

September 17, 2025 at 1:45 p.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 May 14, 2025 Mark Holton
- A-2. 2024-25 Annual Report of the Committee on Audit, Risk Management, and Compliance....Fred Sellers
- A-3. Approval of CARMC and IA Charters Appendix A & B (Internal Audit).....Fred Sellers
Jennifer Myers
- A-4. Approval of FY2026 Annual Internal Audit Plan for the System Office Jennifer Myers
- A-5. FY2025 Annual Year-End Report from Internal Audit..... Jennifer Myers
- A-6. UNC System Enterprise Risk Management Report..... Bryan Heckle
- A-7. The University of North Carolina’s Cybersecurity EvolutionAllen Lakomiak and Shannon Tufts

CLOSED SESSION

- A-8. Approval of the Closed Session Minutes from May, 14, 2025..... Mark Holton
- A-9. Confidential Briefing — Campus Safety Update Fred Sellers

OPEN SESSION

- A-10. Adjourn



MEETING OF THE BOARD OF GOVERNORS
Committee on Audit, Risk Management, and
Compliance
September 17, 2025

Closed Session Motion

Motion to go into closed session to:

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

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

MINUTES OPEN SESSION

May 14, 2025 at 1:30 p.m.

Via Videoconference and PBS North Carolina Livestream

UNC System Office

223 S. West Street, Board Room

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, Kirk Bradley, Carolyn Coward, and Kathryn Greeley. The following committee members were absent: Art Pope.

Chancellors participating were Bonita Brown and Darrell Allison.

Staff members present included Fred Sellers, Jennifer Myers, Jennifer Gertz-Escandón, Samantha Barbusse, Shannon Tufts, 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 1:30 p.m. on Wednesday, May 14, 2025. The open session minutes from the February 26, 2025, meeting were approved by unanimous consent.

2. Summary of the UNC System FY2025 Annual Audit Activities (Item A-2)

Jennifer Myers, chief audit officer, presented a summary of the UNC System FY2025 Internal Audit activities as of April 20, 2025, in accordance with the committee charter and the Institute of Internal Auditors' Global Internal Audit Standards. The updates allowed the committee to assess the performance of the internal audit function against its approved annual audit plan. The chief audit officer is making positive progress in this identified area.

This item was for information only.

3. Research Security Update (Item A-3)

Dr. Jennifer Gerz-Escandón, associate vice president for Academic Programs & Research, and Dr. Angelica Martins, assistant vice chancellor and research integrity officer, at the University of North Carolina at Charlotte, presented an overview of the research security program at UNC Charlotte. They provided a recap of activity to safeguard science Systemwide as well as an overview, as a campus model, of the research security program at the University of North Carolina at Charlotte. Federal agencies have issued new and updated regulations in research security, and several compliance areas are affected by the regulations, including export controls, international travel, standard disclosure requirements, and cybersecurity. They further reported that UNC System constituent

universities that receive at least \$50 million in annual federal science and engineering support will be required to implement a formal research security program.

This item was for information only.

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

Dr. Shannon Tufts, senior advisor for Cybersecurity IT and Infrastructure, presented the annual report on the implementation status of the UNC System's 1400 Series Information Technology policies, including institutional compliance, a year-end review of cybersecurity investments and improvements, and future considerations for IT and cybersecurity investment across the UNC System. At this time, every institution has appointed a senior leader responsible for IT governance, with continuous improvements and structural adjustments actively underway.

This item was for information only.

5. Closed Session

THE MEETING MOVED INTO CLOSED SESSION AT 2:12 p.m.

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

THE MEETING RESUMED IN OPEN SESSION AT 2:36 p.m.

Adjourn

There being no further business, and without objection, the meeting adjourned at 2:37 p.m.

Art Pope, Secretary

AGENDA ITEM

A-2. 2024-25 Annual Report of the Committee on Audit, Risk Management, and Compliance.....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 2024-25 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 2024 through June 2025.

The committee was composed of the following Board members: Mr. Mark Holton, Mr. Woody White, Mr. Kirk Bradley, Mr. Art Pope, Ms. Kathryn Greeley, and Ms. Carolyn Coward. Mr. Holton served as chair, Mr. White served as vice chair, and Mr. Pope served as secretary.

Chancellors Darrell Allison (Fayetteville State University) and Bonita Brown (Winston-Salem State 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, 2024, and June 30, 2025. The major actions of the committee are summarized as follows:

Summary of Approval Actions	Month Approved
Approval of the 2023-24 CARMC Annual Report	September 2024
Approval of the CARMC and Internal Audit Charters Update	September 2024
Approval of the UNC System Office 2024-24 Internal Audit Plan	September 2024
UNC System Office Internal Audit 2024-25 Year-end Report	September 2024
Enterprise Risk Management Annual Report	September 2024
Implementation Update on Cybersecurity Recommendations and Shared Services	September 2024
Emergency Response Resiliency	November 2024
Research Security Update	November 2024
Cybersecurity Partnership and Outreach	November 2024
Summary of the Systemwide FY24 Internal Audit Activities	November 2024
Summary of the UNC System FY25 Annual Audit Plans	November 2024

Major Associated Entities	November 2024
Purchase Cards Regulation	February 2025
Revised Internal Audit Charter and CARMC Charter	February 2025
Audit Reports Issued by the Office of the State Auditor	February 2025
Summary of the UNC System FY2025 Annual Audit Activities	February 2025
Cybersecurity Partnerships	February 2025
Summary of the UNC System FY2025 Annual Audit Activities	May 2025
Research Security Update	May 2025
Annual Report on Implementation of UNC Information Technology Policies	May 2025
Confidential Briefing on Campus Incident	May 2025

AGENDA ITEM

A-3. Approval of CARMC and IA Charters Appendix A & B (Internal Audit) Fred Sellers
Jennifer Myers

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 their 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 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 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 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, governance, 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 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, 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 of, 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, February 2025

Statutory and Policy Authorities

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

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

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

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

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

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

[Audit: Internal Audit Program](#) ([G.S.143-746](#))

