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**OPEN SESSION****FOR ACTION**

1. Designer Selection
  - Global Leadership Center at the Gillings School of Global Public Health Attachment A
  - Bingham Hall Comprehensive Renovation Attachment B
  - Neurosciences Research Building Equipment Replacement and Modernization Attachment C  
*Anna Wu, Associate Vice Chancellor for Facilities Services*
2. Site Approval
  - Kenan Football Center Addition Attachment D  
*Evan Yassky, Executive Director, Facilities Planning & Design / University Architect*
3. Design Approval
  - McColl Building Renovation and Addition Attachment E  
*Evan Yassky, Executive Director, Facilities Planning & Design / University Architect*
4. Property Acquisition by Lease – Institute for the Environment Attachment F  
*Gordon Merklein, Associate Vice Chancellor for University Real Estate Ops*
5. Transfer to the University of the Endowment's Distribution from the Investment Fund Attachment G  
*Nathan Knuffman, Vice Chancellor for Finance and Operations*
6. Annual Review and Approval of the Office of Internal Audit Charter and the Finance, Infrastructure and Audit Committee Charter Attachment H  
*Dean Weber, Director, Office of Internal Audit*

**FOR INFORMATION ONLY** (No formal action is requested at this time)

1. FY 2021 Annual Report of Activities of the Office of Internal Audit Attachment I  
*Dean Weber, Director, Office of Internal Audit*
2. FY 2021 UNC Investment Fund LLC Performance Update Attachment J  
*Jonathon King, CEO of UNC Management Company*
3. Financial Update Attachment K  
*Nathan Knuffman, Vice Chancellor for Finance and Operations*

**COMMITTEE MEMBERS**

John Preyer, Chair  
Marty Kotis, Vice Chair  
Dave Boliek, ex-officio

Perrin Jones                      Ralph Meekins  
Teresa Artis Neal                Vinay Patel  
Malcolm Turner                 Ramsey White

*Administrative Liaison:*

*Nathan Knuffman, Vice Chancellor for Finance and Operations & CFO  
David Routh, Vice Chancellor for University Development*

## ATTACHMENT A

### **DESIGNER SELECTION – GLOBAL LEADERSHIP CENTER AT THE GILLINGS SCHOOL OF GLOBAL PUBLIC HEALTH**

The Gillings School of Global Public Health seeks to construct a roughly 8,000 gross square foot addition to their existing facilities (McGavran Greenberg, Hooker, and Rosenau Halls). This new space will house a Global Leadership Center to convene leaders and scholars who will tackle and solve some of the most important and challenging health threats facing North Carolinians and our world. The advance planning phase will consist of study of specific site constraints, development of a detailed space program, technology specifications, architectural character of the addition, and total project budget. Donor engagement will occur during this phase, with the goal of a commitment of funds to construct the addition and endow global leadership programs to be housed within it.

The budget for advance planning is \$600,000 and will be funded from gifts raised by the Gillings School of Global Public Health.

The project was advertised on July 20, 2021. Sixteen (16) proposals were received. Five (5) firms were interviewed on August 26, 2021. No members of the Board of Trustees participated in the interviews. The committee recommended the selection of three (3) firms in the following priority order:

- |        |         |
|--------|---------|
| 1. XXX | XXX, XX |
| 2. XXX | XXX, XX |
| 3. XXX | XXX, XX |

The firms were selected for their past performance on similar projects, strength of their HUB partnerships and experience with campus projects and the State Construction Office.

### **RECOMMENDED ACTION**

A motion to approve the three (3) selected firms in the following priority order:

- |        |         |
|--------|---------|
| 1. XXX | XXX, XX |
| 2. XXX | XXX, XX |
| 3. XXX | XXX, XX |

## **ATTACHMENT B**

### **DESIGNER SELECTION – BINGHAM HALL COMPREHENSIVE RENOVATION**

Bingham Hall is a 31,000 gross square foot building originally constructed in 1927. The building does not have a central HVAC system and due to its poor condition, Bingham Hall was vacated in 2020 and is not planned to be utilized for the 2021-22 academic year. In November 2020, a renewal of the facility was listed as the top priority in the Comprehensive Renovations category in the 2021-27 UNC-CH Six-Year Capital Plan submission to the System Office. The estimated total project cost listed in the submission was \$15,000,000.

The project budget for advance planning is \$500,000 and will be funded from unrestricted trust funds.

The project was advertised on July 20, 2021. Thirty-two (32) proposals were received. Six (6) firms were interviewed on September 7 and 9, 2021. One (1) member of the Board of Trustees participated in the interviews. The committee recommended the selection of three (3) firms in the following priority order:

- |        |         |
|--------|---------|
| 1. XXX | XXX, XX |
| 2. XXX | XXX, XX |
| 3. XXX | XXX, XX |

The firms were selected for their past performance on similar projects, strength of their HUB partnerships and experience with campus projects and the State Construction Office.

### **RECOMMENDED ACTION**

A motion to approve the three (3) selected firms in the following priority order:

- |        |         |
|--------|---------|
| 1. XXX | XXX, XX |
| 2. XXX | XXX, XX |
| 3. XXX | XXX, XX |

## ATTACHMENT C

### **DESIGNER SELECTION – NEUROSCIENCES RESEARCH BUILDING EQUIPMENT REPLACEMENT AND MODERNIZATION**

This project will replace an existing cage wash and related equipment at the Neurosciences Research Building. A new tunnel and rack washer will be provided by the Department of Comparative Medicine (DCM). The project scope of work will include associated utility, mechanical, slab, stainless steel modular walls and epoxy flooring modifications required to accommodate this new equipment. The scope of work also includes demolition of a second smaller autoclave on the clean side and associated floor/ wall modifications, replacement of the ceilings including lighting and HVAC terminal devices on both the clean and dirty sides, and modifications of the existing partitions around the cagewash to mitigate moisture issues.

The project budget is \$900,000 and will be funded from Facilities and Administrative overhead generated from campus research.

The project was advertised on July 28, 2021. Five (5) proposals were received. Three (3) firms were interviewed on August 25 and 27, 2021. No members of the Board of Trustees participated in the interviews. The committee recommended the selection of three (3) firms in the following priority order:

- |        |         |
|--------|---------|
| 1. XXX | XXX, XX |
| 2. XXX | XXX, XX |
| 3. XXX | XXX, XX |

The firms were selected for their past performance on similar projects, strength of their HUB partnerships and experience with campus projects and the State Construction Office.

### **RECOMMENDED ACTION**

A motion to approve the three (3) selected firms in the following priority order:

- |        |         |
|--------|---------|
| 1. XXX | XXX, XX |
| 2. XXX | XXX, XX |
| 3. XXX | XXX, XX |



## **ATTACHMENT D**

### **FOR SITE APPROVAL – KENAN FOOTBALL CENTER ADDITION**

This scope of this project is to renovate and expand the Frank H. Kenan Football Center, which houses the operational needs of the Carolina Football Program including locker rooms, weight room, training room, equipment room, players' lounge, study areas, coaches' offices, and player meeting rooms.

The project budget for advance planning is \$500,000. The total anticipated project budget is \$10,000,000, and will be funded from gifts raised by the Educational Foundation.

### **RECOMMENDED ACTION**

A motion to recommend approval of the site for the intended use.

## **ATTACHMENT E**

### **FOR DESIGN APPROVAL – McCOLL BUILDING RENOVATION AND ADDITION**

The project will renovate the existing McColl Building and add roughly 140,000 square feet of new construction for the Kenan Flagler Business School. New classrooms, offices, student activity and support spaces will be added to support the increase in enrollment to the Undergraduate Business Program as well as the consolidation of program space currently being leased in an off-campus location. Approximately 180 parking spaces will be added to accommodate the increased demand.

The project budget is \$150,000,000 and is being funded by state appropriations and gifts.

This design was presented to the Board of Trustees for information at the July 2021 meeting.

### **RECOMMENDED ACTION**

A motion to approve the design.

# McColl Building Renovation and Addition





# McColl Building Renovation and Addition



**AERIAL VIEW FROM BLYTHE DRIVE**

# McColl Building Renovation and Addition



**BUILDING ENTRANCE ALONG BLYTHE DRIVE**

## **ATTACHMENT F**

### **PROPERTY ACQUISITION BY LEASE – INSTITUTE FOR THE ENVIRONMENT**

This request is to acquire approximately 12,000 square feet of rentable office space from Europa Center, LLC at 100 Europa Drive, Chapel Hill. This space will be occupied by the Institute for the Environment. The new rate negotiated is less than the current rate yielding a small savings for the University over the next three years. The Institute for the Environment has occupied this space since 2014. In keeping with existing delegated authority, all leases with a value in excess of \$150,000 on an annual basis require Board of Trustees approval.

The terms of the lease are as follows:

Term:	3 years.
Options:	Two (2) one-year options to renew.
SF:	12,104 rentable sf.
Rate:	\$248,132/annually; \$20.50 psf – full service.

### **RECOMMENDED ACTION**

A motion to approve the acquisition of office space by lease at 100 Europa Drive, Chapel Hill, North Carolina on terms described above.



# Finance, Infrastructure and Audit Committee UNC-CH Board of Trustees

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Real Estate Operations

September 22, 2021



# Acquisition by Lease: Institute for the Environment

LESSOR:	Europa Center, LLC
USER:	Institute for the Environment
LESSEE:	State of North Carolina, UNC-Chapel Hill
LOCATION:	100 Europa Drive, Suite 490 Chapel Hill, NC
LEASE AMOUNT:	\$248,132/annually, with 3% annual escalations (\$20.50/psf – full service)
DESCRIPTION:	12,104 sf on the 4th floor
LEASE TERM:	3 years + two (2) one-year options to renew
TENANT IMPROVEMENTS:	N/A – currently occupying
LEASE EXPIRATION:	October 30, 2024



**TRANSFER TO THE UNIVERSITY OF THE ENDOWMENT'S DISTRIBUTION FROM THE INVESTMENT FUND**

Annually the Chapel Hill Investment Fund authorizes a distribution to its participating investors, including the Endowment Fund. Attachment A is a table showing the proposed June 30, 2021 transfer of that distribution from the Endowment to the University, by category, for expenditure during the 2021-2022 fiscal year as well as a page of explanatory notes. Regulations adopted by the Board of Governors require that the Trustees approve any transfer of Endowment principal or income to the useful possession of the institution. The Board of Trustees of the Endowment Fund approved, by mail ballot, the proposed June 30, 2021 transfer for University expenditure during the 2021-2022 fiscal year. The Board of Trustees approved the allocations of all restricted funds at its July meeting.

**RECOMMENDED ACTION**

A motion to approve the June 30, 2021 transfer from the Endowment to the University of the amounts shown on Attachment A for University expenditure during the 2021-2022 fiscal year with regard to the unrestricted funds.

## ATTACHMENT A

**BOARD OF TRUSTEES OF THE ENDOWMENT FUND OF  
THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL  
JUNE 2021 TRANSFERS FOR  
FISCAL YEAR 2021-2022 EXPENDITURES**

	Transfer Occurring June 2021
Restricted Funds:	
Kenan Professorships	3,201,464
William R. Kenan, Jr. Professorships	3,186,216
Johnston Professorships	4,579,809
Other Professorships	29,818,259
Visiting Professors and Lectures	695,437
Faculty Research and Study	321,600
Scholarships	8,644,796
Fellowships	3,463,708
Prizes and Awards	836,997
Departmental Uses	16,636,903
Library	3,750,504
Total Restricted	<u>75,135,693</u>
Unrestricted Funds:	
Pogue Fund:	
Development Program	1,435,000
Library Acquisitions	247,700
Approved Research/Study Programs	152,800
Scholarships	539,800
Fellowships	194,400
Chancellor's Fund	581,993
Subtotal - Pogue Fund	<u>3,151,693</u>
Clayton Fund:	
Chancellor's Carolina Scholars Program	867,400
Faculty Research and Study	53,700
Jr. Faculty Development	92,600
Library Acquisitions	57,500
University Research Council	150,000
Scholarships	73,100
Fellowships	58,300
Undergraduate Advising	231,500
Chancellor's Fund	889,884
Subtotal - Clayton Fund	<u>2,473,984</u>
Other Unrestricted	<u>878,057</u>
Total Unrestricted	<u>6,503,734</u>
Grand Total	<u><u>81,639,427</u></u>

## NOTES TO THE PROPOSED ENDOWMENT TRANSFER OF FUNDS JUNE 2021

Consistent with the procedures for implementing the Uniform Prudent Management of Institutional Funds Act (UPMIFA) presented to the Board of Trustees of the Endowment Fund in 2009, the recommended distribution and transfer exclude any invasion of principal. There are no underwater endowments at the end of fiscal year 2020-2021.

The Restricted and Unrestricted Funds amounts are a direct pass through of the approved Investment Fund distribution. The Unrestricted Funds category reflects allocations as recommended by University management to the Board for approval. Unrestricted Funds in the *Pogue Fund - Chancellor's Fund*, the *Clayton Fund - Chancellor's Fund* and the *Other Unrestricted* categories are allocated by the University Budget Committee.

Unspent prior year allocations are not carried forward for use by the campus unit but are available for reallocation by the University's Budget Committee.

