



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

September 15, 2021 at 11:15 a.m.  
Via Videoconference and PBS North Carolina Live Stream  
University of North Carolina System Office  
Center for School Leadership Development, Board Room  
Chapel Hill, North Carolina

## AGENDA

- A-1. Approval of the Open and Closed Session Minutes of May 26, 2021 ..... Mark Holton
- A-2. Approval of CARMC Oversight Responsibilities and Operating Procedures..... Lynne Sanders
  - a. Appendix A - Statutory and Policy Authority
  - b. Appendix B - UNC System Office Internal Audit Charter
- A-3. 2020-21 Committee on Audit, Risk Management, and Compliance Annual Report ..... Lynne Sanders
- A-4. UNC System Office Internal Audit 2020-21 Year-end Report ..... Lynne Sanders
- A-5. Approval of the UNC System Office 2021-22 Internal Audit Plan..... Lynne Sanders
- A-6. Internal Audit Internship Program..... Lynne Sanders and Lisa Outlaw
- A-7. Strengthening Campus Safety.....Fred Sellers
- A-8. Report on Implementation of Information Security Recommendations .....Keith Werner
- A-9. Summary of Audit Reports Issued by the Office of the State Auditor..... Lynne Sanders
- A-10. Adjourn

## DRAFT MINUTES

May 26, 2021

Via Videoconference and PBS North Carolina Live Stream

University of North Carolina System Office

Center for School Leadership Development, Room

Chapel Hill, 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: Pearl Burris-Floyd, James L. Holmes, Jr., Terry Hutchens, Wendy Floyd Murphy, and Art Pope.

Chancellors participating were Nancy Cable and Sharon Gaber.

Staff members present included Lynne Sanders and others from the UNC System Office.

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### 1. Call to Order and Approval of the Minutes of April 21, 2021 (Item A-1)

The chair called the meeting to order at 12:00 noon, on Wednesday, May 26, 2021.

Chair Holton reminded all members of the committee of their duty under the State Government Ethics Act to avoid conflicts of interest and appearances of conflict of interest. The chair asked if there were any conflicts or appearances of a conflict with respect to any matter coming before the committee. No members identified any conflicts at the time.

The chair next called for a motion to approve the open session minutes of April 21, 2021.

**MOTION:** Resolved, that the Committee on Audit, Risk Management, and Compliance approve the open session minutes of April 21, 2021, as distributed.

**Motion:** Art Pope

**Motion carried**

### 2. Presentation of Audit Reports from the Office of the State Auditor (Item A-2)

Chair Holton welcomed State Auditor Beth Wood, who provided the committee with an overview of the work her office executed at the System's 16 universities, the UNC System Office, and the North Carolina School of Science and Mathematics during the 2020 fiscal year. The overview included comments on the 26 audit reports on the institutions' financial statements and federal compliance audits her staff performed during the past year. There were 18 financial audits presented; all with no findings. Of the eight federal compliance audit reports issued, three institutions had findings related to compliance with financial aid requirements.

Management at the three institutions agreed with the auditor's recommendations and corrective action has already been implemented or is in the process of being implemented at each of the institutions. Additionally, the Office of the State Auditor released two information system audits. After answering questions from the committee, the members thanked Auditor Wood for the work her office does and for the update she provided.

**This item was for information only.**

### **3. 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:** Art Pope

**Motion carried**

#### **THE MEETING MOVED INTO CLOSED SESSION.**

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

**MOTION:** Resolved, that the Committee on Audit, Risk Management, and Compliance return to open session.

**Motion:** Art Pope

**Motion carried**

#### **THE MEETING RESUMED IN OPEN SESSION.**

### **4. Adjourn**

There being no further business and without objection, the meeting adjourned at 12:34 p.m.

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Terry Hutchens, Secretary

**AGENDA ITEM**

A-2. Approval of CARMC Oversight Responsibilities and Operating Procedures ..... Lynne Sanders

<b>Situation:</b>	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.
<b>Background:</b>	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 its respective roles and responsibilities. The CARMC Oversight Responsibilities and Operating Procedures outline roles and responsibilities for the committee and the internal audit function for the UNC System Office.
<b>Assessment:</b>	Updates to the Oversight Responsibilities and Operating Procedures for CARMC are included with the materials for review and approval.
<b>Action:</b>	This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

## Committee Oversight Responsibilities and Operating Procedures

### I. Background and Authority

The Committee on Audit, Risk Management, and Compliance (CARMC) is a standing committee of the Board of Governors. The committee acts on behalf of the Board of Governors to provide independent oversight of the University's audit, risk management, and compliance functions as well as the University's internal control practices. The committee shall be supported and staffed by the University's legal affairs, internal audit, and 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 responsibility with respect to the UNC System Office internal audit function is set forth in the charter attached as Appendix B.

### II. Purpose

The purpose of CARMC is to act on behalf of the Board to provide structured, systematic oversight of the University of North Carolina System's audit, risk management, and compliance activities, 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 with legal, regulatory, ethics, conflict of interest, and policy requirements.
- 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. System-wide enterprise risk management and compliance processes.
- I. Campus safety and emergency operations.

### III. Organization

The chair of the Board of Governors selects the committee members and designates the committee officers after evaluating the members' collective competencies and balance of skills. As provided in *The Code* of the University of North Carolina, the committee shall consist of voting members and be appointed from the membership of the other standing committees. A quorum for the committee will be a majority of the voting members. The CARMC members:

- A. Must be independent of the UNC System or associated entity management and free of any relationship that would impair the members' independence.
- B. May not receive, directly or indirectly, consulting, advisory, or other fees from any of the constituent institutions, affiliated entities, associated entities, the UNC System Office, or outside contractors hired to perform special engagements.
- C. Should collectively possess sufficient knowledge of audit, finance, higher education, information technology, law, governance, risk, compliance, and principles of internal control in order to respond to regulatory, economic, reporting, and other emerging developments and needs.
- D. Should adhere to the UNC System's code of conduct and values and ethics established by the UNC System. It is the responsibility of the committee members to 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.

#### **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 management and staff, as well as external assurance providers, to be direct, open, and complete.

The committee chair will collaborate with the president, the general counsel, and the vice president for compliance and audit services 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, ethics, conflicts of interest, and other information that the committee may require. The University's vice president for compliance and audit services 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 written document describing the committee's responsibilities and operating procedures for approval by the Board of Governors. The operating procedures shall describe the scope of the duties and responsibilities of the committee, the structure of the University's functions within the committee's oversight responsibilities, and the basic responsibilities of management with respect to each function.

2. As needed, recommend for approval by the Board of Governors and issuance by the president annual guidance, initiatives, and areas of focus for the relevant committees of the boards of trustees of the constituent institutions in the areas of internal audit, risk management, ethics, and legal and regulatory compliance.
  3. Hold meetings in accordance with the requirements of the Open Meetings Act.
  4. Report committee oversight activities to the Board of Governors, along with advice and recommendations as the committee may deem appropriate.
  5. Oversee, authorize, and/or hear reports concerning investigations into any matters within the committee's scope of oversight responsibility. The committee will ordinarily expect management to conduct investigations within its oversight responsibility. When deemed necessary by the Board of Governors on the committee's recommendation, the committee may authorize independent auditors and others to conduct investigations and deliver reports.
  6. Review and monitor implementation of management's response to recommendations by internal and external audit or other assurance providers.
  7. Review and/or recommend policies to the Board that support the internal audit, risk management, governance, compliance, ethics, and legal functions.
  8. Consider and advise regarding the effectiveness of the University's internal control system in responding to risks, including information technology governance and security.
  9. Perform other oversight responsibilities assigned by the Board of Governors.
- B. Financial Statements. Management is responsible for the preparation, presentation, and integrity of the University's financial statements and for the appropriateness of the accounting, internal control, and reporting policies used by the University. The Office of 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 UNC System Office. The following shall be the principal duties and responsibilities of the committee regarding the financial statements of the University, including its constituent institutions:
1. Receive an annual overview from the State Auditor or a designated representative regarding the annual audits (financial and compliance) of the constituent institutions. Review the results of the UNC System Office's independent financial statement audit by the State Auditor, including any difficulties encountered and reportable issues.
  2. Resolve any differences between management and the State Auditor regarding financial reporting and other matters.
  3. Review with management and the University general counsel any legal matters (including pending litigation) that may have a material impact on the University's financial statements and any material reports or inquiries from regulatory or governmental agencies.
- C. External Audit/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 UNC System Office or by the constituent institutions for particular projects and matters. With respect to any such external audits, the committee's responsibilities are as follows:
1. Review significant audit-related communications from the Office of the State Auditor or, as necessary, other external audit groups or firms with respect to the University and the constituent institutions. Meet separately with the external auditors or firms, if necessary, to discuss sensitive and any other matters that the committee or auditor believes should be discussed privately.

2. Review reports on the progress of implementing approved management action plans and audit recommendations resulting from completed audit engagements.
3. Be available to meet during the year with external auditors (the State Auditor, engaged CPA firm, or audit staff) for consultation purposes or to discuss the auditor's judgment about the quality, not just the acceptability, of any accounting principles and underlying estimates in the preparation of a financial statement and other matters required to be communicated to the committee under generally accepted auditing standards.
4. Receive audit reports in those matters where the Board of Governors or the president authorize or request an external audit or other independent review.
5. Where needed and appropriate, as determined by the president or the vice president for compliance and audit services 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, review, and approve an annual summary of the internal audit plans submitted by each constituent institution and the UNC System Office.
2. Receive and review an annual summary of the internal audit activities overseen by the audit committee of each constituent institution's boards of trustees. This report will incorporate a summary of audits, reviews, investigations, or special assignments completed by the internal audit department of each constituent institution and the UNC System Office, and will note material reportable conditions and the status of their resolution. In addition, the annual summary will affirm that the structure of each internal audit function across the UNC System aligns with legislative requirements.
3. Serve as the audit committee for the UNC System Office's internal audit function. The committee's oversight is defined in the charter for the UNC System Office internal audit function as set forth in Appendix B.
4. The UNC System Office chief audit officer's appointment or termination of appointment shall be by the president, after consultation and concurrence of the Board of Governors.