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

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

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

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

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

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

Campus Safety, Information Security, and Enterprise Risk Management

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

- *Enterprise Risk Management.* [Section 1300.7](#) directs the establishment of enterprise risk management and compliance processes Systemwide and at each constituent institution and vests the CARMC with the authority for monitoring Systemwide risk and compliance.
- *Insurance Coverage.* [Section 1300.7.1](#) requires the UNC System and its constituent institutions to maintain sufficient minimum insurance coverage.
- *Campus Safety and Security.* [Section 1300.9](#) requires an annual presentation to the Board of Governors on campus safety and security matters; the annual report to the Board may include information presented by each constituent institution to its Board of Trustees.
- *Protection of Minors.* [Section 1300.10](#) requires constituent institutions to adopt policies and 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 ([G.S.116-30.1](#); Chapter 600.3 of the UNC Policy Manual – Sections [600.3.1](#), [600.3.2](#), [600.3.3](#), and [600.3.4](#))

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

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 (UNC System Office) 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 Auditors' (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, or risk profile, or to 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 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 Internal Audit Office 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, February 2025

AGENDA ITEM

A-4 Approval of the UNC System Office 2025-2026 Internal Audit PlanJennifer Myers

- Situation:** The Global Internal Audit Standards (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 Charter, the IIA Standards, and Section 1300.7.1[R] of the UNC Policy Manual, *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 2026 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 (see Attachment C).
- Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.



Internal Audit Plan

Fiscal Year 2026

September 2025

UNC System Office Internal Audit Plan
Fiscal Year 2026

Engagements	Planned Hours	Comments
Assurance Engagements		
Campus Data Quality Audit – Chancellor Incentives	400	
Campus Billing Processes Audit	400	
PBS NC Blackbaud Reconciliation Audit	400	
Annual P-Card Compliance Audit (System Office)	200	
Annual P-Card Compliance Audit (PBS NC)	250	
Advisory Engagements		
Travel Expense Policy Review (Materiality)	125	
Student Complaint Portal Policy Review	125	
IT Policy Requirements (Pre-OSA IT Audit)	150	
Unplanned Advisory Engagements	80	
Investigations		
Unplanned Investigations	100	
Other Direct Hours		
Annual Risk Assessment/Audit Plan Development	150	
Special Projects		
Participation in OSBM Peer Review Process	200	Required
Central Internal Audit Office Meetings & Reporting	200	Required
Hotline Management & Reporting	50	
CAO Retreat (Prep & Attend)	50	
Internal Audit Manual, Templates & SOP Updates	50	
OSA 90-Day Follow-Ups	50	
Quality Assurance & Improvement Program (QAIP)	50	
Annual MOU Review	8	
Unplanned Special Projects	50	
Technical Assistance		
Board Meetings (Prep & Attend)	300	
CAO Search Committees (Prep & Attend)	100	
All Other Committees (Prep & Attend)	100	
UNC Systemwide CAO Meetings & Outreach/Coordination with Other CAOs	80	
Unplanned Technical Assistance	60	

UNC System Office Internal Audit Plan
Fiscal Year 2026

Engagements	Planned Hours	Comments
Other Indirect Hours		
Holidays & Staff Leave	1,632	
Unit Oversight, Staff Meetings & Misc. Admin Activities	392	
Professional Development	160	Required
Training Hours (Non-CPE)	100	
Other Hours	20	
Total Hours to UNC System Office:		
Internal Audit Shared Services		
Internal Audit Services to NCSSM	1,560	Hours established by MOU
Internal Audit Services to NCSEAA	760	Hours established by MOU
Total Hours Per MOUs:	2,272	
Total Available Hours:	8,352	
Less (Permanent Resource Hours 4 X 2,080):	8,352	
Difference:	0	

Peter Hans, President

Date

Mark Holton, Committee Chair

Date

UNC System Office Internal Audit Plan Fiscal Year 2026

Summary of the Planned Services

This document represents the Internal Audit Plan for the UNC System Office. 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 2025 to June 2026. The estimated hours include an allocation of time for a chief audit officer, one senior auditor, and two staff auditors.

Below is a brief description of the planned engagements for FY'26.

Assurance Engagements

Campus Data Quality Audit— Chancellor Incentives:

The Enterprise Data Office manages and provides oversight for the collection of financial, student, and human resource data for the 16 institutions. This data is provided to the UNC System Office through periodic feeds from the constituent institutions and is utilized for analysis and reporting purposes throughout the enterprise. In addition, this data will drive the chancellors' incentives as part of the strategic plan. While the System Office makes efforts to ensure this data is accurately collected, ultimate responsibility for its accuracy lies with the institution providing the files. Internal Audit will review a sample of the data being transmitted for the undergraduate degree efficiency incentive to verify the accuracy of the data with the institutions providing the information.

Campus Billing Processes Audit

The Finance and Budget division is responsible for ensuring expenses accrued by the System Office are billed to the appropriate institution accurately and efficiently. The procedures and policies surrounding the billing process have been updated over recent years, and the team has requested that the processes and controls be examined. Internal Audit will review the campus billing processes to evaluate the effectiveness of the processes and identify any gaps or control weaknesses that might exist.

PBS NC Blackbaud Reconciliation Audit

PBS North Carolina obtained a license from the System Office to utilize Blackbaud Raiser's Edge NXT, a nonprofit CRM software built for fundraising. PBS NC partnered with the System Office for the implementation, and the new donor software went live in June 2025. Reconciliations should be performed regularly to ensure the donations received in Blackbaud Raiser's Edge NXT have been recorded and deposited in the appropriate financial records. Internal Audit will review the reconciliation processes to evaluate the effectiveness and accuracy and identify any gaps or control weaknesses that might exist.