The recent history of the unrestricted allocations follows:

	2021	2020	2019	2018	2017
Unrestricted Funds:					
Pogue Fund:					
Development Program	\$ 1,435,000	\$ 1,435,000	\$ 1,435,000	\$ 1,435,000	\$ 1,435,000
Library Acquisitions	247,700	247,700	247,700	247,700	247,700
Approved Research/Study Programs	152,800	152,800	152,800	152,800	152,800
Scholarships	539,800	539,800	539,800	539,800	539,800
Fellowships	194,400	194,400	194,400	194,400	194,400
Chancellor's Fund/Programs	581,993	540,397	511,036	473,015	507,579
Subtotal - Pogue Fund	\$ 3,151,693	\$ 3,110,097	\$ 3,080,736	\$ 3,042,715	\$ 3,077,279
Clayton Fund:					
Chancellor's Carolina Scholars Program	\$ 867,400	\$ 867,400	\$ 867,400	\$ 867,400	\$ 867,400
Faculty Research and Study	53,700	53,700	53,700	53,700	53,700
Jr. Faculty Development	92,600	92,600	92,600	92,600	92,600
Library Acquisitions	57,500	57,500	57,500	57,500	57,500
University Research Council	150,000	150,000	150,000	150,000	150,000
Scholarships	73,100	73,100	73,100	73,100	73,100
Fellowships	58,300	58,300	58,300	58,300	58,300
Undergraduate Advising	231,500	231,500	231,500	231,500	231,500
Chancellor's Fund/Programs	889,884	856,060	831,878	800,974	788,251
Subtotal - Clayton Fund	\$ 2,473,984	\$ 2,440,160	\$ 2,415,978	\$ 2,385,074	\$ 2,372,351
Other Unrestricted	\$ 878,057	\$ 861,354	\$ 849,146	\$ 889,651	\$ 833,396
Total	\$ 6,503,733	\$ 6,411,611	\$ 6,345,860	\$ 6,317,439	\$ 6,283,026

## ATTACHMENT H

**SUBJECT:** Proposed revisions and review of the *Office of Internal Audit Charter* and annual review of the *Finance, Infrastructure, and Audit Committee Charter* for the University of North Carolina at Chapel Hill's Internal Audit Function (ACTION)

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### **BACKGROUND:**

The University of North Carolina at Chapel Hill maintains a comprehensive and effective internal audit program adhering to the *International Standards for the Professional Practice of Internal Auditing* (Standards) of the Institute of Internal Auditors (IIA).

The Office of Internal Audit (OIA) helps the university accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The OIA is guided by a philosophy of adding value to improve the operations of the university, ultimately upholding student success.

The *Office of Internal Audit Charter* is presented for considered review and approval of content updates. The *Finance, Infrastructure, and Audit Committee Charter* is presented for annual review. Both documents were last reviewed and endorsed on September 24, 2020.

Revisions to the *Office of Internal Audit Charter* incorporates necessary enhancements identified in a recently completed self-assessment review to evaluate the OIA's conformance with the Standards. No changes are proposed to the *Finance, Infrastructure, and Audit Committee Charter*.

### **RECOMMENDED ACTION**

A motion for (1) approval of revisions to the University of North Carolina at Chapel Hill's *Office of Internal Audit Charter* as presented with text deletions detailed in red strike-through font and text additions detailed in red-underlined font and (2) authorize the Committee Chairman and the Chancellor to endorse the *Office of Internal Audit Charter* and the *Finance, Infrastructure, and Audit Committee Charter* documenting periodic review as prescribed by the IIA Standards.

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## The University of North Carolina at Chapel Hill Office of Internal Audit Charter

The Chief Audit Officer reports functionally to the Chair of the Finance, Infrastructure, and Audit Committee (FIA) and administratively (i.e., day to day operations) to the Chancellor of the University.

To establish, maintain, and assure that the University's internal audit department has sufficient authority to fulfill its duties, the FIA Committee will govern the Department and:

- Approve the internal audit charter;
- Approve the risk-based internal audit plan;
- Receive communications from the Chief Audit Officer on the internal audit department's performance relative to its plan and other matters;
- Review and approve, in consultation with the Chancellor, the budget and resources for the Office of Internal Audit, including the Chief Audit Officer's evaluation and remuneration;
- Approve decisions regarding the appointment and removal of the Chief Audit Officer; and
- Make appropriate inquiries of management and the Chief Audit Officer to determine whether there is inappropriate scope or resource limitations.

The Chief Audit Officer will have the unrestricted ability to communicate and interact directly with the Board including in private meetings without management present.

The FIA Committee authorizes the internal audit department to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of the University, as well as other specialized services from within or outside the University, in order to complete the engagement.

### **Independence and Objectivity**

The Chief Audit Officer will ensure that the internal audit department 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 impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

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 department that may impair an internal auditor's judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the University or its affiliates.
- Initiating or approving transactions external to the internal audit department.
- Directing the activities of any the University employee not employed by the internal audit department, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Chief Audit Officer has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the department or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Chief Audit Officer will confirm to the FIA Committee, at least annually, the organizational independence of the internal audit department.

The Chief Audit Officer will disclose to the FIA Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

### **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 the FIA Committee, management, UNC System Office, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the University. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the University's strategic objectives are appropriately identified and managed.
- The University promotes governance, ethics, and integrity and communicates risk and control information;
- The actions of the University's officers, directors, employees, and contractors are in compliance with the University's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly affect the University.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.

- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Chief Audit Officer will report periodically to senior management and the FIA Committee regarding:

- The internal audit department's purpose, authority, and responsibility.
- The internal audit department's plan and performance relative to its plan.
- The internal audit department's conformance with The IIA's Code of Ethics and *Standards*, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the FIA Committee.
- Results of audit engagements, special projects, investigations, or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the University.

The Chief Audit Officer also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The internal audit department may perform advisory (consulting) services, the nature and scope of which will be agreed to by the client, provided the internal audit department does not assume management responsibility. Examples include providing advice and information on internal controls, risk management, and sound business practices. This includes reviewing current practices, interpreting policies and procedures, participating on standing committees, attending ad-hoc meetings, and responding to routine questions. Additionally, this may include work with the UNC System Office, professional organizations, and serving as a liaison between the university and external auditors. ~~and related client service activities, the nature and scope of which will be agreed with the client, provided the internal audit department does not assume management responsibility.~~

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

### **Reporting and Monitoring**

The Chief Audit Officer or a designee will prepare a written report following the conclusion of each internal audit project, special project, and investigation, other than small consulting projects. Audit reports and close-out letters will be distributed to appropriate members of uUniversity management, all members of the Board, UNC System Office~~General Administration~~, and the Council of Internal Auditing (redacted).

Internal audit reports will typically include management's response regarding corrective action taken or to be taken in regard to the specific findings. Management's response should include a timetable for anticipated completion of planned corrective action and an explanation for any findings that will not be corrected. If management elects not to correct a finding, its response should include a statement accepting the risk from choosing not to address a reported condition.

### **Responsibility**

The Chief Audit Officer has the responsibility to:

- Submit, at least annually, to senior management and the FIA Committee a risk-based internal audit plan for review and approval.
- Communicate to senior management and the FIA Committee the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in the University's business, risks, operations, programs, systems, and controls.
- Communicate to senior management and the FIA Committee any significant interim changes to the internal audit plan.
- Ensure each engagement of 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.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the FIA Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the internal audit department collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensure trends and emerging issues that could impact the University are considered and communicated to senior management and the FIA Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the internal audit department.
- Ensure adherence to the University'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 the FIA Committee.
- Comply with Article 79 of Chapter 143 of the North Carolina General Statutes (NCGS) establishing the authority vested in the UNCH-CH Internal Audit function.
- Ensure conformance of the internal audit department with the International Standards for the Professional Practice of Internal Auditing (Standards), with the following qualifications:
  - If the internal audit department 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 the U.S. Government Accountability Office (GAO), often referred to as *The Yellow Book*, the Chief Audit Officer will ensure that the internal audit department conforms with the *Standards*, even if the internal audit department also conforms with the more restrictive requirements of the GAO.

#### **Quality Assurance and Improvement Program**

The internal audit department will maintain a quality assurance and improvement program that covers all aspects of the internal audit department. The program will include an evaluation of the internal audit department's conformance with the *Standards* and an evaluation of whether internal auditors



apply the IIA's Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit department and identifies opportunities for improvement.

The Chief Audit Officer will communicate to senior management and the FIA Committee on the internal audit department's quality assurance and improvement program, including 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 University.

Approved this \_\_\_\_\_ day of September 2021

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Kevin M. Guskiewicz, Chancellor

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John P. Preyer  
Chair, Finance, Infrastructure, and Audit Committee of the UNC-CH Board of Trustees

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Dean A. Weber, Chief Audit Officer



## The University of North Carolina at Chapel Hill Finance, Infrastructure, and Audit Committee Charter

This Finance, Infrastructure and Audit Committee Charter (Charter) is an administrative supplement to the Bylaws of the Board of Trustees of the University of North Carolina at Chapel Hill. Article I section 104 – Committees. This administrative supplement to the by-laws addresses audit matters at the University.

### **I. Background**

Each special responsibility constituent institution, including the University of North Carolina at Chapel Hill, is required by State law to have a financial audit conducted annually by an external auditor. Historically, the Office of the State Auditor has conducted the annual financial audit and has not performed any non-audit services. The Office of the State Auditor determined staff assignments for individual audits, including rotation of Audit Managers for each audit client. This Charter shall take effect when approved and shall remain in effect until amended.

### **II. Purpose**

One standing committee of the Board of Trustees of the University of North Carolina at Chapel Hill (Board) shall be known as the Finance, Infrastructure and Audit Committee (Committee). In addition to other matters, the primary audit-related function of the Committee is to assist the Board in fulfilling its responsibilities related to the:

- Integrity of the University's financial statements and other financial reporting;
- Adequacy and effectiveness of systems of internal control; and
- Independence and performance of the external and internal audit functions.

The duties of the Committee do not replace or duplicate established management responsibilities and delegations. Instead, the Committee serves in an advisory capacity to guide the direction of management's actions and set broad policy for ensuring accurate financial reporting, sound risk management, and ethical behavior.

### **III. Composition**

The Chair of the Board will select members of the Committee. Each Committee member must be independent of management of the University and free of any relationship that would impair such independence. Members may not receive consulting, advisory, or other fees from the University.

The UNC Board of Governors is responsible for appointing Board of Trustee members who understand financial data and can serve on the Committee. A majority of the members of the Committee should be financially literate and, if possible, at least one member should be a financial expert. Financial literacy is the ability to understand fundamental financial information and statements. A financial expert is someone who has an understanding of generally accepted accounting principles and financial statements preferably relative to higher education; experience in applying such principles, experience in preparing, auditing, analyzing, or evaluating financial information; experience with internal controls and procedures for financial reporting; or an understanding of the audit committee function.

#### **IV. Duties and Responsibilities**

The following shall be the principal audit-related duties and responsibilities of the Committee or the Chair on behalf of the Committee:

- Meet at least four times during the year.
- Monitor internal control systems at the University through activities of the internal and external auditors.
- Obtain assurance that the University is performing self-assessments of operating risks and evaluations of internal control on a regular basis.
- Confirm with University management that the University has not engaged the external auditor to perform any prohibited, non-audit services.
- Receive the audit engagement letter and other significant audit related communications from any external auditor. The external auditor will be directed to copy the Committee on any such communications.
- At the beginning of the audit cycle, review and approve the annual internal audit plan for the campus. At the end of the cycle, reviewing a comparison of the approved internal audit plan to internal audits performed.
- Confirm with the Chief Audit Officer, on an annual basis, efforts to coordinate the work of the Office of Internal Audit and the external auditor to ensure complete audit coverage, reduce duplication of work, and use audit resources effectively.
- As needed, review and approve revisions to the Office of Internal Audit Charter.
- Be available to meet during the year with the external auditor for consultation purposes or to discuss the auditor's judgments about the quality, not just the acceptability, of the University's accounting principles and underlying estimates in its financial statements.
- Receive management's representation letter to the external auditor.

- Review the results of the annual financial audit with the North Carolina State Auditor or his or her designated representative.
- Discuss the results of any other audit performed and report/management letter (i.e. information system audits, investigative audits, etc.) issued by the North Carolina State Auditor with either the State Auditor or his staff, the Chief Audit Officer, or appropriate campus official.
- For any audit finding contained within a report or management letter issued by the State Auditor, review the institution's corrective action plan, and receive a report once corrective action has taken place.
- Discuss the results of any audit performed by other external auditors and, if there were audit findings, review the institution's corrective action plan and receive a report once corrective action has taken place.
- Review internal audit reports and summaries of external and internal audit activities. Ensure that management is devoting adequate attention to issues raised.
- Review all audits and management letters of University Associated Entities as defined in section 600.2.5.2[R] of the UNC Policy Manual.
- Review and resolve any significant disagreement between university management and the external auditor or the Office of Internal Audit in connection with the preparation of the financial statements or with other audits.
- Obtain annual assurance form the Chief Audit Officer that all internal audits were conducted in accordance with Professional standards.
- Approve decisions regarding the appointment and removal of the Chief Audit Officer.
- Review and approve, in consultation with the Chancellor, the budget and resources for the Office of Internal Audit, including the Chief Audit Officer's evaluation and remuneration.
- Oversee the University's mechanisms for receiving, resolving, and retaining records of complaints, regarding accounting, internal control, and auditing matters. Receive briefings from university management or the Chief Audit Officer regarding any significant complaints or misuse of funds.
- Support UNC System CODE AND UNC POLICY MANUAL, Chapter 1400 *Information Technology* to ensure:
  - 1400.1 *Information Technology Governance*:
    1. Annual audit plans shall consider, as appropriate, audit activity focused on information technology matters, based on annual risk assessments.
    2. The Committee shall review and discuss audit activity related to information technology matters and address issues of information technology governance on a regular basis.

3. The Committee may request information and reporting related to the Institution's IT governance program. All audit reports involving information technology governance matters will be shared with the System's Committee on Audit, Risk Management and Compliance.

1400.2 *Information Security:*

1. The Committee shall ensure that information security is addressed in the annual audit planning and risk assessments that are conducted by the institution's internal auditor.
  2. The Committee shall periodically include an agenda item for emerging information security matters at its regularly scheduled meetings.
  3. The designated senior officer with information security responsibility shall present a report to the Committee, at least annually, on the institution's information security program and information technology security controls.
- Consult with the Office of University Counsel to review any legal matters that may have a significant impact on the University's financial statements or overall financial performance.
  - Review and forward with recommendations to the full Board significant management initiatives involving financial reporting matters.

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

The Committee shall have the authority to engage, in accordance with State rules and regulations, independent counsel or other advisors as necessary to carry out its duties. The University shall provide appropriate funding as determined by the Committee for payment to advisors employed by the Committee.

