

September 13, 2023 at 2:30 p.m.  
Via Videoconference and PBS North Carolina Livestream  
UNC System Office  
223 S. West Street, 1723  
Raleigh, North Carolina

## AGENDA

### OPEN SESSION

- A-1. Approval of the Open Session Minutes of May 24, 2023..... Terry Hutchens
- A-2. 2022-23 Annual Report of the Committee on Audit, Risk Management, and Compliance ..... Fred Sellers
  - a. 2022-23 CARMC Annual Report
- A-3. Approval of the CARMC Charter Update..... Fred Sellers
  - a. 2023-24 CARMC Charter
  - b. CARMC Charter Appendix A
  - c. CARMC Charter Appendix B
- A-4. Approval of the UNC System Office 2023-24 Internal Audit Plan ..... Michael Ptasienski
  - a. 2023-24 Audit Plan
- A-5. UNC System Office Internal Audit 2022-23 Year-end Report..... Michael Ptasienski
  - a. 2022-23 Year-end Report
- A-6. Enterprise Risk Management Annual Report .....Byran Heckle
  - a. UNC System Office and Constituent Institutions Overview Report

### CLOSED SESSION

- A-7. Cybersecurity Budget Request Update ..... Keith Werner
  - a. Cybersecurity Budget Report
- A-8. Adjourn



## Closed Session Motion

### Motion to go 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
- Consult with our attorney to protect attorney-client privilege.

**Pursuant to:** G.S. 143-318.11(a)(1) and (3).

## DRAFT MINUTES

May 24, 2023 at 10 a.m.  
Via Videoconference and PBS North Carolina Livestream  
UNC System Office  
223 S. West Street, Room 1809  
Raleigh, North Carolina

This meeting of the Committee on Audit, Risk Management, and Compliance was presided over by Chair Terry Hutchens. The following committee members, constituting a quorum, were also present in person or by phone: Jimmy D. Clark, Lee Roberts, Art Pope, and Pearl Burris-Floyd. The following committee members were absent: Kirk Bradley.

Chancellors participating were Sharon L. Gaber and Darrell T. Allison.

Staff members present included Fred Sellers, Brad Trahan, and others from the University of North Carolina System Office.

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

The chair called the meeting to order at 10 a.m. on Wednesday, May 24, 2023, and called for a motion to approve the open and closed sessions minutes of February 22, 2023.

**MOTION:** Resolved, that the Committee on Audit, Risk Management, and Compliance approve the open and closed sessions minutes of February 22, 2023, as distributed.

**Motion: Pearl Burris-Floyd**  
**Motion carried**

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

The UNC System Office and leaders from University of North Carolina System institutions learned there were no findings reported by the state auditor this year.

This item was for information only.

### 3. Enterprise Risk Management Update (Item A-3)

Bryan Heckle, director of enterprise risk management, provided an update on the enterprise risks process ongoing at the UNC System Office and the constituent institutions. The process includes the following: annual identification of risks, ranking to identify the top risks, submission to the System Office, grouping and summarization of risk topics, and annual reporting to the president and CARMC.

This item was for information only.

#### **4. Report on Strategic Pathways for Campus Law Enforcement Personnel (Item A-4)**

Fred Sellers, vice president for safety and enterprise risk management, provided information about strategic pathways for campus law enforcement personnel. The UNC System has worked with all constituent institutions and campus police departments to redesign the classification and compensation structure for campus police officers. This is an initiative previously presented to the University of North Carolina Board of Governors to minimize an enterprise risk of campus safety due to high law enforcement vacancy rates. All institutions with a campus law enforcement within the UNC System are required to implement the final LEO EHRA classification and compensation structure by June 30, 2023.

This item was for information only.

#### **5. Cybersecurity Recommendations & Systemwide Security (Item A-5)**

Kim Smodic, chief information security officer, provided the committee with an update on the May 2022 recommendations to improve and mature the information technology controls and information security posture for each institution.

This item was for information only.

#### **6. Annual Report on Implementation of UNC Information Technology Policies (Item A-6)**

Ms. Smodic showed that information technology is a dynamic environment and challenged with frequent and new security attack vectors; however, all constituent institutions in the UNC System have agreed to an identified framework that includes 114 controls. The update also included the results of the 2023 annual survey that demonstrated positive maturity of effective governance which reflected tremendous improvement and compliance.

This item was for information only.

There being no further business and without objection, the meeting was adjourned at 10:56 a.m.

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Lee Roberts, Secretary

**AGENDA ITEM**

A-2. 2022-23 Committee on Audit, Risk Management, and Compliance Annual Report..... Fred Sellers

**Situation:** Each standing committee submits an annual report of its activities to the Board of Governors.

**Background:** Pursuant to Section 302 E of *The Code*, "Each standing committee shall make a written report to the Board of Governors at least annually, reviewing the work of the committee during the preceding year."

**Assessment:** The annual report on the activities of the Committee on Audit, Risk Management, and Compliance for fiscal year 2022-23 is ready for review and submission.

**Action:** This item requires a vote by the committee and a vote by the full 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 1, 2022 through June 30, 2023.

The committee was composed of the following Board members: Terry Hutchens, Pearl Burris-Floyd, Lee Roberts, Kirk Bradley, Art Pope, and Jimmy Clark. Mr. Hutchens served as Chair, Mrs. Burris-Floyd, and Jimmy Clark both served as Vice-Chairs, and Lee Roberts served as Secretary.

Chancellor Darrell Allison (FSU) and Chancellor Sharon L. Gaber (UNCC) also served on the committee.