Annual P-Card Compliance Audits (System Office & PBS NC):

Per Section 1300.7.2[R] of the UNC Policy Manual, *Regulation on University Procurement and Purchasing Card Programs*, in order to reduce the enterprise risk, each constituent institution shall evaluate its institution's

UNC System Office Internal Audit Plan

Fiscal Year 2026

compliance with the regulation and state law as it relates to the use of purchasing cards (P-Cards). The chief audit officer, or their designee, shall report the findings of their P-Card compliance to the institution's audit committee on an annual basis. Inclusive of this annual review and report, the chief audit officer, along with the chief procurement officer, shall review the list of the institution's active P-Card holders. Internal Audit will conduct a thorough review of the P-Card processes (i.e., card issuance, training, usage, reconciliation, expenses being charged, and card deactivation) to evaluate the effectiveness of the documented processes and identify any gaps or control weaknesses that might exist.

Advisory Engagements

Travel Expense Policy Review (Materiality)

The Accounting team is responsible for reviewing and approving Travel Authorization Forms (TAF) to reconcile travel expenses submitted through Concur by employees for official business travel. Out-of-pocket reimbursements follow the UNC System Office Travel Policy Manual as well as G.S. 138-5, 138-6, and 138.7. Management has requested the assistance of Internal Audit to review their policies and procedures to identify any gaps or recommendations for improvements in their oversight processes, including determining the financial threshold of what should be considered material when reconciling and approving expense reimbursements.

Student Complaint Portal Policy Review

The Student Affairs division works closely with leadership, faculty, and staff at the UNC System institutions to foster Systemwide data-driven strategies for enhancing student success, access, and financial aid. The System Office, serving as the clearinghouse for complaints concerning postsecondary institutions that are authorized to operate in North Carolina, oversees the complaints submitted via their Student Complaint Portal. Management has requested the assistance of Internal Audit to review their policies and procedures to identify any gaps or recommendations for improvement.

IT Policy Requirements (Pre-OSA IT Audit)

The IT and Data division is preparing for an Office of the State Auditor (OSA) IT audit, which is expected to take place during FY 2026. Management has requested the assistance of Internal Audit to partner and identify any gaps in their processes, documentation, or inventories prior to the actual OSA audit.

Unplanned Advisory Engagements:

Internal Audit is available to provide advisory services to management and staff as they consider operational changes, reevaluate current practices, and/or develop new processes and procedures. The objective is to provide proactive feedback to help ensure effective controls and operating procedures are designed and, where applicable, promote compliance with state, federal, and UNC System rules.

Investigations

Unplanned Investigations:

Hours are included in the Audit Plan to address any complaints received via the UNC System Hotline Portal or other external factors that may arise during the fiscal year.

UNC System Office Internal Audit Plan Fiscal Year 2026

Other Direct Hours

Annual Risk Assessment & Audit Plan Development:

Internal Audit will conduct an annual risk assessment as part of the process to develop the Audit Plan. The risk assessment involves 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 risk-based Audit Plan that is required by the Internal Audit Charter and IIA's Global Internal Audit Standards.

Special Projects

Participation in OSBM Peer Review Process:

For an organization to participate in the NC Office of State Budget and Management's (OSBM) Peer Review Program, an organization is required to assist with a peer review of another NC State Agency.

Central Internal Audit Office Meetings & Reporting:

The Central Internal Audit Office (CIAO), which is housed under the OSBM, supports the Council of Internal Auditing in the execution of its responsibilities under the NC Internal Audit Act. This includes providing training, development, and resources to state-employed internal audit staff. There are several mandatory requirements that Internal Audit must complete and submit to the CIAO, including but not limited to all signed Audit Plan Attestations, quarterly Reporting Attestations, approved Audit Plans, final Audit Reports or Memos, Productivity Reports, and a Self-Assessment Maturity Model Tool (SAMM), which is used to report the self-assessment of the internal audit maturity.

Technical Assistance

Unplanned Technical Assistance:

Internal Audit is available to assist in reviewing documents, processes, policies, and procedures, or answer internal and/or external audit-related questions from various UNC System Office operational departments. Any unplanned assistance to another department that is less than 10 hours falls under this category.

Internal Shared Services

Under the supervision of the chief audit officer, the UNC System Office Internal Audit team provides internal audit services to both the North Carolina School of Science and Mathematics (NCSSM) and the North Carolina State Education Assistance Authority (NCSEAA). This includes all Board communications and mandatory requirements for these institutions related to the North Carolina Council of Internal Auditing.

**UNC System Office Internal Audit Plan
Fiscal Year 2026**

Questions & Answers

AGENDA ITEM

A-5 UNC System Office Internal Audit 2024-25 Year-End ReportJennifer Myers

Situation: The Global Internal Audit Standards (Standards) issued by the Institute of Internal Auditors (IIA) require the chief audit officer to provide updates on the UNC System Office 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 Charter, 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 Standards.

Assessment: Attachment D lists the projects from the fiscal year 2025 audit plan that was approved by the committee in September 2024 and identifies the status of those projects on July 31, 2025. The attachment also includes the Internal Audit year-end report, which includes the annual disclosures required by the IIA Standards.

Action: This item is for information only.

Fiscal Year 2025 Internal Audit Plan

Engagements & Other Activities	Status As of 7.31.25
Prior Year Carry Over	
IT Contracting & Vendor Management Audit (System Office)	COMPLETED
IT Contracting & Vendor Management Audit (PBS NC)	COMPLETED
Risk Assessment	
Annual Risk Assessment & Audit Plan Development – FY’25	COMPLETED <i>No Report Issued</i>
Assurance Engagements	
Campus Data Quality Audit	COMPLETED
Campus Billing Processes Audit	DEFERRED TO FY’26
ACH Change Processes Audit	COMPLETED
Advisory Engagements	
Annual P-Card Compliance Review (System Office)	COMPLETED
Annual P-Card Compliance Review (PBS NC)	COMPLETED
Follow-Up on Management Corrective Actions	
IT Contracting & Vendor Management Audit (System Office)	COMPLETED
ACH Change Processes Audit (System Office)	
PCI Compliance Review (PBS NC)	
IT Contracting & Vendor Management Audit (PBS NC)	
Investigations	
Unplanned/Various	COMPLETED
Special Projects	
Participation in OSBM Peer Review Process	COMPLETED
Technical Assistance – Unplanned/Various	COMPLETED
Charter Review & Update Policies to Align with New IIA Standards	COMPLETED
UNCAA Conference Planning	COMPLETED
Other Hours	
Preparation for Board Meetings & Meeting Attendance	COMPLETED
Unit Oversight, Staff Hiring, MOU Updates	COMPLETED
NC Council on Internal Auditing Reporting Requirements (SAMM, Attestations, Annual Report, KPI), OSBM Meetings, & Attending Council Meetings	COMPLETED
Other Services: Routine advisory services, assist external auditors; QAIP work, & other projects to be determined	COMPLETED