The Committee, with the assistance of the Office of University Counsel and the Chief Audit Officer, should periodically review and assess the adequacy of the Committee Charter.

Reviewed and Approved this \_\_\_\_\_ day of September 2021

\_\_\_\_\_  
Kevin M. Guskiewicz, Chancellor

\_\_\_\_\_  
John P. Preyer  
Chair, Finance, Infrastructure, and Audit Committee of the UNC-CH Board of Trustees

\_\_\_\_\_  
Dean A. Weber, Chief Audit Officer

**SUBJECT:** *Fiscal Year 2021 Annual Report of Activities of the Office of Internal Audit* brochure (INFORMATION)

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**BACKGROUND:**

The *Fiscal Year 2021 Annual Report of Activities of the Office of Internal Audit* brochure provides information and highlights regarding period activities supportive of the University of North Carolina at Chapel Hill's internal audit function. The brochure aligns with the Chief Audit Officer's expectations affording for annual reporting to the university's Board of Trustees on activities of the Office of Internal Audit.

The OIA concluded a productive year, working on a variety of internal audits, special projects, consultations, and other initiatives. The department attained 89% of proposed engagement work being completed or underway on June 30, 2021. A total of 33 communications were issued to senior leadership reflective of completed work plan engagements, special projects, and activities of the department affording for strengthened operations and enhanced internal controls.



# Fiscal Year 2021 Annual Report of Activities of the Office of Internal Audit



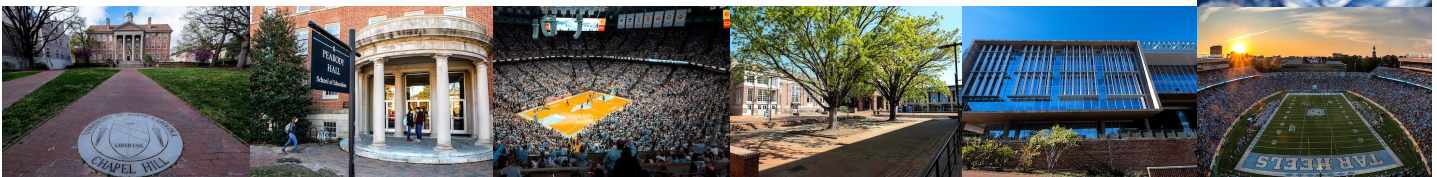
THE UNIVERSITY  
of NORTH CAROLINA  
at CHAPEL HILL



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Published: September 2021





## MESSAGE FROM THE CHIEF AUDIT OFFICER

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On behalf of the Office of Internal Audit (OIA), I am pleased to present the *Fiscal Year 2021 Annual Report of Activities of the Office of Internal Audit*. The purpose of this report is to demonstrate accountability to the Board of Trustees, Finance Infrastructure, and Audit Committee and to Chancellor Guskiewicz that Carolina's internal audit function is operating as intended. The OIA conducts internal audits in accordance with the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing*.

The OIA concluded a productive year. I want to thank departmental staff for their hard work and dedication to supporting the mission of this office and to the University of North Carolina at Chapel Hill. Likewise, I acknowledge the steadfast support of the Board of Trustees, the Chancellor, and university personnel affording for our effective completion of planned engagement activities. As a result of the COVID-19 Pandemic, the OIA operated in a fully remote work environment during fiscal year 2021 with the ability to successfully maintain continuity of operations and completion of defined tasks.

Throughout the year, the department worked on a variety of internal audits, special projects, consultations, and other project initiatives. *The Fiscal Year 2021 Internal Audit Work Plan* defined 21 internal audits slated for completion. Two engagements ongoing on June 30, 2020, carried forward providing 23 audits identified for completion in the current fiscal year.

Efforts resulted in completion of 15 work plan engagements. As of June 30, 2021, work remained underway on three work plan engagements anticipated to conclude early in the first quarter of fiscal year 2022. Five work plan engagements were not fulfilled due to inadequate staff hours and/or the adverse impact of COVID-19 on designated audit areas.

In addition to identified annual work plan engagements, the OIA focused on 20 special project requests from university management and/or as required to support external entities. As of June 30, 2021, work on 18 special project engagements concluded; two remain underway with project completion anticipated during the first quarter of fiscal year 2022.

During the fiscal year, the OIA contributed to advisory efforts supporting four projects to include participation on search committees, procedural development supporting the university EthicsPoint hotline platform, activities supporting definition and reporting of the university's Top Five ERM Risks, and efforts regarding North Carolina Office of State Auditor activities.

OIA fiscal year 2021 reporting produced 33 communications to senior leadership reflective of completed work plan engagements, special project requests and activities of the department affording 33 recommendations to strengthen operations and enhance internal controls.

The OIA hosted the *University of North Carolina System Auditors' Association 2021 Conference* open to internal audit staff and guests of all member institutions. Training was conducted virtually affording for 14 hours of professional continuing education training provided by a cast of external and internal business professionals. Additionally, the Chief Audit Officer presented at the Association of College and University Auditors' International Conference and a Senior Auditor presented at the Association's mid-year conference.

Looking ahead, the OIA will continue supporting efficiencies in Carolina's operations through the completion of the university's Risk Assessment and Fiscal Year 2022 Internal Audit Work Plan adopted by the Board of Trustees and Chancellor Guskiewicz in May 2021, providing a roadmap for OIA activities during the course of the fiscal year.

Respectfully,  
**Dean A. Weber, CIA, CRMA**  
Chief Audit Officer

## SERVICE TO THE UNIVERSITY

**T**he Office of Internal Audit is charged by the Finance, Infrastructure, and Audit Committee to add value to improve University operations by providing independent, risk-based, objective and reliable assurance, advice, and insight. The OIA accomplishes this by:

- Internal audit services in which planned compliance, operational, financial, and information technology engagements are completed.
- Follow-up assessments where prior audit findings are reviewed to determine if effective corrective measures were implemented supportive of management responses to identified improvement opportunities.
- Special project engagements where university or department leadership request consultative services to aid in evaluating risk and the adequacy of internal controls.
- Investigations addressing allegations of fraud, waste, conflict of interest, ethics violations, abuse of University resources, and other matters potentially in violation of governing policy, regulations, and requirements.

### MISSION STATEMENT

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It supports the University of North Carolina at Chapel Hill to accomplish its mission, goals, and objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The underlying premise of our work is that the University, as a leader in the dynamic environment of higher education, must function at the highest level possible. Internal Audit supports this objective by providing independent, proactive analyses of governance, operations, financial activities, and systems of internal control. The purpose of these analyses is to evaluate whether resources are used in a way that appropriately manages risk and is in keeping with Federal, State and System requirements and the University's mission, goals, and objectives.

## WORK PLAN DEVELOPMENT

**T**he Work Plan was established based on OIA information gathered through analysis of existing and emerging risks. This included an assessment within higher education of regulatory emphasis from external sources, a financial magnitude assessment, consideration of the University's ERM Register of Top Five Institutional Risks and potential risk impediments of the eight strategic initiatives framed within CAROLINA NEXT – INNOVATIONS FOR PUBLIC GOOD. Institutional risks discussions were held with the Chancellor, Executive Vice Chancellor and Provost, Vice Chancellor for Finance and Operations, and the Board of Trustees Finance, Infrastructure and Audit Committee Chairman.

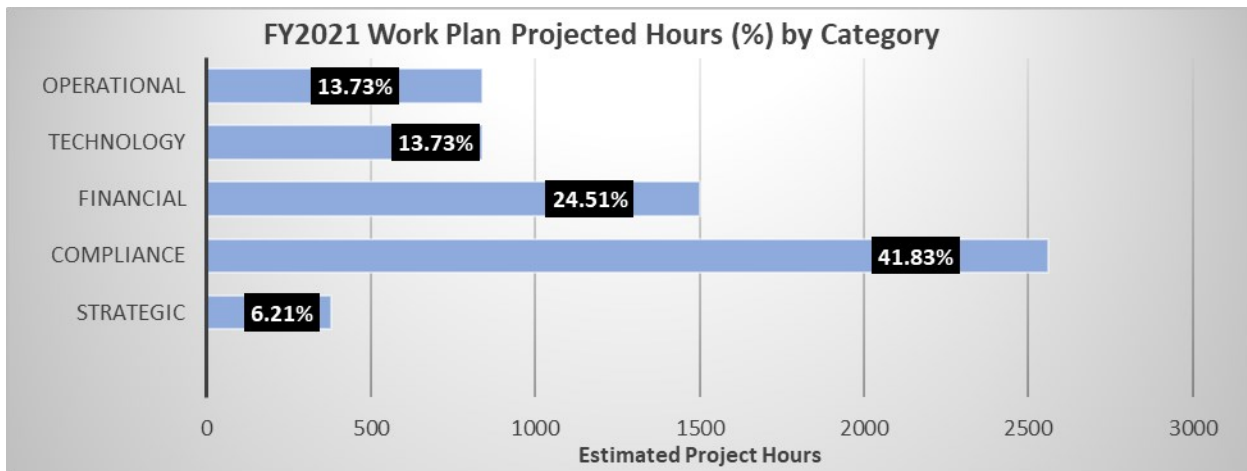


# OVERVIEW OF FISCAL YEAR 2021 PROJECTS

Carolina's internal audit work plan encompasses projects defined within the following five strategic risk-based categories:

- **Operational**—systematic assessment of processes evaluating effectiveness and efficiencies
- **Technology**—examination of the electronic management system over particular information/assets
- **Finance**—verification of monetary reporting and accounting of transactions and related controls
- **Compliance**—assessment for adherence to internal and external regulatory guidance
- **Strategic**—evaluation of the business environment threatening the organization's plan execution.

The work plan projected hour distribution by engagement category is identified in the chart below:



## Results

The department achieved initiation of 76% of proposed fiscal year 2021 engagements as well as 100% completion of prior-year carry-over projects, for an overall work plan attainment of projects concluded or underway on June 30, 2021 of 78%

Additionally, 100% of special project and advisory requests have concluded or are underway increasing the total percentage of fiscal year 2021 project engagements initiated to 89%.

Project Source	Total Engagements	Number Concluded	Number Underway	Number Not Initiated	June 30 - Percent Concluded/Underway
Planned Audits	21	13	3	5	76%
Carry-over Audits	2	2	0	--	100%
Work Plan Total:	23	15	3	5	78%
Special Projects	20	18	2	--	100%
Advisory Work	4	4	0	--	100%
Cumulative Total:	47	37	5	5	89%

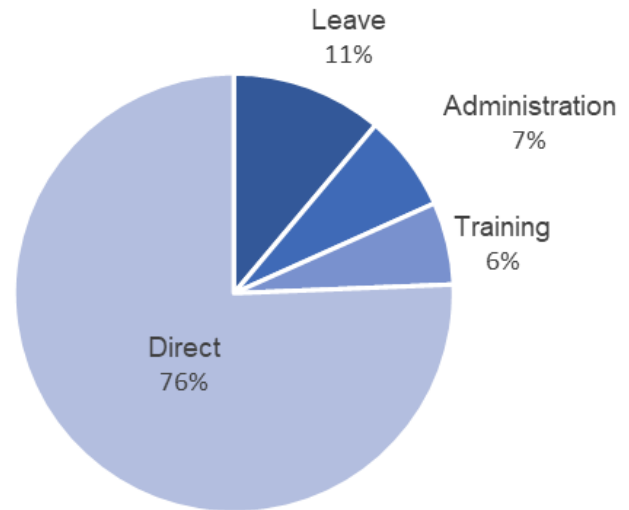
# INTERNAL AUDIT METRICS

**A**s part of the OIA's quality assurance and improvement plan, we track several metrics to measure our performance. Additionally, customer satisfaction surveys are provided to audit clients at the conclusion of each work plan engagement to solicit feedback and improve audit experiences.

## Time Allocation Hours

Accounting professionals and internal auditors track daily hours within defined categories to assist in planning and benchmarking purposes. A goal of the OIA is to attain at least 70% of time spent on direct project hours. Direct hours represent audits defined in the Work Plan, advisory, special projects, and investigations.

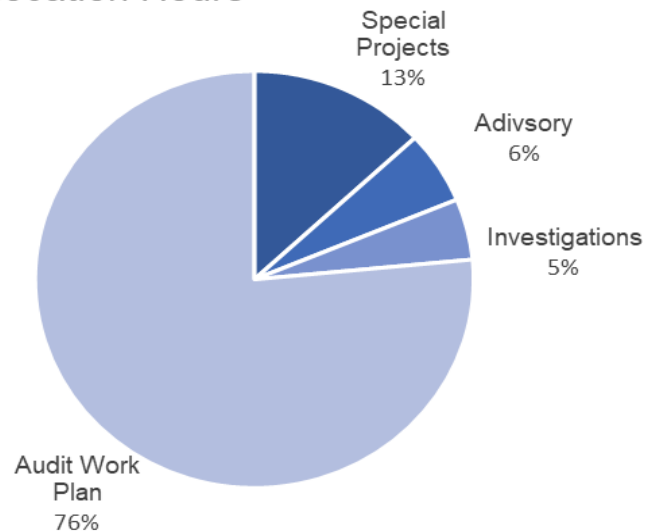
### Time Allocation Hours



## Engagement Work Allocation Hours

Audit staff track direct project hours attributed to engagement category. The primary intent is to focus direct audit hours in support of audit and assurance engagement work geared toward project engagements defined in the university's fiscal year internal audit work plan.

### Work Allocation Hours



## Satisfaction Survey Outcomes

- ✓ 94% Strongly Agree or Agree audit results were fairly and accurately reported.
- ✓ 100% Strongly Agree or Agree the audit purpose, objective and scope was sufficiently explained.
- ✓ 88% Strongly Agree or Agree the engagement provided useful outcomes to improve business processes.

