



January 26, 2022, 9:00 a.m.
Magnolia Room, The Rizzo Conference Center

OPEN SESSION

FOR INFORMATION ONLY

(No formal action is requested at this time)

1. Chair Remarks
William M. Kotis, Committee Chair

2. Internal Audit Report Attachment A
Dean Weber, Chief Audit Officer

3. Police Chief Update
George Battle, Vice Chancellor for Institutional Integrity and Risk Management

4. COVID-19 Response Update
Amir Barzin, Assistant Professor and Medical Director of the Family Medicine Center

*Some of the business to be conducted is authorized by the N.C. Open Meetings Law to be conducted in closed session.

COMMITTEE MEMBERS

Marty Kotis, Chair
Malcolm Turner, Vice Chair
John Preyer, Secretary
Dave Boliek, ex-officio
Allie Ray McCullen

University of North Carolina at Chapel Hill Board of Trustees

Audit, Compliance, and Risk Management Committee January 26, 2022

SUBJECT: Second Quarter Fiscal Year 2022 Update on Activities of the Office of Internal Audit (INFORMATION)

BACKGROUND: The University of North Carolina at Chapel Hill *Internal Audit Charter* prescribes for the Chief Audit Officer to provide the Board of Trustees with periodic updates on the status of activities of the Office of Internal Audit.

This includes updates on the standing of engagements defined within the organization's risk-based internal audit work plan. The work plan is developed each fiscal year and is presented for approval by the Finance, Infrastructure, and Audit Committee and the university's Chancellor.

Committee updates are to address communication of the impact of resource limitations affecting the internal audit plan; recommended adjustments, as necessary, in response to the university's business, risks, operations, programs, systems, and controls; communication of significant interim changes to the internal audit plan; and provide information on internal audit's follow-up on engagement findings and corrective action.

University of North Carolina at Chapel Hill Board of Trustees Audit, Compliance, and Risk Management Committee

Fiscal Year 2022 Second Quarter Update Activities of the Office of Internal Audit

Fiscal Year 2022 Internal Audit Work Plan

The Finance, Infrastructure, and Audit Committee and the university's Chancellor approved the Office of Internal Audit's (OIA) *Fiscal Year 2022 Internal Audit Work Plan* on May 21, 2021. The document provides for the completion of 23 planned engagements and five carry-over engagements ongoing but not completed on June 30, 2021. Separately, the *Work Plan* provides budgeted hours for the completion of Special Project/Advisory Requests arising during the fiscal year. Seven new Special Project/Advisory Requests have been received this fiscal year-to-date.

A recap of approved *Work Plan* engagements and Special Project/Advisory requests received through December 31, 2021, are detailed in the following graph.

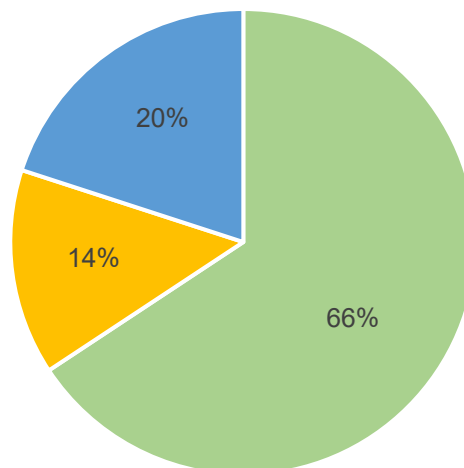
**Fiscal Year 2022 OIA Work Plan Engagement
Composition**

Special Project/Advisory (7)

- Associated Entity Follow-up
- Top 5 Carolina ERM Risks
- EthicsPoint #390
- ITS Consultation
- Orthodontics Revenue Collection
- Police Department Fixed Assets
- Self-Assessment Maturity Model (Council of Internal Audit)

Carry-over Engagements (5)

- Sponsored Project Procurements
- University Imprest Accounts
- Revenue Recognition ASoD Accounts
- OIA Self-Assessment Special Project
- State Auditor Assistance Special Project



Planned Engagements (23)

- Payroll Fraud Assessment
- Parking Registration & Fees
- Conflict of Interest & Commitment
- Custodial/Housekeeping Operations
- EHRA/SHRA Performance Reviews
- Innovation & Entrepreneurship
- COVID-19 Pandemic Funding (4 reports)
- Policy Audit – School of Medicine
- Diversity and Inclusion
- Faculty Tenure – Promotion
- Admissions Equity
- Connecting Carolina Classrooms with the World
- Purchasing Card Expenditures
- UNC Campus Health – Pharmacy
- Cashiering Controls
- Sponsored Project Post Awards
- Control Self-Assessment
- System Administrative Initiative
- Access Control Management
- University Travel
- NCAA Off-Campus Recruiting
- NCAA On-Campus Recruiting
- NCAA Extra Benefits

