THE **UNIVERSITY** OF **NORTH CAROLINA SYSTEM**

This is the draft audit plan.

Fiscal 2023 Internal Audit Plan

August 2022
Internal Audit Department | UNC System Office
Lisa Outlaw, CISA, CISSP, CRMA, CIA, CFE, CDPSE
Internal Audit Director

UNC System Office Internal Audit Plan
Fiscal Year 2023

Engagements	Planned Hours
Prior Year Carry Over	
No carryover audits	
Annual Risk Assessment - FY2023 Audit Plan Development	**240**
Assurance Engagements	
Operational: Audit of Organizational Continuity	**560**
Financial: Audit of Financial Business Processes	**560**
Information Systems: Audit of Information Systems Policies and Procedures	**1040**
Compliance: Audit of Compliance with Requirements for use of Governor's Emergency Education Relief (GEER) Funds and American Rescue Plan Act (ARPA) Funds	**560**
Consultation Engagements	
Information Systems: Interpret National Guard Assessment of Cybersecurity Results	**360**
Data Analytics Dashboard: *Government Affairs: Data Analytic to capture all reports due to General Assembly with Due Dates*	**360**
Data Analytic Dashboard: *Chief Operating Officer: Data Sharing Contracts: Information Security Impact in Contracts*	**520**
Technical Assistance to UNC System Management	**140**
Follow-up on Management Corrective Actions	
SYS OFC: *Operational: University Advancement: Shared Services and Gift Planning*	**80**
SYS OFC: *Compliance: Budget and Finance: Subrecipient Monitoring for COVID funds*	**40**
SYS OFC: *Information Systems: Configuration and Vulnerability Management of IT assets*	**40**
SYS OFC: *Information Systems: Change Management*	**40**
SYS OFC: *Performance: Budget and Finance: Performance Metrics and Goals for COVID funds*	**10**
PBS NC: *Operational: Workflow Analysis*	**10**
Follow-up on years prior to 2022	**40**
Investigations	
Unplanned/Various as occurs: Investigations of internal/external hotline reports and similar types of investigations.	**100**
Special Projects	
PowerPoint on the Perils of Email	**340**
Internal Audit Internship Program Recruitment	**20**
Internal Audit Internship Program Management	**340**
Other Hours	
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.	**1,364**
Professional Development	**120**
Other Admin Hours	**120**
Total Direct Hours to UNC System Office	**7004**

UNC System Office Internal Audit Plan
Fiscal Year 2023

MOU (Internal Audit Shared Services)	
Internal Audit Services to NCSSM through Internal Audit Shared Services by MOU	860
Internal Audit Services to NCSEAA through Internal Audit Shared Services by MOU	720
Internal Audit Services to Universities through the Internship Program by MOU	1,920
Internal Audit Services to State Agencies through the Internship Program by MOU	3,840
Total Other Hours	**7,340**
Total Hours	**14344**
Plus: Leave and Holidays	**992**
Total Available Hours	**15,336**
Less (Permanent Resource Hours 2088 x 2, 1560 x 1)	**5,736**
Difference (Increased Hours Due to 20 Interns * 480 hrs.)	**9,600**

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Peter Hans, President   Date   **Terry Hutchens, Committee Chair   Date**

UNC System Office Internal Audit Plan
Fiscal Year 2023

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 of Governors, 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 2022 to June 2023. The estimated hours include an allocation of time for one Internal Audit Director, one team lead, one staff auditor, and up to ten internal audit interns.

A brief description of the projects are as follows:

Prior Year Carry Over: Prior Year Carry Over includes the following internal audit projects from the prior year audit plan that have final reports to be released and/or processes to be completed before the start of fiscal year 2023 activities:

There were no carry-over audits this year.

Annual Risk Assessment Development: As part of the annual process to prepare an audit plan for fiscal year 2023, internal audit conducted a risk assessment. This entails identifying and rating risks based on feedback from management, current trends, previous audit results, and other criteria. The result is this risk-based audit plan, as required by the Internal Audit Charter and The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (Standards).

Assurance Engagements:

FY23 Operational: *Audit of Organizational Continuity:* The UNC System Office executes the Board of Governors' objectives and provides System-wide leadership in academic affairs, business and financial management, long-range planning, student affairs, research, legal affairs, and government relations. The internal audit team will review the existing controls in these crucial units to improve organizational continuity by identifying key personnel whose absence increases the likelihood that the UNC System Office will not achieve its strategic plan. Additionally, the internal audit team will determine if current departmental policies and procedures exist, and if business process documentation is in place to allow employees to perform their duties should essential personnel depart. Finally, the internal audit team will identify the units that have not begun a business continuity strategy to recommend solutions to reduce future business operation disruptions.

