February 25, 2026 at 1 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 November 19, 2025 .... Mark Holton

A-2. North Carolina Office of State Auditor Reports Issued .... Jennifer Myers

A-3. UNC System Office Internal Audit Update .... Jennifer Myers

A-4. University Systemwide Audit Departments & Becoming a Strategic Partner .... Jennifer Myers

A-5. Business Process Compliance Program Overview .... Jennifer Haygood

A-6. Adjourn

DRAFT MINUTES

November 19, 2025
15 minutes after the adjournment of the Committee on Budget and Finance
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, Art Pope, and Kathryn Greeley.

Chancellors participating were Bonita Brown and Keith Hargrove.

Staff members present included Fred Sellers, Jennifer Myers, Samantha Barbusse, Shannon Tufts, and others from the University of North Carolina System Office.

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

The chair called the meeting to order at 10:27 a.m. on Wednesday, November 19, 2025. The open session minutes from the September 17, 2025, meeting were approved by unanimous consent.

2. **Summary of the Systemwide Fiscal Year 2025 Internal Audit Activities (Item A-2)**

Chief Audit Officer Jennifer Myers summarized institution Internal Audit activities from the previous fiscal year.

This item was for information only.

3. **Summary of UNC System Fiscal Year 2026 Internal Audit Plan (Item A-3)**

Ms. Myers also outlined the systemwide FY 2026 audit plans, which reflect responses to current risks in each plan.

This item was for information only.

4. **Summary Report of Associated Entities (Item A-4)**

Ms. Myers additionally summarized the annual financial audit reports of the University's associated entities.

5. **RTI Partnership with UNC System (Item A-5)**

Dr. Jenn Rineer from RTI provided a briefing on a partnership with the UNC System to adopt a strategic path for campus law enforcement, to preserve public safety on our institutions' campuses.

This item was for information only.

6. Closed Session

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

Motion: Woody White
Motion carried

THE MEETING MOVED INTO CLOSED SESSION AT 10:52 a.m.
(The complete minutes of the closed session are recorded separately.)

THE MEETING RESUMED IN OPEN SESSION AT 11:21 a.m.

There being no further business and without objection, the meeting adjourned at 11:22 a.m.

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Art Pope, Secretary

THE **UNIVERSITY** OF
NORTH CAROLINA SYSTEM

MEETING OF THE BOARD OF GOVERNORS
Committee on Audit, Risk Management, and
Compliance
February 25, 2026

AGENDA ITEM

A-2.   North Carolina Office of State Auditor Reports Issued..Jennifer Myers

Situation: The committee will receive an update on audit reports issued to date by the North Carolina Office of the State Auditor (OSA).

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

Assessment: OSA has released 15 financial statement audit reports for the period ending June 30, 2025, for UNC System institutions. To date, three financial statement audit reports are pending issuance. OSA has not released any federal compliance audit reports for the fiscal year 2025.

The audit results have been summarized in *Attachment 1*.

In December 2025, the OSA launched the State Auditor's Award of Excellence in Financial Reporting and Compliance, a new recognition for state entities that demonstrate exceptional discipline, accuracy, and transparency in preparing their annual financial statements and federal compliance audits. For fiscal year 2024, 27 state entities received the State Auditor's Award of Excellence. Of the 27 awards issued, 12 awards were issued to institutions in the UNC System.

The awards have been summarized in *Attachment 2*.

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

Financial Statement Audits for the Year Ended June 30, 2025			
Institution Name	Report Number	Release Date	# of Findings
Appalachian State University	FIN-2025-6080	12/12/2025	0
East Carolina University	FIN-2025-6065	11/12/2025	0
Elizabeth City State University	FIN-2025-6086	12/11/2025	0
Fayetteville State University	FIN-2025-6088	12/11/2025	0
NC State University	FIN-2025-6030	11/14/2025	0
North Carolina A&T State University		Pending Issuance	
North Carolina Central University	FIN-2025-6090	12/19/2025	0
North Carolina School of Science and Mathematics		Pending Issuance	
University of North Carolina Asheville	FIN-2025-6055	10/27/2025	0
University of North Carolina at Chapel Hill	FIN-2025-6020	11/20/2025	0
University of North Carolina at Charlotte	FIN-2025-6050	11/21/2025	0
University of North Carolina at Greensboro	FIN-2025-6040	11/21/2025	0
University of North Carolina at Pembroke	FIN-2025-6082	12/1/2025	0
University of North Carolina School of the Arts	FIN-2025-6092	12/3/2025	0
University of North Carolina System Office		Pending Issuance	
University of North Carolina Wilmington	FIN-2025-6060	11/4/2025	0
Western Carolina University	FIN-2025-6075	12/5/2025	0
Winston-Salem State University	FIN-2025-6084	12/17/2025	0

