audit Update	October 2023
Campus Safety—Behavioral Threat Assessment Readiness	November 2023
Review of UNC Systemwide Internal Audit Plans for 2023-24	November 2023
Summary of UNC Systemwide Internal Audit Activities	November 2023
Summary of UNC Major Associated Entities	November 2023

Joint Cybersecurity Task Force Presentation	November 2023
Cybersecurity Budget Recommendations Update	November 2023
Update on Research Security Activity	February 2024
UNC System Office Internal Audit Update	February 2024
Audit Reports Issued by the Office of the State Auditor	February 2024
Appalachian State University Campus Safety Update	February 2024
Cybersecurity Initiatives Update	February 2024
Presentation of Audit Reports from the Office of the State Auditor	May 2024
Enterprise Risk Management Progression	May 2024
Annual Report on Implementation of UNC Information Technology Policies	May 2024
Investigative Audit Update	May 2024

AGENDA ITEM

A-3. Approval of Charter (CARMC Oversight Responsibilities and Operating Procedures)..... Fred Sellers
Carol Harris

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 Charter (Oversight Responsibilities and Operating Procedures) to include Appendix A and B 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 University of North Carolina 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, and compliance. 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 efforts.
- 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. Systemwide 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. Must 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, *Policy on Duties, Responsibilities, and Expectations of Board Members*.

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, 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, and 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, and compliance 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.
- 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 authorizes or requests 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 and review 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 chair.

E. 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 risk management, and compliance activities are as follows:

1. Support the efforts, establishment of, and collaboration among the risk management 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 and appropriate, 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 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.
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.

Mark Holton, Chair

Date

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



Statutory and Policy Authorities

Summarized below are state statutes and University of North Carolina 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 Board and sets out the committee's primary responsibilities, including:

- Recommending a committee charter for review and approval by the Board
- Addressing the University of North Carolina System's internal audit, enterprise risk management, and compliance functions
- Recommending to the Board for approval Systemwide policies regarding internal audit, enterprise risk management, and compliance
- Reviewing annual and other audit reports of the constituent institutions, the University of North Carolina 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 ensure 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 UNC System, including its constituent institutions, affiliated entities, and System Office, is subject to audit by the North Carolina State Auditor.

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

As a state agency, the UNC 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 UNC System, 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 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 Systemwide and at each constituent institution and vests the CARMC with the authority for monitoring Systemwide risk and compliance.
- *Insurance Coverage.* [Section 1300.12](#) 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 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 minimum standards 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 identity 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 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 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 ensure 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 and 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 describe 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 the 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, as well as helping to foster 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.

Jennifer Myers, Chief Audit Officer

Date

Mark Holton, Chair

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 2024-2025 Internal Audit PlanJennifer Myers

Situation: The *International Standards for the Professional Practice of Internal Auditing (Standards)* issued by the Institute of Internal Auditors (IIA) require the chief audit officer to establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.

Background: The Committee on Audit, Risk Management, and Compliance (CARMC) of the Board of Governors serves as the audit committee for the internal audit function at the UNC System Office. In this capacity, and as directed by both the audit committee and the internal audit charters, the IIA *Standards*, and Section 1300.7.1[R] of the UNC Policy, *Regulation Regarding Internal Audit Reporting Relationships at Constituent Institutions*, the CARMC is the approving and oversight authority for the UNC System Office's annual internal audit plan.

Assessment: The internal audit team conducted a risk assessment as part of the process to develop the annual audit plan for the 2024 fiscal year. This annual risk assessment involved identifying and ranking risks based on management input, current industry and audit trends, prior audit results, financial activity, and other factors. The result is the attached risk-based plan as required by the Internal Audit Charter and the IIA *Standards*.

Action: This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.



**THE UNIVERSITY OF
NORTH CAROLINA SYSTEM**

Fiscal 2025 Internal Audit Plan

UNC SYSTEM OFFICE INTERNAL AUDIT PLAN

Engagements	Planned Hours	Comments
Prior Year Carry Over		
PBS NC IT Contracting and Vendor Management	80	<i>Underway</i>
System Office IT Contracting and Vendor Management	13	<i>Audit Close-Out</i>
Assurance Engagements		
Campus Data Quality	720	<i>On FY24 plan but not started in FY24 due to resource limitations</i>
Campus Billing Processes	240	
ACH Change Processes	160	
Consultation Engagements		
		<i>None identified at this time</i>
Follow-Up on Management Corrective Actions		
<ul style="list-style-type: none"> PBS NC PCI Compliance Review System Office IT Contracting and Vendor Management 	100	<i>Review status and verify actions taken on prior recommendations</i>
Investigations		
Unplanned/Various as occurs: Investigations of internal/external hotline reports and similar types of investigations	100	



UNC SYSTEM OFFICE INTERNAL AUDIT PLAN

Engagements	Planned Hours	Comments
Special Projects		
Participation in OSBM Peer Review Process	120	<i>Required as part of receiving FY24 Peer Review</i>
Annual Risk Assessment/ FY25 Audit Plan Development	100	
Technical Assistance to: Finance, Information Technology, Human Resources, Academic Affairs, Strategy and Policy, Government Relations, University Communications, Office of the Secretary, University Advancement, Safety & Emergency Operations, UNC Affiliates (PBSNC, UNC Press, etc.)	80	<i>As requested</i>
Charter Review and update policies to align with new IIA Standards	80	
UNCAA Conference Planning	40	
Other Hours		
Preparation for Board Meetings and meeting attendance	454	<i>Includes Board of Governors, SEAA Board of Directors, and PBS NC Board of Trustees</i>
Unit oversight, staff hiring, MOU updates	207	

UNC SYSTEM OFFICE INTERNAL AUDIT PLAN

Engagements	Planned Hours	Comments
NC Council on Internal Auditing Reporting Requirements (SMM, Attestations, Annual Report, KPI), meetings with OSBM, and attending Council Meetings	200	Required
Other Services: Routine advisory services, assist external auditors; QAIP work, and other projects to be determined	100	
Professional Development	120	Required by Internal Auditing Standards
Outreach and coordination with other UNC System Internal Audit Groups	78	
Management of Internal Audit Hotline	40	
Holidays and Staff Leave	936	
Total Hours to UNC System Office:	3968	
Internal Audit Shared Services		
Internal Audit Services to NCSSM	1512	Hours established by MOU
Internal Audit Services to NCSEAA	760	Hours established by MOU
Total Hours Per MOUs:	2272	
Total Available Hours:	6240	
Less (Permanent Resource Hours 3 X 2080):	6240	
Difference:	0	

UNC SYSTEM OFFICE INTERNAL AUDIT PLAN

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, 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 2024 to June 2025. The estimated hours include an allocation of time for the UNC System Office Chief Audit Officer, the NCSSM Chief Audit Officer, and one Staff Auditor.