FY23 Financial: *Audit of Budget and Finance Processes:* Budget and Finance is responsible for processing accounts payable, accounts receivable, travel, and other administrative activities in support of the UNC System Office's business objectives. The internal audit team will conduct a review of the controls over the financial business process to provide reasonable assurance that processes are optimized for maximum operational efficiency and effectiveness.

FY23 Information Systems: *Audit of Information Systems Policies and Procedures:* Information Systems is responsible for managing the information systems and cybersecurity activities to protect the confidentiality, availability, and integrity of information assets. The internal audit team will conduct a gap analysis on all applicable information systems policies and procedures and make policy recommendations based on internationally recognized industry standards.

FY23 Compliance: *Audit of Compliance with Requirements for use of Governor's Emergency Education Relief (GEER) Fund and American Rescue Plan Act (ARPA) Funds:* In response to the pandemic, the North Carolina Governor and General Assembly granted the UNC Board of Governors federal financial assistance to support the UNC System Office and its constituent universities with the necessary funding to continue providing educational services to their students, social and emotional support for both students and faculty, and additional funding to safeguard education-related jobs. The internal audit team will examine the UNC System Office and its constituent institutions' compliance with the Department of Education, the US Treasury, and/or the North Carolina Pandemic Recovery Office's requirements for the use of GEER and ARPA funds.

Consulting Engagements:

FY23 Consultation 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 policies. In addition to technical advice, internal audit performs consulting services to provide feedback on the UNC System operations. Some specific advisory services that were requested by management for the FY23 fiscal years includes the following:

- **FY23 Consultation Engagements – FY23 Information Systems:** *Consult on Information Systems Policies and Procedures:* Internal audit will provide advisory services to information systems by interpreting the National Guard Cybersecurity Assessment (JTF) results to assists with strengthening cybersecurity controls in the UNC System Office.

- **FY23 Special Project - Data Analytic Dashboards:** The internal audit team will develop at least two Data Analytic Dashboards to aid government affairs and the chief operating officer in answering two primary questions: is the UNC System Office compliant with respect to timely submission of reports to the General Assembly, and does the UNC System Office overshare information by engaging into contracts without chief information security officer approval? By capturing all reports due to the General Assembly with due dates, and by compiling all contracts to review for provisions pertaining to information sharing, these dashboards will provide visibility into these operational processes to answer these two primary questions and determine the UNC System Office's compliance with state law and obligations to share information due to contractual terms.

Technical Assistance:

- **FY23 Information Systems:** Internal audit will provide advisory services to information systems by embedding with the National Guard Cybersecurity Assessment (JTF) team to observe them conduct the cybersecurity assessment of the UNC System Office Information Technology infrastructure, identify gaps in the assessments, and consider employing new techniques for future IT audit engagements.

- **FY23 System Office Divisions:** Internal audit will provide advisory services to various System Office departments and units as needed. Finance, Information Systems, Human Resources, Academic Affairs, Strategy and Policy, Government Affairs, University Communications, Office of the Secretary, University Advancement, Safety & Emergency Operations, and UNC Affiliates (PBS NC, UNC Press, etc.) are among the UNC System units that receive technical advice from Internal Audit.

Follow-up on Management Corrective Actions:

FY23 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. A summary report will be shared 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:

FY23 Special Project – The Perils of Email Overuse: The internal audit team will create a presentation for legal affairs to convey to UNC System Office employees the dangers of excessive use of email. The purpose of the presentation is to educate employees on the top three risks associated with excessive email usage, the five best practices for email use, and to reiterate rules such as the Newspaper rule, Confidentiality Rules, Phishing, and Business Email Compromise. Once approved by legal affairs, this presentation will be included in the training delivered to personnel annually.

FY23 Special Project - Internal Audit Internship Program: The internal audit team has established a program to provide students with the opportunity to conduct assurance and consulting engagements for the UNC System Office, Universities, and State agencies. This internship program provides entities with extra auditing resources and students gain invaluable hand-on experience in internal auditing. The director of internal audit is responsible for supervising engagements, recruiting students to participate in the program, coordinating with chief audit officers on assignment selection, as well as promoting and managing the program.

Internal Shared Services:

FY23 Internal Audit Shared Services: Under the Internal Audit Director's supervision, up to twenty interns will conduct assurance and consulting engagements with the System Office, universities, and state agencies per year. The partnership with these organizations will begin in September 2022. UNC System Office of Internal Audit also serves as the chief audit officer for NCSSM and NCSEAA. Internal audit shall complete engagements in accordance with the memorandum of understanding for these entities.