# FISCAL YEAR 2021 WORK PLAN - PROJECT DETAIL

Collectively, the Office of Internal Audit's risk assessment encompassed evaluation of University operations, the *Top Five ERM Institutional Risks*, potential risk impeding strategic objectives of *CAROLINA NEXT*, an external assessment of industry risks, and a financial magnitude assessment in determining the 21 audit engagements populating Carolina's *Fiscal Year 2021 Internal Audit Work Plan*. Additionally, two engagements underway, but not finalized at June 30, 2020 carried forward for completion in fiscal year 2021.

The chart below identifies (as of June 30, 2021) work plan initiatives, the status of field work, issuance of final reports, and those projects not initiated due to insufficient internal audit staff hours available to complete the engagement or impact of COVID-19 resulting in altered University operations.

Audit Engagement		Risk Category	Project Not Initiated	Field Work in Process or Concluded	Final Report Issued	Carry-Over to FY2022 Work Plan
Construction Contracting		Financial			03/29/21	
Carolina Accounts Payable		Financial			11/24/20	
University Imprest Accounts		Financial		✓	TBD	✓
Budgeting & Revenue Recognition - Dentistry		Financial		✓	TBD	✓
Athletics NCAA Rules <sup>1</sup>	Athletic Recruiting On/Off Campus	Compliance	✓			
	Extra Benefits Representatives and Tickets	Compliance	✓			
	Rules Education	Compliance			01/25/21	
	Camps & Clinics	Compliance	✓			
	Investigations & Self Reporting	Compliance			03/15/21	
Procurement Sponsored Programs		Compliance		✓	TBD	✓
COVID-19 Pandemic Funding		Compliance			Various <sup>2</sup>	
Jeanne Clery Act		Compliance			12/04/20	
Chemical Storage and Disposal		Operational			06/24/21	
Foreign Influence Section 117 Reporting		Operational			05/20/21	
Dean of Students		Operational	✓			
Institutional Data Governance Management		Strategic			12/30/20	
Continuous Auditing Process <sup>3</sup>	IT 3rd Party Software	Technology	✓			
	IT System Administration Initiative	Technology			06/23/21	
	Technology Access Control	Technology			04/30/21	
	University Travel	Compliance			06/29/21	
	Grant Closeout Reconciliations	Compliance			05/28/21	
Donor Intent <sup>4</sup>		Reputational			10/13/20	
Undergraduate Admissions Financial Review <sup>4</sup>		Strategic			09/08/20	

<sup>\*1</sup> National Collegiate Athletic Association Compliance Review for Division I Institutions based on the Association of College and University Auditors

<sup>\*2</sup> Two reports issued comprising HEERF I Student 12/23/20 and FEMA 3/10/21

<sup>\*3</sup> Quarterly audits completed during the fiscal year with final comprehensive report issued at year-end.

<sup>\*4</sup> Project initiated but not concluded in FY 2020, carried forward for completion in fiscal year 2021.



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# WORK PLAN PROJECT OBJECTIVES

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## Construction Contracting

Obtain key provisions of state and university formal construction contracting laws and policies and performing a review for institutional compliance. Evaluate completeness, accuracy, and timeliness of university formal construction contracts.

## Carolina Accounts Payable

Provide reasonable assurance to leadership that accounts payable and vendor services are functioning efficiently and effectively with appropriate controls in place.

## University Imprest Accounts

Evaluate the adequacy of procedures and cash controls governing operations and accounting for instructionally designated imprest fund accounts.

## Budgeting & Revenue Recognition Adams School of Dentistry

Assess policies and procedures supporting patient billing, collection, and write-off processes. Assess activities for alignment with necessary internal controls for patient billing and accounts receivable in an automated system.

## NCAA Rules Education

Evaluate components of an effective Rules Education program to ensure strong institutional control over the NCAAA Compliance Program.

## NCAA Investigations & Self Reporting

Evaluate to determine existence of written administrative procedures both within and outside of the athletics department that are in effect and operational regarding self-reporting of possible violations of NCAA legislation involving the institution. Assess existence of educational and training programs exist for individuals who have responsibilities in the NCAA investigation and self reporting of violations compliance area.

## Procurement Sponsored Programs

Evaluate compliance with written policies and procedures for procurement covering methods available under Uniform Guidance regulations. Determine Uniform Guidance procurement standards are met and fixed asset tracking is employed.

## Covid-19 Pandemic Funding

Provide reasonable assurance to leadership that Pandemic relief funds (HEERF I, FEMA) to access compliance for expenditures inline with governing compliance.

## Jeanne Clery Act

Determine compliance with key provisions of the Jeanne Clery Act to access institutional compliance. Evaluate the completeness, accuracy, and timeliness of reporting information for the 2019 Annual Security and Fire Safety Act.

## Chemical Storage & Disposal

Afford assurance to leadership that operations functioning efficiently and effectively with appropriate controls in place to ensure compliance with university, state, and federal statutes.

## Foreign Influence—Section 117 Reporting

Evaluate compliance with Section 117 reporting by disclosing foreign gifts in aggregate of \$250,000 over the calendar year, reporting by the January 2021 deadline, and process to identify qualifying reportable foreign gifts or contracts.

## Institutional Data Governance Management

Determine the sufficiency and accuracy of data supplied to the UNC System stakeholder supporting the *2019 UNC System Strategic Plan Metrics Assessment for Carolina*. This encompasses review of IRPA's relationship with institutional stakeholders related to data governance and analysis the integrity and reliability of data used in reporting.

# WORK PLAN PROJECT OBJECTIVES - CONTINUED

## IT System Administrative Initiative

Development of a data driven audit program for effective selection and review of systems critical to the university and those containing sensitive information, affording for an ongoing audit assessment and review process.

## Technology Access Control

Review and assess the university's Information Technology Access and Control Policy 9003353, Standard 9003362, Information Security Controls Standard 9002276, Policy on Enterprise Data Governance 7717248, and Standard on Enterprise Data Governance 7717315.

## University Travel—Continuous Auditing

Assess, on a quarterly basis, controls for processing employee travel reimbursements and payments to ensure compliance with university policy.

## Grant Closeout - Continuous Auditing

Assessment on a quarterly basis to verify grants are being closed out in a timely and complete manner in accordance with federal closeout regulations and sponsor requirements.

## Donor Intent –Carry Over Engagement

Determine compliance with university policies and divisional practices supporting donor provisions to include review of gift account activity, financial accounting over gift recording, maintenance, spending, and distribution processes.

## Undergraduate Admissions Financial Review —Carry Over Engagement

Review revenue and expense transactions to for compliance with appropriate financial accounting policies and procedures. Assess the operating environment over the system of financial controls. Survey personnel to scale risks related to key operations of the admissions function.



### ***Purpose of the Work Plan:***

The document defines key areas of university operations where institutional risk mitigation is being focused through the completion of internal audit activities. In addition to defined project engagements, OIA hours are provided within the Work Plan year to perform advisory services and for the completion of special projects and investigations.

## FISCAL YEAR 2021 ADVISORY PROJECT WORK

The OIA offers talent in support of University activities through advisory participatory roles such as servings on search committees, consulting on draft policy and procedure development, internal control matters, and enterprise risk management activities.

### Advisory Project Work

Participation on Search Committees

EthicsPoint Administrative Procedures Development

University *TOP FIVE ERM RISKS* - Leadership Team Survey Development and Administration

Office of State Auditor Engagement - Project Liaison

## FISCAL YEAR 2021 SPECIAL PROJECT WORK

In addition to specifically identified annual work plan engagements, the Office of Internal Audit (OIA) completes special project engagements requested by University management or required by external entities.

Furthermore, special projects may result from information received through the State Auditor's Office or the Carolina Ethics Line where issues are deemed to be most appropriately addressed by the OIA. Special project requests supplement workload apart from projects identified within the formally approved internal audit work plan.

During fiscal year 2021, the OIA assumed responsibility for the completion of twenty special project engagements. Work on seventeen special projects concluded, with the remaining carrying forward for completion in fiscal year 2022.

### Fiscal Year 2021 Special Project Engagements Comprised the Following:

- Host UNC Auditors' Association Conference<sup>3</sup>
- External Agency QAR
- Associated Entities 90 Day Follow-up (I)<sup>1</sup>
- Associated Entities 90 Day Follow-up (II)
- ASoD Contracts
- ASoD Callan Cooper LLC
- OIA Technology Access Controls
- EthicsPoint 295
- EthicsPoint 321
- EthicsPoint 323
- EthicsPoint 324
- EthicsPoint 325
- EthicsPoint 327
- EthicsPoint 328
- EthicsPoint 350
- EthicsPoint 368<sup>2</sup>
- FPG Child Development Center
- OIA Self-Assessment QAR<sup>2</sup>
- State Auditor A133 Follow-up<sup>1</sup>
- ASoD Pathology<sup>1</sup>

<sup>1</sup> Carryover from FY2020

<sup>2</sup> Project work on-going at June 30, 2021

<sup>3</sup> No project report issued



# MANAGEMENT CORRECTIVE ACTIONS

The Office of Internal Audit maintains a formalized process to follow-up on prior internal audit report recommendations and actions addressing the implementation of management responses.

Under this process, OIA staff work collaboratively with university personnel through discussion and review concerning actions taken to improve internal controls, enhance operations and provide for effective utilization of resources.

During fiscal year 2021, completed internal audit reports provided 33 recommendations through OIA engagements to enhance internal controls, provide compliance with governing policies/procedures and strengthen operations.

## Results:

Cumulatively, through the end of fiscal year 2021, 42 (86%) of the 49 total audit recommendations requiring follow-up at July 1, 2020, have been documented as resolved.

The impact of COVID-19 on campus operations adversely impacted the ability for the Office of Internal Audit to fully evaluate the status implementation of all outstanding audit recommendations noted as unverified at July 1, 2020.

## Summary of Corrective Action Activity Fiscal Year 2021

Total Recommendations Unverified as of July 1, 2020 (Ready for evaluation)	49
New Recommendations Added Fiscal Year 2021 (Not ready for review until FY22)	33
Prior Recommendations Verified as Resolved during Fiscal Year 2021	42
Total Recommendations Unverified as of June 30, 2021 (Available for review in FY22)	40

## Reporting Concerns and Alleged Matters of Fraud/Waste/Abuse

### Carolina's Commitment

The University of North Carolina at Chapel Hill is committed to high ethical standards and the enforcement of policies, procedures, and legal requirements. The concerns of employees, students, and others within the university communities regarding matters of wrongdoing are important; therefore, a platform for self-identified or anonymous reporting of matters of concern is available to confidentially identify situations believed to be inappropriate. The University has contracted for services with NAVEX Global/EthicsPoint providing a third-party automated reporting solution.

The electronic platform may be accessed through from the **Ethics and Integrity** link on Carolina's homepage ([www.unc.edu](http://www.unc.edu)) or via a telephone representative by calling the Carolina Ethics Line at 866-294-8688 (toll free).

## BOT FINANCE, INFRASTRUCTURE AND AUDIT COMMITTEE

The primary mission of the Finance, Infrastructure, and Audit Committee is assisting the Board of Trustees in maintaining oversight on the integrity of the University's financial statements, upholding adequacy and effectiveness of internal controls and maintaining independence and performance of the external and internal audit functions. An important objective of the Finance, Infrastructure, and Audit Committee is to promote a continuously improving environment to achieve the University's goals and objectives by providing expectations for statutory and regulatory compliance, audit and risk assessment practices, operational integrity, and financial accountability. The Chief Audit Officer reports functionally to this Committee and administratively to the University's Chancellor.

As related to the University's Internal Audit Operation, the **Finance, Infrastructure and Audit Committee** provides strategic leadership and oversight to ensure University operations are conducted in accordance with internally established and externally mandated standards. The Committee promotes a continuously improving environment to achieve the University's goals and objectives by providing expectations for statutory and regulatory compliance, audit and risk assessment practices, operational integrity, and functional accountability. The Committee serves as the principal point of contact overseeing the functional reporting relationship of the University's Chief Audit Officer.



### Carolina Board of Trustees Finance, Infrastructure, and Audit Committee Composition at June 30, 2020

Haywood D. Cochrane, Jr., *Chair*

John P. Preyer, *Vice Chair*

David L. Boliek, Jr.

Jefferson W. Brown

G. Munroe Cobey

R. Gene Davis, Jr.

Charles G. Duckett

Allie Ray McCullen

# OIA STAFFING

## Dean Weber, CIA, CRMA Chief Audit Officer

Dean has been with Carolina for two years and possesses 28 years higher education experience. Prior to joining UNC, he provided executive leadership to the Pennsylvania State System of Higher Education's internal audit operation.

## Drew Baker, MA, CFE Audit Supervisor

Drew has been with the OIA for four years. He holds a Master of Accounting degree, is a skilled investigator and a Certified Fraud Examiner.

## Caroline Haga, MA Auditor

Caroline joined the OIA in April 2020. She earned her undergraduate degree at UNC and recently attained her Master of Accounting from Kenan-Flagler Business School.

## Kara Hefner, CPA, CIA, CFE Audit Senior

Kara joined the OIA in October 2019, and possesses 20 years experience. She is a Certified Public Accountant, Certified Internal Auditor and Certified Fraud Examiner.

## Loretta H. Hester, MPA, CICA, CFE Audit Supervisor

Loretta has been with the OIA for eight years. She has a Masters of Public Administration degree, is a Certified Internal Controls Auditor and a Certified Fraud Examiner.

## Earl Jackson, MSE Auditor

Earl has been with the OIA since December 2019. He possesses 12 years of internal audit experience through employment at two other UNC System institutions.

## Arlene Gordon-King, MBA, MSIS, CHFI, ECSA, CNDA, CEH, CNDA, LSS, CPI, CISM, CISA, CISSP, MCP Information Technology Auditor

Arlene has been with OIA for two years. She possesses extensive information technology audit experience from her prior long-term career with the federal government.

## Charlene Ryan (Part Time) Office Manager/Audit Assistant

Charlene has been with the OIA for eight years. She is a skilled professional assisting departmental staff in administrative and audit duties.



