



May 18, 2022, 9:00 a.m.
Chancellor's Ballroom, Carolina Inn

OPEN SESSION

FOR ACTION

1. Risk Assessment and Fiscal Year 2023 Internal Audit Work Plan
Dean Weber, Chief Audit Officer

FOR INFORMATION

1. Overview of Office of Institutional Integrity and Risk Management (IIRM)
George Battle, Vice Chancellor for Institutional Integrity and Risk Management

COMMITTEE MEMBERS

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

May 18, 2022
Agenda Item 1

- Situation:** The Committee has for its consideration the University of North Carolina at Chapel Hill's Office of Internal Audit Risk Assessment and Fiscal Year 2023 Internal Audit Work Plan for review and action.
- Background:** The *Audit, Compliance, and Risk Assessment Committee Charter* directs the Committee to review and approve the Office of Internal Audit's (OIA) annual internal audit work plan for the University. Additionally, the Committee, in consultation with the Chancellor, shall approve the budget and staffing level necessary to execute the plan.
- The proposed work plan is designed to reduce the University's exposure to adverse risk, ensure the adequacy of internal controls, assess compliance, and evaluate economies and efficiencies of operations. The work plan was developed through risk assessment processes completed by the OIA.
- The intent of the work plan is to classify for completion internal audit engagements addressing a cross-section of significant risks identified by the OIA risk assessment exercise. Collectively, the OIA's risk assessment encompassed evaluation and consideration of university operations, the *Top Five ERM Institutional Risks*, potential risks impeding strategic objectives of *CAROLINA NEXT- Innovations for Public Good*, a survey of leadership on risk and audit perspectives, a financial magnitude assessment, and an external assessment of industry risks. Outcomes determined the 22 audit engagements populating *Carolina's Fiscal Year 2023 Internal Audit Work Plan*.
- Additionally, the Vice-Chancellor for Finance and Operations has designated appropriate budgeted funds necessary to support the work plan providing for OIA staffing of 7.75 full-time-equivalent employees.
- Assessment:** It is recommended the Committee approve the Office of Internal Audit's Risk Assessment and Fiscal Year 2023 Internal Audit Work Plan and the budgeting and staffing level necessary to execute the plan. Signatory approval to be documented by the Committee Chairman and the Chancellor.
- Action:** This item requires a vote by the Committee and a vote by the full Board of Trustees.

*The University of North Carolina at Chapel Hill
Office of Internal Audit*

RISK ASSESSMENT AND FISCAL YEAR 2023 INTERNAL AUDIT WORK PLAN

*Board of Trustees
Audit, Compliance, and Risk Assessment Committee*

*W.M. Kotis, III, Chair
Malcolm K. Turner, Vice Chair
John P. Preyer
Allie Ray McCullen*

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

Preface

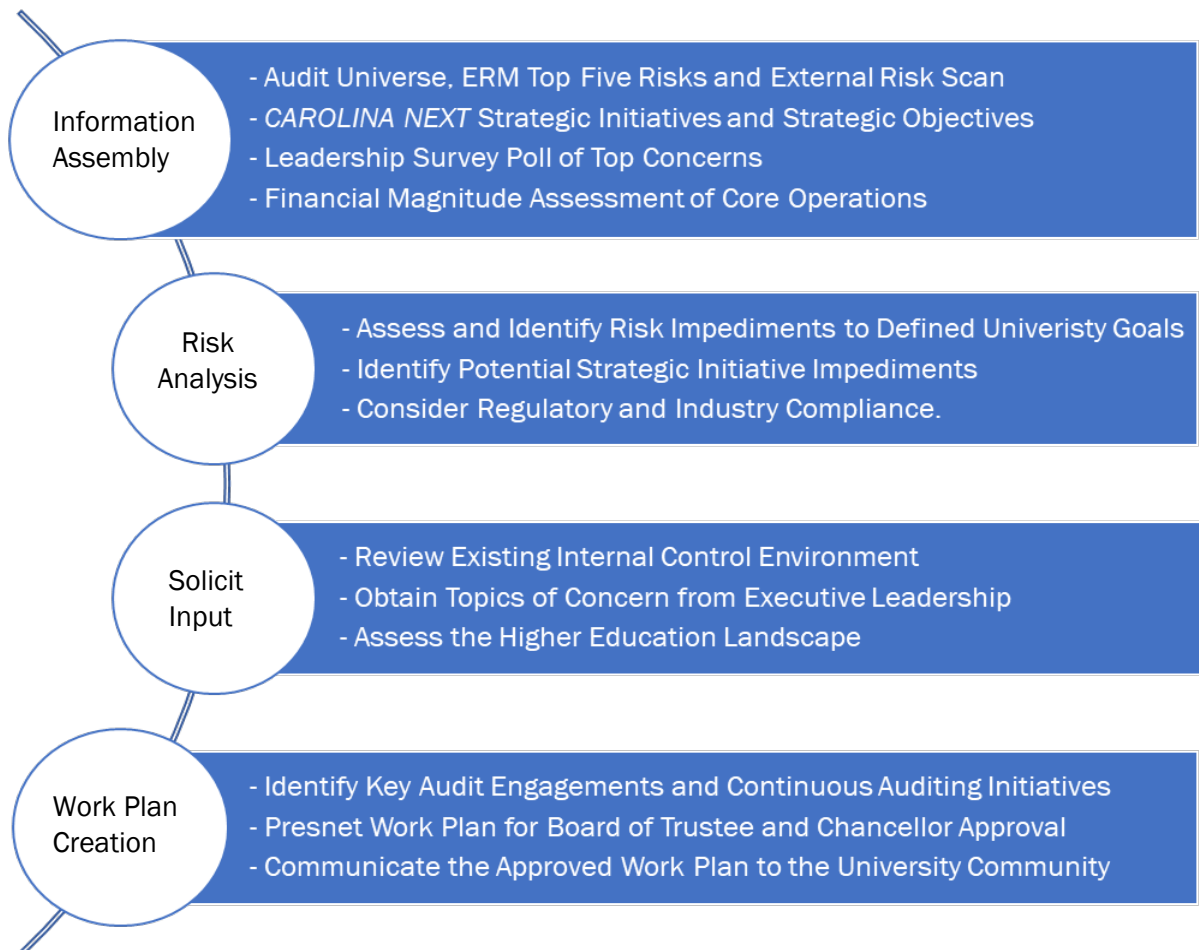
The Office of Internal Audit (OIA) developed the University of North Carolina-Chapel Hill's *Risk Assessment and Fiscal Year 2023 Internal Audit Work Plan* (Work Plan). Various risk assessment processes were employed as part of the Work Plan development phase to best allocate scarce internal audit resources directed to specific audit engagements for evaluating and assessing key business processes and risk drivers.