## ACTIONS

The Committee on Audit, Risk Management, and Compliance met in four regular meetings and one special meeting between July 1, 2022, and June 30, 2023. 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 a. Appendix A – Statutory and Policy Authority b. Appendix B – UNC System Office Internal Audit Charter	September 2022
UNC System Office Internal Audit 2021-22 Year-end Report	September 2022
Approval of the 2022-23 Committee on Audit, Risk Management, and Compliance Annual Report	September 2022
Approval of the UNC System Office 2022-23 Internal Audit Plan	September 2022
Report on Implementation of Information Security Recommendations	September 2022
Summary of Audit Reports Issued by the Office of the State Auditor	September 2022
Approval of UNC System-Wide Internal Audit Plans for 2022-23	November 2022
Summary of UNC Systemwide Internal Audit Activities	November 2022
Update of Safety & Security Operations	November 2022

Joint Cybersecurity Task Force Presentation	November 2022
Cybersecurity Budget Recommendations	November 2022
University of North Carolina System Office Internal Audit Plan Revision	February 2023
Summary Report of Major Associated Entities	February 2023
Report on Strategic Pathways for Campus Law Enforcement Personnel	February 2023
Audit Reports Issued by the Office of the State Auditor	February 2023
Annual Report on Implementation of UNC Information Technology Policies	May 2023
Cybersecurity Recommendations & System-wide Security	May 2023
Annual Presentation of Audit Reports Issued by the Office of the State Auditor	May 2023

**AGENDA ITEM**

A-3. Approval of Charter (CARMC Oversight Responsibilities and Operating Procedures)..... Fred Sellers

**Situation:** Annual updates to the oversight responsibilities and operating procedures for the University of North Carolina Board of Governors Committee on Audit, Risk Management, and Compliance (CARMC) are presented for review and approval.

**Background:** As required by North Carolina General Statutes, the North Carolina Council of Internal Auditing, and the standards prescribed by The Institute of Internal Auditors, both the committee and the internal audit function should have a charter to outline 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 University of North Carolina System Office.

**Assessment:** Updates to the Charter (Oversight Responsibilities and Operating Procedures) to include Appendix A and B for CARMC are included with the materials for review and approval.

**Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

## Committee on Audit, Risk Management, and Compliance Committee Charter

### I. Background and Authority

The Committee on Audit, Risk Management, and Compliance (CARMC) is a standing committee of the University of North Carolina Board of Governors. The 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 chief of staff, the office of legal affairs, internal audit/compliance staff, information technology staff, and safety and enterprise risk management/compliance staff, whose roles and responsibilities shall be defined and described by the president.

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

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

The committee's oversight 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 functions, as well as the University's internal control practices. The committee does not exercise decision-making authority on behalf of the University. It is the responsibility of management at the System Office and at each constituent institution to maintain programs and systems of internal audit, risk management, compliance, ethics, legal affairs, and internal controls. The committee exercises oversight responsibilities on behalf of the Board as defined herein and makes reports and recommendations to the Board related to:

- A. The integrity of the University's annual financial statements.
- B. The University's systems of internal control and management practices.
- C. The internal audit function, external auditors, firms, and other providers of assurance.
- D. The University's compliance 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. Systemwide 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 System staff, as well as external assurance providers, to be direct, open, and complete.

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

#### **V. Education**

The president and the designated committee staff are responsible for providing the committee with educational resources related to auditing, compliance, risk management, accounting principles and practices, legal and regulatory requirements, ethics, conflicts of interest, and other information that the committee may require. The University's vice president for safety and enterprise risk management, chief audit officer, chief of staff, and the general counsel will assist the committee in maintaining literacy in the appropriate areas related to the committee's function.

#### **VI. Duties and Responsibilities**

The following shall be the principal duties and responsibilities of this committee:

## A. General

1. Adopt and annually update a formal committee charter describing the committee's responsibilities and operating procedures for approval by the Board 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, chief audit officer, or the general counsel, receive audit reports in those matters where a board of trustees or the chancellor/executive director of a constituent institution or affiliated entity authorizes or requests an external audit or other independent review.

D. Internal Audit

1. Receive and review an annual summary of the internal audit plans submitted by each constituent institution and the 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 enterprise risk management the general counsel, chief audit officer, and senior officers.
3. Provide general oversight of the University's adherence to laws, regulations, and policies that pertain to University operations. Review the programs and policies of the University designed by management to assure compliance with applicable laws and regulations.
4. When necessary, meet privately with the general counsel and/or senior management to discuss any matter that the committee or the general counsel and/or senior management 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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Terry Hutchens, Chair

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Date

History: Approved July 23, 2020, September 2021, September 2022.

## 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 the 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. Develop and manage meetings, conferences, and training sessions, as well as helping to foster collaboration across the University System.
2. Work with the constituent institutions, as well as UNC System Office leadership, advising on 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 Institute of Internal Auditor’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.

\_\_\_\_\_  
Michael Ptasienski, Chief Audit Officer

\_\_\_\_\_  
Date

\_\_\_\_\_  
Terry Hutchens, Chair

\_\_\_\_\_  
Date

\_\_\_\_\_  
Peter Hans, President

\_\_\_\_\_  
Date

*History of revisions and approvals:*

*August 2013 (first date tracked in the history), February 2015, May 2015, April 2016, March 2017, May 2018, July 2020, September 2021, September 2021, September 2022*



### Statutory and Policy Authorities

Summarized below are state statutes and University of North Carolina Board of Governors policies related to the jurisdiction and oversight authority of the Committee on Audit, Risk Management, and Compliance (CARMC)

#### [CARMC Functions \(Section 301 G of \*The Code\*\)](#)

*The Code* of the University establishes the CARMC as a standing committee of the Board and sets out the committee's primary responsibilities, including:

- Recommending a committee charter for review and approval by the Board
- Addressing the University of North Carolina System's internal audit, enterprise risk management, and compliance functions
- Recommending to the Board for approval Systemwide policies regarding internal audit, enterprise risk management, and compliance
- Reviewing annual and other audit reports of the constituent institutions, the University of North Carolina 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
- Taking such other actions as are necessary or appropriate to ensure that risks are identified and properly managed and to assure the integrity of the finances, operations, and controls of the University

#### [Audit: Audits by the State Auditor \(Article 5A, Chapter 147\)](#)

As a state agency, the UNC System, including its constituent institutions, affiliated entities, and System Office, are subject to audit by the North Carolina State Auditor.

