

February 27, 2025 at 11:30 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 Session Minutes of November 14, 2024 Mark Holton
- A-2. Purchase Cards Regulation Peter Hans
- A-3. CARMC Charter and Internal Audit Committee Charter Updates Jennifer Myers
- A-4. Audit Reports Issued by the Office of the State Auditor Jennifer Myers
- A-5. Summary of the UNC System FY 2025 Annual Audit Activities Jennifer Myers
- A-6. Cybersecurity Partnerships Chris Beal, MCNC

CLOSED SESSION

- A-7. Update on Research Security..... Edward You, FBI

OPEN SESSION

- A-8. Adjourn Mark Holton



MEETING OF THE BOARD OF GOVERNORS
Committee on Audit, Risk Management, and Compliance
February 26, 2025

Closed Session Motion

Motion to go into closed session to:

- Prevent the disclosure of information that is privileged or confidential under § 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
- Consult with our attorney to protect attorney-client privilege

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

MINUTES

November 13, 2024 at 10:15 a.m.

Via Videoconference and PBS North Carolina Livestream

UNC System Office

223 S. West Street, Room 1809

Raleigh, 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 phone: Woody White, Art Pope, Kirk Bradley, Carolyn Coward, and Kathryn Greeley.

Participating chancellor was Bonita Brown.

Staff members present included Fred Sellers, Jennifer Myers, Samantha Barbusse, 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 10:15 a.m. on Wednesday, November 13, 2024. The open session minutes from the September 11, 2024, meeting were approved by unanimous consent.

2. Emergency Response Resiliency (Item A-2)

Will Ray, director of North Carolina Emergency Management, reported on the response and recovery of Hurricane Helene's impact on western North Carolina. Director Ray highlighted the strong collaboration with state and federal partners and the assistance provided by UNC System institutions across the state to aid campuses directly impacted by Helene. Director Ray also recognized the service to impacted communities rendered directly by UNC System institutions located in western North Carolina.

This item was for information only.

3. Research Security Update (Item A-3)

Mary Millsaps, director of research compliance at NC State University, and Quinton Johnson, associate vice chancellor for research compliance at University of North Carolina at Chapel Hill, presented updates regarding research security activity. They also discussed federal agencies issuing new and updated regulations targeting the security of federally funded research and its impact on compliance areas. Additionally, they discussed an export controls conference hosted by NC State and UNC-Chapel Hill to learn about controlling costs and understanding risk profiles. Finally, they noted the assistance that NC State and UNC-Chapel Hill are providing to other UNC System institutions, including sharing information, resources, and technical guidance.

This item was for information only.

4. Cybersecurity Partnership & Outreach (Item A-4)

Dr. Shannon Tufts presented on cybersecurity partnership and outreach, including cybersecurity recommendations adopted by the CARMC in 2021, which have served as a road map for strengthening the System's cybersecurity posture and the information security posture for each institution in the UNC System:

- Establish third-party validation of baseline controls
- Improve the information security posture
- Assure leadership is actively engaged in risk decision
- Continuously monitor progress and exploit areas of improvement
- Determine organizationally prioritized risks
- Make targeted IT investments based on determined prioritization
- Ensure appropriate resource coverage

Dr. Tufts also outlined the impact of the expanded adoption of the Next Generation Managed Detection and Response offering new System Office cybersecurity capabilities available to UNC institutions by request, as well as enhanced utilization efforts related to the Security Information and Event Management solutions. She also discussed existing and emerging student and faculty involvement in efforts related to cybersecurity at each UNC System institution and the System Office.

This item was for information only.

5. Summary of the Systemwide FY24 Internal Audit Activities (Item A-5)

Jennifer Myers, chief audit officer, gave a summary of the previous fiscal year's campus Internal Audit activities, which included Internal Audit departments across the UNC System having completed risk assessments, audits, advisory services, audit finding follow-ups, and investigations, producing 187 reports. All recommendations for improvements to internal controls are either implemented or underway.

This item was for information only.

6. Summary of the UNC System FY25 Annual Audit Plans (Item A-6)

Jennifer Myers also briefed on the audit plans for FY2025 that are developed at each institution from a comprehensive risk-based analysis of specific institutional operations. In addition, a response to current risks was reflected in each plan.

This item was for information only.

7. Major Associated Entities (Item A-7)

Jennifer Myers briefed on the University System's Associated Entities' annual financial audit reports, which included 102 Associated Entities subject to the reporting requirements. All Associated Entities received clean audit opinions.

This item was for information only.

8. Adjourn

There being no further business, and without objection, the meeting adjourned at 11:15 a.m.

Art Pope, Secretary

AGENDA ITEM

A-2. Purchase Card Regulation Peter Hans and Andrew Tripp

Situation: The president will update the committee on actions taken to ensure proper use of purchase cards by university employees.

Background: While purchase cards enable efficiency in conducting university business, use of these cards can pose a significant enterprise risk if not properly managed with stringent internal controls, strong institution policies, and rigorous enforcement of those policies. The president directed his leadership team to develop a regulation to strengthen campus purchase card policies, fiscal controls and compliance monitoring, enforcement, and reporting.