E. Legal Affairs, 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 legal, risk management, and compliance activities are as follows:

1. Support the efforts, establishment of, and collaboration among the risk management, ethics, and compliance programs within the University, including recommending to the Board University-wide policies regarding internal audit, enterprise risk management, and compliance.
2. Receive regular reports concerning enterprise risk management and compliance activities from the general counsel, the vice president for compliance and audit services, 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, meet privately with the general counsel to discuss any matter that the committee or the general counsel believes should be discussed privately.
5. Coordinate with other Board committees as appropriate on legal, risk management, and compliance matters.



F. Other Responsibilities

1. As necessary, monitor the audit finding resolution requirements for special responsibility constituent institutions.
2. Review a summary of the annual financial audit reports of the University's major associated entities.
3. Review the required elements of a University-associated entity relationship.
4. Provide oversight of the UNC System information governance and security program.
5. Oversee management's procedures for the prevention and detection of fraud to ensure appropriate antifraud programs and controls are in place to identify potential fraud and to take appropriate action if fraud is detected.
6. Consult with the general counsel to review legal matters that may have a significant impact on a financial statement, overall financial performance, enterprise risk management, or compliance with applicable state, local, or federal laws and regulations. Review and provide advice on systems, practices, policies, and standards of ethical conduct. Identify and manage any legal or ethical violations.
7. Take other actions, as necessary, to ensure that risk exposures are identified and properly managed to assure the integrity of the finances, operations, and controls of the University. These actions include reviewing the established governance processes and advising on related policies and procedures that should be in place.

The committee may modify or supplement these duties and responsibilities as needed.

The committee shall have the authority, subject to the restrictions and requirements of state law, to engage independent counsel or other advisors as necessary to carry out its duties in accordance with state rules and regulations. The committee may also request a supplemental review or other audit procedures by internal audit, the State Auditor, or other advisors when the circumstances dictate that further review is required. The UNC System Office shall provide appropriate funding, as determined by the committee, for payment to advisors employed by the committee.

The committee shall annually review and assess the adequacy of the committee charter, with the assistance of staff at the UNC System Office. The committee chair will confirm annually that the relevant responsibilities in this charter have been carried out.

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Mark Holton, Chair

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Date

History: Approved July 23, 2020, September 2021

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  3. Hold meetings in accordance with the requirements of the Open Meetings Act.
  4. Report committee oversight activities to the Board of Governors, along with advice and recommendations as the committee may deem appropriate.
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  6. Review and monitor implementation of management's response to recommendations by internal and external audit or other assurance providers.
  7. Review and/or recommend policies to the Board that support the internal audit, risk management, governance, compliance, ethics, and legal functions.
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  9. Perform other oversight responsibilities assigned by the Board of Governors.
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  2. Resolve any differences between management and the State Auditor regarding financial reporting and other matters.
  3. Review with management and the University general counsel any legal matters (including pending litigation) that may have a material impact on the University's financial statements and any material reports or inquiries from regulatory or governmental agencies.
- C. External Audit/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 UNC System Office or by the constituent institutions for particular projects and matters. With respect to any such external audits, the committee's responsibilities are as follows:
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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 and other matters required to be communicated to the committee under generally accepted auditing standards.
4. Receive audit reports in those matters where the Board of Governors or the president authorize or request an external audit or other independent review.
5. Where needed and appropriate, as determined by the president or the vice president for compliance and audit services 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

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1. Support the efforts, establishment of, and collaboration among the risk management, ethics, and compliance programs within the University, including recommending to the Board University-wide policies regarding internal audit, enterprise risk management, and compliance.
2. Receive regular reports concerning enterprise risk management and compliance activities from the general counsel, the vice president for compliance and audit services, 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, meet privately with the general counsel to discuss any matter that the committee or the general counsel believes should be discussed privately.
5. Coordinate with other Board committees as appropriate on legal, risk management, and compliance matters.

F. Other Responsibilities

1. As necessary, monitor the audit finding resolution requirements for special responsibility constituent institutions.
2. Review a summary of the annual financial audit reports of the University's major associated entities.
3. Review the required elements of a University-associated entity relationship.
4. Provide oversight of the UNC System information governance and security program.
5. Oversee management's procedures for the prevention and detection of fraud to ensure appropriate antifraud programs and controls are in place to identify potential fraud and to take appropriate action if fraud is detected.
6. Consult with the general counsel to review legal matters that may have a significant impact on a financial statement, overall financial performance, enterprise risk management, or compliance with applicable state, local, or federal laws and regulations. Review and provide advice on systems, practices, policies, and standards of ethical conduct. Identify and manage any legal or ethical violations.
7. Take other actions, as necessary, to ensure that risk exposures are identified and properly managed to assure the integrity of the finances, operations, and controls of the University. These actions include reviewing the established governance processes and advising on related policies and procedures that should be in place.

The committee may modify or supplement these duties and responsibilities as needed.

The committee shall have the authority, subject to the restrictions and requirements of state law, to engage independent counsel or other advisors as necessary to carry out its duties in accordance with state rules and regulations. The committee may also request a supplemental review or other audit procedures by internal audit, the State Auditor, or other advisors when the circumstances dictate that further review is required. The UNC System Office shall provide appropriate funding, as determined by the committee, for payment to advisors employed by the committee.

The committee shall annually review and assess the adequacy of the committee charter, with the assistance of staff at the UNC System Office. The committee chair will confirm annually that the relevant responsibilities in this charter have been carried out.

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Mark Holton, Chair

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Date

History: Approved July 23, 2020, [September 2021](#).

## Statutory and Policy Authority

The legislation and policies relevant to the Committee on Audit, Risk Management, and Compliance's jurisdiction and oversight responsibilities include:

- A. All constituent institutions, affiliated entities, and the University of North Carolina System Office (UNC System Office), are subject to audit by the North Carolina State Auditor under [Article 5A of Chapter 147](#) of the North Carolina General Statutes (G.S.).
- B. Under the authority of [G.S. 116-30.1](#), the Board of Governors may designate a special responsibility constituent institution, by expressly finding that each institution to be so designated has the management staff and internal financial controls that will enable it to administer competently and responsibly all additional management authority and discretion to be delegated to it. The Board, on recommendation of the president, shall adopt rules prescribing management staffing standards and internal financial controls and safeguards.
- C. A special responsibility constituent institution of the University of North Carolina is required by [G.S. 116-30.8](#) to have an annual audit conducted by the North Carolina State Auditor.
- D. The University of North Carolina is required to establish a program of internal auditing pursuant to [G.S. 143-746](#).
- E. [Chapter 600](#) of the UNC Policy Manual establishes financial, reporting, and audit policies, regulations, and guidelines for the University of North Carolina, University-related private foundations, and associated entities.
- F. [Section 1400.2](#) of the UNC Policy Manual assigns the responsibility for oversight of the UNC system Office's information security program to the standing committee with audit responsibility.

## UNIVERSITY OF NORTH CAROLINA SYSTEM OFFICE

### Internal Audit Charter

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

The University of North Carolina System Office (UNC System Office) is required to establish a program of internal auditing pursuant to G.S. 143-746. The UNC System Office's internal audit function shall be accountable to the Board of Governors through the Committee on Audit, Risk Management, and Compliance (CARMC) and the president.

The purpose of internal audit is to provide independent and objective assurance and consulting services to add value and improve operations of the UNC System Office. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. Internal audit helps the UNC System Office accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, compliance, and governance processes. It provides a central point for coordinating oversight of activities that promote accountability, integrity, efficiency, and compliance.

#### B. Standards of Internal Auditing

The internal audit function strives to govern itself by adhering to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which includes the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing (Standards)*, and the Definition of Internal Auditing. The chief audit officer reports periodically to senior management and CARMC regarding internal audit's conformance to the Code of Ethics and the *Standards*.

As applicable, the following will also be used to guide internal audit operations: The Institute of Internal Auditors' implementation and supplemental guidance; *Government Auditing Standards* issued by the Comptroller General of the United States; relevant state and University policies and procedures; and the internal audit function's standard operating procedures manual.

#### C. Authority

The chief audit officer will report functionally to CARMC and administratively (i.e., day-to-day operations) to the president or the president's designee. To establish, maintain, and assure that the UNC System Office's internal audit function has sufficient authority to fulfill its duties, CARMC will:

1. Review and approve the internal audit charter, ensuring it accurately reflects the internal audit function's purpose, authority, and responsibility.
2. Review and approve the risk-based internal audit plan.
3. Review internal audit reports and communications with management, as well as management's corrective actions. If necessary, review and resolve any significant difficulties or disagreements on audit related matters.
4. Review periodic summaries regarding the status and/or results of audit activities in relation to the plan, approve any significant deviations to the audit plan, and assure the internal audit function has appropriate budget and resources.



5. Confirm and assure the independence of the internal audit function. The CARMC will make appropriate inquiries of management and the chief audit officer to assure there is no inappropriate scope or resource limitations or restrictions placed on the auditor's work.
6. Monitor the effectiveness of the internal audit function, including the efforts made to comply with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (Standards)*, the code of ethics, and compliance with the internal audit charter. The CARMC will ensure the audit function has a quality assurance and improvement program, review assessment results, and monitor implementation of recommended improvements.

The chief audit officer will have unrestricted access to, and communicate and interact directly with, CARMC on significant matters, including in private meetings without management present.