#### [Audit: Internal Audit Program \(GS 143-746\)](#)

As a state agency, the UNC System is required to establish an internal audit program consistent with statutory requirements.

#### [Audit: Special Responsibility Constituent Institutions Audits by State Auditor \(GS 116-30.8\)](#)

Special responsibility constituent institutions are required to have an annual audit conducted by the North Carolina State Auditor (see "Special Responsibility Constituent Institutions" on Page 3 for more information on this designation).

#### [Audit: Associated Entities Audits \(Chapter 600 of the UNC Policy Manual\)](#)



Chapter 600 of the UNC Policy Manual establishes financial, reporting, and audit policies, regulations, and guidelines for the UNC System, System-related private foundations, and associated entities, including the following:

- [Section 600.2.5](#) requires chancellors to request on an annual basis a copy of the annual financial audit of all private foundations, associations, or clubs organized for the primary purpose of providing financial support to the constituent institution.
- [Section 600.2.5.2\[R\]](#) requires associated entities to have audit committees and perform various audit functions.

#### Campus Safety, Information Security, and Enterprise Risk Management

Board policies establish requirements for and oversight of campus safety, information security, and enterprise risk management:

- *Enterprise Risk Management.* [Section 1300.7](#) directs the establishment of enterprise risk management and compliance processes Systemwide and at each constituent institution and vests the CARMC with the authority for monitoring Systemwide risk and compliance.
- *Insurance Coverage.* [Section 1300.7.1](#) requires the UNC System and its constituent institutions to maintain sufficient minimum insurance coverage.
- *Campus Safety and Security.* [Section 1300.9](#) requires an annual presentation to the Board on campus safety and security matters; the annual report to the Board may include information presented by each constituent institution to its Board of Trustees.
- *Protection of Minors.* [Section 1300.10](#) requires constituent institutions to adopt policies and minimal standard to ensure the protection of minors conducted by constituent institutions or held on university property.
- *Title IX.* Sec. [1300.11](#) and [1300.11\[R\]](#) require constituent institutions to adopt policies that comply with Title IX.
- *Information Security.* [Section 1400.1](#) establishes requirements for information technology governance at the system and constituent institution level. [Section 1400.2](#) requires the System Office and constituent institutions to establish information security programs and designate a senior officer with information security responsibility (typically referred to as a Chief Information Security Officer or CISO). [Section 1400.3](#) requires establishment and implementation of identify confirmation and access control techniques to protect against unauthorized access to university data and information systems.

Special Responsibility Constituent Institutions ([GS 116-30.1](#); Chapter 600.3 of the UNC Policy Manual – Sections [600.3.1](#), [600.3.2](#), [600.3.3](#), and [600.3.4](#))

The Board may, upon the recommendation of the president, designate UNC System constituent institutions as special responsibility constituent institutions by expressly finding that each institution to



be so designated has the management staff and internal financial controls to enable it to administer competently and responsibly all additional management authority and discretion delegated to it. The Board has adopted policies to govern the selection and operating criteria for special responsibility constituent institutions. All 17 constituent institutions and the UNC System Office have been granted special responsibility constituent institution status (See UNC Policy Manual, [Section 600.3.2](#) for designations of constituent institutions; see [GS 116-14](#) for designation of the System Office).

**AGENDA ITEM**

A-4. Approval of the University of North Carolina System Office 2023-24 Internal Audit Plan. ....Michael Ptasienski

- Situation:** The chief audit officer must develop an annual risk-based audit plan and present it to the committee and president for review and approval.
- Background:** The University of North Carolina Board of Governors 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 International Standards for the Professional Practice of Internal Auditing 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.
- Assessment:** The FY 2024 UNC System Office Internal Audit Plan was generated after reviewing the status of the prior year audit plan and performing a comprehensive risk assessment, which included receiving input from management.
- Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.



# Fiscal 2024 Internal Audit Plan

September 2023

Internal Audit Department | University of North  
Carolina System Office

Michael Ptasienski, Chief Audit Officer

## UNC System Office Internal Audit Plan

**Fiscal Year 2024**

Engagements	Planned Hours FY24	Comments
<b>Prior Year Carry Over</b>		
No carryover audits for 2023	<b>0</b>	
<b>Assurance Engagements</b>		
UNC System Office IT Contracting and Vendor Management	<b>450</b>	
Campus Data Quality	<b>740</b>	
PBS NC IT Contracting and Vendor Management	<b>450</b>	
<b>Consultation Engagements</b>		
Consult on Generative AI Policies	<b>100</b>	
<b>Follow-up on Management Corrective Actions</b>		
<ul style="list-style-type: none"> <li>1st Follow-Up to IA End User Data Storage and Security Awareness</li> <li>PBS NC PCI Compliance Review</li> <li>UNC System Office Information Systems Policy Audit</li> </ul>	<b>150</b>	<i>Review status and verify actions taken on prior recommendations</i>
<b>Investigations</b>		
Unplanned/Various as occurs: Investigations of internal/external hotline reports and similar types of investigations.	<b>100</b>	
<b>Special Projects</b>		
System Office Peer Review	<b>180</b>	<i>Required every 5 years in accordance with professional Standards and Internal Audit Act</i>
Participation in OSBM Peer Review Process	<b>120</b>	
Annual Risk Assessment/ FY2024 Audit Plan Development	<b>80</b>	
Technical Assistance to 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 (PBSNC, UNC Press, etc.)	<b>80</b>	<i>As requested</i>
<b>Other Hours</b>		