A brief description of the projects are as follows:

UNC SYSTEM OFFICE INTERNAL AUDIT PLAN

PRIOR YEAR CARRY OVER

Prior year carryover includes the following internal audit projects from the prior year audit plan that have final reports to be issued and/or steps that are required to finalize projects during the beginning of fiscal 2025.

- **PBS NC IT Contracting and Vendor Management**
- **System Office IT Contracting and Vendor Management**

UNC SYSTEM OFFICE INTERNAL AUDIT PLAN

ASSURANCE ENGAGEMENTS

Campus Data Quality:

The UNC System Office has established an Enterprise Data Office to centrally manage the collection of Financial, Student, and Human Resources data. This data is provided to the UNC System Office through periodic feeds from the constituent institutions. This data is utilized for analysis and reporting purposes throughout the enterprise. In addition, this data will ultimately drive funding and incentives to the institutions and their leadership. While efforts are made by the System Office to ensure this data is accurately collected, ultimate responsibility for its accuracy lies with the institution providing the files. The Internal Audit team will review a sample of the data being transmitted and attempt to reconcile and verify the accuracy of the data with the institutions providing the information.

Campus Billing Processes:

The Finance and Budget team is responsible for ensuring certain expenses accrued by the System Office are billed to the appropriate campus/entities in an accurate and efficient manner. The procedures and policies surrounding the billing process have been updated over the prior years, and the Finance and Budget team has requested that the processes and controls be examined. The Internal Audit team will review the campus billing processes to evaluate the effectiveness of the process steps and identify if any gaps or control weaknesses exist.

ACH Change Processes:

The Finance and Budget team is responsible for entering, editing, and making all Automated Clearing House (ACH) payments. To improve the internal controls over these processes, the System Office has updated their ACH policies and procedures. The Internal Audit team will conduct a thorough review of the ACH processes (e.g., set-up, changes, processing, reconciliation) to evaluate the effectiveness of the changes and identify if any gaps or control weaknesses exist.

UNC SYSTEM OFFICE INTERNAL AUDIT PLAN

ADVISORY SERVICES

FY25 Consultation Engagements and Technical Assistance:

As needed, the Internal Audit team is available to provide technical advice and consulting 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 rules. Currently there are no consultations or technical assistance requested by management; however, we have reserved hours to provide these services as requested.

UNC SYSTEM OFFICE INTERNAL AUDIT PLAN

FOLLOW-UP ON MANAGEMENT CORRECTIVE ACTIONS

FY25 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.

UNC SYSTEM OFFICE INTERNAL AUDIT PLAN

SPECIAL PROJECTS

Peer Review Participation:

We received an external Quality Assurance Review in FY24 through the North Carolina Central Internal Audit Office Peer Review Program. When an organization participates in this Peer Review Program, they are required to assist in performing a peer review at another state agency or institution. This had originally been planned for FY24; however, due to scheduling changes on the part of the institution being reviewed, a System Office Internal Audit team member will participate on this peer review team during FY25.

Charter Review and Policy Updates to Align with New IIA Standards:

New Global Internal Audit Standards promulgated by the Institute of Internal Auditors (IIA) go into effect January 9, 2025. Compliance with the IIA's Standards is required under Article 79 "Internal Auditing" of the North Carolina General Statutes. All internal policies and processes, including the Internal Audit and Audit Committee Charters, will need to be reviewed to ensure they comply with the updated Standards.

UNC SYSTEM OFFICE INTERNAL AUDIT PLAN

OTHER HOURS

NC Council on Internal Auditing Reporting Requirements:

There are several requirements the Internal Audit Office must provide to the North Carolina Central Audit Office under the Internal Auditing Act and through directives from the NC Council of Internal Auditing. These include submitting audit reports, internal audit charters, internal audit organizational charts, audit plan attestations, quarterly reporting attestations, submissions of audit plans, and productivity data. In addition, each office is also required to complete a Self-Assessment Maturity Model (SAMM) tool which is used to evaluate the internal audit function's maturity with regards to compliance with the IIA's Standards and best practices. To ensure compliance, the North Carolina Central Internal Audit Office holds regular meetings and offers training to the internal audit functions.

Additional Items:

General management of the office, coordination with institutional audit functions, and ensuring staff professional development requirements are met are also included in the annual audit plan.

UNC SYSTEM OFFICE INTERNAL AUDIT PLAN

INTERNAL SHARED SERVICES

FY25 Internal Audit Shared Services:

Under the supervision of the UNC System Office Chief Audit Officer, the UNC System Office Internal Audit staff provides internal audit services to both the North Carolina School of Science and Mathematics (NCSSM) and the North Carolina State Education Assistance Authority (NCSEAA). PBS North Carolina is also served by the UNC System Office Internal Audit. These internal audit shared services include all board communications and fulfilling audit requirements for these institutions related to the IIA's Standards and to the requirements of the North Carolina Council of Internal Auditing.

QUESTIONS?

THANK YOU

AGENDA ITEM

A-5. UNC System Office Internal Audit 2023-2024 Year-end Report Carol Harris

Situation: The *International Standards for the Professional Practice of Internal Auditing (Standards)* issued by the Institute of Internal Auditors (IIA) require the chief audit officer to provide updates on the University of North Carolina System Office's Internal Audit activities as well as make certain annual disclosures of information.

Background: The Committee on Audit, Risk Management, and Compliance (CARMC) of the Board of Governors serves as the audit committee for the internal audit function at the UNC System Office. In this capacity, and as directed by both the audit committee and the internal audit charters, the CARMC is to receive an update from the chief audit officer on the planned versus actual internal audit activities as well as annual confirmation of the internal audit's independence and the results of any internal self-assessments or external quality assurance reviews of internal audit's conformance with the IIA's Code of Ethics and *Standards*.

Assessment: *Attachment A* lists the projects from the fiscal 2024 audit plan that was approved by the committee in September 2023 and identifies the status of those projects on June 30, 2024.

Attachment B is the internal audit year-end report, which includes the annual disclosures required by the IIA *Standards*.

Action: This item is for information only.