Engagements & Other Activities	Status As of 7.31.25
Professional Development	COMPLETED
Outreach & coordination with Other UNC System Internal Audit Groups	COMPLETED
Management of Internal Audit Hotline	COMPLETED
Holidays & Staff Leave	COMPLETED
Internal Audit Shared Services	
Internal Audit Services to NCSSM	COMPLETED
Internal Audit Services to NCSEAA	COMPLETED

The 2024-25 Internal Audit Year-End Report

The UNC System Office is required by North Carolina G.S. 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 UNC System 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) Global Internal Audit Standards (Standards). The Standards require the chief audit officer to report to the CARMC on the independence of the internal audit function, the results of the Quality Assurance and Improvement Program, and the actual performance of work relative to the audit plan at least annually.

Independence

The IIA defines independence as freedom from conditions that may impair the ability of the internal audit function to carry out internal audit responsibilities in an unbiased manner. The UNC System Office internal audit function is positioned within the organizational structure of the UNC System Office that promotes independence and objectivity. There were no interferences with the scope of our work, performing our work, or communicating results during fiscal year 2025.

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. The QAIP includes both internal assessments and external Quality Assurance Reviews (QAR). 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.

The IIA Standards require the internal audit function to undergo a QAR at least once every five years by a qualified, independent assessor from outside the organization. The UNC System Office received its last QAR in FY'24, conducted in coordination with the North Carolina Office of Internal Audit's Peer Review Program, and received the highest possible rating of "Generally Conforms." The next QAR will take place in FY'29.

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. For FY'25, we met or exceeded the minimum required maturity level for conformance with the IIA Standards.

Performance of Work

In September 2024, the UNC System Office FY'25 Internal Audit Plan was approved by the CARMC and the Board of Governors. The planned hours included two full-time audit staff members and the chief audit officer. The planned projects included the UNC System Office as well as hours to provide internal audit

shared services to NCSSM and NCSEAA.

As of July 31, 2025, the UNC System Office Internal Audit team completed all projects on the FY'25 plan with the following exception:

- The Campus Billing Processes Audit has been moved to the FY'26 Audit Plan with an estimated start date of October 2025.

Reports Issued

During FY'25, the UNC System Office Internal Audit team issued the below reports.

Report Name	Issued Date
System Office IT Contracting & Vendor Management Audit	August 9, 2024
PBS NC IT Contracting & Vendor Management Audit	November 6, 2024
Automated Clearing House Banking Processes Audit	November 7, 2024
Annual P-Card Compliance Review (System Office)	February 20, 2025
Annual P-Card Compliance Review (PBS NC)	February 24, 2025
Campus Data Quality Audit	June 2, 2025

At the start of FY'26, the Internal Audit team was finalizing the review of nine prior open recommendations. In working with the System Office business units, we were able to close all prior items and the Follow-Up of Prior Audit Recommendations report was issued on July 21, 2025.

Internal Audit Shared Services

For NCSSM, we completed the annual risk assessment and five advisory engagements. A follow-up on prior audit recommendations and a compliance engagement were still in progress at fiscal year-end and will be completed in August 2025.

For NCSEAA, we completed the annual risk assessment, one assurance engagement, one advisory engagement, and a prior audit recommendation engagement.

FY'25 Resources and Staffing

For FY'25, the UNC System Office Internal Audit Office was staffed with 3.17 full-time equivalent (FTE) positions.

Name	FTE	Notes
Michael Ptasienski	0.09	Retired July 31, 2024
Jennifer Myers	0.83	Start date of September 3, 2024
Carol Harris	1.00	
Amber Vitale	1.00	
Brian Walker	0.25	Start date of March 31, 2025

Jennifer Myers replaced the former chief audit officer, Michael Ptasienski, in September 2024. During FY'25, the Office of Internal Audit created a new Auditor II position, which allowed Brian Walker to join our team. He comes to us from the North Carolina Office of State Auditor.

University Internal Audit Coordination

One of the key functions of the 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 monthly conference calls including all constituent university chief audit officers, ad hoc assistance for other chief audit officers, and a two-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.

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 or more sensitive allegations, those were handled by the UNC System Office Internal Audit team, in coordination with appropriate System Office leadership.

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 address risks related to compliance with laws and ethical standards at the system level and to complement and support the risk management and compliance processes and activities of the constituent institutions.
Assessment:	The committee will receive an update on top enterprise risks identified by the UNC System Office and the constituent institutions.
Action:	This item is for information only.



**THE UNIVERSITY OF
NORTH CAROLINA SYSTEM**

UNC SYSTEM ENTERPRISE RISK MANAGEMENT UPDATE

Bryan Heckle

Director of Enterprise Risk Management

September 17, 2025

Enterprise Risk Management (ERM) Process Framework

Identification

- Risk interviews across divisional units
- Collaboration with Internal Audit
- Questionnaires/surveys
- Compliance & IT risk assessments



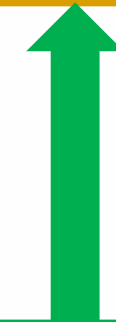
Assessment

- Impact on the organization
- Likelihood of occurrence
- Velocity – How rapidly the impact will spread
- Mitigation Effectiveness – How well is the risk being managed



Reporting

- System Office risks presented to Board of Governors
- Constituent University risks presented to board of trustees and shared with System Office