**UNC System Office Internal Audit Plan**  
**Fiscal Year 2024**

Preparation for Board Meetings and meeting attendance.	<b>550</b>	<i>Includes NCSSM and NCSEAA Boards and Committees</i>
Unit Oversight, Staff Hiring, MOUs, Procedure and Charter Updates	<b>200</b>	
NC Council on Internal Auditing Reporting Requirements (SAMM, Attestations, Annual Report, KPI). Meetings with OSBM and attending Council Meetings	<b>200</b>	<i>Required</i>
Other Services- Routine Advisory Services; assist external auditors; QAIP work; and other projects to be determined	<b>100</b>	
Professional Development	<b>120</b>	<i>Required by Internal Auditing Standards</i>
Outreach and coordination with other UNC System Internal Audit Groups. Collection of KPIs.	<b>80</b>	
Management of Internal Audit Hotline	<b>40</b>	
Holidays and Staff Leave	<b>880</b>	
<b>FY24 Total Hours to UNC System Office</b>	<b>4620</b>	
<b>Internal Audit Shared Services</b>		
Internal Audit Services to NCSSM	<b>860</b>	Hours established by MOU
Internal Audit Services to NCSEAA	<b>760</b>	Hours established by MOU
<b>Total Hours Per MOUs</b>	<b>1620</b>	
<b>Total Available Hours</b>	<b>6240</b>	
<b>Less (Permanent Resource Hours 3 X 2080)</b>	<b>6240</b>	
<b>Difference</b>	<b>0</b>	

**Peter Hans, President** \_\_\_\_\_ **Date**

**Terry Hutchens, Committee Chair** \_\_\_\_\_ **Date**

## UNC System Office Internal Audit Plan

Fiscal Year 2024

### 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 University of North Carolina 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 2023 to June 2024. The estimated hours include an allocation of time for the chief audit officer, one senior internal auditor, and one staff auditor.

#### **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 issued and/or steps that are required to finalize projects during the beginning of fiscal 2024. There were no carryover efforts.

#### **Assurance Engagements:**

**IT Contract and Vendor Management:** The UNC System Office utilizes many outside software vendors and service providers to provide key business and operational capabilities. Having solid contracts that outline the obligations and requirements of all parties in place is critical. It is critical that contract performance is monitored and that vendors meet the terms outlined in the contract. Vendors may be required to provide service-level agreements (SLA's), performance metrics, license or usage metrics, and results of third-party audits. The internal audit team will review current processes for managing vendor relationships and monitoring vendor performance in accordance with contract terms and vendor management best practices.

**Campus Data Quality Review:** The UNC System Office has established an Enterprise Data Office to centrally manage the collection of financial, student, and human resources data. This data is provided to the UNC System Office through periodic feeds from the constituent institutions. This data is utilized for analysis and reporting purposes throughout the enterprise. In addition, this data will ultimately drive funding and incentives to the institutions and their leadership. While efforts are made by the System Office to ensure this data is accurately collected, ultimate responsibility for its accuracy lies with the institution providing the files. The internal audit team will review a sample of the data being transmitted and attempt to reconcile and verify the accuracy of the data with the institutions providing the information.

**PBS NC IT Contracting and Vendor Management:** PBS NC contracts with technology vendors and contractors to support the operations and deliver their services. Having solid contracts that outline the obligations and requirements of all parties in place is critical. It is critical that contract performance is monitored and that vendors meet the terms outlined in the contract. Vendors may be required to provide service-level agreements (SLA's), performance metrics, license or usage metrics, and results of third-party audits. The internal audit team will review current processes for managing vendor relationships and monitoring vendor performance in accordance with contract terms and vendor management best practices.

## UNC System Office Internal Audit Plan

Fiscal Year 2024

### Consulting Engagements:

**FY24 Consultation Engagements:** As needed, internal audit is available to provide technical advice and consulting 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. Some specific technical assistance that was requested by management include:

- **Consult with IT on Generative AI Policies:** Generative AI is beginning to have widespread usage within businesses, government, and educational institutions. These tools and associated large language models potentially create great advancement opportunities but may present serious ethical, IT security, data security, and legal issues. Many organizations are beginning to introduce Generative AI policies. Working with associated stakeholders, we will identify possible policy changes that may be considered to minimize risk across the System.

### Follow-up on Management Corrective Actions:

**FY 24 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:

**Peer Review:** Under the NC State Internal Auditing Act, we are required to follow the Institute of Internal Auditors, *International Standards for the Professional Practice of Internal Auditing*. The standards require each internal audit office to have a peer review of their operation and assess adherence to the standards every five years. The UNC System Office Internal Audit function needs to be reviewed in FY 2024.

**Peer Review Participation:** For an organization to participate in the OSBM Managed Peer Review Program, organizations are required to assist with a Peer Review of another NC State Agency.

**Technical Assistance:** The internal audit team is frequently asked to review documents and provide input on process, policies, and answer internal audit related questions from the various UNC System Office operational units.

