

MEETING OF THE BOARD OF GOVERNORS

Committee on Audit, Risk Management, and Compliance

September 16, 2026

15 minutes after the adjournment of the Committee on University Funding

Via Videoconference and PBS North Carolina Livestream

UNC System Office

223 S. West Street, Board Room

Raleigh, North Carolina

AGENDA

- A-1. Approval of the Open Session Minutes of May 20, 2026 Mark Holton
- A-2. 2025-26 Annual Report of the Committee on Audit, Risk Management, and Compliance....Fred Sellers
- A-3. Approval of CARMC and Internal Audit Charters.....Fred Sellers
Jennifer Myers
- A-4. Approval of FY 2027 Annual Audit Plan for the UNC System Office Jennifer Myers
- A-5. FY 2026 Annual Year-End Report from Internal Audit..... Jennifer Myers
- A-6. UNC System Enterprise Risk Management Report..... Bryan Heckle
- A-7. Cybersecurity Funds — Utilization & Impact.....Shannon Tufts
- A-8. Adjourn

DRAFT MINUTES

May 20, 2026

15 minutes after the adjournment of the Committee on University Governance

Via Videoconference and PBS North Carolina Livestream

UNC System Office

223 S. West Street, Room 1809

Raleigh, North Carolina

This meeting of the Committee on Audit, Risk Management, and Compliance was presided over by Chair Mark Holton. The following committee members, constituting a quorum, were also present in person or by phone: Woody White, 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, and others from the UNC System Office.

1. Call to Order and Approval of OPEN Session Minutes of May 20, 2026 (Item A-1)

The chair called the meeting to order at 2:40 p.m. on Wednesday, May 20, 2026. The open session minutes from the February 25, 2026, meeting were approved by unanimous consent.

2. UNC System Office Internal Audit Plan Status Updates (Item A-2)

UNC System Chief Audit Officer Jennifer Myers presented the Internal Audit Plan status updates. The updates outlined the planned versus actual internal audit activities integral to the UNC System. All audit projects are in process, and the team will have most projects completed by the end of the fiscal year.

This item was for information only.

3. UNC System Enterprise Risk Management Updates (Item A-3)

Bryan Heckle briefed the committee on how enterprise risk management is driving measurable progress, reducing campus risks while enhancing Systemwide engagement and alignment.

This item was for information only.

4. UNC System Approach to Emergency Communications (Item A-4)

After a few comments on the emergency communications regulation and the positive impact on our institutions from President Peter Hans, Melissa Wargo, the vice chair of the Emergency Communications Council, as well as Andrea Weaver and Chuck McKinnon, summarized the progress of the first year of the Emergency Communications Council.

This item was for information only.

There being no further business and without objection, the meeting adjourned at 3:24 p.m.

Pearl Burris-Floyd, Secretary

AGENDA ITEM

A-2. 2025-26 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 2025-26 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 2025 through June 2026.

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 Keith Hargrove (Elizabeth City State) and Bonita Brown (Winston-Salem State) also served on the committee.

ACTIONS

The Committee on Audit, Risk Management, and Compliance met in four regular meetings between July 1, 2025, and June 30, 2026. The major actions of the committee are summarized as follows:

Summary of Approval Actions	Month Approved
Annual Report of the CARMC (2024-25)	September 2025
Approval of CARMC and Internal Audit Charters Appendix A & B	September 2025
Approval of FY2026 Annual Internal Audit Plan for the System Office	September 2025
FY2025 Annual Year-End Report from Internal Audit	September 2025
UNC System Enterprise Risk Management Report	September 2025
The University of North Carolina's Cybersecurity Evolution	September 2025
Confidential Briefing – Campus Safety Update	September 2025
Summary of Systemwide Internal Audit Activities	November 2025
Summary of UNC System Annual Audit Plans	November 2025
Summary Report of Associated Entities	November 2025

RTI Partnership with UNC System	November 2025
Confidential Briefing - Cybersecurity	November 2025
Update on the North Carolina Office of the State Auditor Reports	February 2026
UNC System Office Internal Audit Update	February 2026
University Systemwide Audit Departments & Becoming a Strategic Partner	February 2026
Business Process Compliance Program Overview	February 2026
UNC System Office Internal Audit Plan Status Updates	May 2026
UNC System Enterprise Risk Management Status Update	May 2026
UNC System Approach to Emergency Communications	May 2026

AGENDA ITEM

A-3. Approval of CARMC and Internal Audit Charters Fred Sellers and 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 University of North Carolina System Office.
- Assessment:** No updates are recommended to the charter (Oversight Responsibilities and Operating Procedures) and the materials are provided 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 Board). The committee acts on behalf of the Board to provide independent oversight of the University's audit, risk management, and compliance functions as well as the University's internal control practices. The committee shall be supported and staffed by the chief of staff, the office of legal affairs, internal audit/compliance staff, information technology staff, and safety and enterprise risk management/ compliance staff, whose roles and responsibilities shall be defined and described by the president.