Risk Mitigation

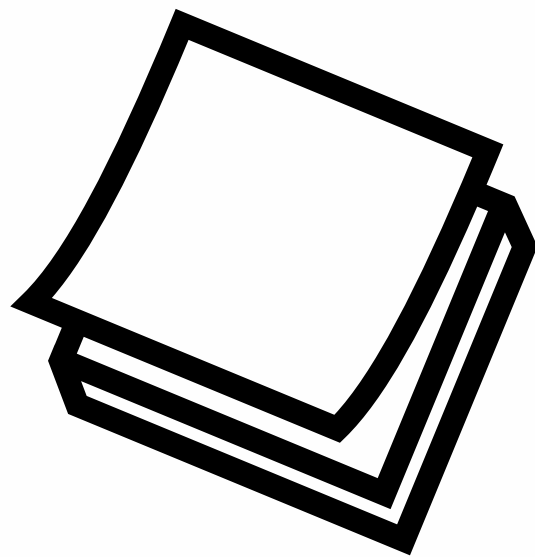
- Developed by risk owners
- Risk Review Board routinely discusses emerging and existing risks for mitigating activities
- Collaboration with Internal Audit



2025 UNC SYSTEM OFFICE RISK REGISTER

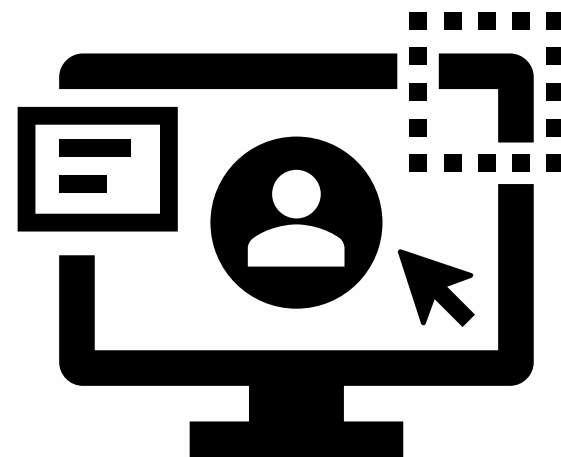
Operational, Strategic and Legal,
Regulatory & Compliance Risk
affecting all goals

BUSINESS OPERATIONS



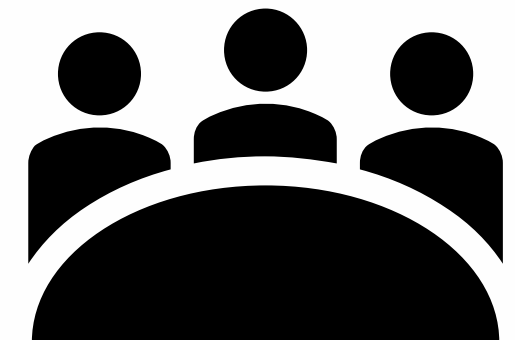
Operational, Strategic and Legal,
Regulatory & Compliance Risk
affecting all goals