Assessment: On November 7, 2024, the president issued [Section 1300.7.2\[R\] of the UNC Policy Manual](#), *Regulation on University Procurement and Purchasing Card Programs*, establishing requirements governing the use of purchase cards by all UNC System employees. The regulation was effective immediately. Designed to protect both card users and the University, the regulation provides for the following:

1. Restates existing state law that purchase cards are to be used exclusively for official University business and that any personal use may result in repayment of unauthorized expenditures, potential disciplinary action, and possible filing of criminal charges.
2. Sets out specific procedures for issuing purchase cards and prohibiting use of cards by anyone other than an authorized employee.
3. Requires annual training on purchase card use for all card holders.
4. Establishes monitoring, oversight, and reconciliation responsibilities for designated campus personnel.
5. Imposes specific transaction limits consistent with state law.
6. Requires an annual internal audit review and report to the institution's board of trustees' audit committee of the institution's compliance with state law and university policies on purchase card use.
7. Requires each institution's chancellor, chief financial officer, and chief procurement officer to annually certify to the president the institution's compliance with the regulation.

Action: This item is for information only.

AGENDA ITEM

A-3 CARMC Charter and Internal Audit Committee Charter UpdatesJennifer Myers

Situation: The Institute of Internal Auditors (IIA) revised its *Global Internal Audit Standards (Standards)*, effective January 9, 2025. To ensure compliance with these new *Standards*, the Committee on Audit, Risk Management, and Compliance (CARMC) Committee Charter and the Internal Audit Charter have been revised and are being presented to the Board for approval.

Background: The CARMC Committee Charter is a formal document that defines CARMC's independent oversight of the University's audit, risk management, and compliance functions. The Internal Audit Charter is a formal document that defines Internal Audit's purpose, mission, and mandate. Final approval of the CARMC Committee Charter and the Internal Audit Charter resides with the Board.

Assessment: CARMC Charter: The following is attached for review:

- The proposed revised redlined CARMC Committee Charter

Internal Audit Charter: The following is attached for review:

- Internal Audit Charter, redlined and revised
- Internal Audit Charter, revised and accepted edits

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 Division 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 responsibilities 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 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 approved 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 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 board 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, governance, 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 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 Audits/Outside Auditors. In addition to the annual financial statement audits (noted above), the Office of 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 or 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 board 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 shall be by the president, after consultation and concurrence of the chair. The chair should be provided adequate information, such as job description, candidate's qualifications, and performance evaluation results, prior to discussion with the president. The chair may also be consulted in the plans to replace the chief audit officer upon the pending retirement or removal of the current chief audit officer.

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.

UNIVERSITY OF NORTH CAROLINA SYSTEM OFFICE

Internal Audit Charter

A. Purpose, ~~Mission~~, and Scope of Work

~~The purpose of internal audit is to~~ The strengthen the University of North Carolina System ~~Office~~ Office's (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~~ ability to create, protect, and sustain value by providing the ~~Committee on Audit, Risk Management, board and Compliance (CARMC) and the president, management with~~ The purpose of internal audit is to provide independent, risk-based, and objective assurance, advice, insight, and foresight.

B. Mission 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~~ enhances the UNC System Office's:

1. Successful achievement of its objectives.
2. Governance, risk management, and control processes.
3. Decision-making and oversight.
4. Reputation and credibility with its stakeholders.
5. Ability to serve the public interest.

Commitment to Adhering to the Global Internal Audit Standards

The internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' Auditor's (IIA's) International Professional Practices Framework, which ~~includes the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, are the~~ International ~~Global Internal Audit Standards for the Professional Practice of Internal Auditing (Standards), and the Definition of Internal Auditing and Topical Requirements.~~ The chief audit officer ~~reports~~ will report periodically to the Board of Governors through the Committee on Audit, Risk Management, and Compliance (CARMC) and senior management and CARMC regarding internal ~~audit's~~ audit's conformance ~~to~~ with the ~~Code of Ethics and the Standards.~~

As applicable, the following, which will also be used to ~~guide~~ assessed through a quality assurance and improvement program.

The UNC System Office's internal audit ~~operations:~~ The function is most effective when:

1. Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards (Standards), which are set in the public interest.
2. The internal audit function is independently positioned with direct accountability to the Board of Governors.
3. Internal auditors are free from undue influence and committed to making objective assessments.

C. Mandate

The UNC System Office is required to establish a program of internal auditing pursuant to North Carolina General Statute § 143, Article 79, which requires the UNC System Office to have an internal audit function that complies with Standards issued by the Institute of Internal Auditors' implementation and supplemental guidance; Auditors, or if appropriate, Government Auditing Standards issued by the Comptroller General of the United States; relevant state and University policies and procedures; and. This law also established the Council of Internal Auditing with authority to establish internal audit function's standard operating procedures manual key performance indicators.

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 function's authority to fulfill is created by its duties, CARMC will:

1. Review and approve the internal audit charter, ensuring it accurately reflects the internal audit function's purpose, direct reporting relationship to the CARMC. Such 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 auditors work.
 6. Monitor the effectiveness of the internal audit function, including the efforts made to comply with The Institute of Internal Auditors' *International Standards* allows 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 Board of Governors.

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

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

Organizational Position, Independence, and Reporting Relationships

The chief audit officer reports functionally to the CARMC and administratively (i.e., day-to-day operations) to the president or the president's designee. The chief audit officer is positioned at a level in the UNC System Office that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the CARMC, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The chief audit officer will report annually to the CARMC and senior management on the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the chief audit officer will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The chief audit officer will also report per occurrence, any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the chief audit officer, the CARMC, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

1. A significant change in the Global Internal Audit Standards.
2. A significant reorganization within the UNC System Office.
3. Significant changes in the chief audit officer, the CARMC, and/or senior management.
4. Significant changes to the UNC System Office's strategies, objectives, risk profile, or the environment in which it operates.
5. New laws or regulations that may affect the nature and/or scope of internal audit services.