The committee also has access to other members of management and employees, and relevant information across the UNC System that the committee considers necessary to discharge its oversight responsibilities.

The legislation and policies relevant to the committee's jurisdiction and oversight responsibilities are set forth in Appendix A.

The committee's oversight responsibilities with respect to the University of North Carolina System Office's (System Office) internal audit function are set forth in the Internal Audit Charter (see 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 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 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 the State Auditor, and others to attend the meetings and provide pertinent information as required and requested. The committee will communicate its information requirements, including the nature, extent, and timing of information. The committee expects all communication with UNC System staff, as well as external assurance providers, to be direct, open, and complete.

The committee chair will collaborate with the president, the chief of staff, general counsel, vice president for safety and enterprise risk management, and chief audit officer to establish a work plan that ensures the responsibilities of CARMC are properly scheduled and carried out. Meeting agendas and related materials will be prepared and provided in advance to members. Minutes will be prepared in accordance with applicable requirements.

V. Education

The president and the designated committee staff are responsible for providing the committee with educational resources related to auditing, compliance, risk management, accounting principles and practices, legal and regulatory requirements, and other information that the committee may require. The System Office'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. 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 and issuance by the president annual guidance, initiatives, and areas of focus for the relevant committees of the board of trustees of the constituent institutions in the areas of internal audit, risk management, and compliance.
3. Hold meetings in accordance with the requirements of the Open Meetings Act.
4. Report committee oversight activities to the Board, 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 responsibilities. When deemed necessary by the Board 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 on the effectiveness of the University's internal control system in responding to risks, including information technology governance and security.
9. Perform additional oversight responsibilities assigned by the Board.

B. Financial Statements

Management is responsible for the preparation, presentation, and integrity of the University's financial statements and for the appropriateness of the accounting, internal control, and reporting policies used by the University. The Office of the State Auditor currently conducts the annual audits of the University's financial statements, which includes financial statement audits of each of the constituent institutions and the 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 Office of the State Auditor or a designated representative regarding the annual audits (financial and compliance) of the constituent institutions. Review the results of the System Office's independent financial statement audit by the Office of the State Auditor, including any difficulties encountered and reportable issues.
2. Resolve any differences between management and the Office of 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 the State Auditor conducts federal compliance audits of select institutions on an annual basis, and may, on occasion, conduct other audits or investigations of the University. Other external auditors may also be engaged by the System Office or by the constituent institutions for 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 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 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 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 System Office's internal audit function. The committee's oversight is defined in the System Office's Internal Audit Charter as set forth in Appendix B.
4. The 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, establishment of, and collaboration among the risk management and compliance programs within the University, including recommending to the Board Systemwide 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 believe 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's 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 anti-fraud 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 ensure 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 counsels or other advisors as necessary to carry out their 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 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 charter, with the assistance of staff at the 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, September 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; 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.

[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, are 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.
- *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.* [Sec. 1400.1](#) establishes requirements for information technology governance at the system and constituent institution level.

Special Responsibility Constituent Institutions ([G.S. 116-30.1](#); Chapter 600.3 of the UNC Policy Manual – Sections [600.3.1](#), [600.3.2](#), 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

I. Purpose

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

II. 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 System Office's:

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

Commitment to Adhering to the Global Internal Audit Standards

The internal audit function will adhere to the mandatory elements of The Institute of Internal Auditor's (IIA) International Professional Practices Framework, which are the Global Internal Audit Standards (Standards) and Topical Requirements. The chief audit officer will report periodically to the Board 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 System Office's internal audit function is most effective when:

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

III. Mandate

The System Office is required to establish a program of internal auditing pursuant to North Carolina General Statute § 143, Article 79, which requires the System Office to have an internal audit function that complies with the Standards issued by the IIA, 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.