CYBERSECURITY & IT INFRASTRUCTURE



Strategic Risk
affecting all goals

TALENT MANAGEMENT



2025 UNC SYSTEM CONSTITUENT INSTITUTION RISK REGISTER OVERVIEW

Operational Risk affecting goal 7:
University Productivity

BUSINESS OPERATIONS

Financial Risk
affecting all goals

FINANCIAL

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

REGULATORY COMPLIANCE

Operational Risk
affecting all goals

CYBERSECURITY & IT INFRASTRUCTURE

Operational Risk & Health Risk
affecting all goals

MENTAL HEALTH

Strategic Risk
affecting all goals

STUDENT RETENTION

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

FACILITIES MANAGEMENT

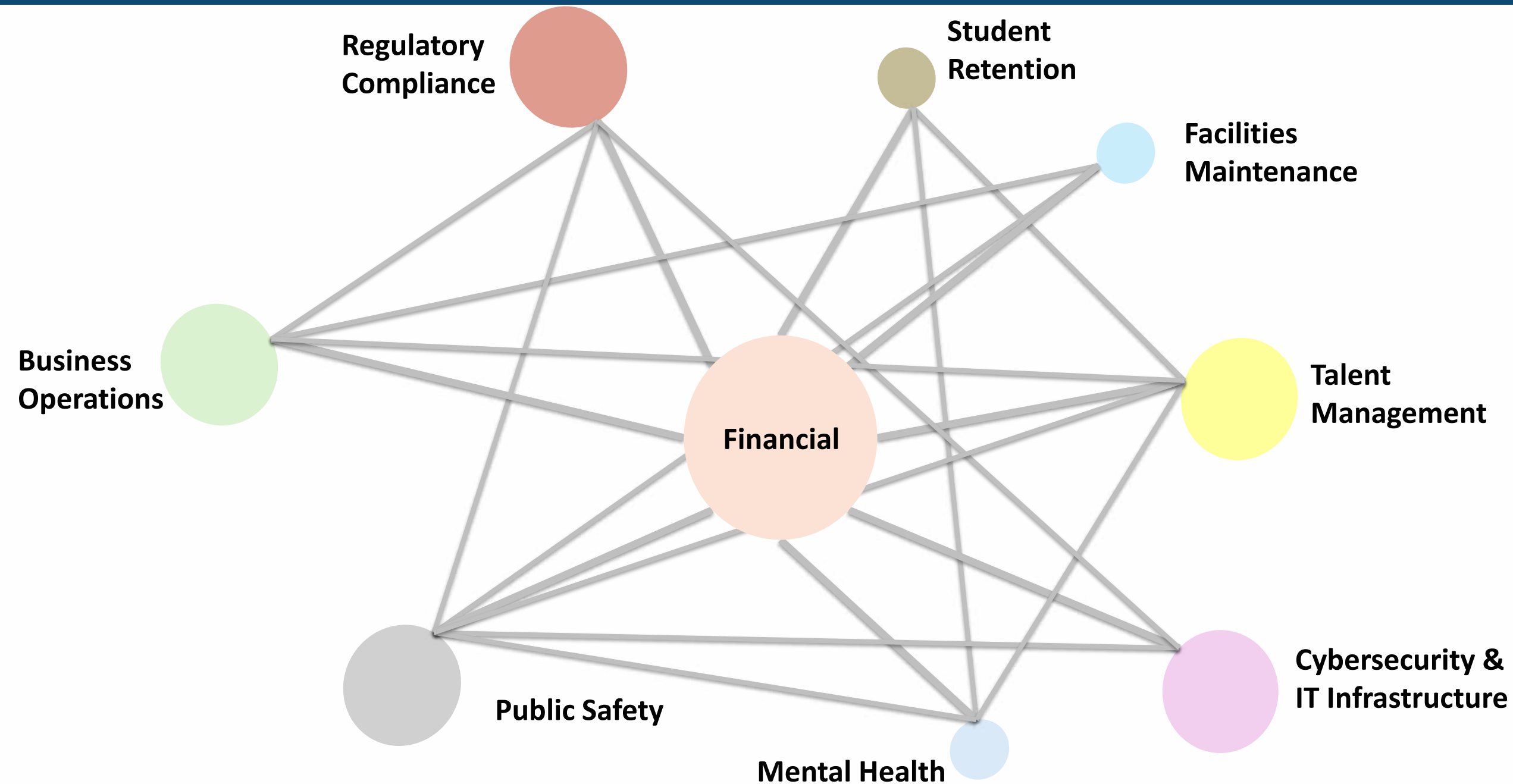
Operational Risk
affecting all goals

PUBLIC SAFETY

Strategic Risk affecting goals: 11. Employee
Experience & 12. Faculty and Staff retention

TALENT MANAGEMENT

2025 UNC SYSTEM CONSTITUENT INSTITUTION RISK REGISTER OVERVIEW



QUESTIONS?



Support Slides for ERM Background

What is Enterprise Risk Management

- Holistic framework to identify, assess, and manage risks
- Aligns risk-taking with mission, vision, and values
- Moves beyond compliance to support strategic decision-making

Why Does ERM Matter in Higher Education?

- Informs governing board and executive leadership
- Protects academic integrity and institutional reputation
- Supports financial sustainability and resource optimization
- Enhances student experience and safety
- Strengthens compliance with federal/state mandates
- Enhances communications across the institution/enterprise

Key ERM Risks across Higher Education

Financial Pressures

- Tuition Dependency
- Funding Shifts

Talent Leadership

- Succession Planning
- Faculty Retention

Regulatory Compliance

- Title IX
- Accreditation
- Federal Mandates

Reputation

- Campus Culture
- Athletics
- Academic Rankings

Cybersecurity

- Protecting Sensitive Student and Faculty Data
- Research Security



ERM Process Framework

Identification

- Risk interviews across divisional units
- Collaboration with Internal Audit
- Questionnaires/surveys
- Compliance & IT risk assessments



Assessment

- Impact on the organization
- Likelihood of occurrence
- Velocity – How rapidly the impact will spread
- Mitigation Effectiveness – How well is the risk being managed



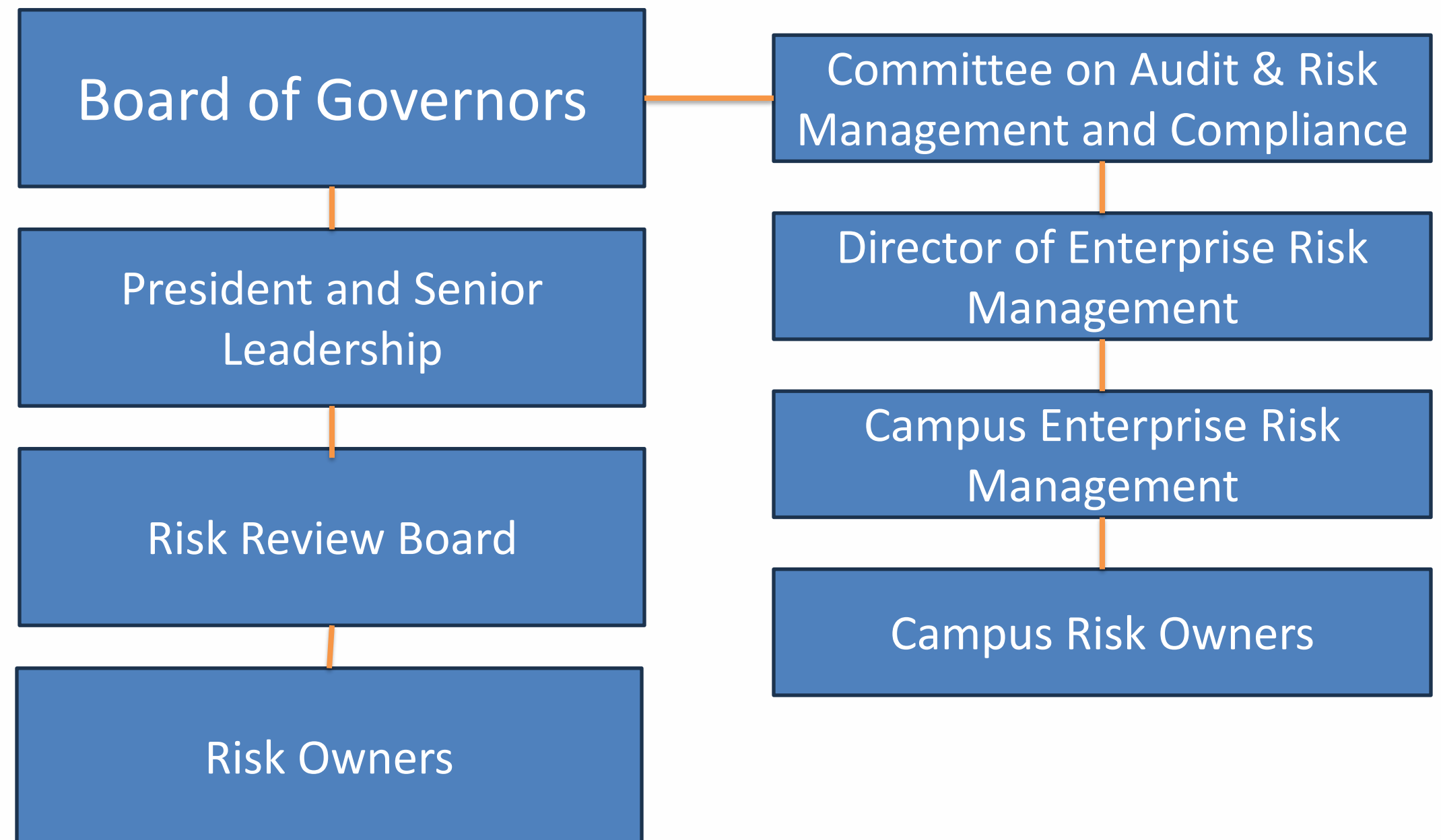
Reporting

- System Office risks presented to Board of Governors
- Constituent University risks presented to board of trustees and shared with System Office