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 for the fiscal year. In addition to defined engagements, OIA project hours are provided within the Work Plan to perform advisory services, consulting, and the completion of special projects and investigations.

Work Plan Development Process

The Work Plan was established based on OIA information gathered through an analysis of existing and emerging risks. This comprised consideration of the University's *ERM Register of Top Five Institutional Risks*, potential risk impediments of the eight strategic initiatives framed within *CAROLINA NEXT – INNOVATIONS FOR PUBLIC GOOD*, input from executive leadership, a financial magnitude risk assessment, and current issues impacting higher education. The Board of Trustees, Audit, Compliance, and Risk Management Committee, members of the Chancellor's and Provost's cabinet, and certain divisional leaders were consulted for input.



North Carolina System Policy - University Enterprise Risk Management & Compliance

Creation of the University's *Fiscal Year 2023 Internal Audit Work Plan* considered UNC System Board of Governors' Policy 1300.7, *University Enterprise Risk Management and Compliance*, providing for the establishment of institution-based enterprise risk management and compliance processes. The UNC System Office required submission of the university's *Top Five ERM Institutional Risks* to their office in April 2022. The following chart details Carolina's submission.

Risk Topic	Description	Risk Category
Talent Management	Retaining and attracting top talent fundamental to the University's ability to operate and actively compete in a higher education marketplace.	Mission
Physical Infrastructure	Balancing competitive, vital large-scale capital investment programs for new facilities, existing renewals, and allocation of resources for maintenance to sustain the existing physical infrastructure footprint.	Financial
Attention to Well-Being and Mental Health	Resources or advocacy supporting well-being and mental health initiatives, including emerging technology and application solutions to support increased student and personnel anxiety, depression, and related concerns.	Life/Health Safety
Decision Support	Making informed, timely decisions such as how to allocate scarce resources to meet the strategic goals exasperated by the lack of key matrices and related data.	Strategic
Cyber Security	Staying on top of the wide array of cyber security threats, this includes novel ways to exploit criminal activity, ransomware, and denial of service attacks.	Technology

The OIA supported the Office of Vice Chancellor for Institutional Integrity and Risk Management in the development and distribution of a survey to the Chancellor's and Provost's cabinet to obtain feedback and opinion on 47 potential Enterprise Risk Management (ERM) topics. Results provided an executive-level assessment of potential ERM institutional risks at Carolina for utilization by the Vice Chancellor for the formation of Carolina's Top Five ERM Topics.

In response, the OIA considered areas and departments of campus operations underpinning the five identified ERM institutional risk topics for Carolina. The following chart details the OIA's opinion of the primary campus area/department with activities pertaining to each risk topic.

The chart highlights operating areas/departments underpinning the *Top Five ERM Institutional Risks* as determined by the OIA and considered in internal audit engagement planning.

ERM Risk Topic	Area/Department
Talent Management	Human Resources
Physical Infrastructure	Facilities/Finance & Operations
Attention to Well-Being and Mental Health	Leadership/Support Services
Decision Support	Leadership- Planning & Financial Management
Cyber Security	Information Technology

CAROLINA NEXT – INNOVATIONS FOR PUBLIC GOOD

The University's strategic plan, *CAROLINA NEXT: Innovations for Public Good*, provides the roadmap for guiding investment and decision-making. "The strategic plan aims to turn the University's vision and aspirational goals into readily understood, significant, implementable, measurable strategic initiative and opportunities." The plan was last updated in December 2020.

The strategic plan is built around eight major *strategic initiatives*. Each *strategic initiative* is then underpinned by three *strategic objectives* that define the key goals for each initiative. Further developing each *strategic objective* are specific *strategic opportunities* (both existing and new) intended to drive improvement and change. The eight *strategic initiatives* are detailed in the following chart.



In the development of the Fiscal Year 2023 Internal Audit Work Plan, the OIA assessed the University's strategic plan to consider potential risks inhibiting attainment and realization.

The document's 24 strategic objectives were scored based on OIA's opinion of potential attainment hurdles.