D. CARMC Oversight

To establish, maintain, and ensure that the UNC System Office's internal audit function has sufficient authority to fulfill its duties, the CARMC will:

1. Review the internal audit charter annually with the Director of Internal Audit and discuss:
 - Changes affecting the UNC System Office, such as the employment of a new chief audit officer or changes in the type, severity, and interdependencies of risks to the UNC System Office.

- The appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
 - Ensuring the chief audit officer has unrestricted access to and communicates and interacts directly with the CARMC, including in private or closed sessions without senior management present.
 - Other topics that should be included in the internal audit charter.
 - The “essential conditions,” described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
2. Approve the internal audit function’s charter, which includes the internal audit mandate and the scope and types of internal audit services.
 3. Approve the risk-based internal audit plan.
 4. Review and provide input to the internal audit function’s human, technology, and financial resources.
 5. Provide input to senior management on the appointment and removal of the chief audit officer, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards.
 6. Review and provide input to senior management on the chief audit officer’s performance.
 7. Receive communications from the chief audit officer about the internal audit function including its performance relative to its plan and results of annual quality assurance and improvement program activities.
 8. Make appropriate inquiries of senior management and the chief audit officer to determine whether scope or resource limitations are inappropriate.

E. Chief Audit Officer Roles and Responsibilities

Ethics and Professionalism

The chief audit officer will ensure that internal auditors:

1. Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
2. Understand, respect, meet, and contribute to the legitimate and ethical expectations of the UNC System Office and be able to recognize conduct that is contrary to those expectations.
3. Encourage and promote an ethics-based culture in the UNC System Office.
4. Report organizational behavior that is inconsistent with the UNC System Office’s ethical expectations, as described in applicable policies and procedures.

D. 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~~communication. 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 maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

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

1. ~~Assess~~Assessing specific operations for which they had ~~direct~~ responsibility within the previous year.
2. ~~Perform any~~Performing operational duties for the UNC System Office or its affiliates.
3. ~~Initiate~~Initiating or ~~approve~~approving transactions external to the internal audit function.
4. Directing the activities of any UNC System Office employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

3.

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:~~Any long-term non-audit roles and responsibilities assigned to the chief audit officer will require approval by the president and CARMC.

Internal auditors will:

1. Disclose ~~any impairment~~impairments 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. 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.~~
2. Exhibit professional objectivity in gathering, evaluating, and communicating information.
3. Make balanced assessments of all available and relevant facts and circumstances.
4. Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The chief audit officer ~~will confirm to CARMC,~~ at has the responsibility to:

At least annually, the organizational independence of the develop a risk-based internal audit function.

~~EA~~ plan that considers the input of the **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 LINC 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.~~
~~5.1. 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 LINC 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. Discuss the plan.~~
- ~~3. The internal audit function's conformance with the Institute of Internal Auditors' Code of Ethics CARMC 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 senior 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 and 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 to the CARMC and senior management.~~
- ~~3. Review and adjust the internal audit plan, as necessary, in response to changes in the UNC System Office's 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.
 4. Communicate with the CARMC and senior management if there are significant interim changes to the internal audit plan.
 5. Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards, relevant laws, and UNC System Office policies.
 6. Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services periodically to the CARMC and senior management.
 8. Ensure the internal audit function collectively possesses, or obtains, and maintains sufficient the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit charter mandate.
 9. Identify and consider trends and emerging issues that could impact the UNC System Office are considered and communicated to the CARMC and senior management and CARMC as appropriate.
10. Ensure Consider 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.
 9. Establish and ensure adherence to methodologies designed to guide the internal audit function.
 12. Ensure Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the chief audit officer cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the CARMC.

Communication with the CARMC and Senior Management

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

1. The internal audit function's mandate.
2. The internal audit plan and performance relative to its plan.
3. Internal audit budget and resource requirements.

4. Significant revisions to the internal audit plan and budget.
5. Potential impairments to independence, including relevant disclosures as applicable.
6. Results from the quality assurance and improvement program, which include the internal audit function's conformance ~~of~~ with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
7. Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the CARMC that could interfere with the achievement of the UNC System Office's strategic objectives.
8. Results of assurance and advisory services.
- 13-9. Management's responses to risk that the internal audit function ~~with the Standards, with the following qualifications:~~ determines may be unacceptable or acceptance of a risk that is beyond the UNC System Office's risk appetite.

- If the internal audit function ~~an error or omission within a written communication~~ is prohibited by law or regulation from conformance with certain parts of the Standards ~~identified~~, 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~~ consult with the CARMC Chair to determine if the internal audit function also conforms with the more restricted requirements of the other authoritative bodies. ~~correction is needed.~~

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~~ chief audit function ~~officer~~ will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include ~~an evaluation~~ external and internal assessments of the internal audit function's ~~function's~~ conformance with the Global Internal Audit Standards ~~and an evaluation of whether internal auditors apply The Institute of Internal Auditor's Code of Ethics. The program will also~~, as well as performance measurement to assess the efficiency and effectiveness of the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and ~~identify~~/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

The

Annually, the chief audit officer ~~executive~~ will communicate ~~to~~ with the CARMC and senior management ~~on~~ about the internal audit function's ~~function's~~ quality assurance and improvement program, including ~~significant~~ the results of internal assessments (~~both~~ ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or

assessment team from outside the UNC System Office; qualifications must include at least one assessor holding an active Certified Internal Auditor credential.