Fiscal Year 2022 Work Plan Achievements at December 31, 2021

The OIA accomplished significant progress in meeting defined *Work Plan* initiatives with the completion of fourteen engagements fiscal year-to-date. Through the end of the second quarter, the OIA received a total of seven special project/advisory requests. Five work plan, five carry-over, 3 special projects, and one advisory project have concluded. Outcomes from completed special projects and planned audits provided management with information and 29 recommendations to strengthen operations and improve internal controls.

Project Source	Total Engagements	Number Concluded	Number Underway	Number Not Initiated	Percent Concluded & Underway
Work Plan Audits	23	5	6	12	48%
Carry-over Audits/Special Projects	5	5	0	0	100%
Work Plan Total:	28	10	6	12	57%
New Special Projects	4	3	1	--	100%
New Advisory Projects	3	1	2	--	100%
Cumulative Total:	35	14	9	12	66%

Engagements Underway at December 31, 2021 (9)

At the close of the second quarter, project work remained underway on nine engagements. Two projects are in the program planning stage, fieldwork is underway on four projects, and fieldwork has concluded (draft report development) for three projects. Additional *Work Plan* engagements will commence as projects are completed.

Management Corrective Actions - OIA Follow-up Assessments

The OIA maintains a structured process to follow-up on prior audit report recommendations provided to leadership to assess the successful implementation of management corrective action plans drafted in response to internal audit report recommendations. The following chart details fiscal year 2022 activity through the end of the second quarter.

Fiscal Year 2022 Summary of Follow-up Assessments of Prior Audit Recommendations	
Prior Recommendations Unverified	48
New Recommendations Added During Fiscal Year 2022	29
Prior Recommendations Verified as Resolved During Fiscal Year 2022	22
Total Recommendations to be Verified on December 31, 2021	55

On December 31, 2021, 55 prior audit recommendations are in queue for evaluation of management corrective action plans by the OIA. Of this total, approximately half will be ready for assessment in the third and fourth quarters of the fiscal year 2022. The remaining will be ready for assessment at a later date.

Anticipated Completion of Work Plan Engagements

The approved *Fiscal Year 2022 Internal Audit Work Plan* provides the roadmap for audit engagement activities for the period. Engagement composition is fluid to afford for special project and advisory requests as they may arise. A benchmark goal is to attain the completion of 70% or more of the 23 planned engagements during the fiscal year. At the mid-point of the plan year, the OIA appears on track to meet the desired objective. No adjustments to the *Work Plan* are proposed. Of note, departmental staffing has been impacted by the resignation of one team member and Covid-19 related issues have minimally impacted the work of other team members in FY2022.

Office of Internal Audit Professional Development

Staff members have attained required professional development training for calendar year 2021. The OIA adheres to the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (Standards)*. The Standards prescribe requirements for internal audit professionals to attain defined continuing professional educational (CPE) training. The OIA affords each auditor the opportunity to obtain 40 CPE hours per calendar year in support of their individual professional certification requirements.

Office of Internal Audit Second Quarter Fiscal Year 2022 Status Update of Achievements

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

Dean Weber, CIA, CRMA
Chief Audit Officer
January 26, 2022

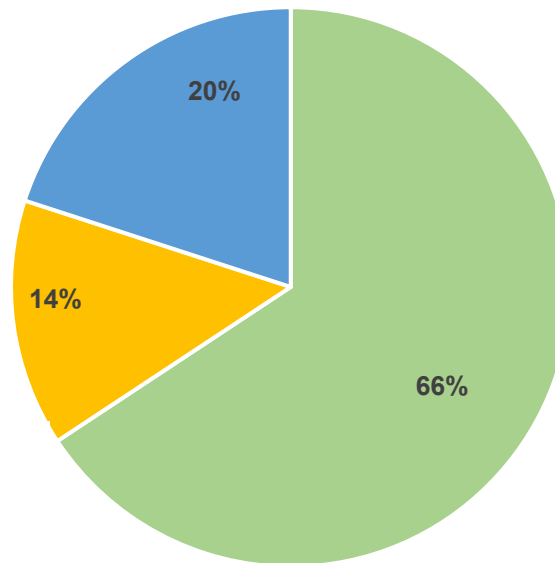
Office of Internal Audit Fiscal Year 2022 Work Plan Engagement Composition