**THE UNIVERSITY OF
NORTH CAROLINA SYSTEM**

2023-2024 Internal Audit Year- End Report

2023-2024 Internal Audit Year-End Report

Engagements and Other Activities	Status As of 06/30/2024
Audit Engagements	
Risk Assessment	
Annual Risk Assessment - FY2024 Audit Plan Development	COMPLETED <i>No Report Issued</i>
Assurance Engagements	
UNC System Office IT Contracting and Vendor Management	IN PROGRESS
Campus Data Quality	DEFERRED TO FY25
PBS NC IT Contracting and Vendor Management	IN PROGRESS
Consulting Engagements	
Consult on Generative AI Policies	COMPLETED <i>No Report Issued</i>
Follow-Up on Management Corrective Actions from the Following Engagements	
Follow-Up to IA End User Data Storage and Security Awareness	COMPLETED
PBS NC PCI Compliance Review	
UNC System Office Information Systems Policy Audit	
Investigations	
Unplanned/Various as occurs: Management of the University Hotline; Investigations of internal/external hotline reports <i>NOTE: SIGNIFICANT UPLANNED HOURS SPENT SUPPORTING OSA ON FSU INVESTIGATION</i>	COMPLETED <i>No Reports Issued</i>



2023-2024 Internal Audit Year-End Report

Engagements and Other Activities	Status <i>As of 06/30/2024</i>
Special Projects	
System Office Peer Review	COMPLETED
Participation in OSBM Peer Review Process	DEFERRED TO FY25
Technical Assistance to Finance, Information Technology, Human Resources, Academic Affairs, Strategy and Policy, Government Relations, University Communications, Office of the Secretary, University Advancement, Safety & Emergency Operations, and UNC Affiliates (PBS NC, UNC Press, etc.)	COMPLETED
MOU (Internal Audit Shared Services)	
Planned Internal Audit Services to NCSSM	COMPLETED
Planned Internal Audit Services to NCSEAA	COMPLETED



2023-2024 Internal Audit Year-End Report

The UNC System Office is required by North Carolina General Statute §143-746 to maintain an internal audit function. The UNC System Office internal audit function is accountable to the Board of Governors through its Committee on Audit, Risk Management, and Compliance (CARMC) and to the President. Through memorandums of understanding (MOUs), the UNC System Office's internal audit team provides internal audit shared services to the North Carolina School of Science and Mathematics (NCSSM) and the North Carolina State Education Assistance Authority (NCSEAA).

The internal audit function adheres to the Institute of Internal Auditors' (IIA's) mandatory guidance, including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. The *Standards* require the chief audit officer to report to the Board (CARMC) on the independence of the internal audit function, conformance to the Code of Ethics, the results of the quality assurance and improvement program, and the actual performance of work relative to the audit plan at least annually.

2023-2024 Internal Audit Year-End Report

INDEPENDENCE

The IIA defines independence as freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner or that interfere with the scope of work, performing work, or communicating results. The UNC System Office internal audit function is positioned within the organizational structure of the UNC System Office that promotes independence and objectivity, and there were no interferences with the scope of our work, performing our work, or communicating results during fiscal year 2024.

2023-2024 Internal Audit Year-End Report

CODE OF ETHICS

The IIA Code of Ethics are Principles relevant to the profession and practice of internal auditing and Rules of Conduct that describe behavior expected of internal auditors. The Code of Ethics applies to both individual auditors and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing related to integrity, objectivity, confidentiality, and competency. For the fiscal year 2024, there were no instances of violations to the Code of Ethics.

2023-2024 Internal Audit Year-End Report

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The IIA *Standards* require a Quality Assurance and Improvement Program (QAIP) to be developed and maintained to evaluate the internal audit function's conformance with the *Standards* and application of the Code of Ethics. The QAIP includes both internal assessments and external quality assurance reviews. Internal assessments are completed through tools such as workpaper quality assurance checklists, feedback from client engagement surveys, and key performance indicators, such as budget to actual hours and audit plan completion.

2023-2024 Internal Audit Year-End Report

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The IIA *Standards* require the internal audit function to undergo an external Quality Assurance Review (QAR) at least once every five years by a qualified, independent assessor from outside the organization. The last QAR was in 2019. In FY24, the UNC System Office received its external QAR that was conducted in coordination with the North Carolina Office of Internal Audit's Peer Review Program. The UNC System Office received a "Generally Conforms" rating on the review, which is the highest rating possible.

In addition, the North Carolina Central Internal Audit Office requires that a self-assessment maturity model (SAMM) tool is completed each year to identify the level of conformance with the IIA *Standards* and Code of Ethics. For FY24, we met or exceeded the minimum required maturity level for conformance with the IIA *Standards* and Code of Ethics.

2023-2024 Internal Audit Year-End Report

PERFORMANCE OF WORK

In September 2023, the UNC System Office FY24 internal audit plan was approved by the CARMC and the Board of Governors. The planned hours included two fulltime audit staff members and the chief audit officer. The planned projects covered the UNC System Office as well as hours to provide internal audit shared services to the North Carolina School of Science and Mathematics (NCSSM), and the North Carolina State Education Assistance Authority (NCSEAA).

The UNC System Office completed most of the planned items. The audit plan was impacted by the need to shift resources to support the Office of the State Auditor and their work investigating activities at Fayetteville State University. This work was unplanned and required the System Office Internal Audit team to reprioritize their time from planned efforts.

2023-2024 Internal Audit Year-End Report

PERFORMANCE OF WORK

As of June 30, 2024, the UNC System Office Internal Audit team completed the majority of the projects on the FY24 plan with a few notable exceptions.

- The audit of the System Office IT Contracting and Vendor Management is in the final stages of completion. The final report was issued on August 9, 2024.
- The audit of PBS NC IT Contracting and Vendor Management is underway. This effort started late in FY24 and will be completed in FY25.
- We did not conduct the Campus Data Quality review we had planned for FY24. It is included in the audit plan for FY25.
- By participating in the North Carolina Office of Internal Audit Peer Review program (at no cost), the participants are required to allocate resources to assist in performing a peer review at another agency or institution. This had originally been planned for FY24; however, due to scheduling changes on the part of the institution being reviewed, we will be participating on this peer review team in FY25.

2023-2024 Internal Audit Year-End Report

FY24 REPORTS ISSUED

During FY24, the UNC System Office Internal Audit team issued the following report:

Report Name

Completed

Audit Recommendation Follow-Up Report

06/08/2024

At the start of FY24, the Internal Audit team was tracking 5 prior recommendations. In working with the System Office business units, we were able to close 2 of the prior items. The remaining three recommendations are related to PBS NC. The UNC System Office is integrating the PBS NC IT with the UNC System Office IT functions, and it is anticipated that these outstanding items will be resolved in FY25.

The other completed engagements (Annual Risk Assessment and Generative AI Policies) did not have a report issued.

2023-2024 Internal Audit Year-End Report

INTERNAL AUDIT SHARED SERVICES

For NCSSM, we completed the annual risk assessment, one investigation, a follow-up on prior audit recommendations, and five consulting engagements.