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

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

#### **D. Independence and Objectivity**

The chief audit officer will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the chief audit officer determines that independence or objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal audit will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. In addition, a balanced assessment will be made of all the relevant facts and circumstances, and the internal audit function will take precautions to avoid being unduly influenced by personal interests or others in forming professional judgments.

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

1. Assess specific operations for which they had direct responsibility within the previous year.
2. Perform any operational duties for the UNC System Office or its affiliates.
3. Initiate or approve transactions external to the internal audit function.

Where the chief audit officer has or is expected to have roles and/or responsibilities that fall outside of internal auditing, necessary disclosures and/or safeguards will be established to limit impairments to independence and objectivity. Internal auditors will:

1. Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
2. Disclose any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

3. Secure external audit services, as needed, to review any matters of which the chief audit officer has direct responsibilities and share the results with the appropriate parties.

The chief audit officer will confirm to CARMC, at least annually, the organizational independence of the internal audit function.

#### **E. Scope of Internal Audit Activities**

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to CARMC, management, and outside parties on the adequacy and effectiveness of governance, risk management, compliance, and control processes for the UNC System Office. Internal audit assessments include evaluating whether:

1. Risks relating to the achievement of the UNC System Office's strategic objectives are appropriately identified and managed.
2. The actions of officers, directors, employees, and contractors are in compliance with policies, procedures, and applicable laws, regulations and governance standards.
3. The results of operations or programs are consistent with established goals and objectives.
4. Operations or programs are being carried out effectively and efficiently, and the results are consistent with established goals and objectives.
5. Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the UNC System Office.
6. Information (i.e., financial, managerial, and operational) and the means used to identify, measure, analyze, classify, and report such information, are reliable and have integrity.
7. Resources are acquired economically, used efficiently, and adequately protected.
8. Significant legislative or regulatory issues impacting the UNC System Office are recognized and addressed appropriately.

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

1. The internal audit function's purpose, authority, and responsibility.
2. The internal audit function's plan and performance relative to its plan.
3. The internal audit function's conformance with the Institute of Internal Auditors' Code of Ethics and *Standards*, and action plans to address any significant conformance issues.
4. Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, CARMC.
5. Results of audit engagements or other activities.
6. Resource requirements.
7. Any response to risk by management that may be unacceptable to the UNC System Office.

The chief audit officer will strive to coordinate activities, where possible, and consider relying upon the work of other internal and external assurance and consulting service providers to avoid duplication and provide optimal audit services.

The internal audit function may perform advisory and related services to management, the nature and scope of which will be agreed upon, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified and will be communicated to the appropriate level of management.

## F. Responsibility

The chief audit officer has responsibility for audit and non-audit activities. Related to audit activities:

1. Develop a flexible annual audit plan using appropriate risk-based methodology and consider information security and any risks or control concerns identified by management. The chief audit officer will submit the plan to the president and CARMC for review and approval.
2. Communicate to senior management and CARMC the impact of resource limitations on the internal audit plan.
3. Review and adjust the plan, as necessary, in response to changes in the UNC System Office's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved audit plan will be communicated to the president and CARMC.
4. Ensure the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties. When applicable, internal audit will prepare a written report that communicates the engagement's objective, scope, significant results, recommendations, and management's responses.
5. When necessary, assist or conduct the investigation of alleged significant noncompliance, control deficiencies, as well as suspected misuse, fraud or abuse within the UNC System Office and share the results with the president, CARMC, and the appropriate levels of management.
6. When necessary, for any internal or external audit recommendations, solicit corrective actions from management that describes planned actions, including an anticipated timetable for completion or an explanation for any recommendations that will not be implemented. After an appropriate period of time, internal audit will follow-up on engagement findings and corrective actions, and report periodically to senior management and CARMC the status of management's corrective actions, including any corrective actions not effectively implemented.
7. Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
8. Ensure the internal audit function collectively possesses, obtains, and maintains sufficient knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
9. Ensure trends and emerging issues that could impact the UNC System Office are considered and communicated to senior management and CARMC as appropriate.
10. Ensure emerging trends and successful practices in internal auditing are considered.
11. Establish and ensure adherence to policies and procedures designed to guide the internal audit function and compliance with requirements set forth by the North Carolina Council of Internal Auditing.
12. Ensure adherence to the UNC System Office's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and CARMC.
13. Ensure conformance of the internal audit function with the *Standards*, with the following qualifications:
  - If the internal audit function is prohibited by law or regulation from conformance with certain parts of the *Standards*, the chief audit officer will ensure appropriate disclosures and will ensure conformance with all other parts of the *Standards*.
  - If the *Standards* are used in conjunction with requirements issued by other authoritative bodies, the chief audit officer will ensure that the internal audit function conforms with the *Standards*, even if the internal audit function also conforms with the more restricted requirements of the other authoritative bodies.

14. In support of the Council of Internal Auditing's desire to increase capacity of resources available to the internal audit community across the University and state government, manage the Internal Audit Internship Program.

Non-Audit Activities:

1. Manage the University's Business Process Compliance Program as well as other compliance efforts for the UNC System Office.
2. Develop and manage meetings, conferences, and training sessions in support of providing technical guidance and support, as well as fostering collaboration across the University System.
3. Work with the constituent institutions, as well as UNC System Office leadership, advising on the implementation of enterprise risk management processes.

**G. Quality Assurance and Improvement Program**

The internal audit function will maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include an evaluation of the internal audit function's conformance with the *Standards* and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit function and identify opportunities for improvement.

The chief audit officer will communicate to CARMC and senior management on the internal audit function's quality assurance and improvement program, including significant results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the UNC System Office.

\_\_\_\_\_  
S. Lynne Sanders, Vice President for Compliance and  
Audit Services and Chief Audit Officer

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Date

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Mark Holton, Chair of CARMC

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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 2021*

UNIVERSITY OF NORTH CAROLINA SYSTEM OFFICE

Internal Audit Charter

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

The University of North Carolina System Office (UNC System Office) is required to establish a program of internal auditing pursuant to ~~N.C.~~G.S. §-143-746. The UNC System Office's internal audit function shall be accountable to the Board of Governors through the Committee on Audit, Risk Management, and Compliance (CARMC) and the president.

The purpose of internal audit is to provide independent and objective assurance and consulting services to add value and improve operations of the UNC System Office. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. Internal audit helps the UNC System Office accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, compliance, and governance processes. It provides a central point for coordinating oversight of activities that promote accountability, integrity, efficiency, and compliance.

**B. Standards of Internal Auditing**

The internal audit function strives to govern itself by adhering to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which includes the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing (Standards)*, and the Definition of Internal Auditing. The chief audit officer reports periodically to senior management and CARMC regarding internal audit's conformance to the Code of Ethics and the *Standards*.

As applicable, the following will also be used to guide internal audit operations: The Institute of Internal Auditors' implementation and supplemental guidance; *Government Auditing Standards* issued by the Comptroller General of the United States; relevant state and University policies and procedures; and the internal audit function's standard operating procedures manual.

**C. Authority**

The chief audit officer will report functionally to CARMC and administratively (i.e., day-to-day operations) to the president or the president's designee. To establish, maintain, and assure that the UNC System Office's internal audit function has sufficient authority to fulfill its duties, CARMC will:

1. Review and approve the internal audit charter, ensuring it accurately reflects the internal audit function's purpose, authority, and responsibility.
2. Review and approve the risk-based internal audit plan.
3. Review internal audit reports and communications with management, as well as management's corrective actions. If necessary, review and resolve any significant difficulties or disagreements on audit related matters.
4. Review periodic summaries regarding the status and/or results of audit activities in relation to the plan, approve any significant deviations to the audit plan, and assure the internal audit function has appropriate budget and resources.

5. Confirm and assure the independence of the internal audit function. The CARMC will make appropriate inquiries of management and the chief audit officer to assure there is no inappropriate scope or resource limitations or restrictions placed on the auditor's work.
6. Monitor the effectiveness of the internal audit function, including the efforts made to comply with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (Standards)*, the code of ethics, and compliance with the internal audit charter. The CARMC will ensure the audit function has a quality assurance and improvement program, review assessment results, and monitor implementation of recommended improvements.

The chief audit officer will have unrestricted access to, and communicate and interact directly with, CARMC on significant matters, including in private meetings without management present.

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

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

#### **D. Independence and Objectivity**

The chief audit officer will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the chief audit officer determines that independence or objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal audit will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. In addition, a balanced assessment will be made of all the relevant facts and circumstances, and the internal audit function will take precautions to avoid being unduly influenced by personal interests or others in forming professional judgments.

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

1. Assess specific operations for which they had direct responsibility within the previous year.
2. Perform any operational duties for the UNC System Office or its affiliates.
3. Initiate or approve transactions external to the internal audit function.
- ~~4. Direct the activities of any of the UNC System Office's employees not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise 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. Internal auditors will:

1. Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.

2. Disclose any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

2.3. Secure external audit services, as needed, to review any matters of which the chief audit officer has direct responsibilities and share the results with the appropriate parties.

The chief audit officer will confirm to CARMC, at least annually, the organizational independence of the internal audit function.

#### **E. Scope of Internal Audit Activities**

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to CARMC, management, and outside parties on the adequacy and effectiveness of governance, risk management, compliance, and control processes for the UNC System Office. Internal audit assessments include evaluating whether:

1. Risks relating to the achievement of the UNC System Office's strategic objectives are appropriately identified and managed.
2. The actions of officers, directors, employees, and contractors are in compliance with policies, procedures, and applicable laws, regulations and governance standards.
3. The results of operations or programs are consistent with established goals and objectives.
4. Operations or programs are being carried out effectively and efficiently, and the results are consistent with established goals and objectives.
5. Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the UNC System Office.
6. Information (i.e., financial, managerial, and operational) and the means used to identify, measure, analyze, classify, and report such information, are reliable and have integrity.
7. Resources are acquired economically, used efficiently, and adequately protected.
8. Significant legislative or regulatory issues impacting the UNC System Office are recognized and addressed appropriately.

