APPENDIX N

THE UNIVERSITY OF NORTH CAROLINA SYSTEM

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

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

<u>Campus Data Quality Audit— Chancellor Incentives:</u>

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.

<u>Campus Billing Processes Audit</u>

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.

<u>PBS NC Blackbaud Reconciliation Audit</u>

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.

<u>Annual P-Card Compliance Audits (System Office & PBS NC):</u>

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 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.

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.

Questions & Answers