For NCSEAA, we completed the annual risk assessment and two consulting engagements. SEAA had no prior audit recommendations for follow-up during FY24.



2023-2024 Internal Audit Year-End Report

FY24 RESOURCES AND STAFFING

For FY24, the UNC System Office Internal Audit Office was staffed with 3 full-time equivalents (FTE) positions.

Names	FTE	Notes
Michael Ptasienski	1.00	Retired July 31, 2024
Carol Harris	1.00	
Amber Vitale	1.00	
Total	3.00	

The UNC System Office Internal Audit Office ended FY24 fully staffed with 3 FTE. The Chief Audit Officer (Michael Ptasienski) retired on July 31, 2024. He had been involved with helping recruit, interview, and hire Jennifer Myers. She came to the UNC System Office from Appalachian State University and assumed the role on September 3, 2024.

2023-2024 Internal Audit Year-End Report

UNIVERSITY INTERNAL AUDIT COORDINATION

One of the key functions of the UNC System Office Chief Audit Officer is to coordinate the collection of data and foster close communication among the Internal Audit functions at each constituent institution. This work includes hosting conference calls and a 2-day retreat with the Chief Audit Officers, sharing information and best practices, addressing common challenges and issues, ensuring consistency in reporting to the Council of Internal Auditing and making sure UNC System requirements are communicated and understood.

2023-2024 Internal Audit Year-End Report

HOTLINE

The UNC System Office Internal Audit team manages a hotline for the public to report fraud, waste, abuse, or misuse of resources; violation of laws, regulations or policy; ineffective operations; or any activities that may be detrimental to the UNC System. During the course of the year, we received numerous allegations and reports of activity that required investigation and follow-up. When issues were related to a specific institution, those reports were generally referred to the appropriate Internal Audit Office at that institution. When reports were received that were either related to the System Office or had broader more sensitive allegations, those were handled by the UNC System Office Internal Audit team, in coordination with appropriate System Office leadership.

QUESTIONS?

THANK YOU

AGENDA ITEM

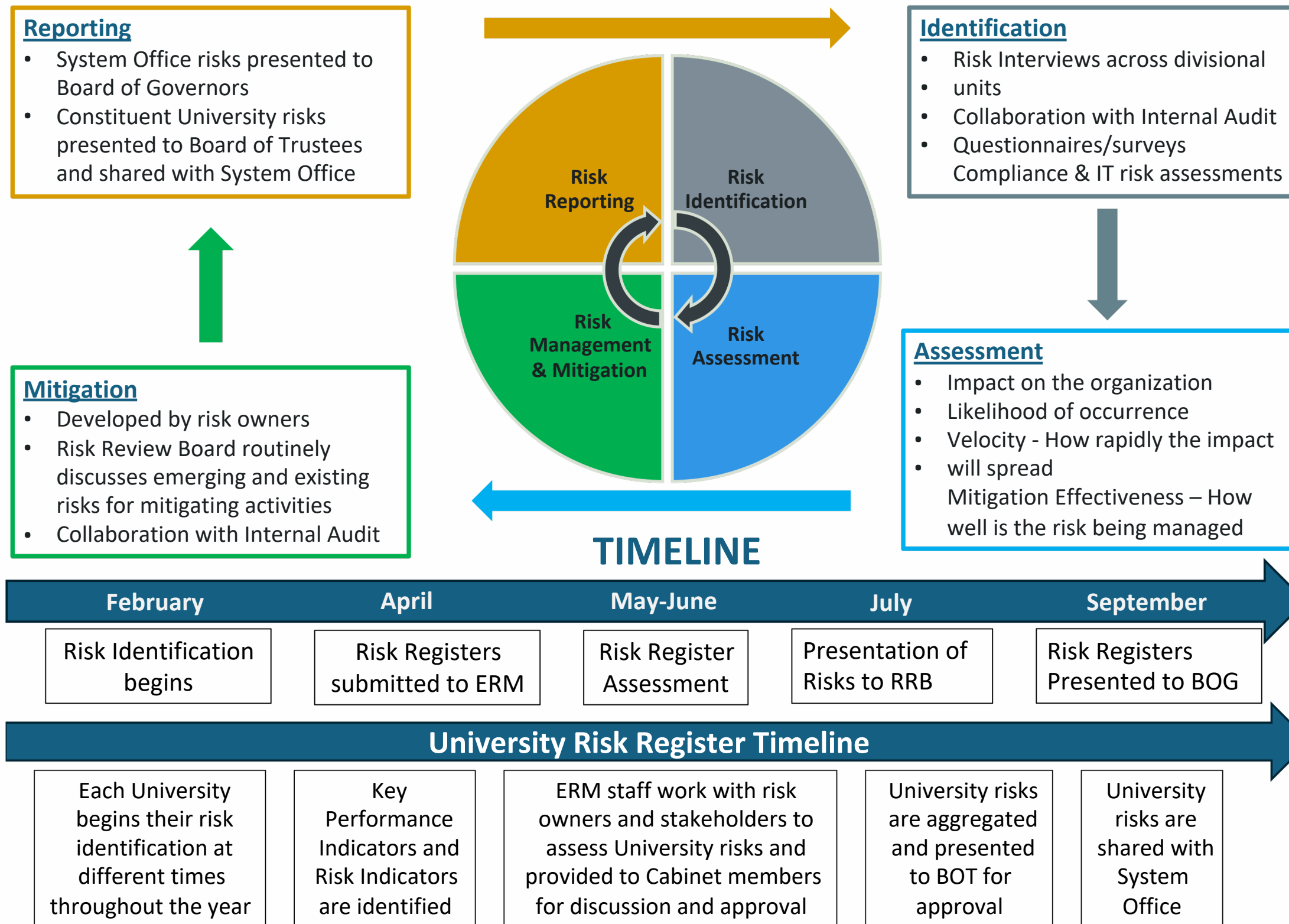
A-6. UNC System Enterprise Risk Management Report Bryan Heckle

Situation:	The purpose of this item is to provide the Committee on Audit, Risk Management, and Compliance with 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 Systemwide and institution-based enterprise risk management and compliance processes. The policy aims to identify and manage enterprise risks at the system level and support risk management activity 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.