Special Project/Advisory (7)

- Associated Entity Audit Follow-up
- Carolina ERM Risk Assessment
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Carry-over Engagements (5)

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Planned Engagements (23)

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- Conflict of Interest & Commitment
- Custodial/Housekeeping Operations
- EHRA/SHRA Performance Reviews
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Presented as of December 31, 2021

Fiscal Year 2022 Achievements - Through Second Quarter

- Five planned audits, five carry-over engagements, three new special projects, and one new advisory project were concluded with the issuance of final reports to leadership.
- Six planned engagements, one special project, and two advisory projects were underway on December 31, 2021.
- Twelve projects contained in the work plan were not yet initiated. Efforts are on-track to accomplish a **completion goal of 70% or more of planned audit engagements by June 30, 2022.**
- One departmental staff member resigned in November 2021 and minimal staff impacts from Covid-19 persist.

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Fiscal Year 2022 Achievements - Through the Second Quarter

Engagement Reports Issued (17)

<u>Project</u>	<u>Report Issued</u>	<u>Project</u>	<u>Report Issued</u>
OIA Self-Assessment*	8/03/2021	NCAA Off-Campus Recruiting	10/29/2021
State Auditor Assistance*	9/07/2021	Associated Entity Follow-up*	11/08/2021
Sponsored Projects Procurements	9/08/2021	COVID-19 – HEERF I Institutional Funds	11/12/2021
ASoD Patient Revenue	9/10/2021	EthicsPoint Case #390*	11/22/2021
University Imprest Accounts	9/21/2021	Police Department Fixed Assets*	12/01/2021
COVID-19 –GEER Funds	9/21/2021	Conflict of Interest and Commitment	12/16/2021
COVID-19 – Coronavirus Relief Funds	9/23/2021	System Administration Initiative	12/20/2021
Self-Assessment Maturity Model*	10/21/2021	COVID -19 HEERF I and HEERF II Funding	12/22/2021
UNC Campus Health Pharmacy	10/22/2021		

Engagements Underway (9)

<u>Project</u>	<u>Project Status</u>
Parking Registration and Fees	Planning
Innovation and Entrepreneurship	Planning
Access Control Management	Fieldwork Underway
University Travel (continuous audit 2nd Quarter)	Fieldwork Underway
EHRA & SHRA Performance Reviews	Fieldwork Underway
Purchasing Card Expenditures	Fieldwork Concluded/Draft Reporting
Orthodontics Revenue Collection*	Fieldwork Concluded/Draft Reporting
ITS Consultation*	Advisory Services Underway
Carolina ERM Risk Assessment*	Advisory Services Concluding

* Special Project/Advisory Request

Office of Internal Audit

Management Corrective Actions

- 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 the current fiscal year's activity:

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Enterprise Risk Management Assessment

Office of Internal Audit and Institutional Integrity and Risk Management Collaboration

Research

- Work of both divisions closely align in evaluating, reviewing, and reducing institutional risks
- Audit researched **2021 Higher Education Risk profiles** in crafting a risk assessment tool for Carolina to use in gauging an understanding, alignment, mitigation, and optimization of trending risk drivers

Survey

- Automated survey provided to the **Chancellor's and Provost's Cabinet** for anonymous completion
- Nine Risk Categories (financial, strategic, mission, technology, compliance, operational, life health & safety, reputational, and fraud) were addressed
- 47 identified risks were presented for ranking of risk impact and occurrence probability

Results

- Provide an executive level assessment of ranked potential Enterprise Risk Management concerns
- Data will be further analyzed by Institutional Integrity and Risk Management in development of reporting the institution's **Top Five Enterprise Risk Management** topics to the UNC System Office (System Policy 1300.7)