Other Hours:

FY23 Other/Unplanned: - Internal audit has reserved time for potential investigations, consults, special projects, technical advisory services, and/or other needs that are anticipated to arise throughout the year. Specifically, under the assurance engagements, some unscheduled time has been left for needs that may develop because of unforeseen circumstances or special requests from the president.

Internal audit will incorporate an evaluation of how the organization communicates, directs, reinforces, and monitors adherence to its standards and policies. This will be used to evaluate the culture and structure of governance and, if necessary, to make recommendations for enhancing the governance process.

THE **UNIVERSITY** OF
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INTERNAL AUDIT

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

Relevance - Authority

Internal Audit Charter

Audit Plan

Assurance and Consulting Services Offered

The Audit Plan covers 10 categories:

1. Financial
2. Operational
3. Compliance
4. Information Systems
5. Strategic
6. Special Projects
7. Investigations
8. Consulting (includes Data Analytic Dashboards)
9. Follow-Up
10. Technical Assistance

THE **UNIVERSITY** OF **NORTH CAROLINA SYSTEM**

Engagements and Services by Category

Risk Assessment

Audit Plan

Audit Resources

Engagements by Category (4)

Financial (1)
Audit of Financial Business Processes

Operational/Strategic (1)
- Audit of Organizational Continuity

Compliance (1)
- Audit for Compliance with GEER and ARPA Fund Requirements

Information Technology (1)
- Audit of Information System Policies and Procedures

Defined Other Services (4)

Special Projects/Investigations (1)
PowerPoint Presentation on the Perils of Email Overuse

Data Analytic Dashboards (2)
- General Assembly Reports
- UNC System Office Contracts

Follow-Up of Prior Year (1)
- Follow-up on the corrective actions taken to resolve prior audit findings.

Technical Assistance (1)
- Assist with the National Guard Cybersecurity Assessment of the UNC Systems Office

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Engagements and Services by Category

Risk Assessment

Audit Plan

Audit Resources

Engagements Planned for Internal Shared Services:

NCSSM (2)
- 2 engagements

Investigations
- As needed

NCSEAA (2)
- 2 engagements

Data Analytic Dashboards
- Upon Request

Universities (4)
- 4 engagements to participating Universities

Follow-Up (2)
- Follow-up on the corrective actions taken to resolve prior audit findings for NCSSM and NCSEAA

State Agencies (8)
- 8 engagements to participating State Agencies

Technical Assistance
- Upon Request

THE **UNIVERSITY** OF **NORTH CAROLINA SYSTEM**

Recommended Action Required from the Board

Audit Plan

Audit Resources

Board Approval

A motion authorizing the CARMC to approve:

- The Internal Audit Charter

- *The Fiscal Year 2023 Internal Audit Plan*

- Audit Resources

THE **UNIVERSITY** OF
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UNC System Office
Internal Audit 2021-22 Year-end Report

Summary of Audit Reports
Issued by the Office of the State Auditor

Report Number	Title	First Published
FIN-2021-6770	The North Carolina A&T Investment Foundation, Inc.	07/11/2022
ISA-2022-6040	The University of North Carolina at Greensboro - Information Systems Audit	05/24/2022
FIN-2021-6010	The University of North Carolina System Office - Financial Statement Audit	05/05/2022
FSA-2021-6040	The University of North Carolina at Greensboro - Statewide Federal Compliance Audit Procedures	04/12/2022
FSA-2021-6065	East Carolina University - Statewide Federal Compliance Audit Procedures	04/12/2022
FSA-2021-6060	University of North Carolina Wilmington - Statewide Federal Compliance Audit Procedures	04/11/2022
FSA-2021-6055	The University of North Carolina at Asheville - Statewide Federal Compliance Audit Procedures	04/11/2022
ISA-2021-6060	University of North Carolina Wilmington - Information Systems Audit	04/08/2022
FSA-2021-6095	University of North Carolina Hospitals at Chapel Hill - Statewide Federal Compliance Audit Procedures	04/08/2022
FIN-2021-6094	North Carolina School of Science and Mathematics – Financial Statement Audit	03/15/2022
FIN-2021-6090	North Carolina Central University - Financial Statement Audit	03/08/2022
ISA-2021-6082	The University of North Carolina at Pembroke – Information Systems Audit	01/28/2022

Source: https://www.auditor.nc.gov/audits-reviews/financial-related/universities

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THANK YOU