2024 Risk Register

RISK REGISTER CYCLE



2024 UNC SYSTEM OFFICE RISK REGISTER

Strategic Risk
affecting all goals

TALENT MANAGEMENT

- Highly skilled, competitively compensated, flexible workforce with advancement opportunity
- Employee workload management that allows for timely response to new, high-demand, high-interest projects that align with the Board of Governors’ Priorities
- Improved succession planning efforts to ensure continuity of operations, support expected turnover, and limit loss of productivity

Operational Risk
affecting all goals

CYBERSECURITY & IT INFRASTRUCTURE

Consistency across and within the system will allow for a more strategic and efficient approach to reducing this risk regarding the coordination of:

- Standard preparedness and pre-disaster training/vendor risk management
- Incident response and emergency operations
- Disaster recovery efforts

Operational, Strategic and Legal, Regulatory & Compliance Risk affecting all goals

BUSINESS OPERATIONS

- Consistent documentation, communication, and implementation of System Office departmental policies and standard operating procedures
- Business Intelligence: Ensure efficient data analytics and coordinated data project management to inform policy and management decisions
- Maximize efficiency by reducing redundant or outdated applications across the system and System Office
- Focus on technology tools and solutions that promote efficiencies and support business operations users
- Thorough and deliberate document review and approval processes that mitigate the risks created by electronic approval systems which can lead to ineffective document review



2024 UNC SYSTEM CONSTITUENT INSTITUTION RISK REGISTER OVERVIEW

**Operational Risk
affecting all goals**

CYBERSECURITY

- Protect data and personal identifiable information
- Mitigate hacking/phishing/ransom-ware attacks/insider threats
- Maintain and enhance IT security and IT infrastructure (people, processes, technology)
- Ensure confidentiality, integrity, and availability of data and information systems

**Strategic Risk
affecting goals:**

**11. Employee
Experience**

**12. Faculty and
Staff retention**

TALENT MANAGEMENT

- Vacancies in critical positions with needs for quality personnel and competitive salary
- Faculty and staff wellness, stress, and burnout concerns as they relate to morale and effectiveness of the workforce
- Training and professional development opportunities to promote sustainability and less turnover
- State and System process for recruitment impedes ability to attract and retain a diverse pool of high performing employees quickly and competitively

**Strategic Risk
affecting all goals**

STUDENT RETENTION

- Low enrollment adversely impacting financial stability and reputation
- Improve graduation rates and decrease a loss of tuition revenue
- Innovate and evolve academic programs and degree completion with consideration of institution climate.
- Competition with online programs paired with decreased birth rates, lower high school graduation rates, and changing demographics



**THE UNIVERSITY OF
NORTH CAROLINA SYSTEM**

2024 UNC SYSTEM CONSTITUENT INSTITUTION RISK REGISTER OVERVIEW

**Financial Risk
affecting all goals**

FINANCIAL

- Adapting to funding models and external factors such as policy changes, economic conditions, and tax revenue
- Lack of diversity in funding sources
- High levels of inflation further aggravate institutions' ability to attract a competitive and talent workforce
- Providing professional programs that satisfy market demands and align with University Strategic Plans

**Operational Risk
affecting all goals**

PUBLIC SAFETY

Threats and hazards include but are not limited to:

- Violent crimes and theft
- Incidents with hazardous materials, fire safety and pedestrian safety
- Impacts and recovery from severe weather events
- Emerging student health concerns (particularly increasing concern around mental health issues)

**Operational Risk & Health Risk
affecting all goals**

MENTAL HEALTH

- Resources and advocacy to address the volume and severity of increasingly prevalent wellbeing and mental health concerns adversely impacting student and employee success outcomes
- Ensure awareness and delivery of resources meets the needs of students and employees

2024 UNC SYSTEM CONSTITUENT INSTITUTION RISK REGISTER OVERVIEW

**Legal, Regulatory & Compliance Risk
affecting goal 7: University Productivity**

FACILITIES MANAGEMENT

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

**Operational, Legal, Regulatory, & Compliance Risk
affecting goal 7: University Productivity**

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

**Operational Risk affecting goal 7:
University Productivity**

BUSINESS CONTINUITY

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



QUESTIONS?

THANK YOU

AGENDA ITEM

A-7. Implementation Update on Cybersecurity Recommendations Maurice Ferrell

Situation: The purpose of this item is to provide the Committee on Audit, Risk Management, and Compliance (CARMC) with an update on the implementation of prior security recommendations to improve and mature the information technology controls and information security posture for the UNC System Office and each institution.

Background: CARMC has identified information governance and information security as areas of critical enterprise risk. The Office of the State Auditor has concluded six information technology control audits on student data that have yielded consistent findings. Additionally, the UNC System brokered a Systemwide third-party assessment with MCNC to develop baselines. In response, the CARMC requested that the UNC System Office develop a set of recommendations to address this issue with appropriate corrective actions. The UNC System Office Risk Review Board, in consultation with the CIO Council, drafted a series of recommendations presented in open and closed sessions in May 2022. These recommendations were approved and subsequently included in the legislative budget request.

Assessment: Information Technology is a dynamic environment and challenged with frequent and new security attack vectors. All constituent institutions in the UNC System have agreed to the ISO 27002 framework and its associated 114 controls. This portion of the presentation focuses on the legislatively requested cybersecurity budget and actions in the following areas: Next Generation Managed Detection and Response (NextGen MDR) Solution, Security Information and Event Management (SIEM) Solution, Next Generation Firewall Solution (NextGen FW), Vendor Risk Management (VRM)/Third Party Risk Management (TPRM) Platform, IT Security Maturity Improvement Program, Vulnerability and Configuration Management Tools, Education and Information Sharing, Partnership with NC Joint Cybersecurity Taskforce and the development of an information security guidelines manual.

Action: This item is for information only.



**THE UNIVERSITY OF
NORTH CAROLINA SYSTEM**

A-7: Implementation Update on Cybersecurity Recommendations

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PREVIOUSLY IDENTIFIED UNC SYSTEM CYBERSECURITY RISKS

Cybersecurity maturity varies by institution

- Smaller campuses=higher cyber risk

Ever-changing threat landscape

Audit findings:

- Data Classification
- Vulnerability Management
- Configuration Management
- Data Log Management
- Vendor/Supplier Risk Management

Exploited vulnerabilities in supplier and manufacturer products/solutions

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KEY 2023-2024 CYBERSECURITY INITIATIVES & INVESTMENTS

Funded through legislative appropriation designed to improve cybersecurity posture of all UNC institutions

1. Next Generation Managed Detection and Response (NextGen MDR) Solution:

comprehensive endpoint and server protection with AI and ML tools for behavioral analysis plus third-party monitoring services to effectively detect and prevent malicious activity

2. Security Information and Event Management (SIEM) Solution:

a centralized platform to collect log data, security alerts, and events for real-time security monitoring and actions at the institution level; uses AI and ML tools to create dashboards for easy assessment of and reaction to threats and alerts

3. Next Generation Firewall Solution (NextGen FW):

advanced network security solution that monitors/regulates traffic and performs intrusion detection and prevention through AI-based tools