### **Other Hours:**

**NC Council on Internal Auditing Reporting Requirements:** There are several requirements the office is required to generate and submit to the Central Audit Office to meet requirements under the Internal Auditing Act and directives from the NC Council on Internal Auditing. This includes submitting audit work plan attestations, quarterly reporting attestations, submissions of audit plans, audit reports, and productivity data. In addition, each office is also required to complete a Self-Assessment Maturity Model

## UNC System Office Internal Audit Plan

Fiscal Year 2024

(SAMM) tool which is used to report the self-assessment of internal audit maturity. To ensure compliance, the Central Internal Audit Office holds regular meetings and offers training to the internal audit organizations.

**Additional Items:** General management of the office, coordination with Institutional audit organizations, and ensuring staff professional development requirements are met.

### **Internal Shared Services:**

**FY24 Internal Audit Shared Services:** Under the supervision of the Chief Audit Office, the UNC System Office Internal Audit staff provides internal audit services to both the North Carolina School of Science and Mathematics (NCSSM) and the North Carolina State Education Assistance Authority (NCSEAA). This includes all board communications and fulfilling requirements, for these institutions, related to the North Carolina Council of Internal Auditing.

**AGENDA ITEM**

A-5. University of North Carolina System Office Internal Audit 2022-23 Year-end Report .....Michael Ptasienski

**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:** The fiscal year 2022-23 audit plan provides a list of projects that were approved by the committee and identifies the status of those projects at the end of the fiscal year. It also includes performance indicators for the UNC System Office's internal audit function for the fiscal year 2022-23.

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

## UNC System Office Internal Audit 2022-23 Year-end Report

Engagements and Other Activities	Status
<b>Prior Year Carry Over</b>	
No carryover audits	N/A
<b>Risk Assessment</b>	
Annual Risk Assessment - FY2023 Audit Plan Development	COMPLETED
<b>Assurance Engagements</b>	
<b>Financial:</b> Audit of Financial Business Processes	COMPLETED
<b>Information Systems:</b> Audit of Information Systems Policies and Procedures	COMPLETED
<b>Consulting Engagements</b>	
<b>Information Systems:</b> Interpret National Guard Assessment of Cybersecurity Results <i>(IA assistance not required due to quality of review by NCNG)</i>	CANCELLED
Technical Assistance to UNC System Office Management	COMPLETED
<b>Follow-up on Management Corrective Actions</b>	
<b>SYS OFC:</b> <i>Operational: University Advancement: Shared Services and Gift Planning</i>	COMPLETED
<b>SYS OFC:</b> <i>Compliance: Budget and Finance: Subrecipient Monitoring of COVID funds</i>	COMPLETED
<b>SYS OFC:</b> <i>Information Systems: Configuration and Vulnerability Management of IT assets</i>	COMPLETED
<b>SYS OFC:</b> <i>Information Systems: Change Management</i>	COMPLETED
<b>SYS OFC:</b> <i>Performance: Budget and Finance: Performance Metrics and Goals for COVID funds</i>	COMPLETED
<b>Follow-up on years prior to 2022</b>	COMPLETED
<b>Investigations</b>	
Unplanned/Various as occurs: Management of the University Hotline; Investigations of internal/external hotline reports and similar types of investigations. <i>(No investigative reports issued by the System Office)</i>	COMPLETED
<b>Administration and Other Activities</b>	
<i>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.</i>	COMPLETED
Professional Development	COMPLETED
Other Admin Hours	COMPLETED
<i>Internal Audit Internship Program Recruitment PARTIAL YEAR</i>	COMPLETED

<i>Internal Audit Internship Program Management PARTIAL YEAR</i>	<b>COMPLETED</b>
<b>MOU (Internal Audit Shared Services)</b>	
Internal Audit Services to NCSSM	<b>COMPLETED</b>
Internal Audit Services to NCSEAA	<b>COMPLETED</b>
Internal Audit Services to Universities through the Internship Program PARTIAL YEAR	<b>COMPLETED</b>
Internal Audit Services to State Agencies through the Internship Program PARTIAL YEAR	<b>COMPLETED</b>

## The 2022-2023 Internal Audit Annual Report

In September 2022, the University of North Carolina System Office FY 2023 internal audit plan was approved by the Committee on Audit, Risk Management, and Compliance (CARMC) and the University of North Carolina Board of Governors. The planned hours included two full-time audit staff members, intern support, and the chief audit officer. The planned projects covered the UNC System Office as well as hours to provide internal audit services to the North Carolina School of Science and Mathematics (NCSSM), and the North Carolina State Education Assistance Authority (NCSEAA). In addition, the UNC System Office had been managing the internship program that provided additional resources to support internal audit work for both the UNC System Office as well as other University of North Carolina System institutions.

Due to a key staff departure in November 2022, the audit internship program was moved to the State Office of Budget and Management (OSBM) and the internal audit plan was revised. This plan revision was shared with the CARMC in February 2023.

### FY 2023 Reports Issued

During FY 2023, the UNC System Office Internal Audit Group issued the following reports.

<b>Report Name</b>	<b>Completed</b>
Annual Risk Assessment	08/30/2022
UNC System Office Information Systems Policy Audit	11/29/2022
Business Financial Processes – (Source Creation and Source Use)	12/12/2022
Audit Recommendation Follow-up Report	06/08/2023

At the start of FY 2023, the internal audit group was tracking 15 prior recommendations. Some of these open recommendations dated back to FY 2020. In working with the UNC System Office and PBS NC business units, we were able to close 11 of the prior items. For the remaining recommendations, action plans are now in place to resolve those items during FY 2024.

In addition, in accordance with our audit arrangements with NCSSM, we completed the annual risk assessment, two investigations, two audits, a follow-up on prior audit recommendations, and two consulting engagements.