Other Responsibilities

The chief audit officer has responsibility for the following audit-related activities:

1. 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.
2. Serve as the primary liaison for campus chief audit officers to the UNC System Office and to CARMC.
3. Serve as a primary liaison from the University to the Office of State Auditor and the Central Office of Internal Audit on audit-related matters.

F. Scope of Internal Audit Activities

The scope of internal audit services covers the entire breadth of the organization, including all the UNC System Office's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the CARMC and management on the adequacy and effectiveness of governance, risk management, and control processes for the UNC System Office.

The nature and scope of advisory services may be agreed with the party requesting the service, 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 during advisory engagements. These opportunities will be communicated to the appropriate level of management. 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.

Internal audit engagements may 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 the UNC System Office's officers, directors, management, employees, and contractors or other relevant parties comply with the UNC System Office's policies, procedures, and applicable laws, regulations, and governance standards.
3. The results of operations and programs are consistent with established goals and objectives.
4. Operations and programs are being carried out effectively, efficiently, ethically, and equitably.
5. Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the UNC System Office.

6. The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
7. Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

Acknowledgements/Signatures

Jennifer Myers, Chief Audit Officer _____ Date

Mark Holton, CARMC 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 2022, November 2024

UNIVERSITY OF NORTH CAROLINA SYSTEM OFFICE

Internal Audit Charter

A. Purpose

The purpose of internal audit is to strengthen the University of North Carolina System Office's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

B. Mission

The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

The internal audit function enhances the UNC System Office's:

1. Successful achievement of its objectives.
2. Governance, risk management, and control processes.
3. Decision-making and oversight.
4. Reputation and credibility with its stakeholders.
5. Ability to serve the public interest.

Commitment to Adhering to the Global Internal Audit Standards

The internal audit function will adhere to the mandatory elements of The Institute of Internal Auditor's (IIA's) International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The chief audit officer will report periodically to the Board of Governors through the Committee on Audit, Risk Management, and Compliance (CARMC) and senior management regarding internal audit's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

The UNC System Office's internal audit function is most effective when:

1. Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards (Standards), which are set in the public interest.
2. The internal audit function is independently positioned with direct accountability to the Board of Governors.
3. Internal auditors are free from undue influence and committed to making objective assessments.

C. Mandate

The UNC System Office is required to establish a program of internal auditing pursuant to North Carolina General Statute § 143, Article 79, which requires the UNC System Office to have an internal audit function that complies with Standards issued by the Institute for Internal Auditors, or if appropriate, Government Auditing Standards issued by the Comptroller General of the United States. This law also established the Council of Internal Auditing with authority to establish internal audit key performance indicators.

Authority

The internal audit function's authority is created by its direct reporting relationship to the CARMC. Such authority allows for unrestricted access to the Board of Governors.

The CARMC authorizes the internal audit function to:

1. Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to the performance of internal audit activities and responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
2. Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
3. Obtain assistance from the necessary personnel of the UNC System Office and other specialized services from within or outside the UNC System Office to complete internal audit services.

Organizational Position, Independence, and Reporting Relationships

The chief audit officer reports functionally to the CARMC and administratively (i.e., day-to-day operations) to the president or the president's designee. The chief audit officer is positioned at a level in the UNC System Office that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the CARMC, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The chief audit officer will report annually to the CARMC and senior management on the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the chief audit officer will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The chief audit officer will also report per occurrence, any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the chief audit officer, the CARMC, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

1. A significant change in the Global Internal Audit Standards.
2. A significant reorganization within the UNC System Office.
3. Significant changes in the chief audit officer, the CARMC, and/or senior management.
4. Significant changes to the UNC System Office's strategies, objectives, risk profile, or the environment in which it operates.
5. New laws or regulations that may affect the nature and/or scope of internal audit services.

D. CARMC Oversight

To establish, maintain, and ensure that the UNC System Office's internal audit function has sufficient authority to fulfill its duties, the CARMC will:

1. Review the internal audit charter annually with the Director of Internal Audit and discuss:
 - Changes affecting the UNC System Office, such as the employment of a new chief audit officer or changes in the type, severity, and interdependencies of risks to the UNC System Office.
 - The appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
 - Ensuring the chief audit officer has unrestricted access to and communicates and interacts directly with the CARMC, including in private or closed sessions without senior management present.
 - Other topics that should be included in the internal audit charter.
 - The "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
2. Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services.
3. Approve the risk-based internal audit plan.
4. Review and provide input to the internal audit function's human, technology, and financial resources.
5. Provide input to senior management on the appointment and removal of the chief audit officer, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards.
6. Review and provide input to senior management on the chief audit officer's performance.
7. Receive communications from the chief audit officer about the internal audit function including its performance relative to its plan and results of annual quality assurance and improvement program activities.
8. Make appropriate inquiries of senior management and the chief audit officer to determine whether scope or resource limitations are inappropriate.