4. Vendor Risk Management (VRM)/Third Party Risk Management (TPRM) Platform:

centralized platform to give institutions visibility into their vendors' cyber posture, including assessing vendor security practices/controls and continuously monitoring risks

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KEY 2023-2024 CYBERSECURITY INITIATIVES & INVESTMENTS

Funded through legislative appropriation designed to improve cybersecurity posture of all UNC institutions

5. IT Security Maturity Improvement Program:

assessments, tools, training, and other resources provided to institutions to determine baseline maturity, identify gaps and opportunities, engage in corrective actions, and continuously improve

6. Vulnerability and Configuration Management Tools:

weekly external security scans available to institutions, plus alerting and remediation recommendations; penetration testing and network assessments by NC National Guard;

7. Education and Information Sharing:

BEC training; sample policies and procedures for institutional use; summaries of federal and state reporting requirements; breach guidance; regular meetings of peer institutions CIOs and CISOs to share ideas and information

8. Partnership with NC Joint Cybersecurity Taskforce:

incident response services; threat hunting and forensics; proactive alerts

A-7: Implementation Update on Cybersecurity Recommendations

DEMONSTRATION OF KEY INITIATIVE #1: CROWDSTRIKE MDR

The screenshot displays the CrowdStrike MDR interface. The main window shows a list of detections with columns for Severity, Detect time, Process on host, Tactic, Triggering file, Hostname, User name, Resolution, Assigned to, and Status. The selected detection is for **ZoomInfoContactContributor.exe** on host **LL-PF3W3F79**, detected at **Jun. 21, 2024 07:41:32**, with a severity of **Low** and status of **Closed**.

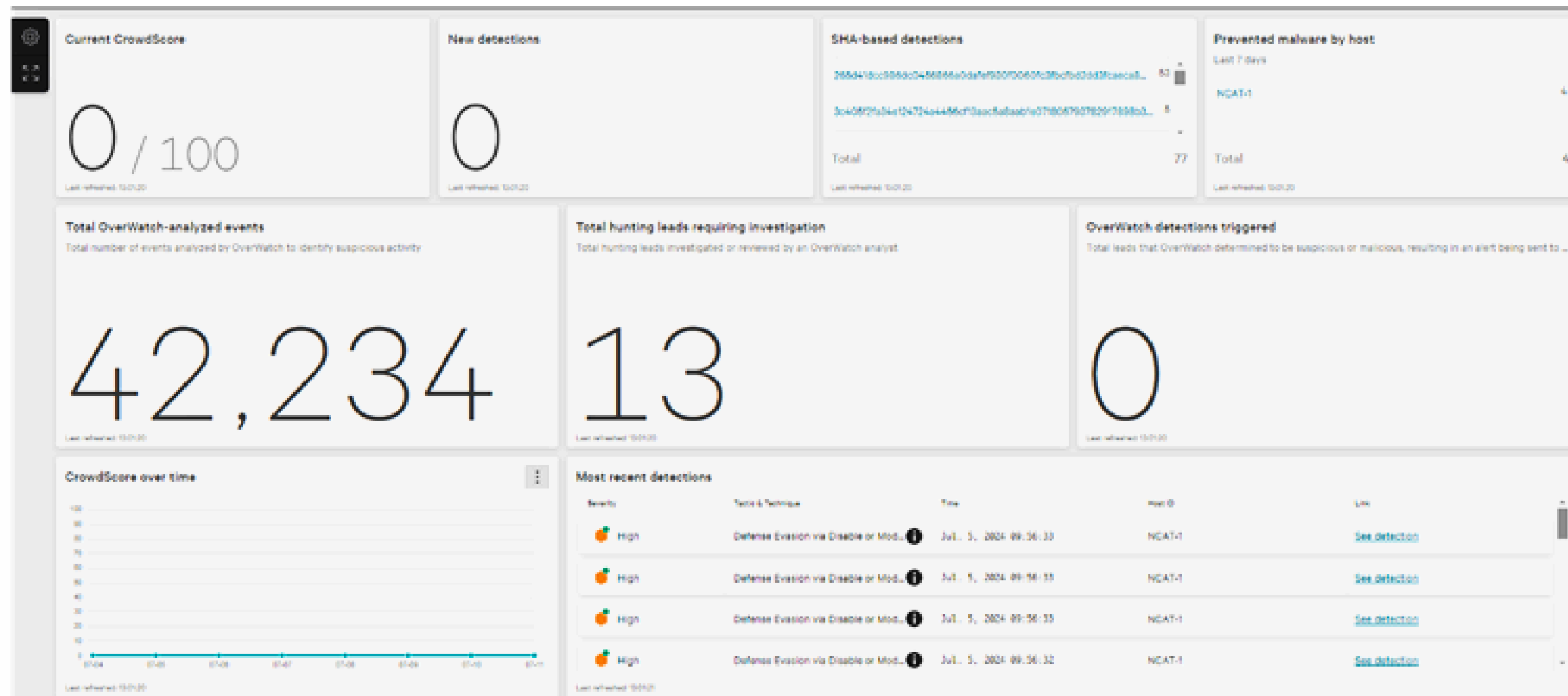
The right-hand pane provides detailed information about the detection:

- Run period:** A timeline showing the process running from **Jun. 21, 2024 07:41:31** to **Jun. 21, 2024 07:41:31**.
- Severity:** Low.
- Actions taken:** Process blocked, File quarantined.
- Objective:** Falcon Detection Method.
- Tactic & technique:** Malware via EUP.
- Specific to this detection:** This file is classified as Adware/PUP based on its SHA256 hash.
- Technique ID:** CST0013.
- IOA name:** HashPupAdwareCrowdStrikeSha...
- Local process ID:** 10888.
- Command line:** "C:\Users\lkeverittensley\Downloads\ZoomInfoContactContributor.exe"
- File path:** \Device\HarddiskVolume3\Users\lkeverittensley\Downloads\ZoomInfoContactContributor.exe

The bottom of the interface shows **77 results (1-20 shown)** and **Items per page: 20**. A **Page 1 of 4** indicator and a **See full detection** button are also visible.