Risk Mitigation

- Developed by risk owners
- Risk Review Board routinely discusses emerging and existing risks for mitigating activities
- Collaboration with Internal Audit

ERM Governance



Integrating ERM with Strategic Planning

- Risk insights inform resource allocations across the enterprise
- Proactive vs. reactive decisions
- Creates a resilient strategic plan adaptable to disruptions

Benefits of ERM in Higher Education

- Anticipates and reduces costly surprises
- Builds institutional resilience
- Supports accreditation and compliance
- Enhances stakeholder confidence
 - Donors
 - Students
 - Regulators

UNC System ERM Today

- Dedicated resources to capture emerging risks across the constituent institutions and the System Office
 - Risk owners are more collaborative with their risk managers to ensure their enterprise risks are being leveraged with Cabinet members and trustees
- Consistent and robust dialogue with the Risk Review Board on current and emerging risks

Next Steps

- Continue maturing System and institution ERM programs
 - Develop common reporting language
 - Develop standard key risk indicators
- Develop Systemwide best practices
- Enhance individual campus ERM capabilities through collaboration
- In line with UNC System Policy 1300.7 – Continue to identify new and emerging risks

AGENDA ITEM

A-7. The University of North Carolina's Cybersecurity EvolutionAllen Lakomiak and Shannon Tufts

- Situation:** The purpose of this item is to provide the Committee on Audit, Risk Management, and Compliance (CARMC) information on the evolution and current implementation status of the UNC System's cybersecurity recommendations. This presentation focuses on risks, investments, and future plans, and provides details on specific efforts across the System on items of interest to the committee to demonstrate active risk reduction. It also highlights collaborative approaches to risk management, training, and shared resources that continue to exist and expand across the System. Finally, the presentation outlines strategic forward-looking initiatives planned for fiscal year 2025-26 and beyond.
- Background:** CARMC has identified cybersecurity and information governance as critical areas of enterprise risk. In response, the UNC System Office, in collaboration with its constituent institutions, has advanced both tactical and strategic cybersecurity initiatives. Progress has been accelerated by legislative appropriations, partnerships with the North Carolina Joint Cybersecurity Task Force, and the implementation of multi-campus initiatives and collaborations. The September 2025 implementation update reflects actions that are aligned with Systemwide priorities as identified in the risk register, allowing the UNC System to leverage economies of scale while also addressing the unique needs of individual institutions.
- Assessment:** The UNC System has implemented a series of investments, shared services, and policy frameworks that address multiple cybersecurity risk areas (as identified in the risk register) simultaneously, demonstrating both efficiency and broad impact.
- Endpoint protection, detection, and response (EDR/MDR): Endpoint solutions provide a critical layer of defense by protecting sensitive data and personally identifiable information (PII); defending against hacking, phishing, ransomware, and insider threats; and reinforcing the confidentiality, integrity, and availability (CIA) triad. These tools also monitor and block cryptomining and cryptojacking, preventing performance degradation and compliance risks across all institutions.
- Attack Surface Monitoring: Continuous monitoring of internet-exposed systems safeguards PII, identifies vulnerabilities that could be exploited by ransomware or phishing attacks, and supports CIA protections. This monitoring also provides early warning for misconfigured cloud resources such as SharePoint, enabling rapid

remediation.

Security Information and Event Management (SIEM): SIEM platforms collect, correlate, and analyze log data across the System, enabling early detection of abnormal patterns such as cryptomining activity, phishing campaigns, or insider threats. SIEM supports forensic investigations, enhances CIA protections, and provides a foundation for regulatory and policy compliance reporting.

Vendor Risk Management and Standardized Contracts: Shared vendor risk assessments and standardized Systemwide contracts ensure that third-party providers meet security expectations, thereby safeguarding PII, reducing insider and supply chain risks, and strengthening overall IT infrastructure governance. These practices also generate cost savings and increase Systemwide consistency.

Security Awareness Training: A renegotiated platform contract ensures interested campuses are able to leverage the the collective aggregated license discounts for the UNC System regardless of individual institutional license counts, while maintaining institutional autonomy. Security awareness training helps mitigate phishing, ransomware, and insider threats by building faculty, staff, and student awareness. These efforts also reinforce data protection practices and educate the community about AI-driven risks to academic integrity and authenticity.

Incident Response and Threat Hunting: Partnerships with the NC Joint Cybersecurity Task Force, particularly the NCLGISA Strike Team and the NC National Guard's Cybersecurity Response Force have expanded the System's capacity to rapidly contain and remediate ransomware, phishing, and insider attacks. Advanced forensics and threat hunting offered by System Office staff further strengthen protections for data integrity and availability.

Preparedness Training and Exercises: More than 70 percent of campuses participated in NC National Guard's "Operation Tobacco Road" exercise, improving readiness for a variety of risks including ransomware outbreaks, insider threats, and large-scale service disruptions. In addition, System Office personnel have been temporarily assigned to campuses during critical projects and remain available for similar deployments.

PCI Compliance Activities: Ongoing and expanded PCI compliance work provides assurance that payment environments and sensitive PII are safeguarded through rigorous security standards. These activities also reinforce CIA principles across shared services.

AI Risk Evaluation and Governance: A CIO/CISO led workgroup is under development to evaluate and manage risks associated with artificial intelligence. By integrating AI considerations into existing cyber policies, the framework expands the CIA Triad to explicitly include authenticity and accuracy.