Strategic opportunities were considered in determining potential audit engagement activity for each strategic objective ranked high and medium by the OIA. The chart on the right highlights the strategic objectives deemed important by the OIA for consideration in audit engagement planning.

CAROLINA NEXT - Strategic Objective	OIA Ranking
8.1 Design, implement, execute, assess, and continuously improve the administrative operations that support the University's mission of teaching, research and public service.	Impediment Risk Level
8.2 Implement a robust data governance structure and process to inform decision-making and drive change.	
8.3 Create and maintain world-class physical facilities and infrastructure in support of our institutional mission.	
4.3 Lead in solving the world's most challenging problems.	
6.3 Grow partnerships with businesses, nonprofits and government to translate and implement discoveries into practical applications and public use.	
7.1 Strengthen global partnerships and bring the world to Carolina with enhanced on-campus global programing.	

Leadership's Identification of Audit Risk Topics

An important component in the development of Carolina's Internal Audit Work Plan included obtaining input from senior leadership regarding perspectives on key risk topics and areas where internal audit services can be effective in evaluating procedures, internal controls, and processes to strengthen operations.

An automated survey managed by the OIA was distributed to 171 senior leaders (Chancellor's & Provost's Cabinet, Department Leaders, Audit, Compliance and Risk Management Committee) of the university to solicit leadership's perspective of risks. The survey focused on nine distinct operational areas comprising (1) Athletics, (2) Research, (3) Information Technology & Systems, (4) Instruction, Academics & Outreach, (5) Human Resources Management, (6) Development, (7) Student Affairs, (8) Fiscal & Asset Management, and (9) Other University Operations.

Respondents were requested to identify high-level risk topics they believed may benefit from an objective evaluation by the OIA. Survey responses were received from 60 participants. The OIA calculated response percentages for each audit risk topic based on respondents' selections. The 124 audit risk topics were then grouped within risk categories of HIGH, MEDIUM, and LOW based on scored results. Outcomes identified 28 HIGH, 35 MEDIUM, and 61 LOW audit risk topics. The following chart details the highest-scoring risk topics.

Audit Risk Topic	Operational Area	Response Percent	Risk Ranking
Security of data: firewalls, network infrastructure	Technology	41%	HIGH > 20%
Security compliance with external guidance	Technology	37%	
Compliance with regulations	Research	33%	
Counseling and Psychological Services (CAPS)	Student Affairs	33%	
Budget and funds management	Fiscal & Assets	31%	
Centers and institutes operational and financial activities	Instruction	31%	
Revenue and data	Development	30%	
Security of data: password management, systems access	Technology	30%	
Disaster recovery/resumption of business services	Technology	30%	
Equitable employment	Human Resources	29%	
Financial operations (revenues/expenses/budgeting)	Athletics	26%	
Employee training and development	Human Resources	25%	
Grant management/administration	Research	25%	
Conflict of interest	Research	25%	
Counseling Center/Student Mental Health	Other Operations	25%	
Academic performance of student-athletes	Athletics	24%	
NCAA compliance	Athletics	24%	
Real-estate, Facilities Services, and Campus Enterprises	Fiscal & Assets	24%	
Title IX	Human Resources	24%	
Telecommuting	Human Resources	24%	
College/School/Department activities	Instruction	24%	
Provost's Office financial or administrative functions	Instruction	24%	
Schools and units	Development	22%	
Financial and accounting processes	Research	22%	
Remote access and security controls	Technology	20%	
Program accreditation processes	Instruction	20%	
Intellectual property	Research	20%	
Fraternity and sorority life	Student Affairs	20%	

Financial Magnitude of Core University Areas

The OIA assessed financial data from the 2021 UNC-Chapel Hill Annual Financial Report highlighting 10 core components of university operations (revenues/expenses). These include significant funding sources and/or consumption of institutional resources.

Category Area	Financial Impact FY2021	Operational Considerations
Grants & Contracts (Operating) Revenue	\$959,214,843	Award Compliance and Monitoring
State Appropriations Revenue	\$537,409,229	Public Dollar Stewardship Institutional Reputation/Compliance
Patient Services Net Revenue	\$545,209,574	Operational – Accounting for billing/receipts/bad debt
Student Tuition & Fee Revenue	\$412,071,788	Core Business Function Recruitment/Diversity/Retention
Net Investment Income Revenue	\$1,099,206,099	Financial Stewardship
Sales & Services Auxiliary Enterprise Revenue	\$304,470,018	Ancillary Funding Streams Supporting Operations
Salaries and Benefits Expense	\$1,812,296,102	Largest Resource Expenditure
Procurement Expense (Services/Supplies/Materials)	\$963,510,332	State and University Regulatory Compliance
Scholarship/Fellowship (Financial Aid) Expense	\$121,919,611	Federal and State Compliance
Utility Expense	\$79,240,505	Operational Expense – Consumable Product, Energy Consumption

A financial analysis of the university's 17 Colleges, Schools, and Libraries was completed. The chart to the right details the total fiscal year 2021 expenditures (including transfers) for each of the academic units listed.

Financial amounts reflect ConnectCarolina recorded expenditures on June 30, 2021, with amounts provided to the OIA by Accounting Services.

These academic units comprise a significant portion of total fiscal year institutional expenditures.