### Staff

#### Major Professional Certifications Held

- 3 –Certified Fraud Examiner (CFE)
- 2 - Certified Internal Auditor (CIA)
- 1 - Certified Public Accountant (CPA)
- 1 - Certified Risk Management Assurance (CRMA)
- 1 - Certified Internal Controls Auditor (CICA)
- 1 - Certified Information Systems Auditor (CISA)
- 1 - Certified Information System Security Professional (CISSP)

### Summary OIARA Professional Staff Qualifications

Total Years Internal Audit Experience	92
Total Years UNC Audit Experience	52
Audit Staff with Bachelor's Degree	7
Audit Staff with Advanced Degree	5
OIA Staff Holding Professional Certifications	5



Hill Commercial Building  
140 1/2 East Franklin Street  
Campus Box 1050  
Chapel Hill, NC 27599-1050  
[InternalAudit.unc.edu](http://InternalAudit.unc.edu)  
(919) 962-7883



THE UNIVERSITY  
*of* NORTH CAROLINA  
*at* CHAPEL HILL

# Fiscal Year 2021 Annual Report of Activities of the Office of Internal Audit

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*The UNIVERSITY of NORTH CAROLINA  
at CHAPEL HILL*

Dean Weber, CIA, CRMA  
Chief Audit Officer  
September 22, 2021

# Fiscal Year 2021 Annual Report of Activities of the Office of Internal Audit

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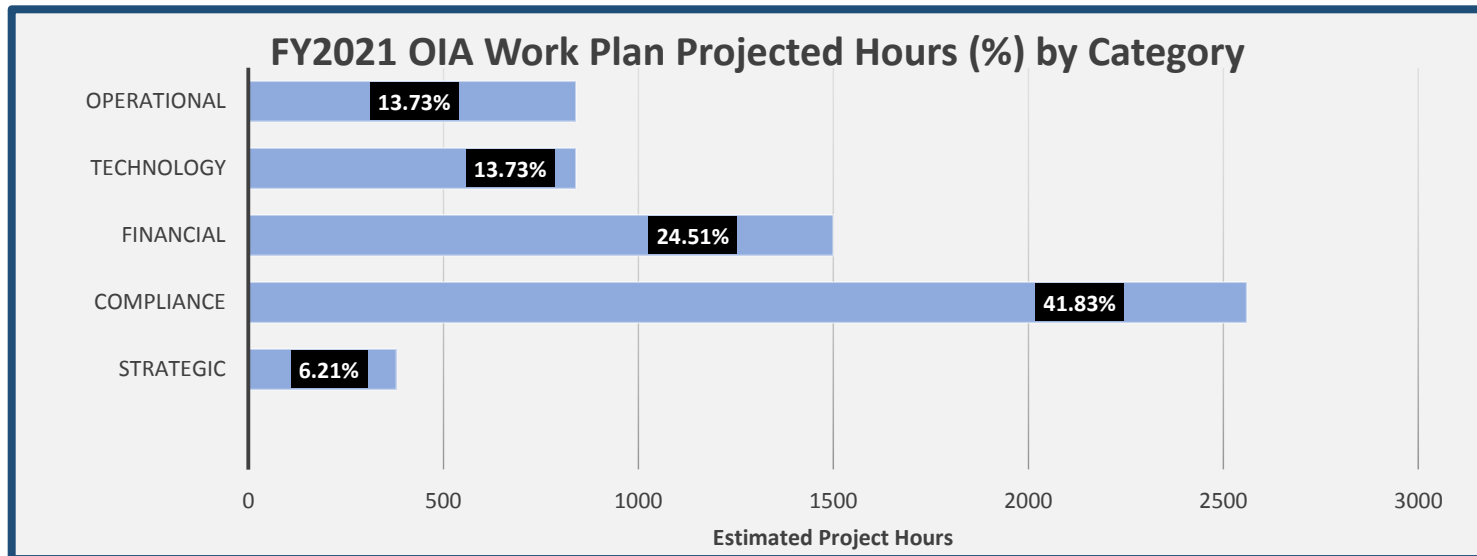
- Message from the Chief Audit Officer
- Service to the University
- **Work Plan Development**
- **Overview of Fiscal Year 2021 Projects**
- **Internal Audit Metrics**
- Fiscal Year 2021 Work Plan – Project Detail
- Work Plan Project Objectives
- Fiscal Year 2021 Advisory Project Work
- Fiscal Year 2021 Special Project Work
- **Management Corrective Actions**
- BOT Finance, Infrastructure and Audit Committee
- Office of Internal Audit Staffing

*The purpose of the Annual Report is to provide a summary overview of initiatives and efforts of the university's internal audit function, providing accountability for work performed and service to the university.*

# Fiscal Year 2021 Work Plan Engagement Development/Composition

Carolina's internal audit work plan encompasses projects defined within the following five risk categories:

- Operational** - processes evaluating effectiveness and efficiencies
- Technology** - electronic management system over particular information/assets
- Finance** - monetary reporting and accounting of transactions and related controls
- Compliance** - adherence to internal and external regulatory guidance
- Strategic** - business environment threatening the organization's plan execution.





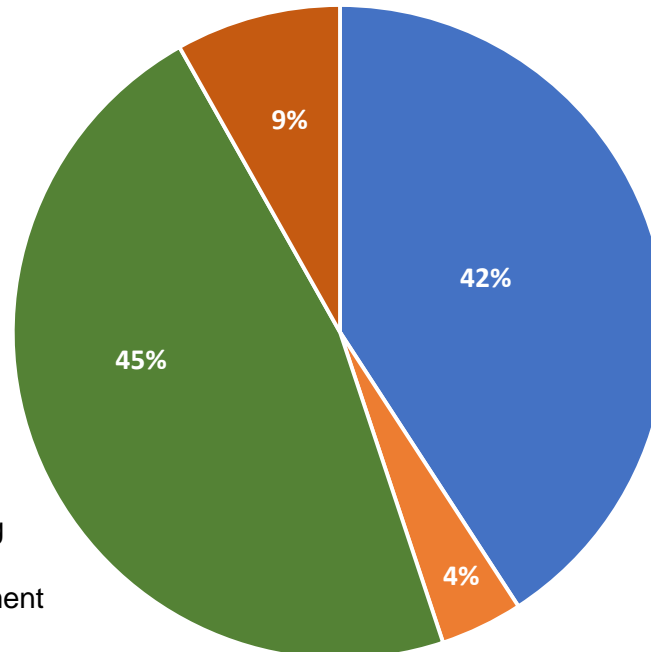
# Fiscal Year 2021 Work Plan Development

## Advisory Projects (4)

- Search Committee Participation
- EthicsPoint Procedures
- TOP Five ERM Risks
- Office of State Auditor Work

## Planned Engagements (21)

- Construction Contracting
- Carolina Accounts Payable
- University Imprest Accounts
- Budget and Revenue Dentistry
- NCAA Athletic Training
- NCAA Extra Benefits
- NCAA Rules Education
- NCAA Camps and Clinics
- NCAA Investigations and Self Reporting
- Procurement Sponsored Research
- COVID-19 Pandemic Funding
- Jeanne Clery Act
- Chemical Storage and Disposal
- Foreign Influence Section 117 Reporting
- Dean of Students
- Institutional Data Governance Management
- IT3rd Party Software
- IT System Administrative Initiative
- IT Access Control
- University Travel
- Grant Close Out Reconciliations



## Carry-over Engagements (2)

- Donor Intent
- Undergraduate Admission's

## Special Projects (20)

- UNCAA Conference
- External Agency QAR
- Associated Entity Follow-up (I)
- Associated Entity Follow up (II)
- ASoD Contracts
- Callan Cooper LLC
- OIA IT Access Controls
- EthicsPoint 296
- EthicsPoint 321
- EthicsPoing323
- EthicsPoint 324
- EthicsPoint 325
- EthicsPoint 327
- EthicsPoint 328
- EthicsPoint 350
- EthicsPoint 368
- FGP Child Development Center
- OIA Self- Assessment
- A133 Follow up
- ASoD Pathology



# Overview of Fiscal Year 2021 Projects

- Fifteen work plan engagements, 18 special projects, and 4 advisory activities are concluded with the issuance of final reports to leadership.
- Three planned engagements and two special project were underway on June 30, 2021.
- Five projects contained in the work plan were not initiated due to insufficient audit hours and/or Covid-19 related impacts.

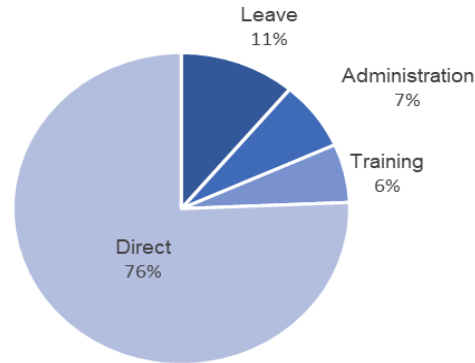
Project Source	Total Engagements	Number Concluded	Number Underway	Number Not Initiated	June 30 - Percent Concluded/Underway
Planned Audits	21	13	3	5	76%
Carry-over Audits	2	2	0	--	100%
Work Plan Total:	23	15	3	5	78%
Special Projects	20	18	2	--	100%
Advisory Work	4	4	0	--	100%
Cumulative Total:	47	37	5	5	89%

# Fiscal Year 2021 Internal Audit Metrics

## Time Allocation Hours

Accounting professionals and internal auditors track daily hours within defined categories to assist in planning and benchmarking purposes. A goal of the OIA is to attain at least 70% of time spent on direct project hours. Direct hours represent audits defined in the Work Plan, advisory, special projects, and investigations.

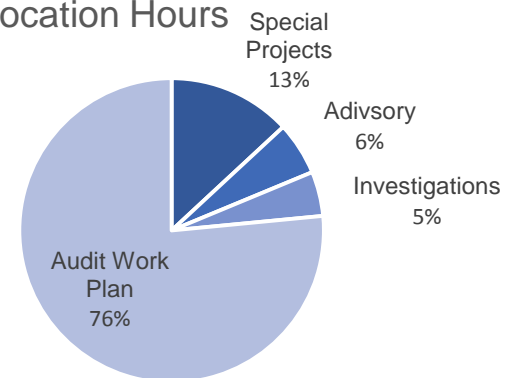
Time Allocation Hours



## Engagement Work Allocation Hours

Audit staff track direct project hours attributed to engagement category. The primary intent is to focus direct audit hours in support of audit and assurance engagement work geared toward project engagements defined in the university's fiscal year internal audit work plan.

Work Allocation Hours



# Management Corrective Actions

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- The OIA maintains a formal tracking and reporting process to periodically assess the disposition of management responses in reply to all completed internal audit engagements.
- The following chart summarizes corrective actions on June 30, 2021.

Summary of Corrective Action Activity Fiscal Year 2021	
Total Recommendations Unverified as of July 1, 2020 (Ready for evaluation)	49
New Recommendations Added Fiscal Year 2021 (Not ready for review until FY22)	33
Prior Recommendations Verified as Resolved during Fiscal Year 2021	42
Total Recommendations Unverified as of June 30, 2021 (Available for review FY22)	40

# Office of Internal Audit

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## Questions

# UNC Investment Fund, LLC

## Fiscal Year 2021 Review

Presentation to The Board of Trustees of The University of North Carolina at Chapel Hill

September 22, 2021

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**UNCMC**

UNC MANAGEMENT COMPANY, INC

# Agenda

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## ▪ **Overview of UNC Investment Entities**

- Primary Investment Objective and Implementation
- FY 2021 Investment Results
- Longer-Term Investment Results
- Chapel Hill Investment Fund Endowment Spending Distribution
- Wrap-Up / Questions



# Chapel Hill Investment Fund (“CHIF”)

## Overview of Investment Entities

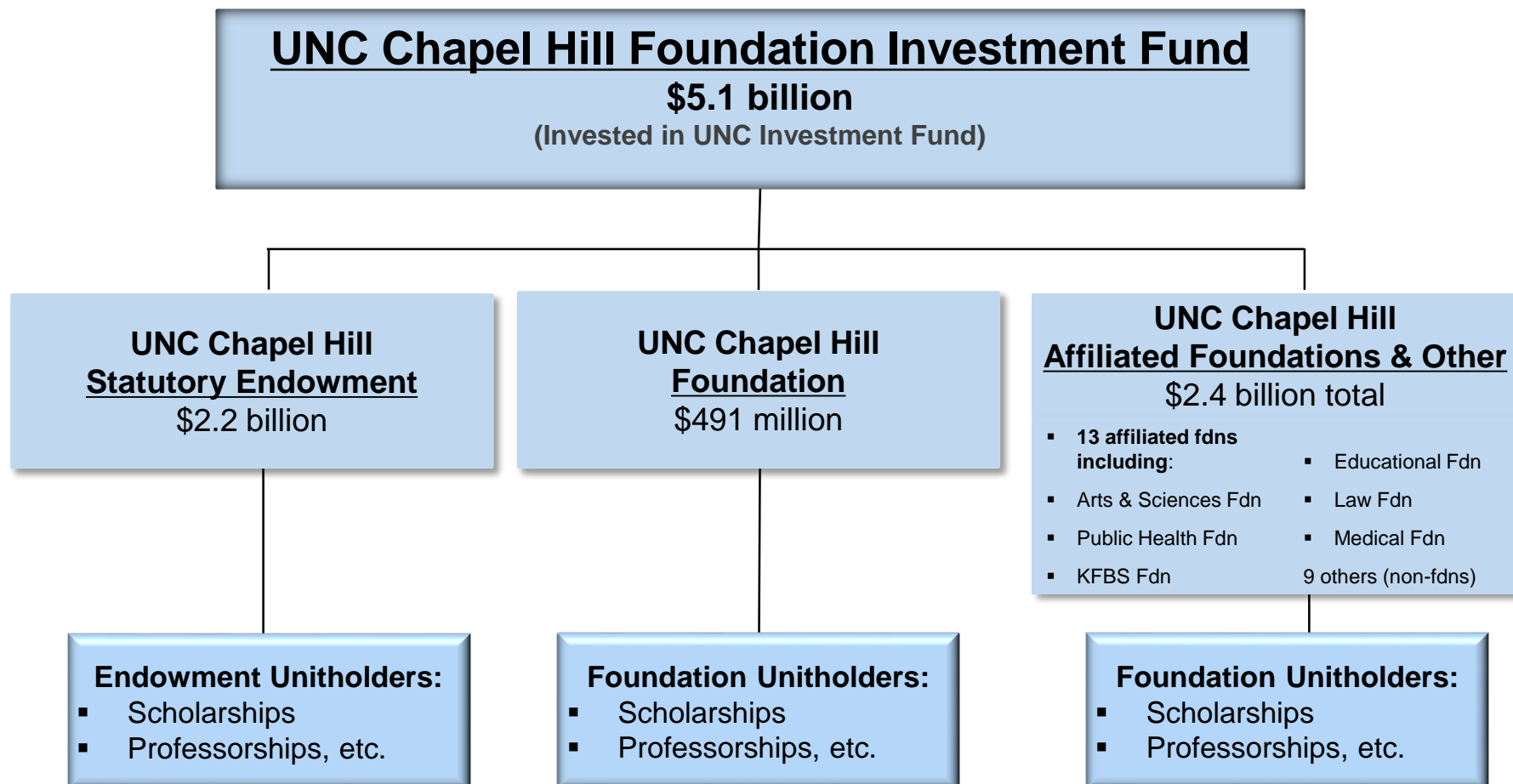
### The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc. (“CHIF”)