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

IV. CARMC Oversight

To establish, maintain, and ensure that the 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 chief audit officer and discuss:
 - Changes affecting the System Office, such as the employment of a new chief audit officer or changes in the type, severity, and interdependencies of risks to the 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 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 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.

V. Chief Audit Officer Roles and Responsibilities

Ethics and Professionalism

The chief audit officer will ensure that internal auditors:

1. Conform with the 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 System Office and be able to recognize conduct that is contrary to those expectations.
3. Encourage and promote an ethics-based culture in the System Office.
4. Report organizational behavior that is inconsistent with the 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 System Office or its affiliates.
3. Initiating or approving transactions external to the internal audit function.
4. Directing the activities of any 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 of:

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 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 Standards, relevant laws, and 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 Standards and fulfill the internal audit mandate.
8. Identify and consider trends and emerging issues that could impact the 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 System Office's relevant policies and procedures unless such policies and procedures conflict with the Internal Audit Charter or the 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 are 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 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 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 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 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 System Office; qualifications must include at least one assessor holding an active Certified Internal Auditor credential.

Other Responsibilities

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

1. Establish and ensure adherence to policies and procedures designed to guide the internal audit function and compliance with requirements set forth by the North Carolina Council of Internal Auditing.
2. Serve as the primary liaison for institution chief audit officers to the System Office and to CARMC.
3. Serve as a primary liaison from the University to the Office of State Auditor and the Central Office of Internal Audit on audit-related matters.

VI. Scope of Internal Audit Activities

The scope of internal audit services covers the entire breadth of the organization, including all the 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 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 System Office's strategic objectives are appropriately identified and managed.
2. The actions of the System Office's officers, directors, management, employees, and contractors or other relevant parties comply with the 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 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, Committee on Audit, Risk Management, and Compliance 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, September 2025

AGENDA ITEM

A-4. Approval of FY 2027 Annual Audit Plan for the System OfficeJennifer Myers

- Situation:** The Global Internal Audit Standards (Standards) issued by the Institute of Internal Auditors 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 University of North Carolina System Office (System Office). In this capacity, and as directed by both the audit committee and the Internal Audit Charter, the 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 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 fiscal year 2027. 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 Standards.
- 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 2027

September 17, 2026

Office of Internal Audit

Jennifer Myers
Chief Audit Officer

Amber J. Vitale
Auditor II

UNC System Office Internal Audit Plan
Fiscal Year 2027

Engagements	Planned Hours	Comments
Prior Year Carryover		
Campus Billing Processes Audit	250	
IT Policy Requirements Advisory Engagement	50	
NCCU Foundation Audit	50	
Assurance Engagements		
Annual P-Card Compliance Review	200	
Campus Data Quality Audit (HR Datamart)	400	
PBS NC Blackbaud Reconciliation Audit	310	
System Regulations Compliance Review	250	
Advisory Engagements		
Unplanned/As Requested Advisory Engagements	50	
Follow-Up Audits		
Follow-Up Review	50	▪ Campus Data Quality (Chancellor Incentives) ▪ Travel Expenses Review
Investigations		
Unplanned/As Requested Investigations	75	
Other Direct Hours		
Annual Risk Assessment/Audit Plan Development	175	
Special Projects		
Annual Charter Review & Updates	5	
CAO Retreat	25	
Carryover Engagements	20	▪ Campus Data Quality (Chancellor Incentives)
Central Internal Audit Office Meetings & Reporting	87	Mandatory
Hotline Management & Reporting	53	
Internal Audit Manual, SOPs & Template Updates	100	
MOU Review & Updates	20	
OSA 90-Day Follow-Ups	50	
Quality Assurance & Improvement Program (QAIP)	75	
Special Projects Assigned to CAO by Leadership	208	
Special Projects Requested by CAO	75	
Unplanned/As Requested Special Projects	62	
Technical Assistance		
All Other Committees	100	

UNC System Office Internal Audit Plan
Fiscal Year 2027

Engagements	Planned Hours	Comments
Board of Governors/CARMC Meetings	350	
CAO & Employment Search Committees	100	
CAO Onboarding Assistance	10	
Leadership Meetings	120	
UNC Systemwide CAO Meetings & Assistance	175	
Unplanned/As Requested Technical Assistance	100	
Other Indirect Hours		
Holidays & Staff Leave	1,647	
Professional Development (CPE Hours)	160	Mandatory
Training Hours (Non-CPE)	100	
Unit Oversight, Staff Meetings & Admin Tasks	450	
Total Hours to System Office:	5,952	
Internal Audit Shared Services		
Internal Audit Services to NCSEAA	1,000	Hours established by MOU ¹
Internal Audit Services to NCSSM	1,400	Hours established by MOU
Total Hours Per MOUs:	2,400	
Total Available Hours:	8,352	
Less Permanent Resource Hours (4 X 2,088):	8,352	
Difference:	0	