Academic Unit	FY 2021 Expenses
College of Arts and Sciences	\$331,905,990
Kenan-Flagler Business School	156,166,558
School of Education	19,708,265
School of Journalism	23,235,917
School of Law	30,267,217
School of Information & Library Science	12,033,685
School of Government	25,830,826
School of Social Work	21,671,093
Graduate School	29,815,912
Summer School Admin	648,529
School of Medicine	1,601,108,920
School of Dentistry	66,655,783
School of Nursing	28,486,080
School of Pharmacy	132,918,882
School of Public Health	142,625,569
University Libraries	42,176,596
Total Expenditures FY 2021	\$2,665,255,822

External Risk Evaluation – Industry-wide Higher Education Environment

The Institute of Internal Auditors *ONRISK, A Guide to Understanding, Aligning, and Optimizing Risk 2022* report detailed 12 significant risks facing organizations, with the top five being Cybersecurity, Talent Management, Organizational Governance, Data Privacy, and Culture.

Additionally, the Institute of Internal Auditors released the *2022 North American Pulse of Internal Audit* report of information and perceptions from internal audit leaders on a national scale. For the educational services sector, the top five trends for risk are centered on cybersecurity, information technology, compliance/regulatory, third-party relationships, and cost/expense reduction. The steepest increase from 2020 to 2021 reporting is related to growth in cybersecurity risks.

The United Educators published *The Large Loss Report 2022*, highlighting a summary of major damage awards and settlements of more than \$500,000 affecting K-12 schools, colleges, and universities in 2021. Key areas of risk resulting in settlements include:

- Accidents or Crimes Resulting in Death
- Antitrust
- Bullying
- Concussions
- COVID-19
- Discrimination
- Equal Pay
- False Claims Act
- Freedom of Speech
- Heat-Related Illnesses and Death
- Inappropriate Fees
- Injuries not Resulting in Death
- Mental Health
- Personal Injury and Fales Advertising
- Ransomware
- Retaliation
- Retirement Plans
- Sexual Misconduct
- Sexual harassment
- Wrongful Termination

PwC published *Managing Risk in Higher Education, Higher Education Sector Risk Profile 2021*. The publication assessed potential risks based on the likelihood of occurring and the resulting impact on the institution. The top five risk themes note include Cyber Security and Information Governance, COVID-19, Student Experience Mental Well-being, and Student Recruitment.

Summary

Collectively, the OIA's risk assessment encompassed evaluation and consideration of university operations, the *Top Five ERM Institutional Risks*, potential risks impeding strategic objectives of *CAROLINA NEXT- Innovations for Public Good*, a survey of executive leadership on risk and audit perspectives, a financial magnitude assessment, and an external assessment of industry risks. Outcomes determined the 22 audit engagements populating Carolina's *Fiscal Year 2023 Internal Audit Work Plan*. Additionally, the Work Plan maintains budgeted staff hours for the completion of six special project requests arising during the year.

University of North Carolina at Chapel Hill

Fiscal Year 2023 Internal Audit Work Plan Engagements

Audit Engagement	Risk Category	Audit Functional Area	Supportive Rationale
Student Fees (Revenues and Expenditures)	Financial	Finance and Operations	Leadership Survey–Budget and Funds Management and Financial Magnitude
University Recharge Centers	Financial	Procurement	Leadership Survey-Procurement & Financial Magnitude
Carolina Union	Financial	Student Affairs	Leadership Survey-Finance
Budget Modeling Assessment	Financial	Finance and Operations - Budgeting	ERM Risk-Decision Support and Leadership Survey-Fiscal and Assets
UNC Rapidly Emerging Antiviral Drug Development initiative (READDI)	Financial	Eshelman School of Pharmacy	Carolina Next Strategic Objective 6.3-Opportunity 5 and Financial Magnitude
Expenditure Review	Financial	School of Medicine	Financial Magnitude
Institute for Convergent Science	Financial	Carolina’s Convergence Science Institute	Carolina Next Strategic Objective 4.3 Opportunity 1
Academic Program Assessment & Course Evaluations	Operational	Provost Office/UNC Schools	Leadership Survey-Standard Operating Procedures and Carolina Next Strategic Objective 8.1 Opportunity 10
Student Well Being/Mental Health Services	Operational	Counseling and Psychological Services	ERM Risk-Life/Health/Safety and Leadership Survey-Other Operations
Equitable Employment	Operational	Human Resources	External Risk Assessment and ERM Risk-Talent Management
Fixed Asset Inventory and Accounting	Operational	Finance and Operations Accounting Services	Financial Magnitude–Procurement Expenses

Audit Engagement	Risk Category	Audit Functional Area	Supportive Rationale
Classroom Space Utilization	Operational	University Registrar & UNC Schools	ERM-Physical Infrastructure and Carolina Next Objective 8.3
UNC Centers and Institutes	Operational	Academic & Research	Leadership Survey-Instruction
Research Effort Reporting	Compliance	Office of Sponsored Research	Leadership Survey-Research Compliance
Higher Education Emergency Relief Fund – Pandemic Funds Audit	Compliance	Finance and Operations	External Risk Assessment-COVID 19
Coronavirus Aid, Relief, and Economic Security Act - Pandemic Funds Audit	Compliance	Finance and Operations	External Risk Assessment-COVID19
Continuous Auditing Process¹ -University Travel	Compliance	Campus-wide Operations	Financial Magnitude-Expenses
NCAA Compliance² -Academic Performance -Camps and Clinics	Compliance Compliance	Carolina Athletics	Leadership Survey and Division I National Collegiate Athletic Association Compliance
University Router Settings and Security	Technology	Information Technology- Security Infrastructure	Leadership Survey, ERM-Cyber and External Risk Assessment
University Switches Security and Compliance	Technology	Information Technology- Security Infrastructure	Leadership Survey, ERM-Cyber and External Risk Assessment
IT Systems with Tarheel Mission Ready Disaster Recovery Plans	Technology	Information Technology - General	Leadership Survey, ERM-Cyber and External Risk Assessment
Special Project Engagements³	Various	Various	Needs of University Leadership