For NCSEAA, we completed the annual risk assessment, one consulting engagement, and a follow-up on prior recommendations. In addition, we have one consulting engagement that remains ongoing.

### Audit Plan Completion

All planned UNC System Office work on the revised plan was completed except assisting in

interpreting the National Guard Assessment of Cybersecurity Results. Based on the quality of the report received from the National Guard, it was determined that internal audit assistance was not needed.

**FY2023 Resources and staffing**

For the FY 2023 Fiscal year, the UNC System Office Internal Audit Office was staffed with 2.67 full-time equivalents (FTE).

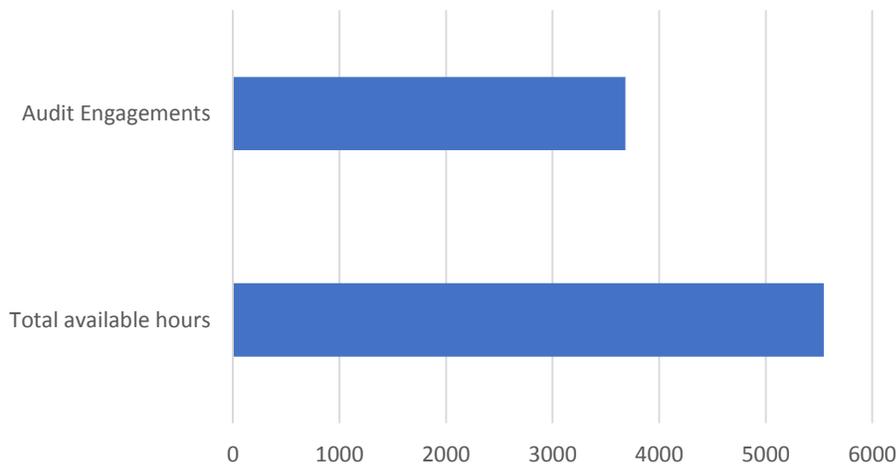
<b>Names</b>	<b>FTE</b>	<b>Notes</b>
Michael Ptasienski	0.75	Chief Audit Officer - joined 10/11/2022
Carol Harris	1.00	
Lisa Outlaw	0.42	Departed 11/01/2022
Audit Interns	0.50	6 months - 4 interns working 10hrs a week
<b>Total</b>	<b>2.67</b>	

The UNC System Office Internal Audit Office ended FY 2023 fully staffed with three FTE. We hired a new auditor in late June 2023 to fill the vacancy we had since November 2022.

**FY 2023 Resource Utilization**

During FY 2023, 66% of staff time was allocated directly to audit work. During the year, the chief audit officer position was vacant for the first three months and then there was an open audit position for eight months. While total available hours were less than originally planned, required administrative activities and North Carolina Council of Internal Auditing requirements remained static. We closed FY 2023 with all positions filled.

FY23 Resource Direct Utilization



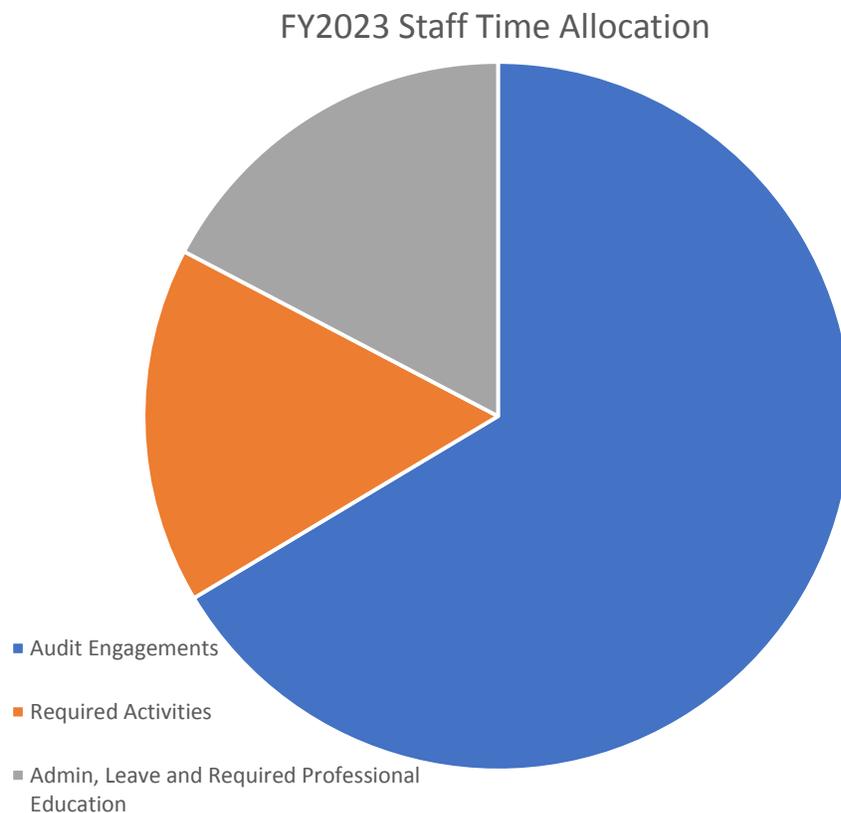
## FY 2023 Resource Allocation

Total departmental hours were allocated between audit engagements, required activities, and administrative, leave, and required professional education.

Audit Engagements include the Annual Risk Assessments and time to complete the FY 2023 audit plan, 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, investigations, and consulting engagements.