E. Chief Audit Officer Roles and Responsibilities

Ethics and Professionalism

The chief audit officer will ensure that internal auditors:

1. Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
2. Understand, respect, meet, and contribute to the legitimate and ethical expectations of the UNC System Office and be able to recognize conduct that is contrary to those expectations.
3. Encourage and promote an ethics-based culture in the UNC System Office.
4. Report organizational behavior that is inconsistent with the UNC System Office's ethical expectations, as described in applicable policies and procedures.

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 communication. If the chief audit officer determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

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

1. Assessing specific operations for which they had responsibility within the previous year.
2. Performing operational duties for the UNC System Office or its affiliates.
3. Initiating or approving transactions external to the internal audit function.
4. Directing the activities of any UNC System Office employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

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. Any long-term non-audit roles and responsibilities assigned to the chief audit officer will require approval by the president and CARMC.

Internal auditors will:

1. Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties.
2. Exhibit professional objectivity in gathering, evaluating, and communicating information.
3. Make balanced assessments of all available and relevant facts and circumstances.
4. Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The chief audit officer has the responsibility to:

1. At least annually, develop a risk-based internal audit plan that considers the input of the CARMC and senior management. Discuss the plan with the CARMC and senior management and submit the plan to the CARMC for review and approval.
2. Communicate the impact of resource limitations on the internal audit plan to the CARMC and senior management.
3. Review and adjust the internal audit plan, as necessary, in response to changes in the UNC System Office's business, risks, operations, programs, systems, and controls.
4. Communicate with the CARMC and senior management if there are significant interim changes to the internal audit plan.
5. Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards, relevant laws, and UNC System Office policies.
6. Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services periodically to the CARMC and senior management.
7. Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
8. Identify and consider trends and emerging issues that could impact the UNC System Office and communicate to the CARMC and senior management as appropriate.

9. Consider emerging trends and successful practices in internal auditing.
10. Establish and ensure adherence to methodologies designed to guide the internal audit function.
11. Ensure adherence to the UNC System Office's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the CARMC and senior management.
12. Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the chief audit officer cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the CARMC.

Communication with the CARMC and Senior Management

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

1. The internal audit function's mandate.
2. The internal audit plan and performance relative to its plan.
3. Internal audit budget and resource requirements.
4. Significant revisions to the internal audit plan and budget.
5. Potential impairments to independence, including relevant disclosures as applicable.
6. Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
7. Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the CARMC that could interfere with the achievement of the UNC System Office's strategic objectives.
8. Results of assurance and advisory services.
9. Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the UNC System Office's risk appetite.

If an error or omission within a written communication is identified, the chief audit officer will consult with the CARMC Chair to determine if correction is needed.

Quality Assurance and Improvement Program

The chief audit officer will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the chief audit executive will communicate with the CARMC and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the UNC System Office; qualifications must include at least one assessor holding an active Certified Internal Auditor credential.

Other Responsibilities

The chief audit officer has responsibility for the following audit-related activities:

1. 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.
2. Serve as the primary liaison for institution chief audit officers to the UNC System Office and to CARMC.
3. Serve as a primary liaison from the University to the Office of State Auditor and the Central Office of Internal Audit on audit-related matters.

F. Scope of Internal Audit Activities

The scope of internal audit services covers the entire breadth of the organization, including all the UNC System Office's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the CARMC and management on the adequacy and effectiveness of governance, risk management, and control processes for the UNC System Office.

The nature and scope of advisory services may be agreed with the party requesting the service, 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 during advisory engagements. These opportunities will be communicated to the appropriate level of management. 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.

Internal audit engagements may 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 the UNC System Office's officers, directors, management, employees, and contractors or other relevant parties comply with the UNC System Office's policies, procedures, and applicable laws, regulations, and governance standards.
3. The results of operations and programs are consistent with established goals and objectives.
4. Operations and programs are being carried out effectively, efficiently, ethically, and equitably.
5. Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the UNC System Office.
6. The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
7. Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

Acknowledgements/Signatures

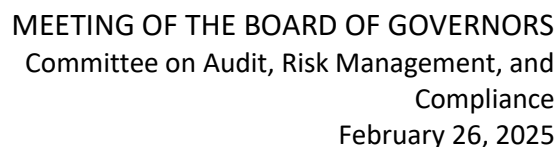
Jennifer Myers, Chief Audit Officer	Date

Mark Holton, CARMC 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 2022, November 2024



A-4 Audit Reports Issued by the Office of the State AuditorJennifer Myers

Background: All constituent institutions and the UNC System 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 at select institutions.

Assessment: The Office of the State Auditor has released 13 financial statement audit reports for the period ended June 30, 2024, relating to the UNC System. To date, there are five financial statement audit reports and nine federal compliance audit reports pending issuance. The audit results have been summarized in the attachment.

Action: This item is for information only.