Federal Compliance Audit Reports - Student Financial Aid			
Institution Name	Report Number	Release Date	# of Findings
No Reports Issued for the 2025 Fiscal Year			

Federal Compliance Audit Reports - Higher Education Programs			
Institution Name	Report Number	Release Date	# of Findings
No Reports Issued for the 2025 Fiscal Year			

Source: https://www.auditor.nc.gov/auditsreviews

North Carolina Award of Excellence in Financial Reporting and Compliance
For the Year Ended June 30, 2024

The award is applied to all state agencies, universities, community colleges, and other public entities that meet the highest standards of fiscal accountability, ensuring timely, accurate, and clean financial reporting with no deficiencies or delays. To earn the State Auditor's Award of Excellence, an entity must meet the following criteria:

Timeliness: OSA must receive the entity's unaudited financial statement package by the deadline established by the State of North Carolina Office of the State Controller (OSC).

Adjustments: Upon completion of OSA's financial statement audit of the entity, there must be no record of any significant audit adjustments made.

Findings: Upon completion of OSA's financial statement audit, there must be no record of any audit findings (significant deficiencies, material weaknesses, or other findings required by auditing standards).

Process: Throughout OSA's audit, there must be no record of any audit delays. The entity also must not be under any investigation by OSA, and there must be no record of any noncompliance with laws. Furthermore, the entity must not be under any financial/going concern issues.

Financial Statement Audits
Institution Name
Appalachian State University
East Carolina University
NC State University
University of North Carolina Asheville
University of North Carolina at Chapel Hill
University of North Carolina at Charlotte
University of North Carolina at Greensboro
University of North Carolina School of the Arts
Western Carolina University

Single Audits
Institution Name & Type of Audit
Fayetteville State University: Higher Education
Fayetteville State University: Statements of Financial Accounting Concepts
NC State University: Statements of Financial Accounting Concepts

Source: https://www.auditor.nc.gov/blog/2025/12/05/introducing-north-carolina-award-excellence-financial-reporting-and-compliance

AGENDA ITEM

A-3.   UNC System Office Internal Audit Update ....Jennifer 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. This allows the Committee to assess Internal Audit's performance relative to the approved annual audit plan.

Assessment: *Attachment 3* identifies the status of the fiscal year 2026 Internal Audit activities as of December 31, 2025.

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

UNC System Office
Internal Audit Status Update as of December 31, 2025
Fiscal Year 2026