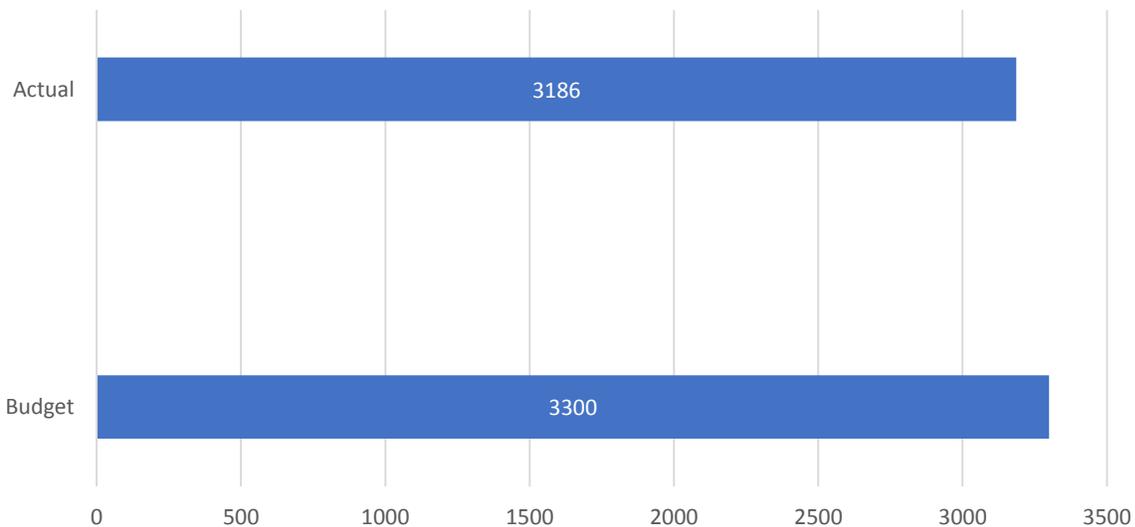
Required activities include unit management and oversight, self-review/quality assurance work, board material preparation, staff recruiting, managing contracts with NCSSM and NCSEAA, updating procedures, and fulfillment of requirements outlined by the North Carolina Council of Internal Auditing.

Administrative, Leave and Required Professional Education include staff time-off, performance management activities, time reporting, staff meetings, recruiting, and the required 40 hours of annual professional education that is required.



For the audits completed in FY 2023, the actual work hours utilized on audit engagements were 96.5% of the initially budgeted hours to perform the work.

FY2023 Completed Audits - Budget vs Actual



### University Internal Audit Coordination

One of the key functions of the UNC System Office Internal Audit group is to coordinate the collection of data and foster close communication among the internal audit operations at each constituent institution. This work includes hosting conference calls with the chief audit officers, sharing information and best practices, addressing common challenges and issues, ensuring consistency in reporting to the Council of Internal Auditing and making sure UNC System requirements are communicated and understood.

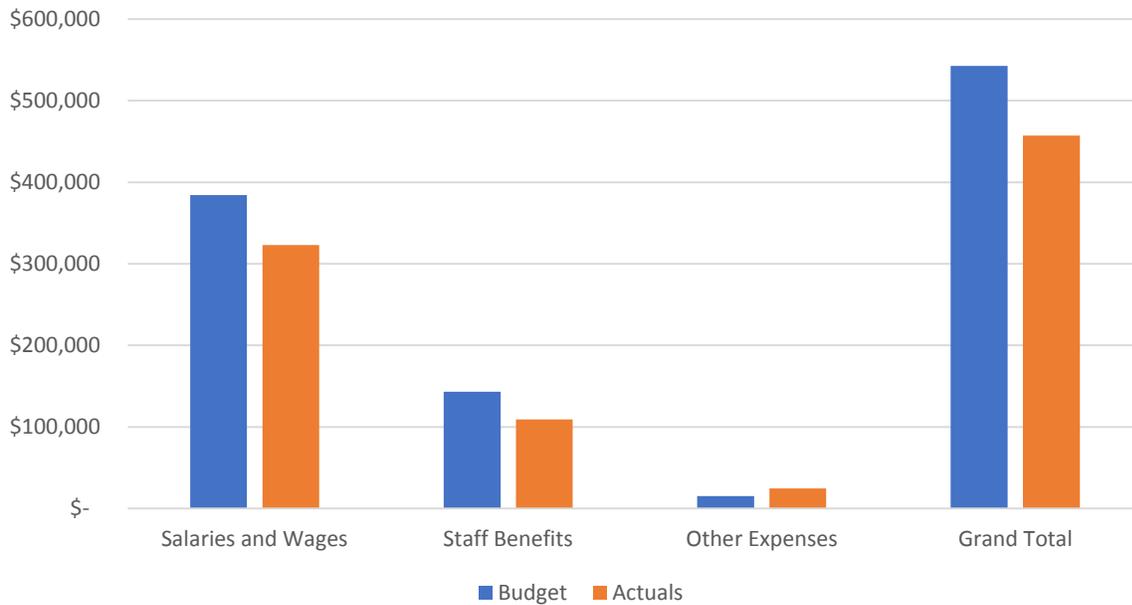
### Hotline

The UNC System Office Internal Audit group manages a hotline for the public to report fraud, waste, abuse, or misuse of resources; violation of laws, regulations, or policy; ineffective operations; or any activities that may be detrimental to the UNC System. During the course of the year, we received numerous allegations and reports of activity that required investigation and follow-up. When issues were related to a specific institution, those reports were generally referred to the appropriate internal audit office at the institution. When reports were related to the System Office or had broader more sensitive allegations, those items were reviewed and handled by the UNC System Office Internal Audit group, in coordination with appropriate System leadership.