Peter Hans, President

Date

Mark Holton, Committee Chair

Date

¹ Due to the shortfall of internal audit hours used by NCSEAA in FY26, the hours allocated in FY27 were increased to 1,000 hours compared to the standard MOU of 760 hours.

UNC System Office Internal Audit Plan Fiscal Year 2027

Summary of the Planned Services

This document represents the Internal Audit Plan for the University of North Carolina System Office (System Office). However, it is a dynamic document that may be revised during the year as emerging risks are identified. Requests from leadership or the University of North Carolina Board of Governors (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 Internal Audit Plan may be adjusted to meet the evolving needs.

The planned hours and projects for this annual plan cover work from July 1, 2026, to June 30, 2027. The estimated hours include an allocation of time for a chief audit officer (CAO), one senior auditor, and two staff auditors.

Below is a brief description of the planned engagements for FY27.

Prior Year Carryover

Campus Billing Processes Audit

The Budget and Finance 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 management 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.

IT Policy Requirements Advisory Engagement

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

NCCU Foundation Audit

The System Office has contracted with an external consulting firm to conduct an audit of the North Carolina Central University (NCCU) Foundation. Throughout the engagement, the System Office will stay well informed of the investigation and will provide a report on the findings.

Assurance Engagements

Annual P-Card Compliance Review

Per Section 1300.7.2[R] of the UNC Policy Manual, *Regulation on University Procurement and Purchasing Card Programs*, 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 P-Cards. The CAO, 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 CAO, 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

UNC System Office Internal Audit Plan

Fiscal Year 2027

being charged, and deactivation of card) to evaluate the effectiveness of the documented processes and identify any gaps or control weaknesses that might exist. This engagement covers all P-Cards issued for the System Office as well as PBS North Carolina.

Campus Data Quality Audit (HR Datamart)

The Enterprise Data Office manages and provides oversight into the collection of financial, student, and human resource data for the 17 institutions. This data is provided to the System Office through periodic feeds from the constituent institutions and is utilized for analysis and reporting purposes throughout the enterprise. While the System Office makes efforts to ensure this data is accurately collected, the ultimate responsibility for its accuracy lies with the institution providing the files. Internal Audit will review a sample of the data being transmitted via the HR Datamart to verify the accuracy of the data from the institutions providing the information.

PBS NC Blackbaud Reconciliation Audit

PBS NC obtained a license from the System Office to utilize Blackbaud Raiser's Edge NXT, a nonprofit customer relationship management (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 effectiveness and accuracy and identify any gaps or control weaknesses that might exist.

System Regulations Compliance Review

Internal Audit will work with the System Office to ensure that institutions are meeting the mandatory System regulations and requirements. This will be completed by performing risk assessments to determine the highest risks, providing assurance that the institutions are following the highest risk regulations, and making recommendations if certifications surrounding regulations should be required.

Advisory Engagements

Unplanned/As Requested Advisory Engagements

Internal Audit is available to provide advisory services to leadership 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 System Office rules.

Investigations

Unplanned/As Requested Investigations

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

UNC System Office Internal Audit Plan Fiscal Year 2027

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 Internal Audit Plan. The risk assessment involves identifying and ranking risks based on leadership input, current industry and audit trends, prior audit results, financial activity, and other factors. The result is the risk-based Internal Audit Plan that is required by the Internal Audit Charter and The Institute of Internal Auditors' Global Internal Audit Standards. These hours include planning for the FY27 Internal Audit Plan and the FY28 Internal Audit Plan.

Special Projects

Central Internal Audit Office Meetings & Reporting

The Central Internal Audit Office (CIAO), which is housed under the NC Office of State Budget and Management (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

UNC Systemwide CAO Meetings & Assistance

To further support and provide guidance for all the constituent institution CAOs, the System Office CAO will:

- Travel to each campus in the Summer or Fall of 2026 to meet with the CAOs and their teams.
- Host monthly virtual CAO meetings.
- Organize and host the annual CAO Retreat.
- Present at the annual UNC Auditors Association Conference.