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

1. The internal audit function's purpose, authority, and responsibility.
2. The internal audit function's plan and performance relative to its plan.
3. The internal audit function's conformance with the Institute of Internal Auditors' Code of Ethics and *Standards*, and action plans to address any significant conformance issues.
4. Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, CARMC.
5. Results of audit engagements or other activities.
6. Resource requirements.
7. Any response to risk by management that may be unacceptable to the UNC System Office.

The chief audit officer will strive to coordinate activities, where possible, and consider relying upon the work of other internal and external assurance and consulting service providers to avoid duplication and provide optimal audit services.

The internal audit function may perform advisory and related services to management, the nature and scope of which will be agreed upon, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified and will be communicated to the appropriate level of management.

## F. Responsibility

The chief audit officer has ~~the~~ responsibility [for audit and non-audit activities. Related to audit activities](#):

1. Develop a flexible annual audit plan using appropriate risk-based methodology and consider information security and any risks or control concerns identified by management. The chief audit officer will submit the plan to the president and CARMC for review and approval.
2. Communicate to senior management and CARMC the impact of resource limitations on the internal audit plan.
3. Review and adjust the plan, as necessary, in response to changes in the UNC System Office's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved audit plan will be communicated to the president and CARMC.
4. Ensure the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties. When applicable, internal audit will prepare a written report that communicates the engagement's objective, scope, significant results, recommendations, and management's responses.
5. When necessary, assist or conduct the investigation of alleged significant noncompliance, control deficiencies, as well as suspected misuse, fraud or abuse within the UNC System Office and share the results with the president, CARMC, and the appropriate levels of management.
6. When necessary, for any internal or external audit recommendations, solicit corrective actions from management that describes planned actions, including an anticipated timetable for completion or an explanation for any recommendations that will not be implemented. After an appropriate period of time, internal audit will follow-up on engagement findings and corrective actions, and report periodically to senior management and CARMC the status of management's corrective actions, including any corrective actions not effectively implemented.
7. Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
8. Ensure the internal audit function collectively possesses, obtains, and maintains sufficient knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
9. Ensure trends and emerging issues that could impact the UNC System Office are considered and communicated to senior management and CARMC as appropriate.
10. Ensure emerging trends and successful practices in internal auditing are considered.
11. Establish and ensure adherence to policies and procedures designed to guide the internal audit function and compliance with requirements set forth by the North Carolina Council of Internal Auditing.
12. Ensure adherence to the UNC System Office's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and CARMC.
13. Ensure conformance of the internal audit function with the *Standards*, with the following qualifications:
  - If the internal audit function is prohibited by law or regulation from conformance with certain parts of the *Standards*, the chief audit officer will ensure appropriate disclosures and will ensure conformance with all other parts of the *Standards*.
  - If the *Standards* are used in conjunction with requirements issued by other authoritative bodies, the chief audit officer will ensure that the internal audit function conforms with the *Standards*, even if the internal audit function also conforms with the more restricted requirements of the other authoritative bodies.



14. [In support of the Council of Internal Auditing's desire to increase capacity of resources available to the internal audit community across the University and state government, manage the Internal Audit Internship Program.](#)

Non-Audit Activities:

1. [Manage the University's Business Process Compliance Program as well as other compliance efforts for the UNC System Office.](#)
2. [Develop and manage meetings, conferences, and training sessions in support of providing technical guidance and support, as well as fostering collaboration across the University System.](#)
3. [Work with the constituent institutions, as well as UNC System Office leadership, advising on the implementation of enterprise risk management processes.](#)

**G. Quality Assurance and Improvement Program**

The internal audit function will maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include an evaluation of the internal audit function's conformance with the *Standards* and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit function and identify opportunities for improvement.

The chief audit officer will communicate to CARMC and senior management on the internal audit function's quality assurance and improvement program, including significant results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the UNC System Office.

S. Lynne Sanders, Vice President for Compliance and Audit Services and Chief Audit Officer	Date
	Date

Mark Holton, Chair of CARMC	Date
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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 2021](#)

## AGENDA ITEM

A-3. 2020-21 Committee on Audit, Risk Management, and Compliance Annual Report..... Lynne Sanders

<b>Situation:</b>	Each standing committee submits an annual report of its activities to the Board of Governors.
<b>Background:</b>	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."
<b>Assessment:</b>	The annual report on the activities of the Committee on Audit, Risk Management, and Compliance for fiscal year 2020-21 is ready for review and submission.
<b>Action:</b>	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 2020 through June 2021.

The committee was composed of the following Board members: Pearl Burris-Floyd, James L. Holmes, Jr., Mark Holton, Terry Hutchens, Wendy Floyd Murphy, and Art Pope. Mr. Holton served as chair, Mrs. Burris-Floyd served as vice-chair, and Mr. Hutchens served as secretary.

Chancellor Nancy Cable (UNCA) and Chancellor Sharon L. Gaber (UNCC) also served on the committee.

## ACTIONS

The Committee on Audit, Risk Management, and Compliance met in eight regular meetings between July 1, 2020, and June 30, 2021. The major actions of the committee are summarized as follows:

Summary of Approval Actions	Month Approved
Approval of the CARMC Oversight Responsibilities and Operating Procedures.	July 2020
Approval of the UNC System Office 2020-21 Internal Audit Plan.	July 2020
Approval of the 2019-20 Committee on Audit, Risk Management, and Compliance Annual Report.	September 2020
Approval of the 2020-21 UNC System-wide Internal Audit Plans.	November 2020
Approval of the process for granting limited exceptions to the minimum coverage standards of the Policy on Insurance Coverage.	January 2021
Approval of the enterprise risk in campus safety and security recommendations to: (1) eliminate the cap on tuition waivers for campus law enforcement officers; and include this recommendation in the 2021 Board of Governors legislative policy priorities legislation amending Chapter 116-143(d) of the North Carolina General Statutes, (2) enhance the salary structure, career ladder, and organizational structure of campus law enforcement, (3) develop plans to launch training programs at Samarcand Training Facility as well as identify equipment needs, and (4) develop a system for dual employment to gap-fill critical vacancies.	February 2021

## ACTIONS (continued)

Summary of Approval Actions	Month Approved
Approval of the organizational structure of internal audit at the UNC System Office.	April 2021
Approval of the seven information security recommendations to: (1) establish third-party validation of baseline controls, (2) improve the information security posture, (3) assure leadership is actively engaged in risk decision, (4) continuously monitor progress and exploit areas of improvement, (5) determine organizationally prioritized risks, (6) make targeted IT investments based on determined prioritization, and (7) ensure appropriate resource coverage.	April 2021

## AGENDA ITEM

A-4. UNC System Office Internal Audit 2020-21 Year-end Report ..... Lynne Sanders

**Situation:** The chief audit officer will provide an update on the UNC System Office's internal audit activities for the most recent fiscal year.

**Background:** The Committee on Audit, Risk Management, and Compliance serves as the audit committee, and thus the oversight authority, for the UNC System Office's internal audit unit. In this capacity, and as directed by both the committee charter and the internal audit charter, the chief audit officer is to provide the committee with a year-end update on the planned versus actual internal audit activities.

**Assessment:** **Attachment A** lists the projects on the fiscal 2021 audit plan that were approved by the committee and identifies the status of those projects at the end of the 2020-21 fiscal year.

**Attachment B** is a summary of measurements and performance indicators for the UNC System Office's internal audit function for fiscal 2020. Unless otherwise noted, this summary represents all of the hours the internal audit team provided to the following three entities that the unit serves: the UNC System Office (including PBS North Carolina), the North Carolina School of Science and Mathematics, and the North Carolina State Education Assistance Authority.

**Action:** This item is for information only.

## University of North Carolina System Office Internal Audit Plan

Fiscal Year 2020-21

Description	Status
<b>Prior Year Carry Over</b>	
Advisory Services Related to COVID-19 Pandemic	Completed
Risk Assessment/2021 Audit Plan Development	Completed
<b>Assurance Engagements</b>	
North Carolina Gift Planning LLC	Deferred
To Be Determined	Canceled No Audits Identified or Requested
<b>Monitoring &amp; Reporting on Status of Management Corrective Actions</b>	
Follow-Up on Prior Information Technology Audit and the Office of State Auditor Information Security Audit	Completed Reports Issued January 2021
<b>Investigations</b>	
Alleged Misuse of Resources	Completed Report Issued May 2021
<b>Special Projects/Consultations/Other</b>	
Consult: PBS NC P-Card Data Analytics Project	Completed Report Issued May 2021
Consult: Finance Detective Controls Project	Canceled Change in Management
Annual Risk Assessment/FY2022 Audit Plan Development	In Process
Finance Advisory Services	Completed
Information Technology Advisory Services	Completed
Human Resources Advisory Services	Completed
Academic Affairs Advisory Services	Completed
Strategy and Policy Services	Completed
PBS NC Advisory Services	Completed
Updates to Continuation of Operations Plan Advisory Services	Deferred
COVID-19 Cost Recovery, Emergency Student Grants and Contingency Planning/Re-Opening Campus Advisory Services ( <i>added</i> )	Completed
Risk Assessment/FY2021 Audit Plan Development	Completed
Board Meetings/Unit Oversight/Staff Hiring/MOU Updates and Marketing	Completed
Other Advisory Services/Committees: Annual certifications; CAO/OIA committee meetings; University Hotline assistance; Charter review and update; QAIP work; and Various other routine advisory services to the System Office and PBS NC.	Completed
Professional Development	Completed
<b>Audit Services through MOU</b>	
North Carolina School of Science and Mathematics	Completed
North Carolina State Education Assistance Authority	Completed