Audit Activity	Budgeted Hours	Actual Hours*	% Utilized	Status
Assurance Engagements				
Annual P-Card Compliance Audit (PBS NC)	250	237	95%	Completed
Annual P-Card Compliance Audit (System Office)	200	184	92%	Completed
Campus Billing Processes Audit	400	4	1%	Not Started
Campus Data Quality Audit – Chancellor Incentives	400	231	58%	In-Process
PBS NC Blackbaud Reconciliation Audit	400	65	16%	In-Process
Advisory Engagements				
IT Policy Requirements (Pre-OSA IT Audit)	150	54	36%	In-Process
Student Complaint Portal Policy Review	125	0	0%	Not Started
Travel Expense Policy Review (Materiality)	125	1	1%	Not Started
Unplanned/As Requested	80	0	0%	As Needed
Investigations				
Unplanned/As Requested	100	25	25%	As Needed
Other Direct Hours				
Annual Risk Assessment & Audit Plan Development	150	95	63%	Completed
Special Projects				
Annual MOU Review	8	18	225%	Completed
CAO Retreat (Prep & Attend)	50	1	2%	Ongoing
Central Internal Audit Office Meetings & Reporting	200	24	12%	Ongoing
Hotline Management & Reporting	50	58	116%	Ongoing
Internal Audit Manual, Templates & SOP Updates	50	67	134%	Ongoing
OSA 90-Day Follow-Ups	50	18	36%	Ongoing
Participation in OSBM Peer Review Process	200	0	0%	Not Started
Quality Assurance & Improvement Program (QAIP)	50	39	78%	In-Process
Unplanned/As Requested	50	62	124%	As Needed
Technical Assistance				
All Other Committees (Prep & Attend)	100	94	94%	Ongoing
Board Meetings (Prep & Attend)	300	183	61%	Ongoing
CAO Search Committees (Prep & Attend)	100	66	66%	Ongoing
UNC Systemwide CAO Meetings & Outreach/Coordination w/ Other CAOs	80	54	68%	Ongoing
Unplanned/As Requested	60	19	32%	As Needed
Other Indirect Hours				
Holidays & Staff Leave	1,632	925	57%	Ongoing
Other Hours	20	0	0%	Ongoing
Professional Development	160	68	43%	Ongoing
Training Hours (Non-CPE)	100	338	338%	Ongoing
Unit Oversight, Staff Meetings & Misc. Admin Activities	392	253	65%	Ongoing
Total Hours to UNC System Office:	**6,032**	**3,180**		
Internal Audit Shared Services				
Internal Audit Services to NCSEAA	760	317	42%	Ongoing
Internal Audit Services to NCSSM	1,560	733	47%	Ongoing
Total Hours Per MOUs:	2,320	1,050		

February 2026   **Hours have been rounded to the closest whole number*

Audit Activity	Budgeted Hours	Actual Hours*	% Utilized	Status
Total Hours:	8,352	4,230		

Highlights

UNC System Office Hotline Portal

The UNC System Office's Internal Audit team is responsible for overseeing all reports and complaints submitted via the Hotline Portal by staff, students, faculty, and even the public for all institutions systemwide. While each institution has the capacity to receive allegations directly, the UNC System Office allows complaints to be submitted to them anonymously. These complaints are either referred to the institution to investigate or investigated by the System Office audit team. Complaints can range from fraud, waste, abuse, compliance, human resources, and public health and safety. During the first half of fiscal year 2026, Internal Audit developed standard operating procedures for overseeing the hotline portal, how each institution should handle complaints routed to them, and a monthly status update process to ensure that all complaints are handled timely and accurately. During the creation of these procedures, Internal Audit worked with the IT department to enhance and update the features of the hotline portal.

The UNC System Office Hotline Portal can be located at: https://hotline.northcarolina.edu

Quality Assurance & Improvement Program

The Institute of Internal Auditors (IIA) Global Internal Audit Standards (Standards) requires that the chief audit officer develop a Quality Assurance and Improvement Program (QAIP) to evaluate and ensure the internal audit function conforms with the Standards, achieves performance objectives, and pursues continuous improvement. The results of the QAIP are reported to the Board on an annual basis and are also used to help achieve the highest rating of the external Quality Assurance Review (QAR) that is conducted every five years. For fiscal year 2026, the Internal Audit team developed a new process of reviewing engagement workpapers on a quarterly basis to ensure that all items are completed timely and accurately to ensure continuous improvement and for a successful QAR.

Chief Audit Officer Search Committees

For fiscal year 2026, the UNC System Office's Chief Audit Officer (CAO) was asked to participate in two search committees at institutions where their CAOs had resigned: NC State University and Fayetteville State University. These requests demonstrate the partnership between the institutions and the System Office to function as one whole unit. The goal is to have participation in future CAO search committees throughout the UNC System.

AGENDA ITEM

A-4.   University Systemwide Audit Departments & Becoming a Strategic Partner...................Jennifer Myers

Situation: The System Office Internal Audit team will offer updates and details on audit departments and investigations conducted by all constituent institutions in 2025. In addition, the chief audit officer will outline ways that Internal Audit can move from being a trusted advisor to a strategic partner.

Background: Internal audit departments conduct investigations based on allegations of fraud, waste, and abuse. The System Office Internal Audit will provide a background of internal audit departments and their hotlines along with a summary of investigations conducted in 2025. In addition, Internal Audit will discuss ways for the System Office internal audit department and the campus internal audit departments to move forward as strategic partners with their institutions.