Unplanned/As Requested 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 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 CAO, the 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.

AGENDA ITEM

A-5. FY 2026 Annual Year-End ReportJennifer Myers

Situation: The Global Internal Audit Standards (Standards) issued by the Institute of Internal Auditors require the chief audit officer to provide updates on the University of North Carolina System Office's (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 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: The Annual Year-End Report Attachment lists the projects from the fiscal year 2026 audit plan that was approved by the committee in September 2025 and identifies the status of those projects as of July 31, 2026. The attachment also includes the internal audit year-end report, which includes the annual disclosures required by the Standards.

Action: This item is for information only.

UNC System Office
Internal Audit Plan Status Update as July 31, 2026
Fiscal Year 2026

Audit Activity	Included in Original Audit Plan	Status	Original Budgeted Hours	Revised Budgeted Hours	Actual Hours	% Utilized*
Assurance Engagements						
Annual P-Card Compliance Audit (PBS NC)	Yes	Completed	250	250	237	95%
Annual P-Card Compliance Audit (System Office)	Yes	Completed	200	200	184	92%
Campus Billing Processes Audit	Yes	Carryover	400	400	175	44%
Campus Data Quality Audit – Chancellor Incentives	Yes	Completed	400	400	468	117%
NCCU Foundation Audit	No	Carryover	0	70	33	46%
PBS NC Blackbaud Reconciliation Audit	Yes	Completed	400	400	397	99%
Advisory Engagements						
IT Policy Requirements (Pre-OSA IT Audit)	Yes	Carryover	150	150	114	76%
PBS NC Blackbaud Review	No	Completed	0	100	60	60%
Student Complaint Portal Policy Review	Yes	Cancelled	125	5	5	100%
Travel Expense Policy Review (Materiality)	Yes	Completed	125	125	84	67%
Unplanned/As Requested	Yes	Completed	80	80	0	0%
Investigations						
Appalachian State University HR Investigation	No	Completed	0	50	56	112%
Unplanned/As Requested	Yes	Completed	100	50	0	0%
Other Direct Hours						
Annual Risk Assessment & Audit Plan Development	Yes	Completed	150	150	198	132%
Special Projects						
Annual MOU Review	Yes	Completed	8	8	18	225%
CAO Retreat (Prep & Attend)	Yes	Completed	50	50	32	64%
Central Internal Audit Office Meetings & Reporting	Yes	Completed	200	200	117	59%
Hotline Management & Reporting	Yes	Completed	50	50	95	189%
Internal Audit Manual, Templates & SOP Updates	Yes	Completed	50	50	192	383%
OSA 90-Day Follow-Ups	Yes	Completed	50	50	40	80%
Participation in OSBM Peer Review Process	Yes	Completed	200	200	193	96%
Quality Assurance & Improvement Program (QAIP)	Yes	Completed	50	50	90	181%
Unplanned/As Requested	Yes	Completed	50	50	240	480%
Technical Assistance						
All Other Committees (Prep & Attend)	Yes	Completed	100	210	172	82%
Board Meetings (Prep & Attend)	Yes	Completed	300	300	321	107%

UNC System Office
Internal Audit Plan Status Update as July 31, 2026
Fiscal Year 2026

Audit Activity	Included in Original Audit Plan	Status	Original Budgeted Hours	Revised Budgeted Hours	Actual Hours	% Utilized*
CAO Search Committees (Prep & Attend)	Yes	Completed	100	100	119	119%
UNC Systemwide CAO Meetings & Outreach/Coordination w/ Other CAOs	Yes	Completed	80	80	93	116%
Unplanned/As Requested	Yes	Completed	60	60	128	213%
Other Indirect Hours						
Holidays & Staff Leave	Yes	Completed	1,632	1,632	1,399	86%
Other Hours	Yes	Completed	20	20	0	0%
Professional Development	Yes	Completed	160	160	219	137%
Training Hours (Non-CPE)	Yes	Completed	100	100	373	373%
Unit Oversight, Staff Meetings & Misc. Admin Activities	Yes	Completed	392	392	517	132%
Total Hours to UNC System Office:			6,032	6,192	6,369	103%
Internal Audit Shared Services						
Internal Audit Services to NCSEAA	Yes	Completed	760	760	543	71%
Internal Audit Services to NCSSM	Yes	Completed	1,560	1,400	1,644	117%
Total Hours Per MOUs:			2,320	2,160	2,187	101%
Total Hours:			8,352	8,352	8,556	102%

**The percent utilized is based off the revised budgeted hours compared to the actual hours.*

Please note that the "Actual Hours" for Assurance Engagements, Advisory Engagements, Investigations, and Other Direct Hours include hours from July 1, 2025, to July 31, 2026 (one month of FY27 is included).