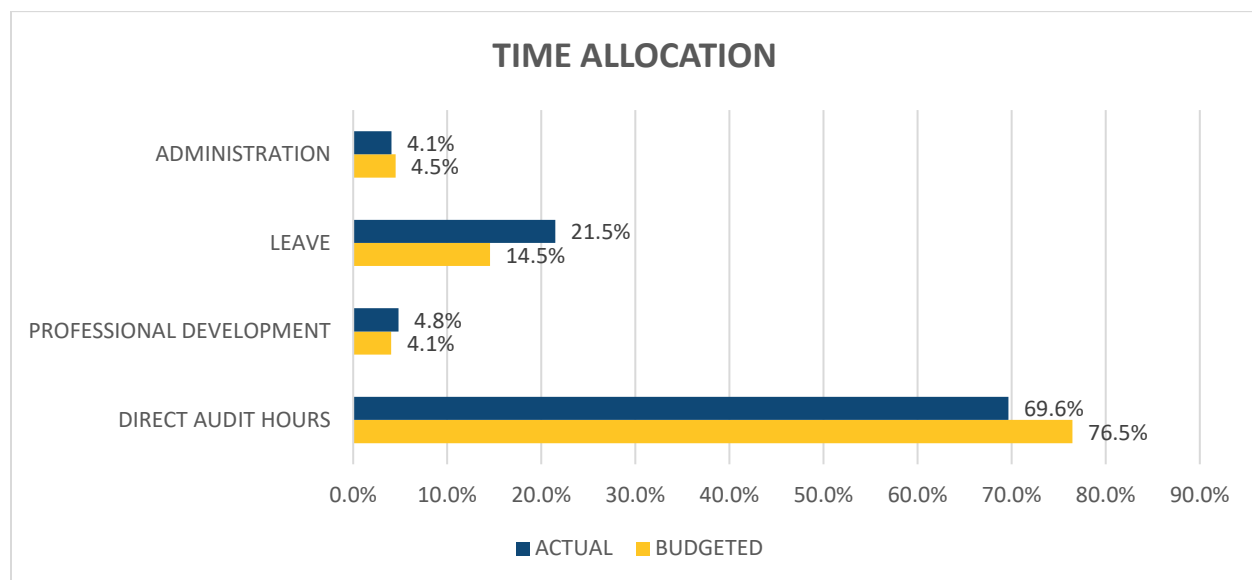
## The 2020-2021 Internal Audit Annual Report

In July 2020, the UNC System Office FY21 internal audit plan was approved by the Committee on Audit, Risk Management, and Compliance (CARMC) and the Board of Governors (BOG). The planned hours included two full-time audit staff members. The planned projects covered the UNC System Office as well as internal audit services to the North Carolina School of Science and Mathematics (NCSSM) and the North Carolina State Education Assistance Authority (NCSEAA). In accordance with the memorandum of understanding and the internal audit standards, the detailed audit plans for NCSSM and NCSEAA were reviewed and approved by their respective boards. Across all three entities, the planned services included assurance and advisory projects that ranged from compliance and operational audits to assessments of internal controls.

As part of our office's quality assurance and improvement plan, the following metrics are tracked to assess our performance.

### Time Allocation

The audit team tracks the time spent on each project for planning and benchmarking purposes. For the year, our goal was to spend at least 75% of our time on direct audit services, which consists of time spent on audits, advisory/ consulting services, investigations, and other audit activities. In the time allocation chart below, the direct audit hours include internal audit shared services to NCSSM and NCSEAA. The direct audit hours were 5.4% under target due to one audit staff member going on family medical leave, and the chief audit officer retiring effective April 1. Both events were not reflected in the budgeted hours of the approved audit plan.



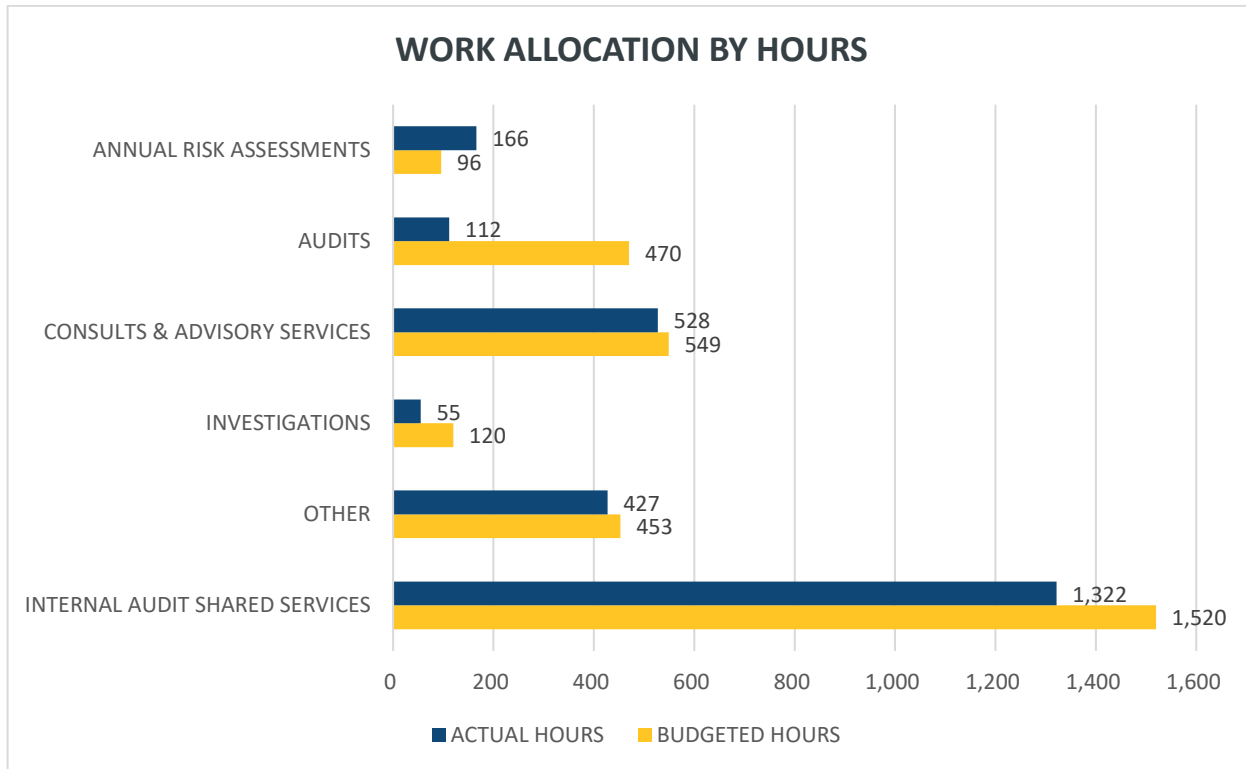
### Work Allocation

The audit team tracks the time spent on each type of engagement. The chart below represents the types of engagements conducted for the UNC System Office only, allocated by hours worked. Highlights for each category include:

- *Annual Risk Assessments* include the hours to complete the FY21 audit plan and preparing the draft FY22 audit plan. Hours are higher than budgeted due to expanding the risk assessment for PBS NC and drafting more of the FY22 audit plan in FY21 than anticipated.
- *Audits* include the planned audit engagements as well as the tracking, monitoring, and reporting on the status of management actions taken to correct matters noted in prior audit reports. Completion of audits was impacted by family medical leave of one auditor and the retirement of the chief audit officer.
- *Consults/Advisory Services* show a slight increase in advisory services related to COVID-19 relief funding.
- *Investigations* include one investigative audit that resulted in no reportable findings.
- *Other* includes various efforts such as unit management and oversight, self-review/quality assurance work, staff hiring planning, internal audit marketing, MOU updates, and other routine projects.

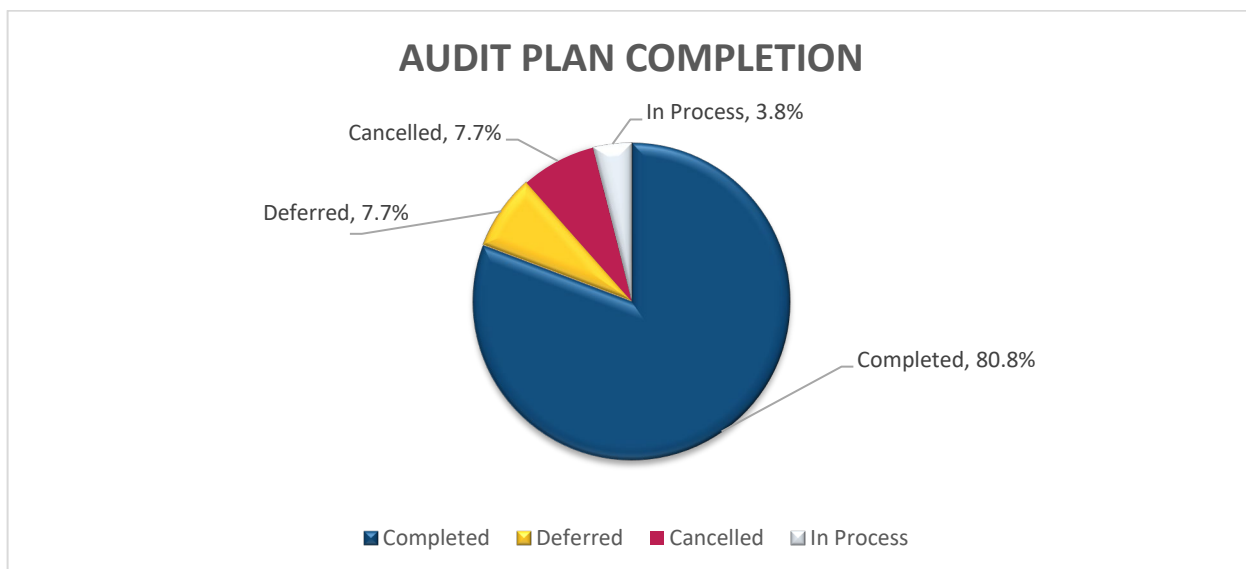


- *Internal Audit Shared Services* represent the audit services to NCSSM and NCSEAA. The family medical leave of one auditor and the retirement of the chief audit officer impacted services to NCSSM and SEAA during FY21.