Financial Statement Audits for the Year Ended June 30, 2024 (as of 1/27/25)			
Institution Name	Report Number	Release Date	# of Findings
Appalachian State University	FIN-2024-6080	12/17/2024	0
East Carolina University	FIN-2024-6065	11/13/2024	0
Elizabeth City State University	Pending - February 2025 Release Date		
Fayetteville State University	FIN-2024-6088	12/10/2024	0
North Carolina Agricultural and Technical State University	FIN-2024-6070	1/23/2025	0
North Carolina Central University	Pending - March 2025 Release Date		
North Carolina State University	FIN-2024-6030	11/18/2024	0
North Carolina School of Science and Mathematics	Pending - April 2025 Release Date		
University of North Carolina at Chapel Hill	FIN-2024-6020	11/20/2024	0
University of North Carolina Asheville	FIN-2024-6055	11/12/2024	0
University of North Carolina Charlotte	FIN-2024-6050	11/18/2024	0
University of North Carolina Greensboro	FIN-2024-6040	11/21/2024	0
University of North Carolina Pembroke	FIN-2024-6082	12/19/2024	0
University of North Carolina School of the Arts	FIN-2024-6092	12/19/2024	0
University of North Carolina System Office	Pending - March 2025 Release Date		
University of North Carolina Wilmington	FIN-2024-6060	11/6/2024	0
Western Carolina University	FIN-2024-6075	12/4/2024	0
Winston-Salem State University	Pending - March 2025 Release Date		

Federal Compliance Audit Reports - Student Financial Aid			
Institution Name	Report Number	Release Date	# of Findings
Elizabeth City State University	Pending - March 2025 Release Date		
Fayetteville State University	Pending - March 2025 Release Date		
North Carolina Agricultural and Technical State University	Pending - March 2025 Release Date		
North Carolina State University	Pending - March 2025 Release Date		

Federal Compliance Audit Reports - Higher Education Programs			
Institution Name	Report Number	Release Date	# of Findings
Elizabeth City State University	Pending - March 2025 Release Date		
Fayetteville State University	Pending - March 2025 Release Date		
North Carolina Agricultural and Technical State University	Pending - March 2025 Release Date		
North Carolina Central University	Pending - March 2025 Release Date		
Winston-Salem State University	Pending - March 2025 Release Date		

*Source: <https://www.auditor.nc.gov/auditsreviews>

AGENDA ITEM

A-5 Summary of the UNC System FY 2025 Annual Audit ActivitiesJennifer Myers

Situation:	The chief audit officer provides periodic updates on the UNC System Office's internal audit activities.
Background:	In accordance with the committee charter and IIA's Global Internal Audit Standards (<i>Standards</i>), the committee is to receive periodic updates on the UNC System Office's internal audit activities. This allows the committee to assess Internal Audit's performance relative to the approved annual audit plan.
Assessment:	The attached document identifies the status of the FY'25 Internal Audit projects as of December 31, 2024.
Action:	This item is for information only.

UNC System Office
Internal Audit Plan Progress as of 12/31/2024
Fiscal Year 2025

Audit Activity	Budgeted Hours FY'25	*Actual Hours FY'25	% Utilized	Status
Prior Year Carry-Over				
PBS NC IT Contracting & Vendor Management Audit	80	77	96%	Completed
System Office IT Contracting & Vendor Management Audit	13	13	100%	Completed
Assurance Engagements				
ACH Change Processes Audit	160	57	36%	Completed
Campus Billing Processes Audit	240	0	0%	Not Started
Campus Data Quality Audit	720	6	1%	In-Process
Advisory Engagements				
Annual P-Card Compliance (System Office)	50	0	0%	In-Process
Annual P-Card Compliance (PBS NC)	50	0	0%	In-Process
Unplanned	0	3	-100%	As Needed
Follow-Up on Management Corrective Actions				
<ul style="list-style-type: none"> PBS NC PCI Compliance Review System Office IT Contracting & Vendor Management 	100	0	0%	Not Started
Investigations				
Unplanned/Various	50	0	0%	As Needed
Special Projects				
Annual Risk Assessment & FY'25 Audit Plan Development	100	102	102%	Completed
Charter Review & Update Policies to Align with New IIA Standards	80	65	81%	Completed
Other Special Projects	0	319	-100%	As Needed
Participation in OSBM Peer Review Process	120	0	0%	In-Process
Technical Assistance as Requested	50	47	94%	As Needed
UNCAA Conference Planning	20	11	55%	Completed
Other Hours				
Admin: Oversight, Hiring, MOU Updates, Misc.	207	326	157%	Ongoing
Holidays & Staff Leave	936	542	58%	Ongoing
Internal Audit Hotline Management	40	26	65%	Ongoing
NC Council on Internal Auditing Reporting Requirements	200	13	7%	Ongoing
Other Services: Routine Advisory Services, Assist External Auditors, QAIP Work, Other Projects as Determined, Misc.	100	187	187%	Ongoing
Outreach & Coordination with Other UNC System IA Groups	78	36	46%	Ongoing
Preparation for Board Meetings & Meeting Attendance	454	153	34%	Ongoing
Professional Development	120	103	86%	Ongoing
FY'25 Total Hours to UNC System Office:	3,968	2,083		
Internal Audit Shared Services				
Internal Audit Services to NCSEAA	760	243	32%	Ongoing
Internal Audit Services to NCSSM	1,512	486	32%	Ongoing
FY'25 Total Hours to MOUs:	2,272	725		
Total Hours:	6,240	2,808		

UNC System Office
Internal Audit Plan Progress as of 12/31/2024
Fiscal Year 2025

Highlights

Risk Assessment and Internal Audit Plan Development

The first part of fiscal year 2025 was spent performing risk assessments across the UNC System Office, North Carolina State Education Assistance Authority (NCSEAA), and North Carolina School of Science and Mathematics (NCSSM). This information was utilized to develop the FY'25 Internal Audit Plan that was approved by the CARMC in September, however, due to the new P-Card regulations issued in November 2024, Internal Audit added this new annual requirement to the FY'25 Internal Audit Plan.