UNC System Office
Internal Audit Plan Status Update as July 31, 2026
Fiscal Year 2026

The Fiscal Year 2026 Internal Audit Year-End Report

North Carolina General Statute §143-746 requires the University of North Carolina System Office (System Office) to maintain an internal audit function. The System Office's internal audit function is accountable to the Board of Governors through its Committee on Audit, Risk Management, and Compliance (CARMC) and to the University of North Carolina System president. Through memorandums of understanding (MOUs), the System Office's Internal Audit team provides internal audit shared services to the North Carolina School of Science and Mathematics (NCSSM) and to 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 fulfill internal audit responsibilities in an unbiased manner. The organizational structure of the System Office positions its internal audit function to promote independence and objectivity. There were no interferences with the scope of our work, performing our work, or communicating results during fiscal year 2026.

Quality Assurance and Improvement Program

The 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 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 System Office received its last QAR in fiscal year 2024, 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 fiscal year 2029.

In addition, the North Carolina Central Internal Audit Office requires that each internal audit function complete a Self-Assessment Maturity Model (SAMM) tool each year to identify the level of conformance with the Standards. For fiscal year 2026, we met or exceeded the minimum required maturity level for conformance with the Standards.

UNC System Office
Internal Audit Plan Status Update as July 31, 2026
Fiscal Year 2026

Performance of Work

In September 2025, CARMC and the Board approved the System Office's Fiscal Year 2025 Internal Audit Plan. The planned hours included three full-time audit staff members and the Chief Audit Officer. The planned projects included the System Office as well as hours to provide internal audit shared services to NCSSM and NCSEAA.

As of July 31, 2026, the System Office's Internal Audit team completed all projects on the Fiscal Year 2026 Internal Audit Plan with the following exceptions:

- The Campus Billing Processes Audit was moved to the fiscal year 2027 Internal Audit Plan.
- The NCCU Foundation Audit was added toward the end of fiscal year 2026 and has been carried over to fiscal year 2027.
- The IT Policy Requirements Advisory Engagement will be a carryover item on the Fiscal Year 2027 Internal Audit Plan with an expected completion date of September 2026.
- The Student Complaint Portal Policy Review Advisory Engagement was cancelled by the business area due to the Project Management Team completing a similar review.

Reports Issued

During fiscal year 2026, the System Office Internal Audit team issued the reports below.

Report Name	Issued Date
Annual P-Card Compliance Review (System Office)	October 21, 2025
Annual P-Card Compliance Review (PBS NC)	November 6, 2025
PBS NC Blackbaud Reconciliation Audit	April 24, 2026
Appalachian State University HR Investigation	May 5, 2026
Travel Expense Policy Review Advisory Engagement	May 19, 2026
PBS NC Blackbaud Advisory Engagement	June 25, 2026
Campus Data Quality Audit (Chancellor Incentives)	July 9, 2026

Internal Audit Shared Services

For NCSSM, Internal Audit completed the annual risk assessment, three assurance engagements, two advisory engagements, and a follow-up engagement. Two assurance engagements and one advisory engagement were still in progress at year end and will be carried over to fiscal year 2027.

UNC System Office
Internal Audit Plan Status Update as July 31, 2026
Fiscal Year 2026

For NCSEAA, Internal Audit completed the annual risk assessment, one advisory engagement, two investigations, and a follow-up engagement.

Resources and Staffing

For fiscal year 2026, the System Office Internal Audit Office staff consisted of four full-time equivalent (FTE) positions. The System Office CAO believes the current staff and the current number of staff are sufficient to conduct the internal audit function.

Employee Name	FTE	Notes
Jennifer Myers	1.00	Chief Audit Officer
Carol Harris	1.00	Audit Manager & NCSSM's Chief Audit Officer
Amber Vitale	1.00	Auditor II
Brian Walker	1.00	Auditor II

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 University of North Carolina System 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 System Office requirements are communicated and understood.