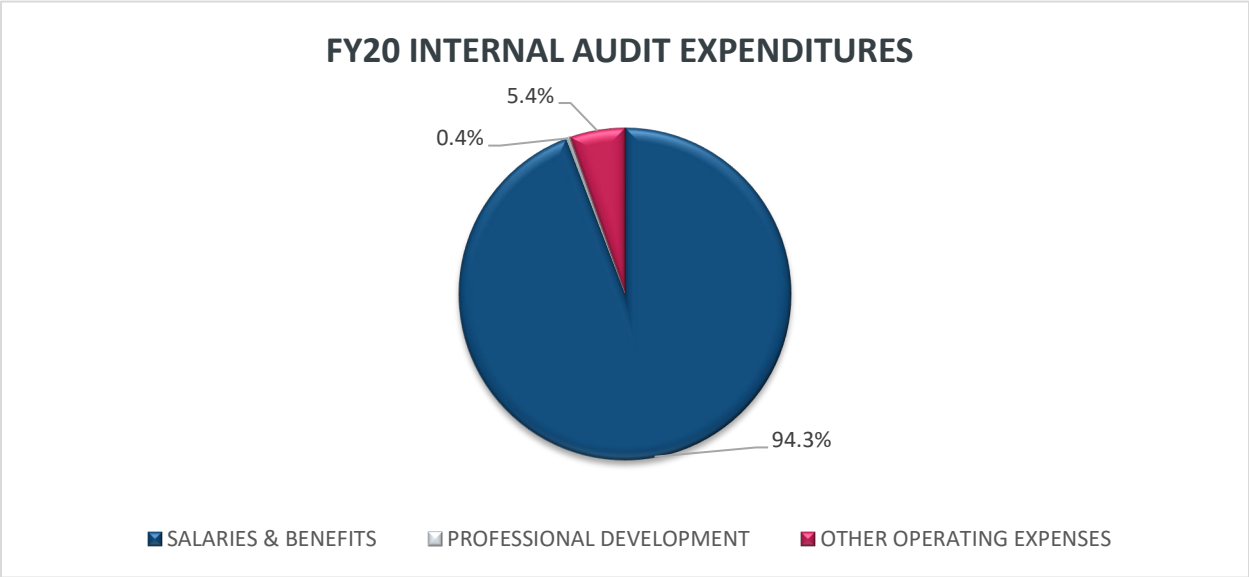
## Audit Plan Completion

The audit plan completion rate is an indicator of efficiency and alignment with the approved annual audit plan. In FY21, for the UNC System Office, which includes PBS NC, the team completed 21 audit projects, cancelled two projects (one due to change in management and one related to no audits requested), deferred two projects (one due to change in management and one related to the return-to-work target dates) and has one project in process (development of the FY22 audit plan) at June 30<sup>th</sup>. The chart below provides a summary of the audit plan's status of completion by percentage:



**Financial Resources**

In addition to monitoring metrics, the Internal Audit unit monitors financial activity. Internal Audit is funded by a combination of state funds and the fees charged for the audit services to NCSSM and SEAA. The unit’s total expenditures for fiscal 2021 were approximately \$285,500, with salaries and benefits (approximately \$269,200<sup>1</sup>) being the primary cost. For fiscal 2021, receipts for Internal Audit Shared Services were budgeted at \$110,900<sup>2</sup>, which offsets 41% of the unit’s salaries and benefits. Other operating expenses totaling \$16,300 included registration fees for staff professional development, association memberships, and other miscellaneous expenditures. The chart below provides a breakdown of the unit’s operating costs for the year:



<sup>1</sup> The Internal Audit team has been reorganized with the Vice President for Compliance and Audit Services (VPCAS) serving as the Chief Audit Officer, as well as the hiring of an Internal Audit Manager who started on July 1, 2021. The salaries and benefits total includes 30% of the VPCAS’s salary and benefits for the period of April 1, 2021 to June 30, 2021.

<sup>2</sup> NCSSM receipts for FY21 total \$60,900, and SEAA receipts for FY21 total \$50,000.

**AGENDA ITEM**

A-5. Approval of the UNC System Office 2021-22 Internal Audit Plan ..... Lynne Sanders

<b>Situation:</b>	The chief audit officer must develop an annual risk-based audit plan and present it to the committee and president for review and approval.
<b>Background:</b>	The Committee on Audit, Risk Management, and Compliance serves as the audit committee for the UNC System Office internal audit function. In this capacity and as directed by the committee charter and the <i>International Standards for the Professional Practice of Internal Auditing</i> issued by The Institute of Internal Auditors, the committee is the approving and oversight authority for the UNC System Office's annual internal audit plan.
<b>Assessment:</b>	After reviewing the status of the prior year audit plan and performing a comprehensive risk assessment, which included receiving input from management, the attached plan presents the projects the chief audit officer has identified for the fiscal 2022 audit plan.
<b>Action:</b>	This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.



This is the draft audit plan.

## Fiscal Year 2021-2022 Internal Audit Plan

September 2021

UNC System | Office of Compliance & Audit Services

S. Lynne Sanders, Chief Audit Officer

Lisa W. Outlaw, Internal Audit Manager

Carol T. Harris, Internal Auditor

**UNC System Office Internal Audit Plan**  
**Fiscal Year 2022**

Engagements	Planned Hours
<b>Prior Year Carry Over</b>	
Annual Risk Assessment - FY2022 Audit Plan Development	160
<b>Assurance Engagements</b>	
Operational- <i>University Advancement</i> : Collection, security, and privacy; management of donor information; operations of Advancement Shared Services and Gift Planning	480
Compliance - <i>Finance and Administration</i> : Subrecipient Monitoring for COVID-19 funds	480
<b>Consultation Engagements</b>	
Operational- <i>PBS NC</i> : Workflow Analysis	480
Information Systems- <i>Infrastructure and Operations</i> : Configuration and Vulnerability Management of IT assets	320
Compliance- <i>Safety &amp; Emergency Operations, PBS NC</i> : Security Measures	320
Information Systems-Change Management Analysis	80
Performance- <i>Finance and Administration</i> : Performance Metrics and Goals for COVID-19 funds	160
Information Technology: Clarification of UNC System Office responsibility surrounding information services at units not managed by the System Office	80
Technical Assistance to UNC System Office and PBS NC Management	160
<b>Follow-up on Management Corrective Actions</b>	
<i>UNC System Office</i> : <ul style="list-style-type: none"> <li>Contracting Process</li> <li>Payroll Shared Services</li> <li>State Approving Agency/Human Resources</li> <li>Datamart Security Audit</li> <li>End User Data Storage</li> <li>Security Awareness</li> <li>Alleged Noncompliance and Misuse of Federal Funds</li> <li>Contracting Process Design</li> </ul> <i>PBS NC</i> : PCI Compliance Review	400
<b>Investigations</b>	
Unplanned/Various as occurs: Investigations of internal/external hotline reports and similar types of investigations.	184
<b>Special Projects</b>	
Data Analytics Dashboard Development	320
Development of UNC System Office Internal Audit Internship Program	160
Internal Audit Internship Program Management	340

**UNC System Office Internal Audit Plan**  
**Fiscal Year 2022**

<b>Other Hours</b>	
Board Meetings, Unit Oversight, Staff Hiring, MOUs, and Marketing Other Services/Committees: Other routine advisory services to PBS NC and the System Office; assist external auditors; charter updates; annual certifications; CAO/OIA committee meetings; QAIP work; and other projects to be determined.	<b>1,160</b>
Professional Development	<b>120</b>
<b>Total Direct Hours to UNC System Office</b>	<b>5,404</b>
<b>Internal Audit Shared Services</b>	
Internal Audit Services to NCSSM	<b>1,624</b>
Internal Audit Services to NCSEAA	<b>1,240</b>
Internal Audit Services to Universities	<b>1,920</b>
Internal Audit Services to State Agencies	<b>3,840</b>
<b>Total Other Hours</b>	<b>8,624</b>
<b>Total Available Hours</b>	<b>14,028</b>
<b>Less Hours for Permanent Staff Resources</b>	<b>4,428</b>
<b>Difference</b>	<b>9,600*</b>

\*Increased capacity due to the addition of internal audit resources provided through the Internal Audit Internship Program.

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**Peter Hans, President**

**UNC System**

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**Mark Holton, Chair**

**Committee on Audit, Risk Management,  
and Compliance**

## UNC System Office Internal Audit Plan

Fiscal Year 2022

### Summary of the Planned Services

This document represents the initial internal audit plan; however, it is a dynamic document that may change during the year as circumstances warrant. Requests from management or the Board, unexpected allegations, or other investigations, and/or significant changes to the organization or its operations can alter the needs and priorities. Thus, if necessary, the audit plan may be adjusted to meet the evolving needs.

The planned hours and projects for this annual plan cover work from July 2021 to June 2022. The estimated hours include an allocation of time for the vice president of compliance and audit/chief audit officer, one internal audit manager, one staff auditor, and up to 10 internal audit interns. A brief description of the projects are as follows:

**Prior Year Carry Over** consists of work performed during the first quarter of the 2022 fiscal year to complete the annual risk assessment needed to develop the FY2022 audit plan. This involves identifying and ranking risks based on management input, current trends, prior audit results, and other factors. The result will be a risk-based audit plan as required by the UNC System Office Internal Audit Charter and the *International Standards for the Professional Practice of Internal Auditing* issued by The Institute of Internal Auditors.