¹ Audit assessments will be completed on a fixed interval basis covering activities spanning differing operating units of the University with individual reporting provided to local management as reviews are completed, accompanied by a final summary fiscal year-end report to the Chancellor and Board of Trustees.

² National Collegiate Athletic Association (NCAA) compliance Review for Division I Institutions based on the Association of College and University Auditors' *National Collegiate Athletic Association Division One Audit Guide*.

³ The Fiscal Year 2023 Internal Audit Work Plan maintains budgeted hours available to complete six (6) Special Project Engagements (audit requests, investigations, consultations, etc.) as the need may arise, and engagements are approved, during the course of the fiscal year.

Risk Assessment and Audit Plan

Available Audit and Project Hour Summary

While the initial work plan is developed based on a structured risk assessment process, risks may evolve throughout the year.

Therefore, the OIA monitors changes at the university level and within the higher education sector. Fluctuations of a significant nature in risk and/or audit staffing levels may necessitate revisiting the Fiscal Year 2023 Work Plan with the *Audit, Compliance, and Risk Assessment Committee*, as appropriate.

At present, the OIA is professionally staffed by the Chief Audit Officer, two Audit Supervisors, one Senior Auditor, one Information Technology Auditor, and two Staff Auditors. An administrative support position is currently vacant.

The Vice-Chancellor for Finance and Operations has designated FY23 budgeted funds necessary to support the work plan providing for OIA staffing of 7.75 full-time-equivalent employees.

Work Plan Hourly Detail

Total Available Audit Hours	12,480
(6 auditors @ 2,080 hours)	
Less Employee Leave	-1,440
(Annual/Sick/Holiday)	
Less Work Plan Hours	-7,940
Less Non-Work Plan Hours *	-2,196
Less Audit Related Duties	
(Consulting/Committees)	-890
Project Hours Available/Short	<u>14</u>

* Non-Work Plan Hours

Prior Finding Follow-up	240
Work Paper Peer Review	696
Professional Development	240
UNC Training	240
Administrative Hours	<u>780</u>
Total Hours	<u>2,196</u>

Engagement Project	Budgeted Hours
Financial (7)	
Student Fees Revenues and Expenditures	280
University Recharge Centers	280
Carolina Union	280
Budget Modeling Assessment	280
UNC READDI	280
Expenditure Review – School of Medicine	280
Institute for Convergent Science	280
Operational (6)	
Academic Program & Course Evaluations	280
Student Well Being/Mental Health	280
Equitable Employment	280
Fixed Asset Inventory and Accounting	280
Classroom Space Utilization	280
UNC Centers and Institutes	280
Compliance (6)	
Research Effort Reporting	280
HEERF Funds Pandemic Funds Audit	280
CARES Act Pandemic Funds Audit	280
Continuous Audit- University Travel	280
NCAA Compliance	
- Academic Performance	280
- Camps & Clinics	280
Technology (3)	
University Router Settings and Security	280
University Switches Security/Compliance	280
Tarheel Mission Ready Disaster Recovery	280
Special Projects (6 Projects @ 280 Hours)	1,680
FY22 Carry Over Engagement Work	<u>100</u>
Total Work Plan Hours	<u>7,940</u>

Approval providing for completion of engagements populating the Office of Internal Audit Fiscal Year 2023 Internal Work Plan for Carolina and for the budget and staffing level necessary to execute the plan.

W.M. Kotis, III
Audit, Compliance, and Risk Management Committee Chairman

Date

Kevin M. Guskiewicz
Chancellor

Date

Office of Internal Audit

*The UNIVERSITY of NORTH CAROLINA
at CHAPEL HILL*

*Dean Weber, CIA, CRMA
Chief Audit Officer
May 18, 2022*



INTERNAL
AUDIT

Risk Assessment and Fiscal Year 2023 Internal Audit Work Plan

Progressive Planning Approach

- **Evaluating risks in a fluid and engaging process** through assessment of data and conversations with leadership.

A Focus on Higher Level Priorities

- **Assessing University priorities** and understanding potential risks and obstacles.

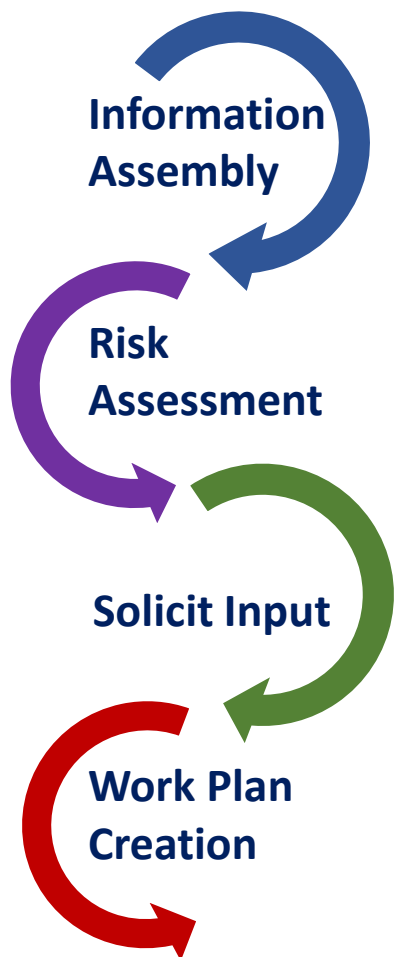
Linking Audits to Key University Areas

- Planning audit engagements **supporting important financial areas** of university activity.