Hotline

The 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. Throughout the course of the year, Internal Audit received numerous allegations and reports of activity that required investigational work and institutional follow-up when issues were related to a specific institution. When the System office received reports that were either related to the System Office or had broader more sensitive allegations, those were managed by the System Office Internal Audit team, in coordination with appropriate System Office leadership.

AGENDA ITEM

A-6. UNC System Enterprise Risk Management ReportBryan Heckle

Situation: The purpose of this is to provide the Committee on Audit, Risk Management, and Compliance an update on enterprise risk management (ERM) in the UNC System.

Background: In adopting Section 1300.7 of the UNC Policy Manual, *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: Annual institutional threats are becoming increasingly interconnected. Issues like cybersecurity, mental health, talent management, public safety, funding, and regulatory compliance now function as a single, complex system. While universities outside the UNC System often operate in rigid silos, the UNC System continues to see a shift from previous collections of the risk register that reveals a positive evolution: the focus has shifted from "efficiency" to "resilience." Consequently, the future challenge is not just managing crises but proactively building an ecosystem that fosters resilience before disruptions occur.

The UNC System ERM, to include all the constituent institutions, has successfully matured or evolved from a reporting tool into a dynamic, enterprise-wide system. Today, we actively highlight shared vulnerabilities, emerging concerns, and key areas for leadership focus. Moving forward, we are building an even more forward-looking, action-oriented program. This next phase will seamlessly connect risk with strategy, identify trends early, promote shared learning, and enable coordinated responses while fully respecting institutional roles and delegated authority.

Action: This item is for information only.

UNC SYSTEM ENTERPRISE RISK MANAGEMENT UPDATE

BRYAN HECKLE, *DIRECTOR OF ENTERPRISE RISK MANAGEMENT*

SEPTEMBER 16, 2026



**THE UNIVERSITY OF
NORTH CAROLINA SYSTEM**

2026 UNC SYSTEM OFFICE RISK REGISTER

BUSINESS OPERATIONS



CYBERSECURITY & IT INFRASTRUCTURE



TALENT MANAGEMENT



THE UNIVERSITY OF
NORTH CAROLINA SYSTEM

2026 UNC SYSTEM INSTITUTIONAL RISKS

**CYBERSECURITY & IT
INFRASTRUCTURE**



**FACILITIES
MANAGEMENT**



FUNDING



MENTAL HEALTH



PUBLIC SAFETY



**REGULATORY
COMPLIANCE**



**TALENT
MANAGEMENT**



THE UNIVERSITY OF
NORTH CAROLINA SYSTEM

OUR ERM JOURNEY: BUILDING A SYSTEM TO STRENGTHEN DECISIONS AND MITIGATE RISKS



QUESTIONS?

AGENDA ITEM

A-7. Cybersecurity Funds – Utilization & Impact Shannon Tufts

Situation: The purpose of this item is to provide the Committee on Audit, Risk Management, and Compliance (CARMC) with an update on how appropriated cybersecurity funds have enabled UNC institutions to strengthen and secure their environments. The briefing centers on the work performed by campus technology and security teams, deploying and using tools, identifying and resolving vulnerabilities, and responding to threats, with enterprise procurement and support making that work possible more consistently across the System.

Rather than requiring each institution to pursue individual purchases and disparate capabilities, appropriated funds have been deployed as a coordinated, layered security investment. Aggregated contracts and enterprise buying power give campus teams access to leading protection, detection, and response tools, as well as specialized services, that many campuses could not have afforded independently. These resources allow institutions to protect endpoints, monitor and investigate activity, prioritize remediation, and respond during incidents and critical projects while retaining flexibility to address local risks.

Background: CARMC has identified cybersecurity and information governance as critical areas of enterprise risk. In response, the UNC System Office and constituent institutions have used appropriated cybersecurity funds to support the campus work required to build and operate a layered defense. The portfolio equips institutions with endpoint detection and response/managed detection and response (EDR/MDR), security information and event management (SIEM), vendor risk services, attack surface monitoring (ASM), restructured contracting, preparedness exercises, threat hunting and forensic support, policy and assurance work, and response partnerships.

The investment model has progressed from uneven, fragmented capabilities before 2023 to a mature, shared defense that campus teams can use in their own environments. In 2024, the System established a shared security foundation. In 2025, institutions operationalized these capabilities through systemwide monitoring, restructured contracts, staffing, preparedness exercises, campus directed projects, and shared expertise. In 2026, campus teams are using the resulting data, tools, and services to measure and validate outcomes, including finding closure, response timeliness, use of shared services, and evidence of enterprise level risk reduction and durable resilience.