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DEMONSTRATION OF KEY INITIATIVE #1: CROWDSTRIKE MDR



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CROWDSTRIKE MDR UTILIZATION METRICS

MDR Utilization

9 institutions using System Office agreement for licenses

- Licenses for institutions are now available
- UNC System Office license count also covers hosted solutions/shared service offerings for UNC institutions

7 institutions have individual agreements for CrowdStrike or other NextGen EDR/MDR solution

Status

Current Progress: 100% of institutions have NextGen MDR/EDR solution

Goal: 100% coverage of all critical endpoints and servers at each institution

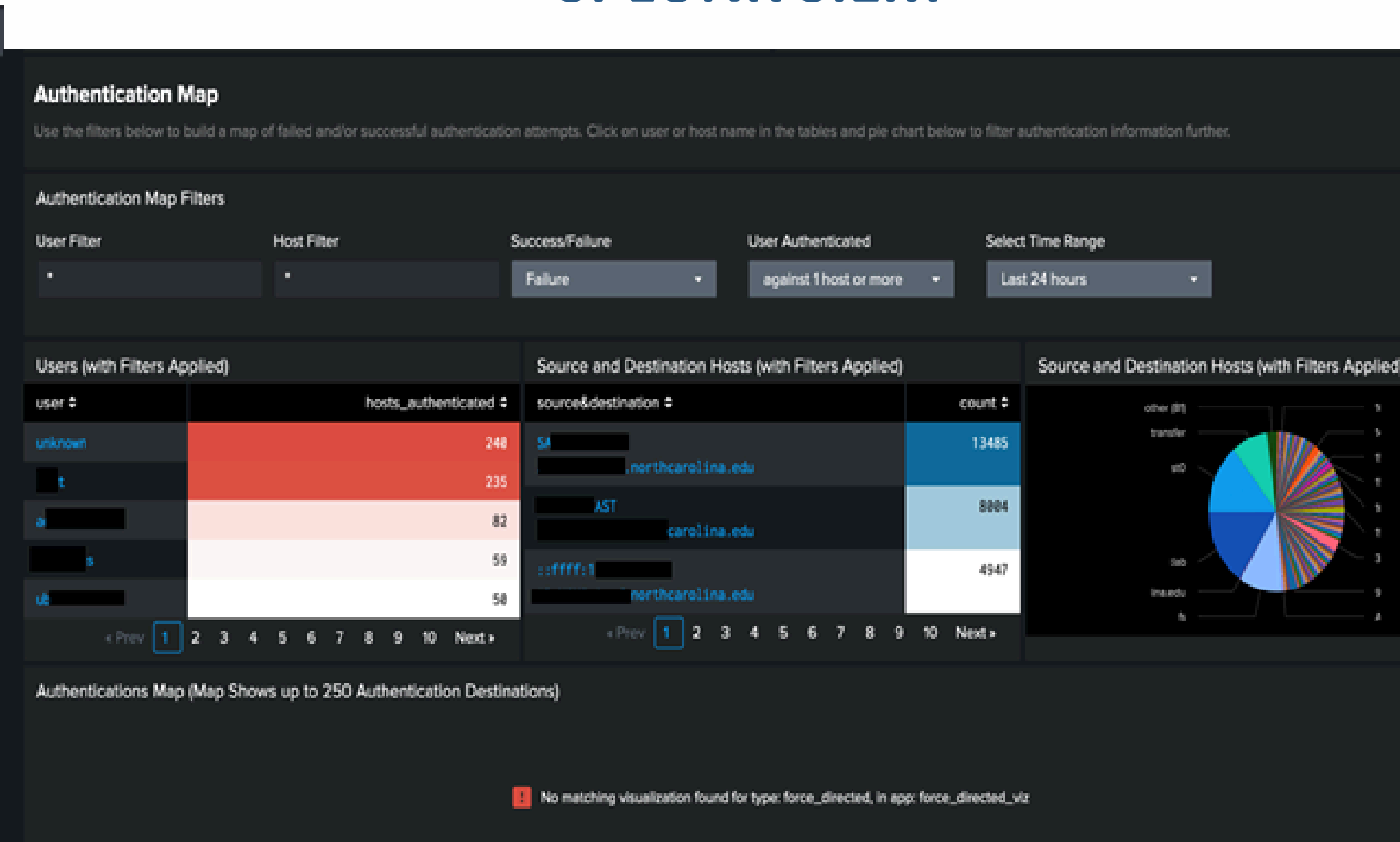
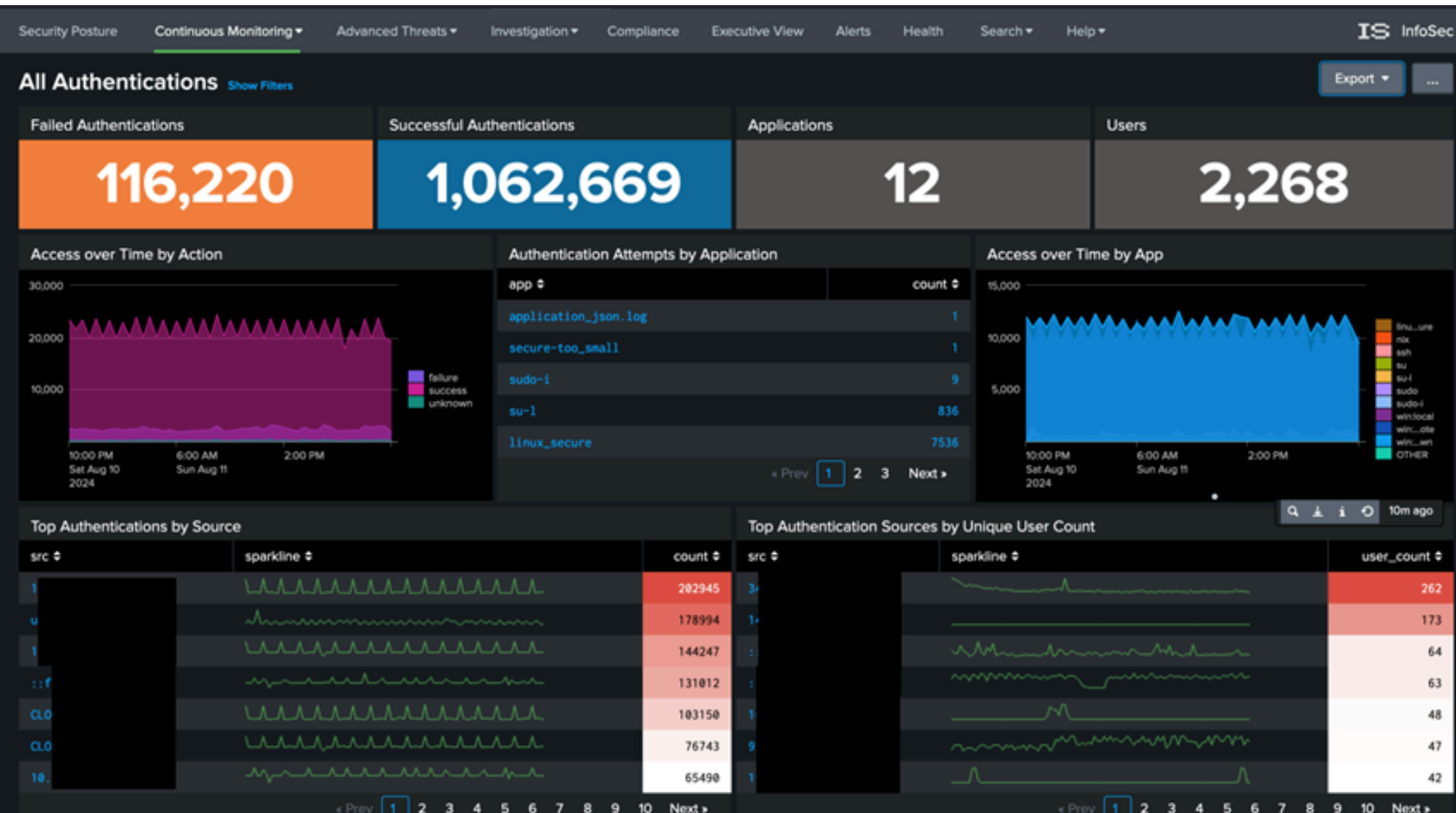
ISO 270002 Control 8.1 User Endpoint Management