Uniform Standards and Assessment: Systemwide adoption of baseline security policies and procedures ensures consistency across institutions, aligns with ISO 27002:2022 standards, and strengthens governance. These policies underpin many technical investments, providing the structure necessary for effective, coordinated risk management. A strategic partner has been retained to assist interested institutions as a third-party assessor, with additional hours available to assist institutions with documentation and demonstration strategies for compliance.

Through these combined investments, the UNC System has built a layered defense that addresses multiple risks with each initiative. Tools such as EDR/MDR, SIEM, and attack surface monitoring cover overlapping threats, while shared contracts, policies, and procedures maximize cost efficiency and provide uniform protection across campuses. Collaborative mechanisms—such as shared services, joint initiatives, and campus-driven proposals—ensure that individual institutions benefit from enterprise-level capabilities while retaining flexibility to meet unique needs.

Looking forward, several initiatives for fiscal year 2025–26 are underway. These include the expansion of institution-specific pilot projects, identifying and strategically leveraging campus expertise for collective benefit, and undertaking a PCI Readiness Assessment with a target goal of delivering PCI Attestation of Compliance for any in-scope services offered by the UNC System Office by October 2026. The System is pursuing joint initiatives with public sector partners across the state of North Carolina to increase efficiency, strengthen collaboration, and enhance the overall impact of its cybersecurity efforts. Collaborative risk management actions are a key focus and continue to strengthen the System’s posture. Campus CISOs and System Office staff have shared expertise to augment institutional capabilities, while joint contract renegotiation and demand aggregation will continue to create cost efficiencies. Additionally, campus-driven cyber proposals have allowed institutions to seek support for their unique cybersecurity needs, backed by shared funding. Review of these initiatives and their metrics will allow future investments to be based on return on investment, including impact measures, across the enterprise.

Action: This item is presented to the Committee for information only.



Fortifying the Digital Frontier: The University of North Carolina's Cybersecurity Evolution

Allen Lakomiak

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Shannon Tufts

Senior Advisor on Cybersecurity, UNC System

Yesterday.

Today.

Tomorrow.

Fragmented to Fortified

- Limited resources
- Uneven maturity
- Inconsistent standards
- Fragmented approaches
- + Recognized need for systemwide solutions
- + Leadership support
- + Funding secured to fortify our institutions

Digital Shields Deployed

- + Layered defense in depth
 - + Funded risk-based systemwide initiatives
- + Improved collaboration
 - + Staff augmentation
- + Preparedness training
 - + Resource allocation
- + Campus directed efforts

Near & Far Horizon Initiatives

- * Centralized threat intelligence
- * Cross-institutional partnerships
- * Security compliance validation
- ^ Joint public sector initiatives
- ^ Real-time analysis & action
- ^ Workforce development
 - ^ Future proofing

From Fragmented to Fortified: Our Cybersecurity Origins



Cybersecurity and information governance identified as critical enterprise risks requiring systemwide attention



Fragmented approaches: institutions operating independently with inconsistent security standards and practices



Limited resources and uneven maturity across institutions creating vulnerability gaps



Early recognition of need for systemwide efforts: shared policies and services, collaboration, cost-effective solutions, and critical partnerships

Digital Shields Deployed: Our Current Defense Ecosystem

Endpoint Detection & Response protects university assets from malicious threats, including cryptomining, malware, and ransomware

Attack Surface Monitoring implemented for continuous monitoring and early vulnerability detection

Security Information and Event Management (SIEM) investments for log analysis, threat detection, and abnormal network usage

Vendor risk management collaboration and standardized contracts ensuring third-party security compliance

Security awareness initiatives, including newly negotiated pricing available to all institutions, regardless of entity size

Perimeter defenses in place, monitored, and updated based on threat landscape

Data loss prevention and protection tools, coupled with backup solution, enabled to ensure confidentiality, integrity, and availability

Digital Shields Deployed: Our Current Collaborative Security Framework



Shared Expertise:

Institutional and System Office staff offer specialized cybersecurity expertise to augment each institution's capabilities; CISO/CIO workgroup is under development to evaluate and balance risk and opportunity associated with AI tools



Resource Allocation:

Contract renegotiations with demand aggregation to achieve most competitive pricing for institutions, regardless of size



Staff Augmentation:

Temporary assignment of System Office personnel during critical incidents/project



Preparedness Training:

No-cost trainings offered by NCNG CSRF to build institutional cybersecurity preparedness and capabilities



Campus-Driven:

Individual cyber proposal model designed to respond to unique institutional needs

70%+ participation
Operation Tobacco
Road

*No-cost 5-day cybersecurity
training exercise offered by
NCNG*

Near Horizon Strategic Initiatives: Expanding Our Perimeter



Collaboration with Campus CIOs/CISOs: Continued engagement with institutional leadership to identify emerging challenges and opportunities such as AI governance and risk management, as well as to identify funding sources to ensure continued vigilance



Shared Tools: Create and invest in opportunities to leverage economies of scale for North Carolina, such as an emerging centralized threat intelligence hub



Cross-Institutional Partnerships: Identify unique capacities and expertise at each institution and leverage as a force multiplier for all institutions via inter-institutional agreements



Security Compliance Validation: UNC System Office Hosted Solutions/Shared Services plans to offer Payment Card Security Standards Attestation of Compliance for hosted offerings by October 2026



Far Horizon Strategic Initiatives: To 2030 and Beyond



Joint Public Sector Initiatives

Expand partnerships with NC Joint Cybersecurity Task Force, NC Community College System, Department of Public Instruction, Department of IT, and local governments to create a unified security ecosystem across North Carolina



Real-Time Correlation, Analysis, and Actions

Combine various data sources and threat intelligence into near real-time, actionable risk assessments and action plans



Workforce Development and Enhancements

Identify and incentivize collaborative security projects, featuring the integration of students and faculty, with shared funding and resources across institutions



Future Proofing

Planning and preparation for post-quantum challenges, advanced hybrid threats, and large-scale system failures with global reach and impact

Q&A