Assessment: Internal audit will present slides and commentary that support the topics mentioned above.

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

AGENDA ITEM

A-5.   Business Process Compliance Program Overview ....Jennifer Haygood

Situation: The purpose of this item is to provide the Committee on Audit, Risk Management, and Compliance with an overview of the University of North Carolina System's Business Process Compliance Program (BPCP). This item is presented to provide context on the program's purpose, history, and current state, and to highlight how the program supports Systemwide internal controls, financial integrity, and risk management. No action is requested.

Background: In 2008, a Systemwide operational assessment was conducted to address a growing number of audit findings identified by the Office of the State Auditor. That assessment concluded that inconsistent business process standards, limited documentation, staffing and training challenges, and underutilization of core financial systems contributed to internal control weaknesses across constituent institutions.

In response, the UNC System Office established the BPCP to promote consistent baseline business process standards, improve financial accountability, and support clean financial statement audits. In 2009, the program was expanded through an agreement with the Office of the State Controller, assigning the UNC System Office responsibility for overseeing internal controls over financial reporting at constituent institutions and for supporting compliance with Chapter 143D of the North Carolina General Statutes, the State Governmental Accountability and Internal Control Act. The program was implemented as an alternative to the Office of the State Controller's EAGLE program.

As part of this effort, the System Office developed the Assessment of Internal Control over Financial Reporting (AICFR) process, aligned with the COSO Internal Control–Integrated Framework, to support institutions' annual internal control certifications and ongoing monitoring activities.

Assessment: The BPCP has evolved into a mature, Systemwide framework that combines standards, monitoring, training, and data-driven oversight across key administrative and financial functions. The program currently focuses on five primary areas: General Accounting, Contracts and Grants, Financial Aid, Student Accounts, and Capital Assets.

Through standardized guidance, defined key performance indicators, and recurring dashboard reporting, the program provides early visibility into control risks, operational issues, and emerging trends. Monthly and quarterly reporting enables the System Office to identify recurring exceptions, monitor timeliness and accuracy, and work collaboratively with institutions on corrective action plans when needed.

In addition to ongoing monitoring, the program supports targeted reviews, training, and technical assistance, particularly in higher-risk areas or where staffing transitions or operational challenges may increase risk exposure. Collectively, these activities strengthen internal controls, support compliance with statutory and regulatory requirements, and provide System leadership with consistent, comparable information across institutions.

Action: This item is for information only.

BUSINESS PROCESS COMPLIANCE PROGRAM OVERVIEW

Committee on Audit, Risk Management, and Compliance
February 25, 2026

History - Establishment

In 2008, a Systemwide **operational assessment study** was conducted to determine how the System Office should address the many audit findings being reported by the Office of the State Auditor. As a result of the study, President Erskine Bowles created a project management office to (1) establish and maintain university systemwide baseline business process standards, (2) to improve the financial integrity and accountability of the individual constituent institutions, and (3) to ensure clean financial statement audits.

- **Study Findings:**
  o Lack of formal policies and procedures, reconciliations, and checklists needed to ensure accountability
  o Lack of adequate staffing and training of personnel
  o Challenges in hiring qualified staff
  o Poor utilization of the Banner system and, in general, the lack of understanding of the complexities of an integrated system

- **Consultant Recommendations:**
  o UNC System Office should establish uniform basic standards
  o Monitor compliance
  o Provide training

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History – Oversight of Internal Control

2009 – **Implementation** of Study Findings & Recommendations

2009 – **Program Expansion**
- The program was significantly expanded by an agreement between the Office of the State Controller and the System Office, assigning UNC System Office responsibility for:
  - Ensuring appropriate internal controls exist at the UNC System constituent institutions over financial reporting
  - Ensuring university compliance with General Statute Chapter 143D –The State Governmental Accountability and Internal Control Act established in 2007.
  - *Note: This agreement/program was implemented as an alternative to the 2008 OSC EAGLE program*