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Logs from various security tools, network, firewall, and authentication sources are ingested into the SIEM:

- Creates a security dashboard for expedient review/action by staff
- Advanced analytics leveraged to reduce alert fatigue

DEMONSTRATION OF KEY INITIATIVE #2: SPLUNK SIEM



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SIEM UTILIZATION METRICS

Master System Office Contract: 11 constituent institutions & 2 affiliates

- 12 entities actively implementing/using Splunk SIEM
- 1 entity will be onboarded this fall

6 constituent institutions use a different SIEM solution or had existing contract with Splunk

Status

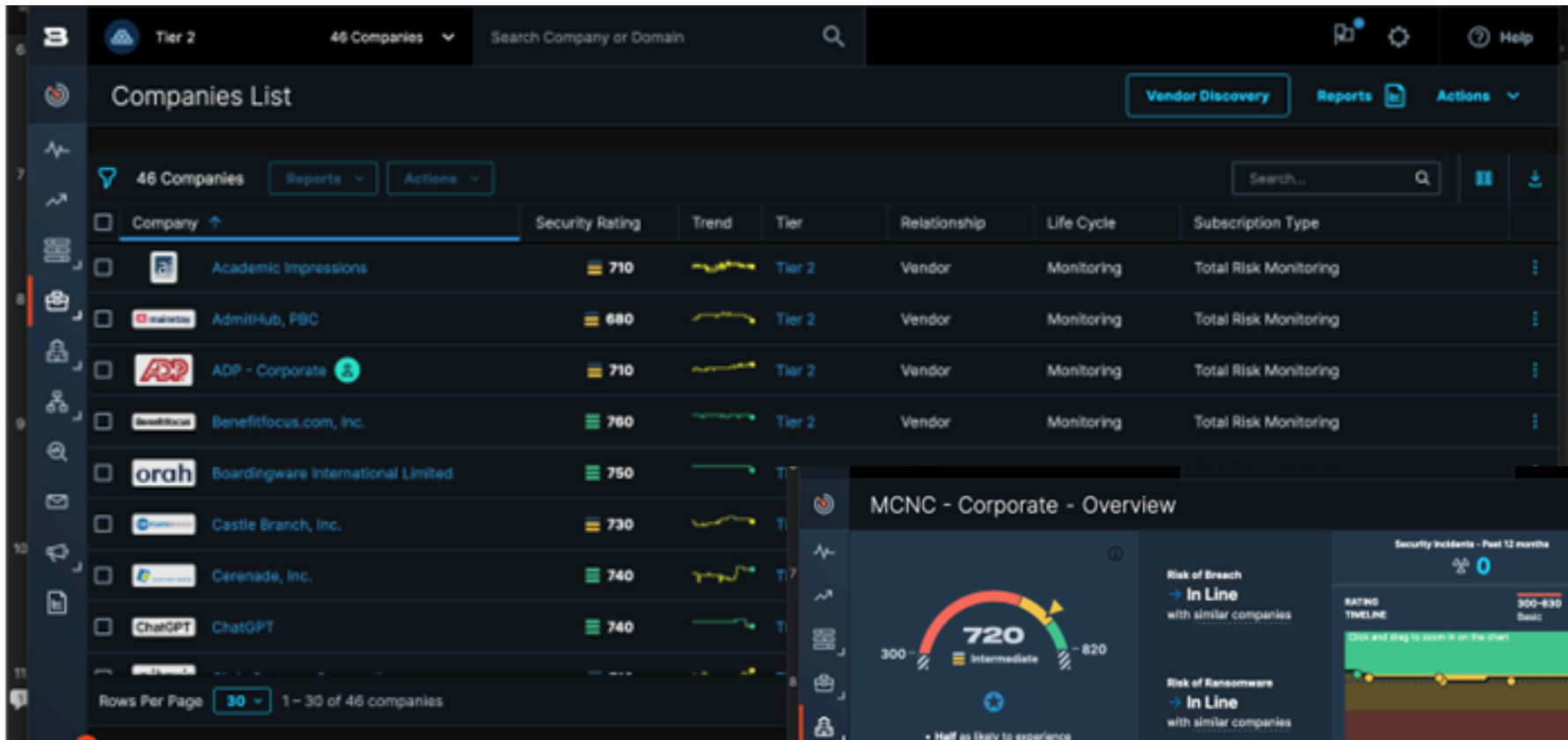
Current Progress: 94.7% adoption of SIEM solutions across all UNC institutions

Goal: 100% adoption of SIEM tool by December 2024

ISO 270002 Control #8.15 Logging

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DEMONSTRATION OF KEY INITIATIVE #4: VRM



BitSight platform actively being used for vendor cybersecurity posture assessment and continuous monitoring

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VRM PLATFORM UTILIZATION METRICS

All UNC institutions (including the System Office) are actively monitored in the platform

50+ commonly used vendors actively monitored, with additional vendors added regularly by institutions and the System Office

- Daily alerts on rating changes for all UNC System institutions and vendors sent to key staff for review
- All institutions offered administrative access to BitSight for institutional use, such as adding vendors, creating and retrieving reports, and receiving alerts
- Any institution can request assistance for report creation and production from System Office staff

Status

Current Progress: BitSight rolled out for all institutions to leverage

Goal: Workflow and centralized data sharing repository for use by all institutions by July 2025

ISO 270002 Control 15.9 Supplier Relationships

QUESTIONS?

THANK YOU