Connecting System and University Initiatives

- Audits **supporting defined strategic initiatives** at the university and System level.

Risk Assessment and Fiscal Year 2023 Internal Audit Work Plan



- Audit Universe
- ERM Top Five Risks
- External Risk Scan
- *CAROLINA NEXT*
- Leadership Survey
- Financial Magnitude Assessment
- Assess Risk Impediments to University Goals
- Identify Potential Strategic Initiative Impediments
- Consider Regulatory and Industry Compliance
- Audit, Compliance, and Risk Management Committee Chairman
- Review Control Environment with the Executive Leadership
- Topics of Concern from Senior Leaders
- Key Audit Engagements and Continuous Auditing Initiatives
- Work Plan for Board of Trustees and Chancellor Approval
- Communicate the Approved Work Plan

Risk Assessment and Fiscal Year 2023 Internal Audit Work Plan

System Policy on University Enterprise Risk Management and Compliance

Audit researched **2022 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

The OIA and the Office of Vice Chancellor for Institutional Integrity and Risk Management surveyed the Chancellor's and Provost's cabinet on 47 potential ERM topics with results driving development of Carolina's Top Five ERM Topics for FY2023.

- The chart highlights the 7 risk topics scored **High** as determined by survey participants.
- Audit planning considered potential internal audit engagements to address risk mitigation for the **High** scored risk topics.

Risk Category	Risk Topic	Ranking
Mission	Talent Management	High Risks
Financial	Physical Infrastructure	
Safety	Attention of Well-Being and Mental Health	
Operational	Long-Term Adoption of Remote Work Models	
Strategic	Decision Support	
Mission	University Governance	
Technology	Cybersecurity	

Risk Assessment and Fiscal Year 2023 Internal Audit Work Plan

Supporting UNC System Board of Governors' Policy 1300.7, the Vice Chancellor of Institutional Integrity and Risk Management submitted the university's **Top Five ERM Institutional Risks** to the System Office. The following chart details Carolina's FY2023 submission.

Risk Topic	Description	Risk Category
Talent Management	Retaining and attracting top talent fundamental to the University's ability to operate and actively compete in a higher education marketplace.	Mission
Physical Infrastructure	Balancing competitive, vital large-scale capital investment programs for new facilities, existing renewals, and allocation of resources for maintenance to sustain the existing physical infrastructure footprint.	Financial
Attention to Well-Being and Mental Health	Resources or advocacy supporting well-being and mental health initiatives, including emerging technology and application solutions to support increased student and personnel anxiety, depression, and related concerns.	Life/Health Safety
Decision Support	Making informed, timely decisions such as how to allocate scarce resources to meet the strategic goals exasperated by lack of key matrices and related data.	Strategic
Cyber Security	Staying on top of the wide array of cyber security threats, this includes novel ways to exploit criminal activity, ransomware, and denial of service attacks.	Technology

Seven work plan engagements support rationale linked to mitigating Top Five ERM Institutional Risks.

Risk Assessment and Fiscal Year 2023 Internal Audit Work Plan

CAROLINA NEXT – INNOVATIONS FOR PUBLIC GOOD

Risk Assessment of Strategic Objectives

- Assess the strategic plan, *CAROLINA NEXT*, to identify and consider risks that could potentially impede the realization of desired strategic objectives.
- The Plan outlines eight strategic initiatives, defining 24 strategic objectives, that are underpinned by 117 strategic opportunities.
- Strategic opportunities were considered in determining potential audit engagement activity for each strategic objective ranked high based on opinion scoring by the Office of Internal Audit.
- Outcomes highlight six strategic objectives scored “high” by internal audit for consideration in audit engagement planning.
- **Four work plan engagements** support rationale linked to mitigating potential strategic objective risks.

Risk Assessment and Fiscal Year 2023 Internal Audit Work Plan

Leadership's Survey of Audit Risk Topics

Operational Areas Assessed

- Athletics
 - Research
 - Information Technology
 - Instruction/Academics
 - Human Resources
 - Development
 - Student Affairs
 - Fiscal & Asset Management
 - Other University Operations
- Automated survey distributed to 171 senior leaders of the university to obtain leadership's perspective on risks impacting the University and/or their individual areas of oversight.
 - The survey focused on nine distinct operational areas comprising 124 overall audit risk topics.
 - The 124 scored risks recognized 28 HIGH, 35 MEDIUM, and 61 LOW audit risk topics. The fiscal year 2023 work plan links **twelve proposed audit engagements** to leadership's high scored risks.