#### Assurance Engagements:

**Operational Audit of University Advancement:** University Advancement maximizes philanthropic support of the University's teaching, research, and service missions through an integrated system of shared services and resources. This division focuses on fundraising and alumni engagement programs to support private giving towards the UNC System. The internal audit team will review the existing controls over the collection, security, and privacy management of donor information as well as the effectiveness and efficiency of operations of Advancement Shared Services and Gift Planning.

**Compliance Audit of Subrecipient Monitoring over COVID-19 Funds:** In response to the COVID-19 pandemic emergency, actions were taken by the Finance and Administration unit in June 2020 to reduce the spread of COVID-19 and to provide for the health and safety of students, faculty, and staff of the constituent universities. The Finance and Administration received State Aid -Coronavirus Relief Fund (CRF) in the amount of \$64,400,000.00, of which \$ 5,608,514.65 was used by the Systems Office directly and the remaining \$ 58,777,249.75 was sent to public and private universities, the North Carolina School of Science and Mathematics, and the NC Arboretum. The internal audit team will review controls implemented to monitor the subrecipient's use of COVID-19 Relief funds to ensure compliance with 2 CFR 200.332 Uniform Guidance.

#### Consulting Engagements:

As needed, internal audit is available to provide technical advice and other services to management and staff as they consider operational changes, re-evaluate current practices and/or develop new processes and procedures. The objective is to provide proactive feedback, as needed, to help ensure effective controls and operating procedures are designed and, where applicable, promote compliance with state, federal, and UNC System rules. Internal Audit provides technical advice to the following UNC System units: Finance, Information Technology, Human Resources, Academic Affairs, Strategy and Policy, Government Relations, University Communications, Office of the Secretary, University Advancement, Safety & Emergency Operations, UNC Affiliates (PBS NC, UNC Press, etc.) In addition to technical advice, internal audit performs consulting services to provide feedback on the UNC System operations. Specific

## UNC System Office Internal Audit Plan

### Fiscal Year 2022

planned consultations for the 2022 fiscal year include the following:

- **Operational: Public Broadcasting System of North Carolina (PBS NC):** PBS NC is the statewide public media network used to broadcast news, programming, and resources. PBS NC's unique broadcast program channels are as follows: PBS NC, The Explorer Channel, Rootle (PBS North Carolina's 24/7 PBS KIDS Channel), and North Carolina Channel (Stories with a Local Accent). Various workflows have been implemented by senior management at PBS NC to carry out its mission. A workflow process is a series of sequential tasks that are carried out to achieve business goals and deliver quality and timely goods or services. The internal audit team will review controls over the business process workflow to ensure the effectiveness and efficiency of operations.
- **Information Systems Review:** The Infrastructure and Operations unit is tasked with configuring and applying updates to information technology devices to ensure the confidentiality, integrity, and availability of information assets. The internal audit team will use scanning tools to assess the security of each device and provide consultation to the system administrators on how to correct deficiencies found to strengthen the UNC System security posture on its router, perimeter firewall, intrusion detection system, application servers, databases, operating systems, internal firewall, wireless access, switch, other network devices, and workstations. In addition, Internal Audit will provide feedback to the IT team on its new Change Management process. The UNC System Office is updating its change management processes to provide more accountability for changes within the IT environment. IT management requested a review of the new processes to provide feedback on alignment with industry best practices.
- **Public Broadcasting System of North Carolina (PBS NC):** PBC NC is the statewide public media network used to broadcast news, programming, and resources. PBS NC has 12 stations that provide a physical workspace for employees to deliver its services to all 100 North Carolina counties. In fall 2021, PBS NC will undergo a safety and security assessment from the Department of Homeland security to improve its overall security posture. In spring 2022, Internal audit will perform follow-up procedures to determine if the new security measures implemented from the results of the Department of Homeland Security assessment is safeguarding assets and providing employee safety as intended by management.
- **Finance:** Internal audit will provide advisory services to the business and finance staff and review COVID-19 relief performance metrics and goals against supporting documentation.
- **Information Technology:** Internal audit will assist the IT staff as they clarify UNC System Office interdepartmental interfaces, feasible management strategies and documentation surrounding information services at units not managed by the System Office CIO, like PBS NC and Arboretum. Also, advice will be provided to clarify and document (e.g., through Memorandums of Understanding (MOU) and Organizational Level Agreements) information management independence at associated organizations that are not a part of the System Office.

**Monitoring and Reporting of Management's Corrective Actions:** The internal audit team will obtain regular updates from management regarding the status of corrective actions taken to mitigate risks identified in prior audits (from both internal and external audits). The internal audit team will review and assess what audit tests are necessary to verify the status of actions taken. Reports will be shared



## UNC System Office Internal Audit Plan

### Fiscal Year 2022

with senior management and the Committee on Audit, Risk Management and Compliance to keep them apprised of the progress of management's corrective actions.

#### **Special Projects:**

**Data Analytic Dashboards:** The internal audit team will develop at least five Data Analytic Dashboards per year to begin the implementation of continuous auditing and continuous monitoring. To continuously assess the health of the organization, data analytic dashboards will allow staff to conduct exception-based audits more easily. Through visualizations, usual transaction activity will be detected and promptly brought to the attention of management for real-time correction. These dashboards will allow visibility into the transaction processing of financial statements, required reports, operational processes, compliance with Federal and State laws, and information systems confidentiality, integrity, and availability.

**Development of the UNC System Office Internal Audit Internship Program:** The internal audit team will develop an internal audit internship program to provide accounting students with the opportunity to assist Chief Audit Officers (CAOs) within the UNC System and State Government in accomplishing their audit plans. This program allows students to gain invaluable experience, while providing CAOs with additional audit resources.

#### **Internal Audit Shared Services:**

Under the supervision of the UNC System Office Internal Audit Manager, up to eight interns will complete audits for four Universities and four state government agencies per semester. Internal audit engagements will be approved by those respective entities and request for shared services will be made to the UNC System Office of Internal Audit. In addition to services provided outside of the UNC System Office, at least two interns will be available to support the internal audit function at the UNC System Office, which includes services to the NC School of Science and Mathematics and the NC State Education Assistance Authority.

#### **Other Hours:**

Internal audit has reserved time for other internal audit related tasks such as special projects and/or other advisory services; review and update, as needed, the audit committee and internal audit charters; attend audit related meetings with senior leadership and the board; administrative oversight of the internal audit unit; marketing of audit services, and self-assessment/quality assurance improvement procedures; UNC System Office specific training that is periodically required; and other activities and/or needs that may arise during the year.

For all projects, internal audit will seek to incorporate an evaluation of how the organization communicates, directs, reinforces, and monitors adherence to the organization's standards and policies. This will be used to assess the culture and governance structure and, where necessary, make appropriate recommendations for improving the governance process.

**AGENDA ITEM**

A-6. Internal Audit Internship Program .....Lynne Sanders and Lisa Outlaw

- Situation:** The UNC System and internal audit functions across state government will benefit from having increased resources to complete annual risk-based internal audit plans.
- Background:** Recent reorganization in the UNC System Office of Internal Audit supported a strategic realignment of internal audit work for the UNC System. Efforts working with systemwide internal audit functions are now combined with direct oversight of the delivery of internal audit services at the UNC System Office. As part of the reorganization efforts, management supported the establishment of an internal audit internship program to help build capacity in internal audit resources that would benefit the UNC System and state government.
- Assessment:** The UNC System Office hired an audit manager to supervise and oversee the internal audit internship program. The audit manager works under the direction of the vice president for compliance and audit services and will supervise up to 10 interns per semester to assist the UNC System Office, constituent institutions, and state government with the completion of its internal audit plans. This effort will address critical risk areas such as ransomware, information technology related issues, compliance with federal and state laws related to COVID-19 relief funding, and data analytics to encourage continuous monitoring and auditing.
- Action:** This item is for information only.



**THE UNIVERSITY OF  
NORTH CAROLINA SYSTEM**



# INTERNAL AUDIT INTERNSHIP PROGRAM

UNC System Office of Compliance and Audit Services  
Lisa Outlaw, CISA, CISSP, CRMA, CFE, CIA, CDPSE

# The Problem

---

- Audit universe and audit plan
- Limited resources
- Noncompetitive against CPA firms
- Limited *Internal Audit* internships

# The Solution

---

## ~~○ Audit Universe and Audit Plan~~

- Annual risk-based internal audit plans are completed at a higher rate

## ~~○ Limited Resources~~

- Increased audit staff at no additional cost

## ~~○ Noncompetitive against CPA firms~~

- Better recruiting outcomes

## ~~○ Limited Internal Audit Internships~~

- Increased internship opportunities for students

# Sharing the Success

---

- Support for UNC System chief audit officers
- Collaborate with the UNC System and community college professors
- Expand internal audit capacity
- Encourage students to choose internal audit as a profession and state government as an employer
- Increase information technology audits throughout the UNC System
- Promote data analytics, continuous auditing and monitoring

THANK YOU

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**AGENDA ITEM**

A-7. Strengthening Campus Safety ..... Fred Sellers

**Situation:** Each institution in the UNC System maintains a police department staffed by sworn officers and headed by a police chief. In addition to performing traditional law enforcement functions, institutional police departments require special training and skills to meet the unique public safety needs of the academic communities in which our students, faculty, and staff collaborate and interact.