- Established in 1995 to pool UNC Chapel Hill’s endowment & foundation funds for investment purposes
- Separate 501(c)(3) corporation governed by its Board of Directors
- Market value: \$5.1 billion<sup>(1)</sup>
- Members include:
  - The Endowment Fund of The University of North Carolina at Chapel Hill
  - The University of North Carolina at Chapel Hill Foundation, Inc.
  - 13 additional affiliated foundations (Arts & Sciences, Educational, UNC Health, Kenan-Flagler Business School, etc.)
  - 9 additional affiliated entities (General Alumni Assoc., Gift Annuities, Temp Pool, etc.)
- Annual Report (FY 2020):  
<https://uncmc.unc.edu/wp-content/uploads/sites/478/2021/02/FY-2020-CHIF-Annual-Report-FINAL.pdf>

1) As of June 30, 2021

# Chapel Hill Investment Fund (“CHIF”)

## Member Composition



Note: As of June 30, 2021

# UNC Investment Fund, LLC (“UNCIF”)

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- Established in 2002 to allow other UNC System Schools and affiliated entities to invest alongside CHIF in a single (commingled) fund
- UNCIF’s members are limited to the University of North Carolina System and its eligible affiliates
- CHIF is UNCIF’s Controlling Member: CHIF’s Board of Directors is responsible for UNCIF’s governance
- UNC Management Company, Inc. serves as UNCIF’s investment manager under an Investment Management Agreement
- Market value: \$10.0 billion<sup>(1)</sup>
- Annual Report (FY 2020):

<https://uncmc.unc.edu/wp-content/uploads/sites/478/2021/02/FY-2020-UNCIF-Annual-Report-FINAL.pdf>

1) As of June 30, 2021

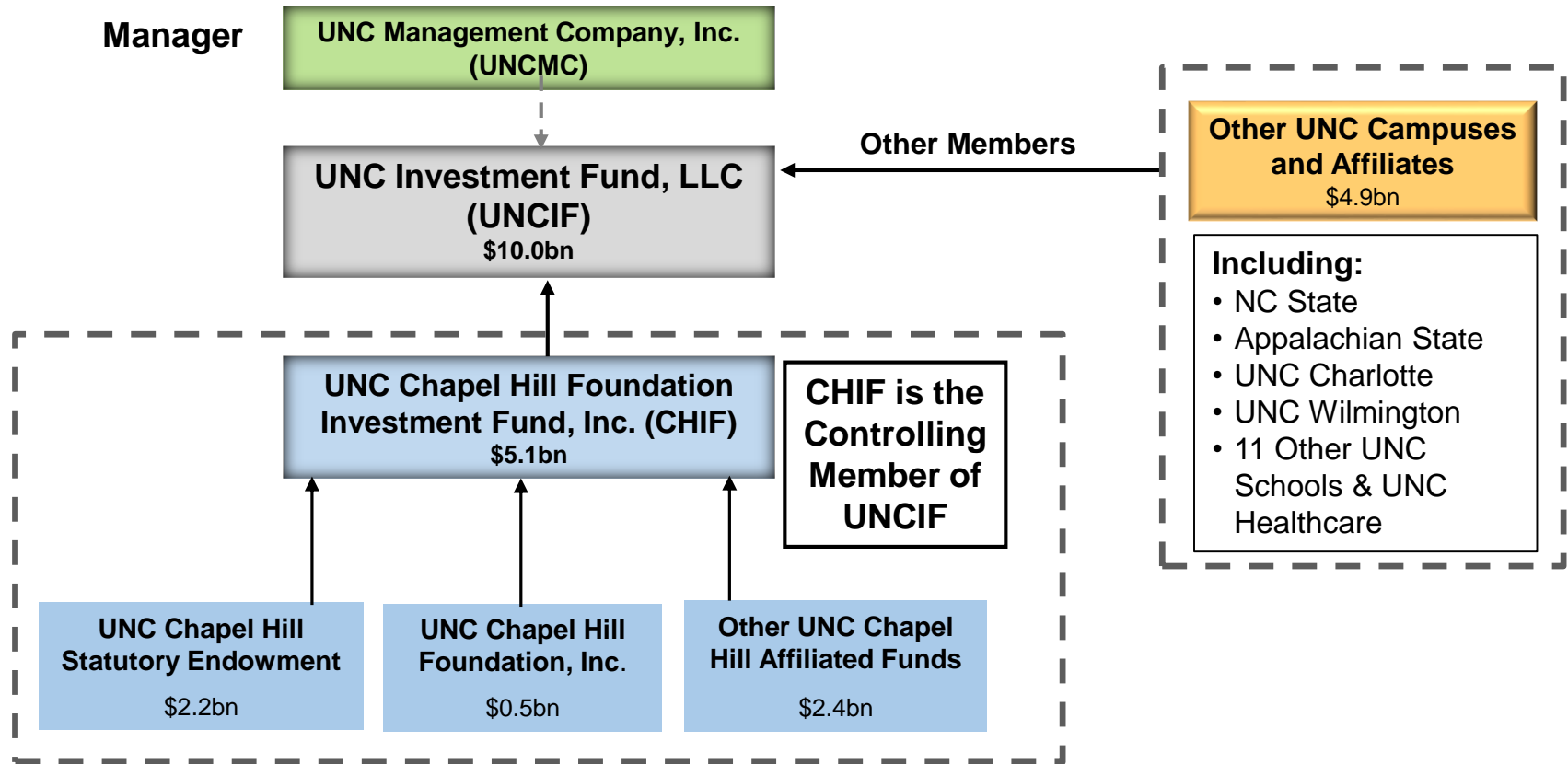
# UNC Management Company, Inc. (“UNCMC”)

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- Established in 2002 by UNC Chapel Hill to manage the UNC Investment Fund, LLC (UNCIF)
- UNCMC is a nonprofit organization that provides investment management services to the UNC System, its constituent institutions, and their affiliated endowments and foundations
- Governed by UNCMC’s Board of Directors
- UNCMC has 36 employees:
  - Investment team of 16 professionals dedicated to portfolio management, strategy, and risk management
  - Support functions include:
    - Investor Relations & Communications
    - Investment Compliance & Legal Affairs
    - Investment Operations & Finance
    - Human Resources

# UNC Investment Fund (“UNCIF”)

## Entity Structure



Other UNC System campuses & affiliates invest along side  
UNC Chapel Hill entities (CHIF) in UNCIF

Note: As of June 30, 2021

# Agenda

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- Overview of UNC Investment Entities
- **Primary Investment Objective and Implementation**
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# UNC Investment Fund

## Primary Objective

- Preserve the inflation-adjusted purchasing power of the endowment while providing a predictable and growing stream of spending distributions
- To accomplish this objective - - the endowment must earn an annualized net return exceeding the spending rate + inflation over rolling 5 – 10 year (and longer) periods
- UNCIF's stated return objective is 5.5% + CPI
- Managing the return volatility of the endowment helps to stabilize the annual spending distribution

Spending + Inflation : Return Objective > 7.5%  
5.5% + 2%

# UNC Investment Fund

## Investment Implementation

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### **To achieve its return objective, UNCIF's investment process:**

#### **1. Starts with asset allocation**

- Asset allocation targets are established by UNCIF's Board
- UNCIF has a significant allocation to alternative strategies

#### **2. Manager research and selection conducted by UNCMC**

- External investment management firms are used to implement UNCIF's overall investment strategy
- Once UNCMC commits to an external manager, that manager assumes control/discretion over how those funds are invested in financial markets

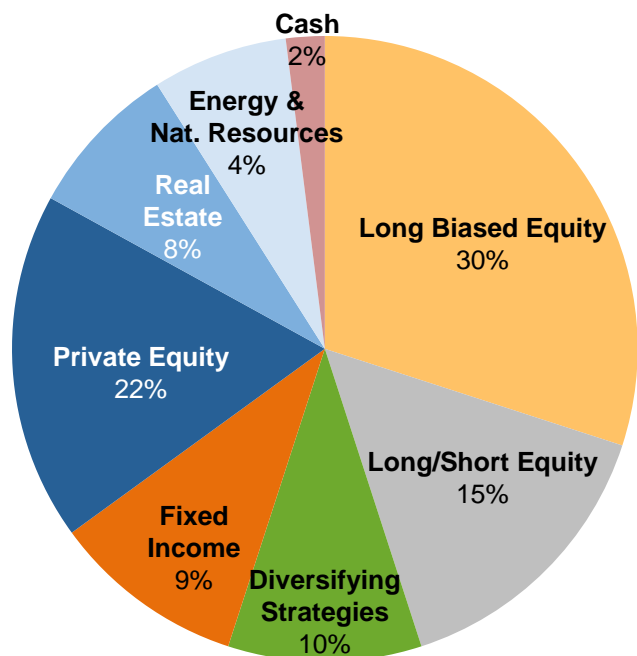
#### **3. Board of Directors / Executive Committee approval**

#### **4. Ongoing manager review**

#### **5. Risk management is embedded throughout the investment process**

# Strategic Investment Policy Portfolio (“SIPP”)

## Target Allocations & Ranges



Asset Class	Target	Range
Long Biased Equity	30%	24 - 36%
Long / Short Equity	15%	10 - 20%
Diversifying Strategies	10%	6 - 14%
Fixed Income	9%	5 - 14%
Cash	2%	(-2) - 8%
Private Equity	22%	17 - 27%
Real Estate	8%	5 - 12%
Energy & Natural Resources	4%	2 - 8%

Public Portfolio

Private Portfolio

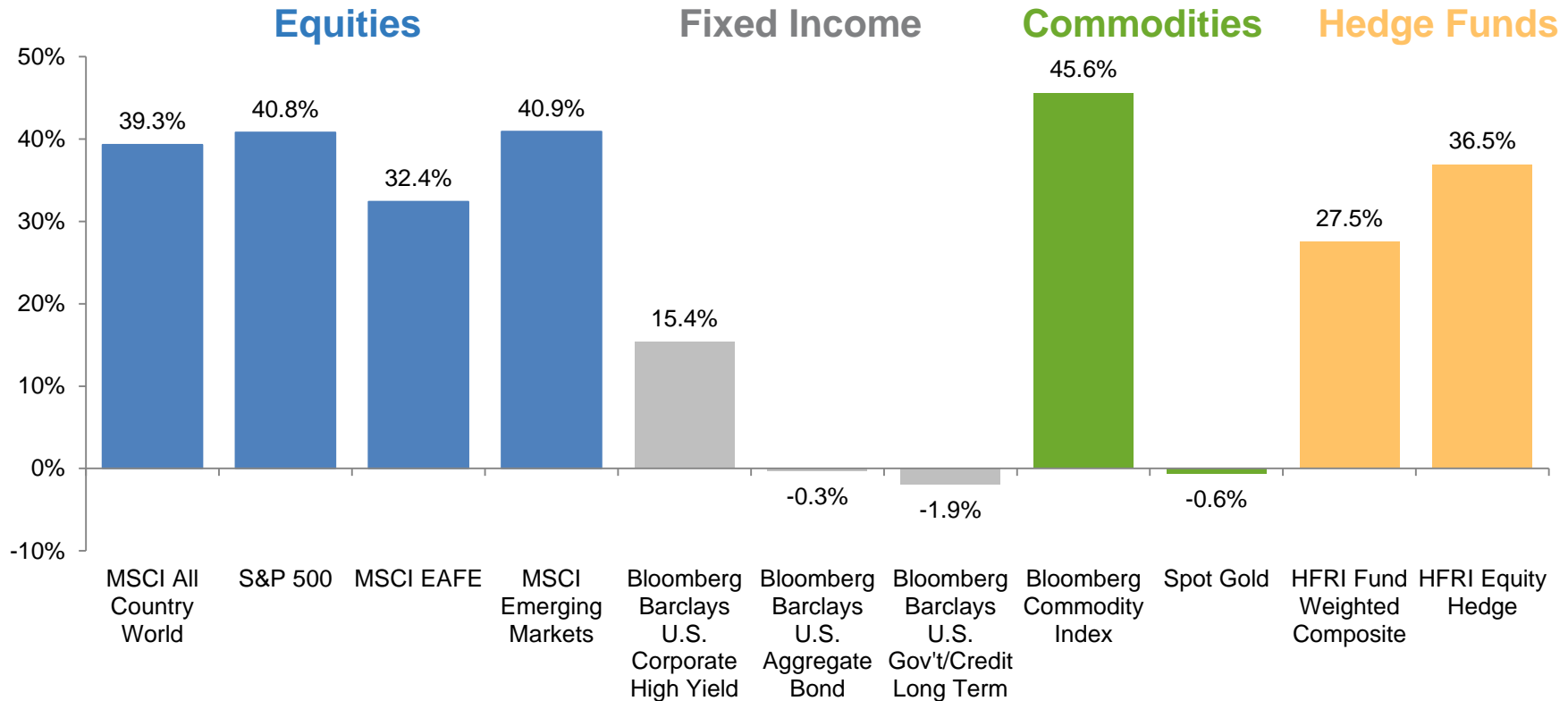
# Agenda

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- Overview of UNC Investment Entities
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# Financial Markets Summary: Fiscal Year 2021<sup>(1)</sup> (12 months)

What pandemic? Equity markets roar back (and continue to do so)!