**Financial Resources**

The System Office Internal Audit staff budget was \$542,603 for FY 2023. Actual expenses were only \$457,284 since the chief audit officer position was unfilled for the first three months of the year and a staff auditor position remained unfilled for eight months.

FY2023 System Office IA Budget



**AGENDA ITEM**

A-6. University of North Carolina System Enterprise Risk Management Report..... Bryan Heckle

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

**Background:** In adopting the policy on University Enterprise Risk Management and Compliance, the University of North Carolina Board of Governors provided for the establishment Systemwide and institution-based enterprise risk management and compliance processes. The policy aims to address risks related to compliance with laws and ethical standards at the system level, and to complement and support the risk management and compliance processes and activities of the constituent institutions.

**Assessment:** The committee will receive an update on top enterprise risks identified by the UNC System Office and its constituent institutions.

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



**THE UNIVERSITY OF  
NORTH CAROLINA SYSTEM**

# 2023 UNC SYSTEM OFFICE RISK REGISTER

## CYBER SECURITY & IT INFRASTRUCTURE

Consistency across the system and with the System Office will allow for a more strategic and efficient approach to reducing this risk

- Incident response
- Standard preparedness and pre-disaster training/vendor risk management
- Disaster recovery



**Operational  
Risk  
affecting all  
goals**

## TALENT MANAGEMENT

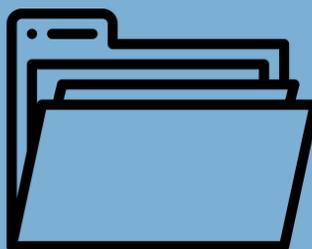
**Strategic  
Risk  
affecting  
all goals**



- Highly skilled, competitively compensated, stable workforce
- Employee workload management that allows for responding to new, high-demand, high-interest projects that align with the Board of Governor's Priorities
- Adequate succession planning efforts to ensure continuity of operations and support expected turnover

## BUSINESS PROCESSES

- Technology tools that promote efficiencies and technology solutions that support business operations users
- Business Intelligence: Ensuring accurate and timely data analytics and coordinated data project management to inform policy and management decisions
- Duplication of applications that create inefficiencies across the system and System Office
- Effective documentation and consistent communication and implementation of System Office departmental policies and standard operating procedures



**Operational,  
Strategic and  
Legal,  
Regulatory &  
Compliance  
Risk affecting  
all goals**

# 2023 UNC SYSTEM CAMPUS RISK REGISTER

## OVERVIEW

**Operational Risk**  
affecting all goals



### CYBER SECURITY

- Protection of data and personal identifiable information
- Hacking/phishing/ransomware attacks/insider threats
- Inability to maintain and enhance IT security and IT infrastructure (people, processes, technology)
- Confidentiality, integrity, and availability of data and information systems

### TALENT MANAGEMENT

- State and System process for hiring impedes ability to attract and retain a diverse pool of high performing employees quickly and competitively
- Faculty and staff wellness, stress, and burnout concerns
- Training and professional development programs
- Morale and effectiveness of the workforce
- Vacancies in critical positions



**Strategic Risk**  
affecting goals 11, Employee Experience and 12, Faculty and Staff retention

**Strategic Risk**  
affecting all goals



### STUDENT RETENTION

- Low enrollment adversely impacting financial stability and reputation
- Competition amongst UNC System institutions with limited resources
- Innovate and evolve academic programs and degree completion
- Improve graduation rates and decrease a loss of tuition revenue

### FINANCIAL

- High levels of inflation further aggravates institutions' ability to attract a competitive and talent workforce
- Providing professional programs that satisfy market demands
- Adapting to the new funding model
- Lack of diversity in funding sources



**Financial Risk**  
affecting all goals

**Operational Risk**  
affecting all goals



### PUBLIC SAFETY

- Threats and hazards include but are not limited to violent crimes, theft, emerging student health concerns (particularly increasing concern around mental health issues), impacts and recovery from severe weather events, incidents with hazardous materials, fire safety and pedestrian safety

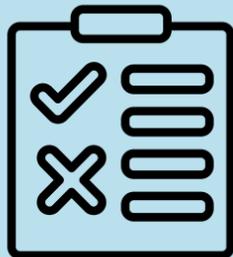
### MENTAL HEALTH

- Resources and advocacy to entirely address the volume and severity of increasingly prevalent wellbeing and mental health concerns adversely impacting student and employee success outcomes



**Operational Risk & Health Risk**  
affecting all goals

**Legal, Regulatory & Compliance Risk**  
affecting goal 7, University Productivity

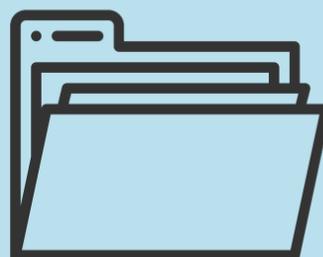


### REGULATORY COMPLIANCE

- Policies, procedures, and protocols for a variety of programs, departments, and operations across campus need development and updating
- Lack of compliance procedures could present a major threat to public health, safety, funding, and grant management

### BUSINESS PROCESSES

- Maximize efficiencies through better institutional coordination for key university services.
- Current structure, core systems, and processes impacts the ability to effectively operate, manage, and support multiple locations and make informed decisions in a timely manner.
- Need for comprehensive data governance.



**Operational Risk and Legal, Regulatory, & Compliance Risk**  
affecting goal 7, University Productivity

**Operational Risk**  
affecting goal 7, University productivity



### FACILITIES MANAGEMENT

- Need for renovations and improvements to meet accessibility
- Impact of aging facilities on recruitment and retention
- Space and facilities needed to support academic and research growth



QUESTIONS?