2010 – **Development of the Assessment of Internal Control over Financial Reporting (AICFR) Process**
- Developed and issued the Assessment of Internal Control over Financial Reporting (AICFR) to support institutions' annual internal control certification to the State Controller
- Aligned the AICFR with the COSO Internal Control–Integrated Framework, incorporating detailed checklists reflecting business process standards and the unique accounting and reporting requirements of universities

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Business Process Compliance Program
Current State

Standards & guidance

KPI monitoring + dashboard reporting

AICFR self-assessments

Training (Webinars / SharePoint resources)

Targeted monitoring and follow-up

Standards & Guidance
Areas of Focus

General Accounting
- Bank Account Reconciliations
- Journal Entries
- Maintain Fund Accounts
- Maintain Daily Cash
- Month End Close
- Year End Close
- Spending Guidelines

Contracts & Grants
- Account Setup
- Time and Effort Reporting
- Grant Management
- Billing and Drawdowns
- Reporting
- Account Closeout
- Audits

Financial Aid
- Application
- Satisfactory Academic Progress
- Packaging
- Scholarships and Loans
- Return of Title IV and State Grants
- Reconciliation
- General Management
- Emergency Declarations

Student Accounts
- General Management
- Financial Aid Disbursements
- Third Party Payments
- Billing Procedures
- Processing Payments and Credits
- Past Due Accounts
- Refunds, Adjustments, and Recons
- Emergency Loans & Special Areas

Capital Assets (Equipment & Buildings
- General Management
- Initiation/Acquisition
- Depreciation
- Record Maintenance
- Retirements/Disposals

Key Performance Indicators
Areas of Focus

General Accounting
- Bank account reconciliation timeliness
- Bank account reconciliation discrepancies resolution time
- NCFS Certification timeliness
- OSC annual report package timeliness
- Annual financial statement timeliness

Contracts & Grants
- Time and Effort certification timeliness
- Aging of receivables
- Timeliness of award closeout

Financial Aid
- Reconciliation to Pell
- Reconciliation to Direct Loans
- Reconciliation to NC Next
- Reconciliation to the Department of Education's Common Origination and Disbursement System (COD)

Student Accounts
- % of enrolled students with a hold at the end of the month
- Current term collection rate
- Financial Aid credit refund timeliness
- Schedules cancelled for nonpayment
- Accounts deferred as exception

Capital Assets (Equipment & Buildings
- Tagging of capital equipment items
- Recording capital equipment items to the Capital Asset Management System
- Missing assets

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Dashboard Reporting

- Dashboard tracks 20 key metrics across the 5 areas of focus

- Monthly submissions by institutions

- Quarterly dashboard

  - Evaluation

  - Corrective action plans

  - Distributed to chancellors, chief finance officers, chief audit officers, and controllers

Dashboard Reporting

Example:

ID #	General Accounting KPIs	Frequency	Goal	Green Range	Yellow Range	Red Range	Oct-24
	Business Process Compliance **Key Performance Indicators** **(As of October 20, 2025 Submission)**						
GA01	Average # of Business Days to Reconcile Bank Accounts	Monthly	20	1-20	21-30	>30	20
GA02	Average # of Business Days to Resolve Bank Account Reconciliation Discrepancies	Monthly	40	1-40	41-60	>60	34
GA03	# of Business Days to Certify NCAS/NCFS Balances	Monthly	10	1-10	11-15	>15	10
GA04	# of Calendar Days to Submit and Certify OSC Annual Report Package	Annually	56	1-56	57-61	>61	
GA05	# of Calendar Days to Complete Annual Financial Statements	Annually	81	1-81	82-112	>112	

Business Process Compliance Program
AICFR, Training, & Monitoring

AICFR Self-Assessments	Internal management tool used by institutions to assess and document their compliance with internal controls
Training	• Conferences & webinars • Resources • Networking
Targeted Monitoring and Follow-up	• KPIs outside of the goal range for consecutive reporting periods • AICFR self-assessment review • Key personnel changes

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Current Focus: "What's on our Radar"

- Vacant / interim controller coverage

- New KPI: Next NC disbursement reconciliation

- Targeted monitoring
  - Repeat late submissions
  - Recurring KPI exceptions

- Contracts & grants – high risk areas
  - Effort certification, receivables aging, and award closeout