Enterprise Risk Management Assessment Survey Outcomes

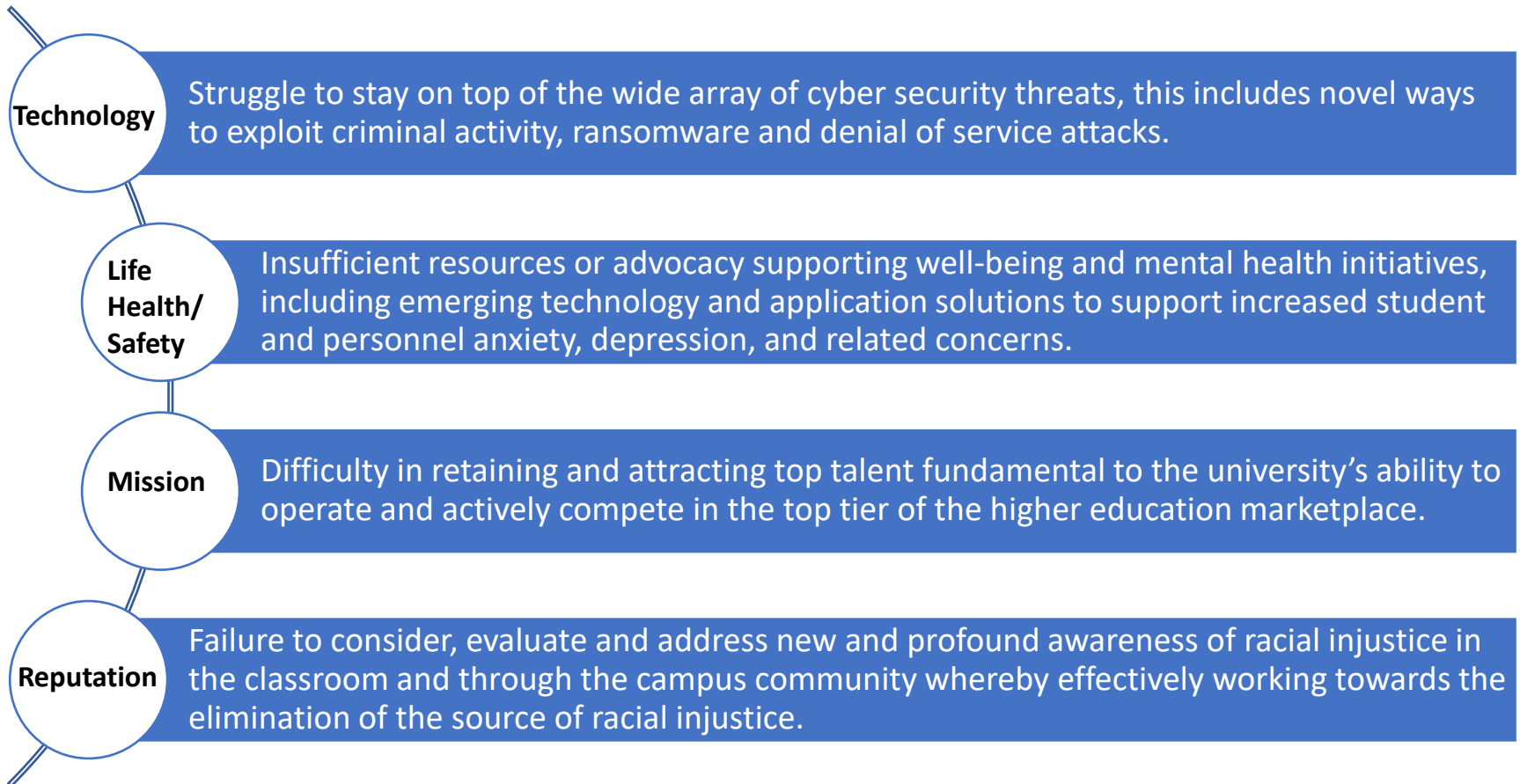
Summary – Risk Ranking by Category

Risk Category	Category Risk Impact	Category Risk Probability	Category Risk Score	Ranking Category
Technology	7.68	60%	4.66	High
L. H. Safety	7.33	61%	4.58	
Mission	6.80	64%	4.54	
Reputational	6.79	66%	4.53	Moderate
Financial	7.24	58%	4.32	
Compliance	7.23	59%	4.31	
Operational	6.74	60%	4.04	Low
Strategic	6.74	58%	3.96	
Fraud	6.63	38%	2.51	

As survey results are further assessed by the **Office of Institutional Integrity and Risk Management** in the coming months to determine the **Top Five ERM Risks** detailing topics and descriptions for submission to the UNC System Office. Outcomes will in turn support internal audit engagement planning supporting the University's **Fiscal Year 2022 Internal Audit Work Plan**.

Enterprise Risk Management Assessment Survey Outcomes

Highest Risk Categories – Top scored potential risk per category



Accolades to Carolina's KARA HEFNER...

Annually, the **North Carolina State Council of Internal Auditing**, in connection with the Office of State Budget Management, identifies one audit professional from within the state who exemplifies commitment and dedication to furthering the profession of internal audit within the North Carolina State Government. That individual is awarded the **North Carolina Internal Audit Award of Excellence**.

In December, the 2021 award was bestowed to **Kara Hefner, CPA, CIA**. Kara has been a member of the university's internal audit team since 2019.



Questions/Comments