New Auditing Standards

Effective January 9, 2025, the Institute of Internal Auditors (IIA) implemented revised auditing standards that went into effect known as the Global Internal Audit Standards (*Standards*). These *Standards* include 15 principles that are the worldwide guide for the professional practice of internal auditing. In order to conform to these new *Standards*, the Internal Audit team at the UNC System Office updated their Internal Audit Charter, the CARMC Charter, revised the Internal Audit Manual, and updated all templates accordingly.

Performance of Internal Audit Services under Memorandums of Understanding

The UNC System Office has Memorandums of Understanding (MOUs) with both the North Carolina School of Science and Mathematics and the North Carolina State Education Assistance Authority to provide internal audit services. This includes performing risk assessments, developing audit plans, and performing internal audit activities. In FY'25, the MOU hours for NCSSM increased to 1,512 hours compared to 860 hours in FY'24.

**Hours have been rounded to the closest whole number*

AGENDA ITEM

A-6. Cybersecurity Partnerships-----Chris Beal

- Situation:** The purpose of this item is to provide the Committee on Audit, Risk Management, and Compliance (CARMC) with an overview of a strategic partnership with Microelectronics Center of North Carolina (MCNC) that has allowed the UNC System writ large to leverage various cybersecurity offerings to improve and enhance their respective information security postures. MCNC has proactively addressed the broadband infrastructure needs of community anchor institutions, including all UNC institutions, for the past four decades, and has leveraged that statewide service and visibility into creating a more secure North Carolina through numerous cybersecurity offerings.
- Background:** CARMC has requested briefings from strategic cybersecurity partners who are actively engaged with the UNC System. The ever-changing cyber landscape, alongside limited cybersecurity staffing across our institutions, makes strategic partnerships essential for ensuring our institutions are receiving critical support services, as well as timely, relevant, and actionable information on emerging threats and vulnerabilities.
- Assessment:** Resulting from the foresight of our state's leaders over 40 years ago, North Carolina has one of the only world-class K-20+ research and education networks in the United States. The investment, spanning all 100 counties, allows MCNC to ascertain the cybersecurity needs of our collective K-20+ community and to react to those needs. Based on the collective need of our state's education community, MCNC expanded and enhanced its connectivity offerings with various services to mitigate and remediate identified cybersecurity gaps and issues. From no-cost solutions like distributed denial of service (DDoS) protection across their customer base to the deployment of next-generation protection solutions, MCNC has partnered with the UNC System to ensure our institutions have affordable, consistent protection available. The greatest impact of these services has been enjoyed by our smaller UNC System institutions, as the MCNC services and staffing are a force-multiplier for their IT and cybersecurity teams. Legislative appropriations have been used to ensure campuses have access to MCNC's CrowdStrike EDR solution, as well as to fund third-party assessments to ensure UNC institutions are continually improving their adherence to the System-adopted ISO 27002 standards. The cybersecurity partnership presentation offered by MCNC focuses on the key services leveraged by UNC System institutions. The session also highlights positive cybersecurity impact from the strategic partnership. Finally, the presentation concludes with a brief discussion of expanded partnerships between all K-20+ institutions to share knowledge, build capacity, and work collaboratively to ensure a safer cyber landscape for all.
- Action:** This item is for information only.

Cybersecurity Partnerships: MCNC and the UNC System



What is Cybersecurity?

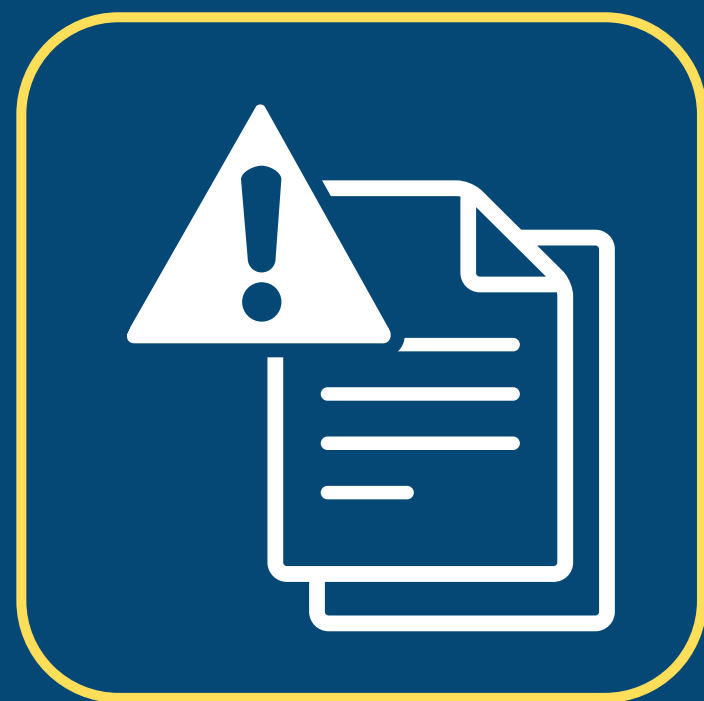
Cybersecurity is the art of protecting networks, devices, and data from unauthorized access or criminal use and the practice of ensuring confidentiality, integrity, and availability of information.