Assessment: The September 2026 briefing demonstrates the value of the cybersecurity funds in the work campuses are able to perform. All UNC institutions reported leveraging next generation endpoint protection, and all reported security logging tool adoption that integrates logs and alerts for faster review and response. These capabilities give campus teams the visibility to

identify suspicious activity, prioritize the most significant risks, investigate issues, and take action from a more consistent security baseline.

Campus use of attack surface monitoring illustrates measurable risk reduction. Institutions review exposure data, validate affected assets, and remediate vulnerabilities through patching, configuration changes, and other local actions. Between April 2025 and July 2026, critical and high vulnerabilities across all UNC institutions were reduced by 95 percent. These outcomes evidence both the availability of shared tools and the focused work by campuses to reduce risk.

Aggregated contracts and coordinated negotiations make leading protection, detection, and response capabilities accessible to institutions of every size. Expert services and partners, including preparedness exercises, threat hunting, forensics, and temporary staff augmentation, supplement local teams during incidents and critical projects. This shared services model does not replace campus responsibility; it gives institutions practical tools, expertise, and surge support to secure their environments more effectively.

Governance and readiness activities reinforce the work performed on campus. Systemwide baseline policies and procedures align with industry and federal standards, while third party assessment assistance and regular collaboration help institutions apply lessons learned and improve controls. Together, these initiatives support repeatable campus practices, clearer accountability, and stronger assurance for emerging risks. The System is grateful for the legislature's investment and remains committed to disciplined, outcome-based stewardship that equips campuses to deliver durable, verifiable protection.

Action: This item is for information only.

Cybersecurity Funds: Utilization & Impact

CARMC Briefing

Shared protection, operational leverage, and measurable risk reduction

2026

Legislative Cybersecurity Appropriation Builds Stronger, Future-Ready UNC System

FRAGMENTATION → CAPABILITY → UTILIZATION → RISK REDUCTION → DURABLE RESILIENCE

Pre-2023

Fragmented Efforts & Investments

- Cybersecurity practices and layered protections vary across institutions
- Diverse tools and platforms limit systemwide visibility and consistent information sharing
- Limited collaboration and coordination

2024

Establish Shared Security Foundation

- Appropriation enables procurement of layered security tools and partnerships for institutions
- Funding enables standardization and strong security foundation across the board

2025

Integrate the Ecosystem

- Systemwide security monitoring, systemwide contracts, preparedness exercises, and campus-directed projects broaden impact
- Collaboration expands

2026

Measure and Validate

- Demonstrated impact of dedicated campus attention to risk reduction and threat mitigation
- Proactive readiness, governance, and continuous improvements increase resilience

Investment converted uneven campus capabilities into scalable, shared cyber defenses

UNC institutions collaborate to create scaled, shared protection

SYSTEM CYBER INVESTMENT

INSTITUTIONAL VALUE

INTENDED RISK OUTCOME

Shared security platforms



Access to high-quality security tools
at reduced cost



Earlier detection and
prioritized response

Restructured contracts



Cost effective leading security
services regardless of institution size



More consistent baseline
protection

Expert services &
partners



Staff surge support and on-demand
expertise



Faster response and greater
resilience

Governance &
collaboration



Shared intelligence, regular
communication, shared ownership and
support



Repeatable controls and
stronger accountability

Responsible stewardship turned appropriated funds into layered protection available to all institutions, leveraging enterprise buying power to maximize investments, and empowering campus flexibility to address local risks.

Cybersecurity Funds Deliver Measurable Enterprise Value

Investment portfolio and institutional efforts establish the foundation for enduring enterprise resilience



ENTERPRISE REACH

100%

Endpoint Protection

Institutions leveraging
next-gen endpoint
protection solutions



ENTERPRISE VISIBILITY

100%

**Security logging tool
adoption**

Integration of security
logs and alerts together
for faster review and
response



**Attack Surface
Monitoring Results Show**

95%

**Reduction in critical
and high
vulnerabilities**

Across all UNC
institutions between April
2025 and July 2026

Adoption of robust layered security posture has resulted in measurable risk reduction and rapid operational response through dedicated institutional efforts, system-wide collaboration, and continuous improvement processes.