Risk Assessment and Fiscal Year 2023 Internal Audit Work Plan

Financial Magnitude and Higher Education Environment Assessment



The OIA assessed financial data for 10 core components of University operations (revenues/expenses) and expenses of the 17 academic units for the fiscal year ended June 30, 2021. These comprise significant funding sources and/or the consumption of institutional resources. **Six proposed work plan engagements support financial assessment rationale.**



Evaluated noteworthy risks impacting the Higher Education Industry environment. Sources include:

- Institute of Internal Auditors
- United Educators
- Price Waterhouse Coopers – Higher Education Sector

Six proposed work plan engagements are linked to the external assessment.

Risk Assessment and Fiscal Year 2023 Internal Audit Work Plan

Defined Engagements by Audit Category (28 projects)

Operational Audit (6 audits)

- Academic Program Assessment & Course Evaluations
- Student Well-being/Mental Health
- Equitable Employment
- Fixed Asset Inventory & Accounting
- Classroom Space Utilization
- UNC Centers and Institutes

Compliance Audits (6 audits)

- Research Effort Reporting
- HEERF Pandemic Funds
- CARES Pandemic Funds
- University Travel
- NCAA Academic Performance
- NCAA Camps & Clinics

Financial Audits (7 audits)

- Student Fees Revenues & Expenses
- University Recharge Centers
- Carolina Union
- Budget Modeling Assessment
- UNC READDI
- School of Medicine Expenditure Review
- Institute for Convergent Science

Information Technology (3 audits)

- Router & Security Settings
- Switches Security Compliance
- Tarheel Ready Disaster Recovery

Special Projects/Investigations (6)

- Identified as Need Determines

THE COMPLETION GOAL:

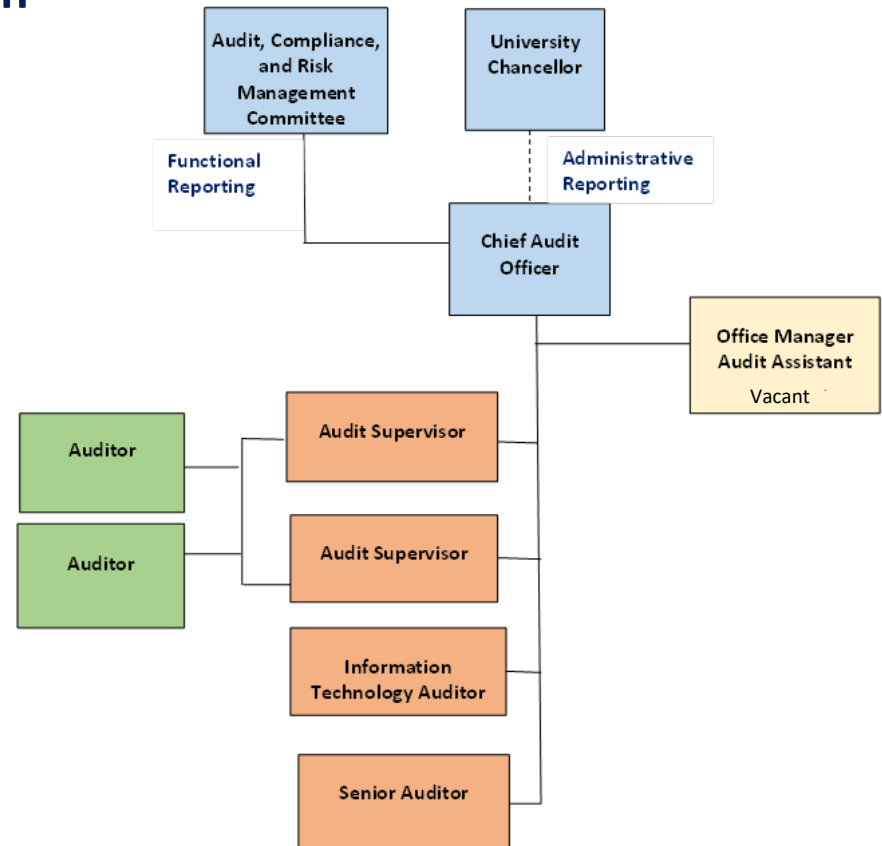
100% - would be ideal...**75% to 80%** would be successful.

The Office of Internal Audit anticipates approximately 2 carry-over engagements ongoing at June 30, 2022, but not yet completed. These engagements will be completed in the first quarter of FY2023.

Risk Assessment and Fiscal Year 2023 Internal Audit Work Plan

Departmental Staffing and Organization

- The *Board of Trustees, Audit, Compliance, and Risk Management Charter and Office of Internal Audit Charter* require approval, in consultation with the Chancellor, of the budget and resources necessary to execute the University's internal audit plan.
- Department is currently fully staffed.
- Budgeted complement supports 7 full-time equivalent professional staff and one $\frac{3}{4}$ time equivalent administrative support professional.
- The Vice Chancellor for Finance and Operations designated sufficient funding necessary to support the Office of Internal Audit's operations for FY2023.



Risk Assessment and Fiscal Year 2023 Internal Audit Work Plan

Recommended Action:

A motion authorizing the Audit, Compliance, and Risk Management Committee to approve the *Office of Internal Audit's Risk Assessment and Fiscal Year 2023 Internal Audit Work Plan for Carolina* and for the budget and staffing level necessary to execute the plan. Signatory approval to be documented by the Committee Chairman and the Chancellor.