America's Cyber Defense Agency

NATIONAL COORDINATOR FOR CRITICAL INFRASTRUCTURE SECURITY AND RESILIENCE

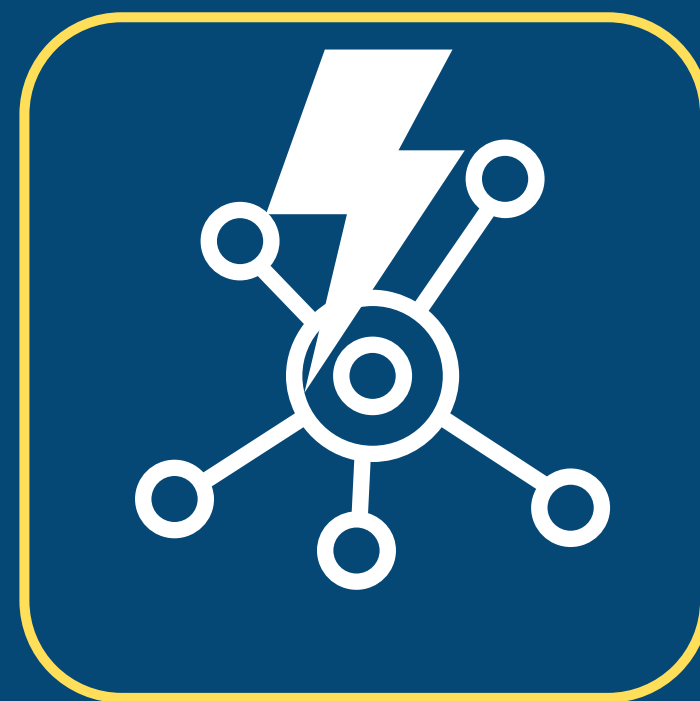
Cyber Threat Landscape



Data Breaches



Credential Theft
& Misuse



Network &
System Disruption



Ransomware



Making world-class cybersecurity
protections affordable and accessible
to the MCNC community



Managed Services



Consulting



Tools & Services



Advocacy

Vital Cyber Services

Managed Services



Managed Endpoint Protection

Endpoint Detection and Response to stop ransomware, prevent malicious activity, and fix vulnerabilities



Managed DDoS Protection

Automatically detect and remove damaging DDoS attack traffic, allowing good traffic to flow as normal



Managed Firewall

24x7 managed service to repel external attackers and detect and respond to malicious activity on the network



Managed Attack Surface Monitoring

Continuously monitor exposed attack surface to identify and correct vulnerabilities before attackers take advantage of them

Consulting



Cybersecurity Consulting Services

Cybersecurity consulting assistance for NC20 Education community. Includes Advisory Services for cybersecurity program improvements, Risk Assessments, Policy Development, Supplemental Staffing, Technology Expertise, etc.

Quick Snapshot

Highlights of Vital Cyber Success through January 2025

~300K

Endpoint Devices Protected

>250

Firewalls Managed

>11K

DDoS Attacks Mitigated
Since 2014

>500K

Assets Monitored & Protected

0

Successful Ransomware Incidents
on MCNC-Protected Devices

DDoS AutoMitigation

100%of UNC System institutions enrolled

Attack Surface Monitoring
(New Service)

9 institutions enrolled as of January 2025 (Round 1)
Remaining enrollment to begin February 2025 (Round 2)
>20Kassets monitored

Managed Endpoint
Protection

12 constituent institutions and affiliates enrolled
>40Kassets protected

Security Advisory
Consulting

2023MCNC conducted baseline assessments for all 18 UNC
constituent institutions to measure current maturity level
against 27002 information security framework
2026Plan to repeat assessment including UNC System Offi

What We're Doing

Exposed RDP Server Within less than an hour we alerted on a new RDP server found on a customer's network that had been set up by a staff member after hours. We notified the customer and they were able to quickly identify the device and take it offline.

Retired and Forgotten Service We identified a customer asset associated with a retired web hosting provider from 12 years ago that the customer was not aware was still present.

Misconfiguration Detection Our ASM service found over 5,000 DNS records in a customer domain that were not intended to be externally visible, leaving them vulnerable to domain hijacking. We engaged with them to remove these external records before threat actors were able to take advantage of their vulnerability.

Misconfiguration and Exposed Telnet Service Our ASM service detected a new telnet server on a non-standard port on the customer's network. The customer was alerted within an hour of the service being present and confirmed that they identified a firewall misconfiguration exposed the telnet service and they were easily able to address the issue.

Major Incident Prevention A customer's cloud-based endpoint device management platform became compromised and the threat actor pushed a malicious file to over a thousand endpoints, after hours in an attempt to avoid detection. Our Managed Endpoint Protection service immediately quarantined the malicious file across all devices and our Operations Team immediately notified the customer to support them in their response efforts. These early detection and response capabilities prevented a cyber event from becoming a major cyber incident.



Who We Serve

Today, the MCNC community is more diverse than ever before with anchor institutions ranging from education, healthcare, agricultural and cultural, to electric power and public safety.

100%

Public Universities
Community Colleges
K-12 School Districts

69%

Independent Colleges
& Universities

82%

Charter Schools

324

Research Institutions, Museums,
Aquariums, Libraries, State &
Local Government

15

State Highway
Patrol Locations

234

Non-Profit Healthcare sites
(Hospitals, Doctor's Offices,
County Health Agencies, &
Free Clinics)

Over
950
Connections

What We're Building