Following their historic decline in March 2020, equity markets rebounded sharply and continue to climb

1) Fiscal Year ("FY") 2021: July 1, 2020 to June 30, 2021 (12 months)

## **Fiscal Year 2021 Performance** (12 months)

FY 2021 was UNCIF's best fiscal year since inception

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**After another record-breaking quarter (Q4 +10.9%)...**

**The UNC Investment Fund returned +42.3%  
for FY 2021** (12 months)

Rising equity markets and very strong Private Equity performance catapulted UNCIF's FY 2021 return



## Fiscal Year 2021 Performance (12 months)

Extremely strong absolute and relative performance

### UNCIF's +42.3% FY 2021 return outperformed:

- Primary Benchmark: SIPP (+32.6% return)
- Traditional Portfolio: Global 70/30 Portfolio<sup>(1)</sup> (+26.3% return)
- Peer Universe<sup>(2)</sup> (+30.0% median return)
  - UNCIF ranks solidly in the top decile
- UNCIF's FY 2021 return comprised of four record-breaking quarters:
  - Q1: +7.3%    Q2: +9.3%    Q3: +9.3%    Q4: +10.9%

**UNCIF's Private Equity allocation made a good year  
GREAT**

1) Global 70/30 Portfolio: 70% MSCI All Country World Index (ACWI), 30% Bloomberg Barclays U.S. Aggregate Bond Index

2) BNY Mellon Endowment & Foundation universe adjusted for internal fees

# Private Equity

UNCIF's Private Equity portfolio generated significant gains and cash flow

## Private Equity returned **+90.6% in FY 2021**

- UNCIF's Private Equity portfolio generated \$1.4 billion in Net Investment Gains in FY 2021 on a beginning market value of \$1.6 billion
  - Buyout & Growth Equity Funds generated a 44% return in FY 2021
  - Venture Capital Funds generated a **+142% return** in FY 2021

# Private Equity

Private Equity generated significant gains and cash flow

**During FY 2021, a number of companies in UNCIF's Private Portfolio went public:**

- Airbnb
- Palantir
- Wish (Context Logic)
- Snowflake
- Accolade
- Affirm
- Coinbase

 Palantir

 Accolade

 wish

 coinbase

 affirm

 snowflake

 airbnb

**These holdings contributed significantly to UNCIF's very strong FY 2021 results**

# CHIF Market Value: FY 2021 Change

CHIF exceeds \$5 billion after +42.3% return in FY 2021

## CHIF increased in value by \$1.46 billion in FY 2021:

- + net investment gain of \$1.56 billion
- + \$117 million in net fund additions (contributions)
- less, development support and annual endowment spending distributions totaling \$215 million

	June 30, 2020 (\$ millions)	June 30, 2021 (\$ millions)	FY 2021 Change (\$ millions)
Statutory Endowment	\$1,630.2	\$2,248.1	\$617.9
UNC Chapel Hill Foundation	343.9	491.3	147.4
Other Affiliated Foundations	1,401.4	2,002.4	601.0
Other CHIF participants	264.6	355.8	91.2
<b>Total CHIF</b>	<b>\$3,640.2</b>	<b>\$5,097.6</b>	<b>\$1,457.4</b>

Note: Totals may not sum due to rounding and are unaudited.

# Agenda

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- Overview of UNC Investment Entities
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# Return Summary

UNCIF has achieved top decile performance across time periods

Periods ending June 30, 2021	1 Year	3 Years	5 Years	7 Years	10 Years
<b>UNC Investment Fund</b>	<b>42.3%</b>	<b>16.2%</b>	<b>14.5%</b>	<b>11.2%</b>	<b>10.8%</b>
<i>Primary Benchmark: SIPP</i>	32.6%	13.0%	11.9%	8.7%	9.1%
Traditional Portfolio: Global 70/30 <sup>(1)</sup>	26.3%	12.1%	11.3%	8.0%	8.1%
Peer Universe <sup>(2)</sup>					
Median	30.0%	11.7%	11.2%	8.2%	8.6%
Top Quartile	35.4%	13.3%	12.8%	9.3%	9.3%
Top Decile	39.0%	15.3%	14.4%	10.9%	10.5%

**Top Decile Performance**

**UNCIF has produced 10%+ annualized returns and top decile performance across time periods**

Note: Annualized performance for periods ending June 30, 2021

1) Global 70/30 Portfolio: 70% MSCI All Country World Index (ACWI), 30% Bloomberg Barclays U.S. Aggregate Bond Index

2) BNY Mellon Endowment & Foundation universe adjusted for internal fees



# CHIF Market Value

## 10-Year Change

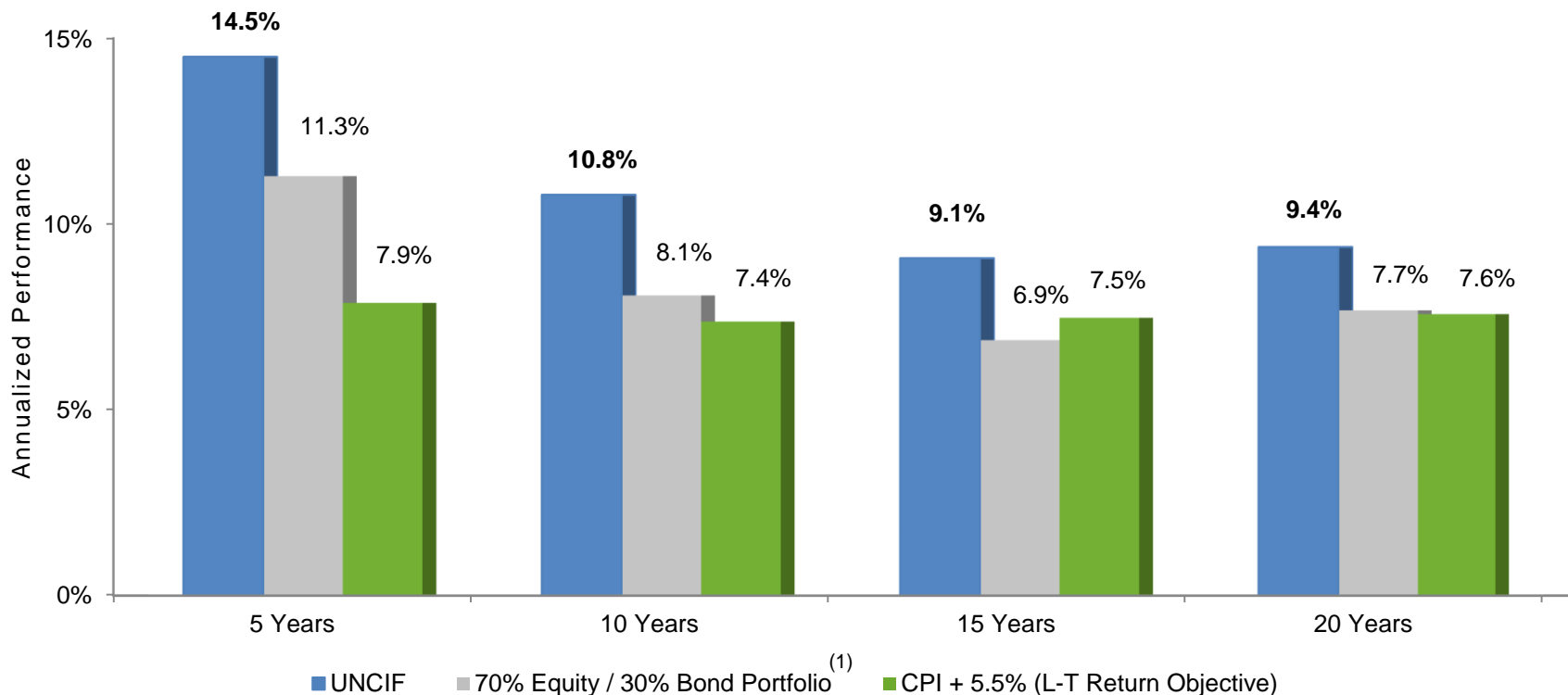
Chapel Hill Investment Fund \$ in millions	
Market Value: June 30, 2011	\$2,218.7
+ Net Investment Gains	3,486.7
+ Net Additions	1,078.3
- Annual Spending Distributions and Development Support	(1,686.1)
Market Value: June 30, 2021	\$5,097.6

Over the past 10 years, CHIF's market value has **increased by \$2.9 billion after distributing ~\$1.7 billion** to support University programs and development

Note: Totals may not sum due to rounding and are unaudited.

# Relative Long-Term Performance

UNCIF has achieved its return objective across all time periods



Diversification & private investments needed: UNCIF achieves its primary objective when a traditional equity/bond portfolio does not

Note: Annualized performance for periods ending June 30, 2021

(1) 5, 10, 15 Years: Global 70/30 Portfolio - 70% MSCI All Country World Index (ACWI) / 30% Bloomberg Barclays U.S. Aggregate Bond Index  
20 Years: Domestic 70/30 Portfolio - 70% S&P 500 Index / 30% Bloomberg Barclays U.S. Aggregate Bond Index

# Agenda

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- Overview of UNC Investment Entities
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- Longer-Term Investment Results