**Background:** Preserving public safety on UNC System campuses requires adequate staffing, resources, training, and organization of operations. UNC System institutions continually seek ways to work together and leverage the benefits of the UNC System in these areas. With support from the CARMC in February 2021, the UNC System Office implemented several initiatives and strategies as options to attract and preserve the necessary public safety resources needed for each University police department.

**Assessment:** UNC Campus Police Departments reported declining staffing levels and difficulty in attracting qualified candidates to fill their vacancies. UNC System Office leadership initiated research and consulted with each campus Chief of Police to ascertain the status of their personnel vacancies and backfill issues. It became clear the negative impacts of the shifting national view of law enforcement were more pronounced on the UNC System campuses. The four recommendations presented to and subsequently adopted by the Board of Governors as a strategic path for campus law enforcement are as follows:

1. *Eliminate the cap on tuition waivers for campus law enforcement officers*
2. *Enhance Career ladder/organizational Structure*
3. *Operational Readiness Training and Equipment*
4. *Dual Employment Between Campuses*

The UNC System Office and campus law enforcement leadership anticipate providing their officers degree-focused educational opportunities, proper compensation, advanced training, and clearly defined career ladders and advancement opportunities will reduce the current departmental vacancy rates and position each police department to better serve our campus communities.

**Action:** This item is for information only.

# Strengthening Campus Safety: Status Updates

Approved Action Item	Steps Taken	Current Status	Future
<b>Eliminate Cap on Tuition Waivers for Campus Law Enforcement Officers</b>	Senate Bill 390 passed by General Assembly and signed into law on May 7, 2021.	✓ Campus chiefs advancing protocols to ensure consistent program participation effective Fall Semester 21-22	Continue to maximize opportunities by promoting availability of waivers and capture metrics related to waiver usage
<b>Enhance Career Ladder / Organizational Structure</b>	Worked with campus chiefs & UNC System Office HR to develop new EHRA class and compensation structure for campus police officers	✓ Proposed class/comp structure circulated to CHROs for input	Identifying added costs, and finalize implementation plan & timing
<b>Operational Readiness Training &amp; Equipment</b>	Comprehensive training budget (training and equipment) and training catalogue developed	✓ Training budget and input from campus chiefs on training needs under review	Budget approved and funding allocated; master training catalogue published and provided to campus chiefs and training coordinators
<b>Dual Employment Between Campuses</b>	Identified need to develop system for dual employment to gap-fill critical vacancies	✓ Samarcand Training Coordinator MOU with UNC System Office & UNC Greensboro in place	Future action can be taken for campus departments when vacancy rates are reduced



THANK YOU

**AGENDA ITEM**

A-8. Report on Implementation of Information Security Recommendations ..... Keith Werner

<b>Situation:</b>	The purpose of this item is to provide the Committee on Audit, Risk Management, and Compliance (CARMC) an update on the status of implementation of recommendations to improve and mature the information technology controls and information security posture for each institution.
<b>Background:</b>	CARMC has identified information governance and information security as areas of critical enterprise risk. The North Carolina Office of the State Auditor has indicated that IT controls audits will yield findings. In response, CARMC requested that the UNC System Office develop a set of recommendations to address this issue. The UNC System Office Risk Review Board, in consultation with the CIO Council, drafted a series of seven recommendations, with the programmatic goals of: (1) establish third-party validation of baseline controls, (2) improve the information security posture, (3) assure leadership is actively engaged in risk decision, (4) continuously monitor progress and exploit areas of improvement, (5) determine organizationally prioritized risks, (6) make targeted IT investments based on determined prioritization, and (7) ensure appropriate resource coverage. These recommendations were approved by the CARMC in April 2021.
<b>Assessment:</b>	A report on the implementation of the approved information security recommendations will be provided to the committee.
<b>Action:</b>	This item is for information only.



# CARMC Recommendations Update

## Information Security Recommendations



**Jonathan Pruitt**  
UNC System Office COO

**Keith Werner**  
UNC System Office CIO

**Kevin Lanning**  
UNC System Office CISO

2021

# UNC System Chancellors' Memo



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[www.northcarolina.edu](http://www.northcarolina.edu)

## Memorandum

**To:** UNC System Chancellors

**From:** Peter Hans, President

**Date:** July 13, 2021

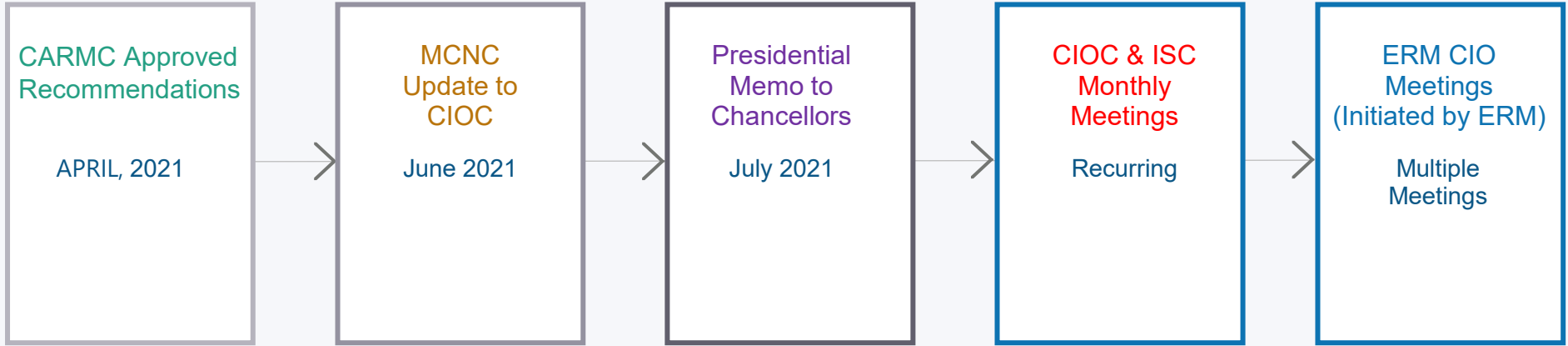
**Subject:** IT Recommendations Approved by the Board of Governors Committee on Audit, Risk Management, and Compliance (CARMC)


Following recent information technology (IT) controls audits, the CARMC requested that the UNC System Office develop a series of recommendations to address information security and IT controls. These recommendations were developed from February through the CARMC approval in April 2021. All

Recommendation	Status	Additional Information
1. 3rd Party Cyber Maturity Assessment for all 18 UNC institutions	✓	On schedule to be completed in April, 2022
2. All institutions leverage their risk management functions	✓	All institutions have submitted IT ERM charters, per Presidential Memo
3. System Office vets optional vCISO contract consulting services for institutions absent a CISO	✓	Completed and shared with all constituent institutions
4. Dedicated, reviewable budget specific to cyber security	✓	Being implemented carefully so that it can be tracked in FDM
5. Coordinate with MCNC Security Services roadmap	✓	Closely monitored and influencing; shared roadmap; continued dialogue; annual CIOC update
6. CIO and CISO onboarding programs	✓	Completed and documented
7. Sharing of appropriate audit information at CIOC/ ISC	✓	On-going



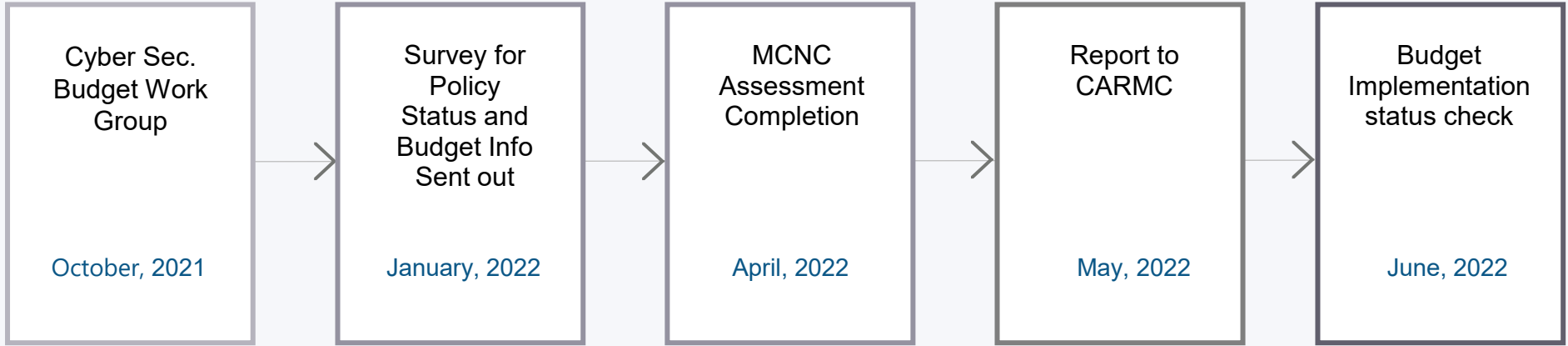
TIMELINE  
To Present



 Recurring / Multiple Meetings

TIMELINE

To Present



# Talent Pipeline Development

Build a comprehensive talent pipeline, with key stakeholders

- Enhance recruitment of cyber security-relevant staff within the System
- Earlier in their career for cyber-relevant jobs within system
- We can offer free classes toward another degree while they work for us

# Closing and Q&A

Questions?

2021

**Jonathan Pruitt**  
UNC System Office COO

**Keith Werner**  
UNC System Office CIO

**Kevin Lanning**  
UNC System Office CISO

**AGENDA ITEM**

A-9. Summary of Audit Reports Issued by the Office of the State Auditor ..... Lynne Sanders

**Situation:** The committee will receive a summary of an audit report issued by the Office of the State Auditor.

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

**Assessment:** The Office of the State Auditor has released an investigative report on one of our constituent institutions. A link to the report is provided below.

<https://www.auditor.nc.gov/documents/reports/investigative/inv-2021-6088/open>

**Action:** This item is for information only.