## **Chapel Hill Investment Fund Endowment Spending Distribution**

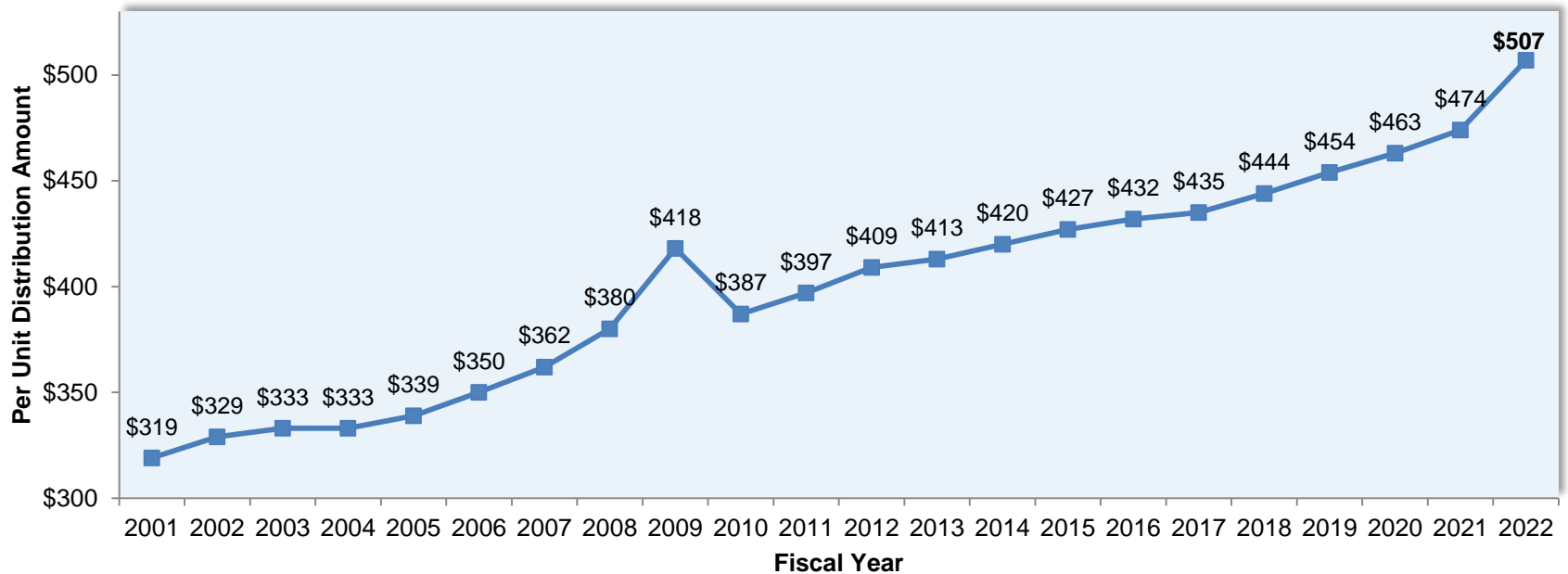
- Wrap-Up / Questions

# Distribution Amount

## Per CHIF Unit

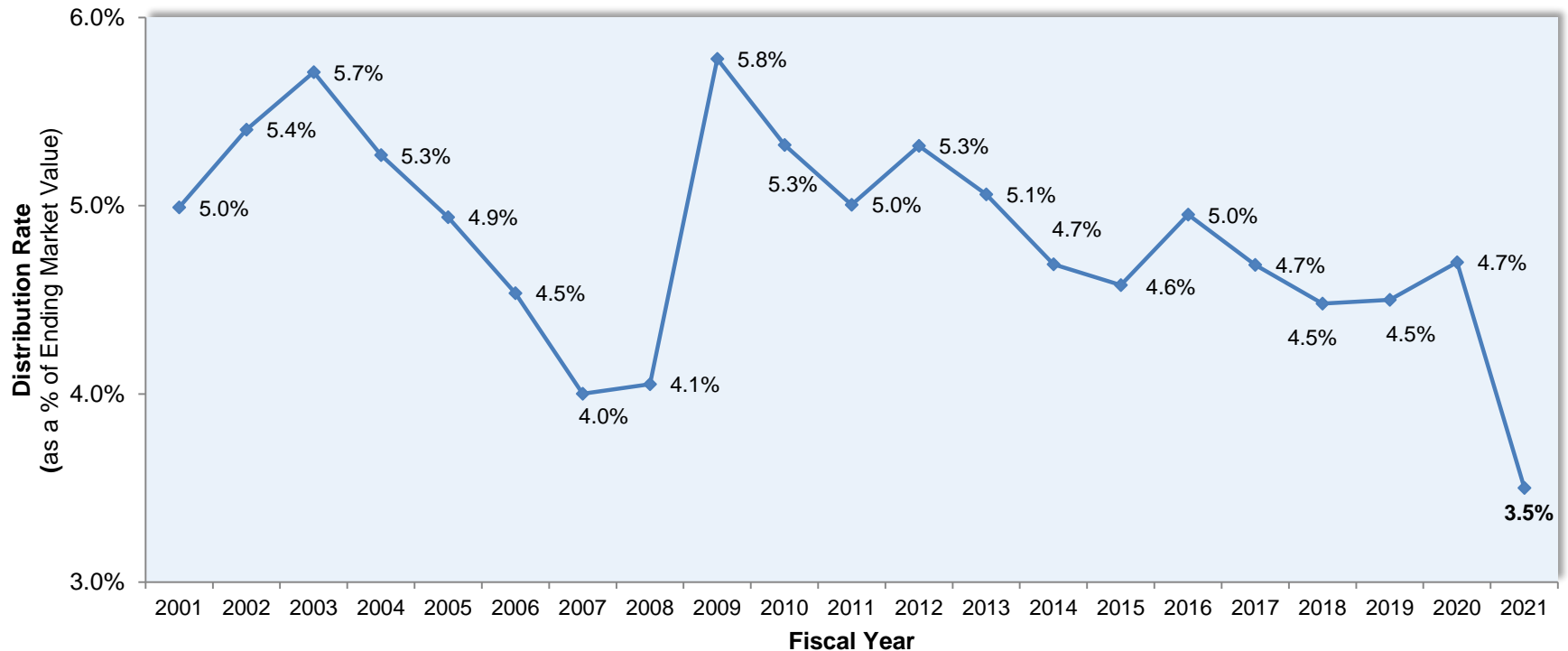
### At its May 2021 meeting, CHIF's Board of Directors:

- Approved the FY 2022 Annual Distribution Rate of \$507 per CHIF unit
- Increasing the per unit distribution rate by 7.0% over FY 2021
- The \$507 per unit will be distributed to CHIF participants on 6/30/2022



# Distribution Amount

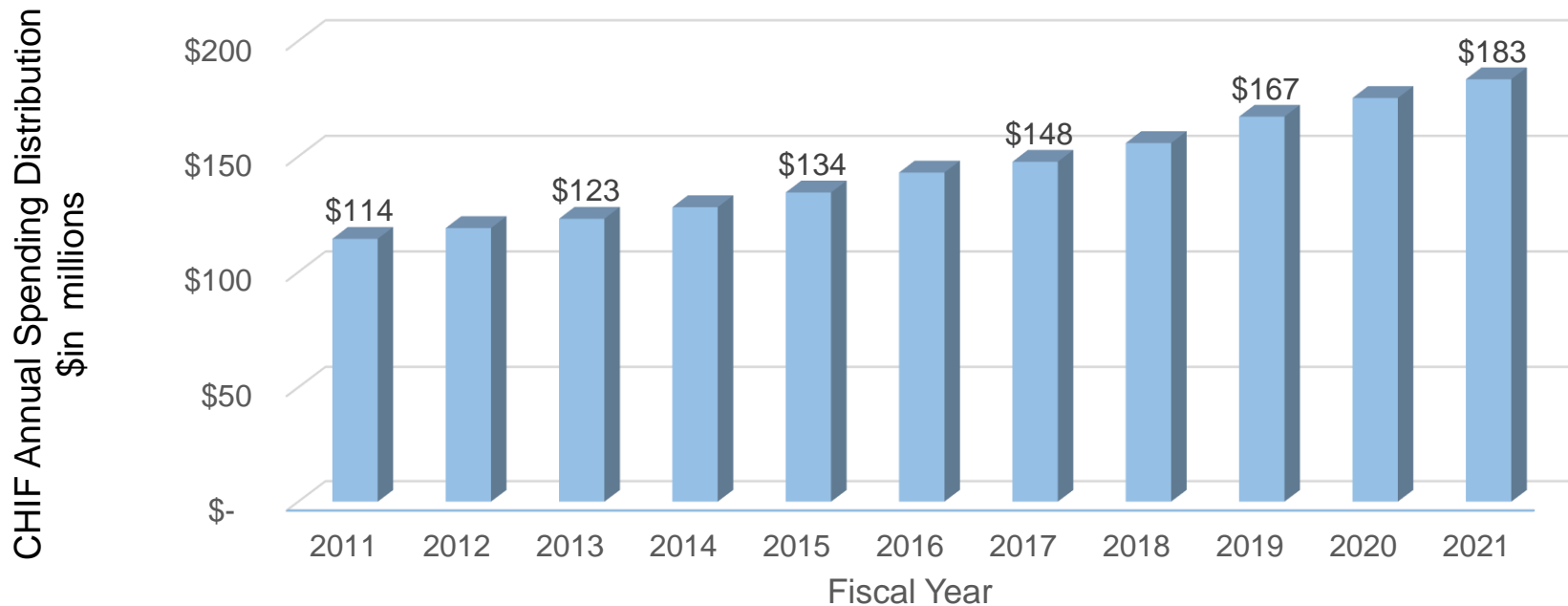
% of CHIF Market Value (Fiscal Year End)



The distribution rate as a percent of market value is a by-product of the “constant growth rule” methodology

# CHIF Annual Spending Distribution

\$ in millions



The annual amount distributed to support programs has grown from \$114 million to \$183 million over the past 10 years



# Agenda

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- Overview of UNC Investment Entities
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- **Wrap-Up / Questions**

# Our Fundamental Beliefs

Over the long term, UNCIF has achieved its objectives

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## **Maintaining conviction in our investment approach and philosophy has led to UNCIF achieving its long-term objectives**

- Maintain a long-term time horizon
- Portfolio diversification is a key component in managing risk
- Focus assets with our highest conviction investment managers
- Alternative asset classes play a significant role
- Tactical portfolio shifts can be utilized selectively to capture shorter-term opportunities
- Downside protection matters

The most important and difficult challenge remains striking the proper balance between upside participation and downside protection

# Wrap-Up

FY 2021 – What a year!

**UNCIF performed exceptionally well in FY '21, returning +42.3%**  
(its best fiscal year return since inception!)

- Equities have soared from their March 2020 lows
- As of June 30, UNCIF's 1-, 3-, 5-, 7- and 10-year returns:
  - **Exceed 10% annualized**
  - Beat SIPP
  - Beat the Global 70/30 Portfolio <sup>(1)</sup>
  - **Top decile** relative to peers<sup>(2)</sup> for all periods
- We are cautiously optimistic about the future (Covid-19 vaccinations, emergence of variant strains), but we continue to maintain a disciplined approach (wary of high equity valuations) and long-term focus

**UNCIF has achieved its primary return objective  
across time periods**

(1) Global 70/30 Portfolio: 70% MSCI All Country World Index / 30% Bloomberg Barclays U.S. Aggregate Bond Index

(2) BNY Mellon Endowment & Foundation universe adjusted for internal fees

# Finance, Infrastructure and Audit Committee UNC-CH Board of Trustees

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Financial Update

September 22, 2021

# *What is the All-Funds Budget?*

- Forward-looking plan of all expected revenues and expenses
- Generally, cash-based and includes inter-departmental transactional activity
- Increased focus on unrestricted fund sources and related uses
- Accommodates strategic planning and provides transparency in allocation decisions

# *Why Develop an All-Funds Budget?*

- Better align resources with strategic priorities
- Promote stewardship and financial sustainability
- Better understand the impact of discrete decisions on the broader financial picture
- Improve transparency and campus engagement
- Strengthen the fiduciary responsibility of the Boards of Trustees

**G.S. 116-1(b) – “...In the fulfillment of this mission, the university shall seek an efficient use of available resources to ensure the highest quality in its service to the citizens of the State.”**

# *What makes this approach different?*

- Each institution's submission should include narrative that demonstrates the budget's alignment with strategy.
  - Campus Strategic Plan **and** UNC System Strategic Priorities
- There is a newly required template that brings all funds into a single view and provides specific insight into the key organizational units.
- Part of the institution's submission will include an “process checklist” that attests to an appropriate level of stakeholder input.



# UNC-CH: Proposed Budget Timeline FY23

Friday, October 1, 2021	• Instructions for Developing FY22-23 Budget Submission sent to Campus Units
Monday, November 29, 2021	• Major Campus Unit (MCU) FY22-23 Budget Submission Due
Monday, November 29, 2021 to Wednesday, December 15, 2021	• Compilation of MCU Budget Requests
Wednesday, January 5, 2022 to Friday, January 28, 2022	• Review and Discussion of requests with Chancellor
Friday, February 4, 2022	• Final Budget Decisions
Friday, February 25, 2022	• Final Budget Documents Completed
Friday, March 4, 2022	• Final Budget Proposal Delivered to BOT
Thursday, March 24, 2022	• Budget Approved by BOT / Submitted to BOG (BOT Meeting)
Wednesday, May 25, 2022	• BOG Reviews Budget (BOG Meeting)

# Key Planning Assumptions for FY23

- Budgeting for potential salary increases
  - Legislative action and System Office guidance will drive increase levels
  - Auxiliaries and Trust Funds will need to set up reserves for increases and fringe benefit impacts
  - Need to consider impact of pandemic on employment situation
- Considering modest inflationary increases for non-personnel
  - May need to revisit spending levels if price inflation continues
- Review of Trust Funds
- Increases in tuition and fees will be carefully considered, but anticipate limited flexibility in both areas
- Capital budget requests solicited from units for inclusion in comprehensive capital plan

# Tuition Model Reform

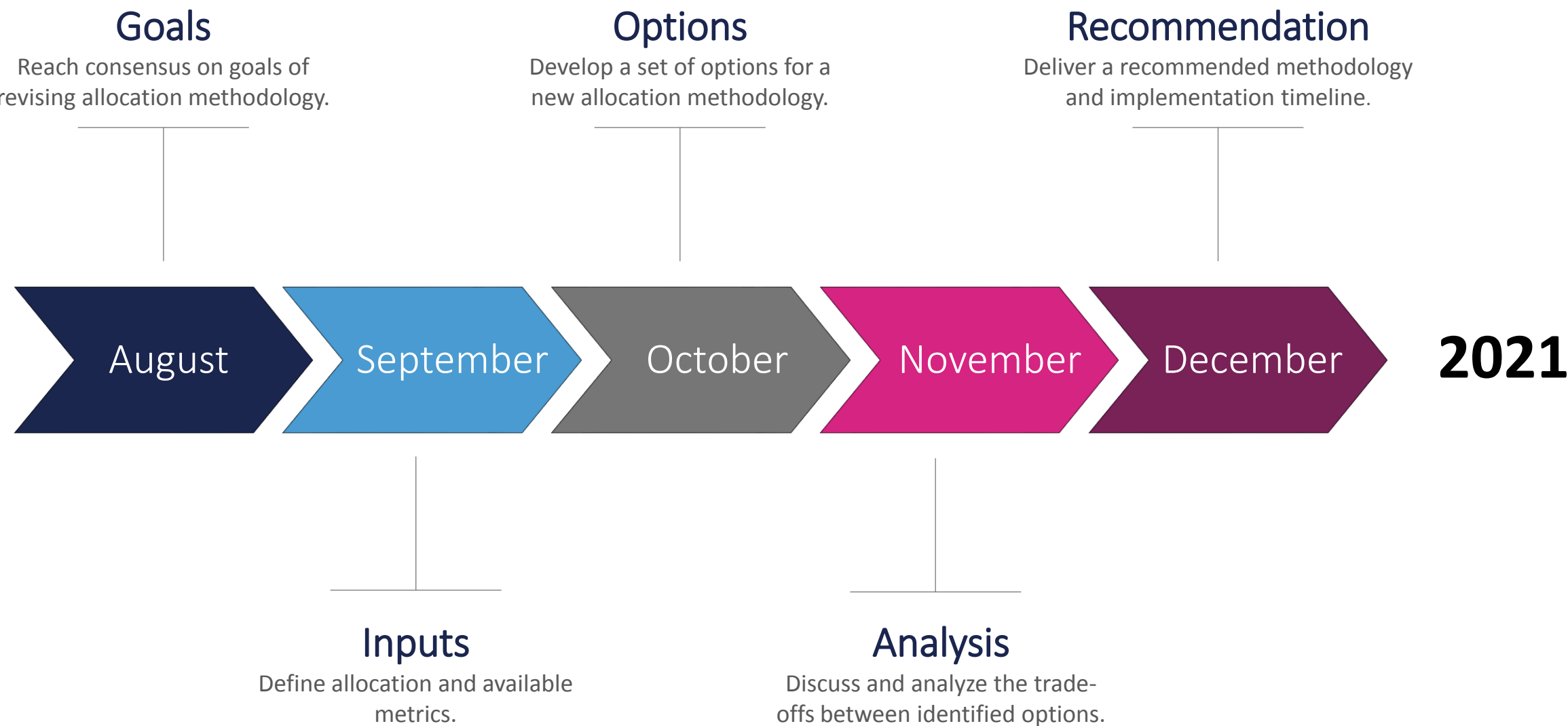
# Chancellor's Charge on Campus Based Tuition

**Chancellor's Charge:** Redesign the campus-based tuition and appropriation allocation model

## Guiding Principles

- Improve transparency
- Ensure predictability of revenue stream and minimal disruption
- Align incentives to activity / revenue generation
- Allow sufficient information for informed and strategic decision-making
- Clarify enrollment growth goals
- Streamline central resource allocation

# Proposed Timeline



# Questions