May 18, 2022
Agenda Item 2

Situation:	The Committee will receive an overview about the University’s Institutional Integrity and Risk Management (“IIRM”) division and its ongoing activities.
Background:	The <i>Audit, Compliance, and Risk Assessment Committee</i> exercises oversight over some of the functions performed by IIRM. The intent of the presentation is to give the Committee insight into the composition of IIRM and an overview of its activities.
Assessment:	N/A
Action:	This item does not require a vote by the Committee.

Institutional Integrity & Risk Management

Presentation to the UNC-Chapel Hill Board of Trustees Audit, Compliance, and Risk Management Committee

May 18, 2022



INSTITUTIONAL INTEGRITY
AND RISK MANAGEMENT

What is IIRM?



- **Purpose**
 - *Protecting Carolina's People, Property, and Reputation*
- **Two Primary Components**
 - Integrity & Compliance
 - Campus Safety
- **Nine (9) Subunits**
- **193 FTE**
 - Approximately 87% in University Police and Environment, Health, and Safety



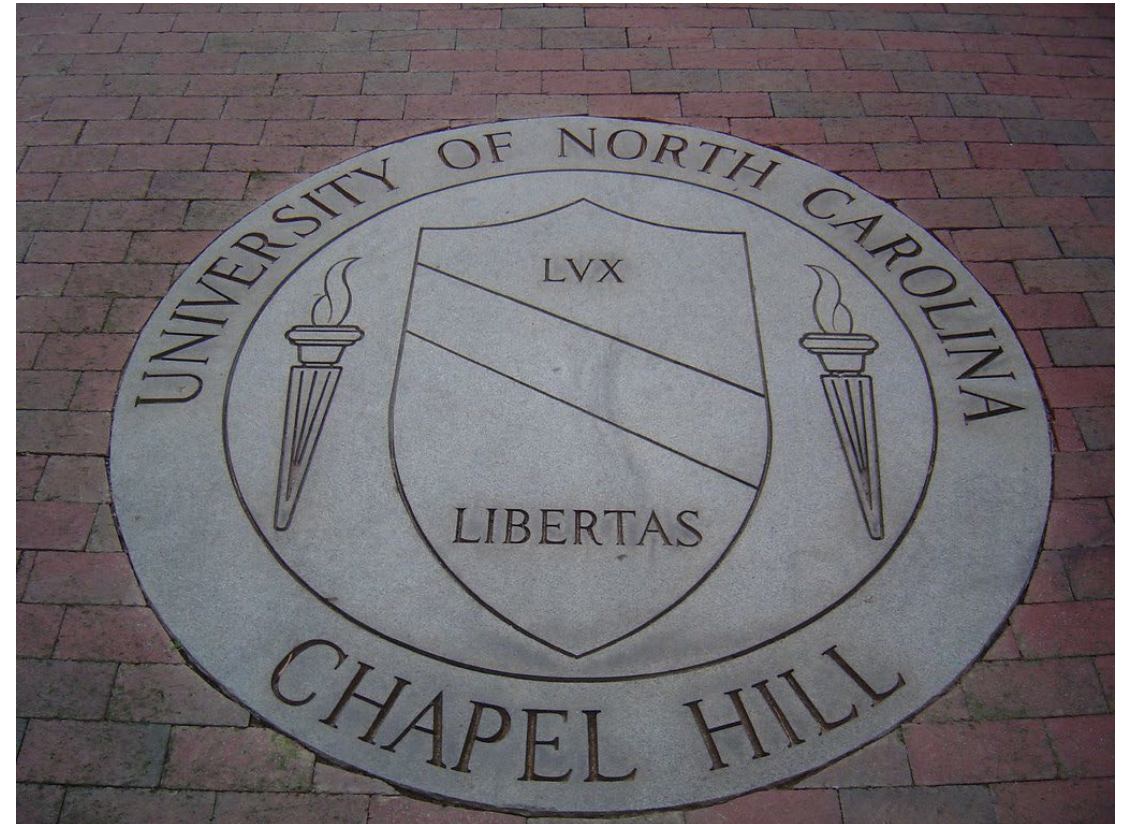
Timeline



Integrity & Compliance



- ***Office of Ethics & Policy (ethicspolicy.unc.edu)***
 - Assisting the University in building a culture of integrity through various means and is the official keeper of the University's policy creation, review, and maintenance processes.
- ***Institutional Privacy Office (privacy.unc.edu)***
 - Facilitating compliance with privacy laws and regulations, including providing training, consultation, and direction. Providing leadership and support for breach response and incident management.



Integrity & Compliance



- **Central Compliance Office** (iirm.unc.edu/compliance/)
 - Coordinating and, to the extent possible and practicable, synchronizing the University's legal and policy compliance efforts.
- **Export Compliance Office** (iirm.unc.edu/export-control/)
 - Promoting understanding of and adherence to the export control laws and regulations, while facilitating the open sharing of research results, scholarship, and the University's global mission.
- **Conflict of Interest Office** (iirm.unc.edu/coi/)
 - Assisting with identifying and managing conflicts of interest with respect to governing laws, regulations, and policies.





- *Environment, Health & Safety (ehs.unc.edu)*
 - Providing a safe and healthful environment for the University and local community through education, training, consultation, recognizing and controlling health and safety hazards, ensuring regulatory compliance and minimizing potential liabilities.
- *Emergency Management and Planning (campussafety.unc.edu/emergency-management/)*
 - Fostering prevention, preparedness, response, recovery, and mitigation activities to protect the University from the adverse effects of disaster, relying on multi-disciplinary collaboration, cooperation, and coordination.



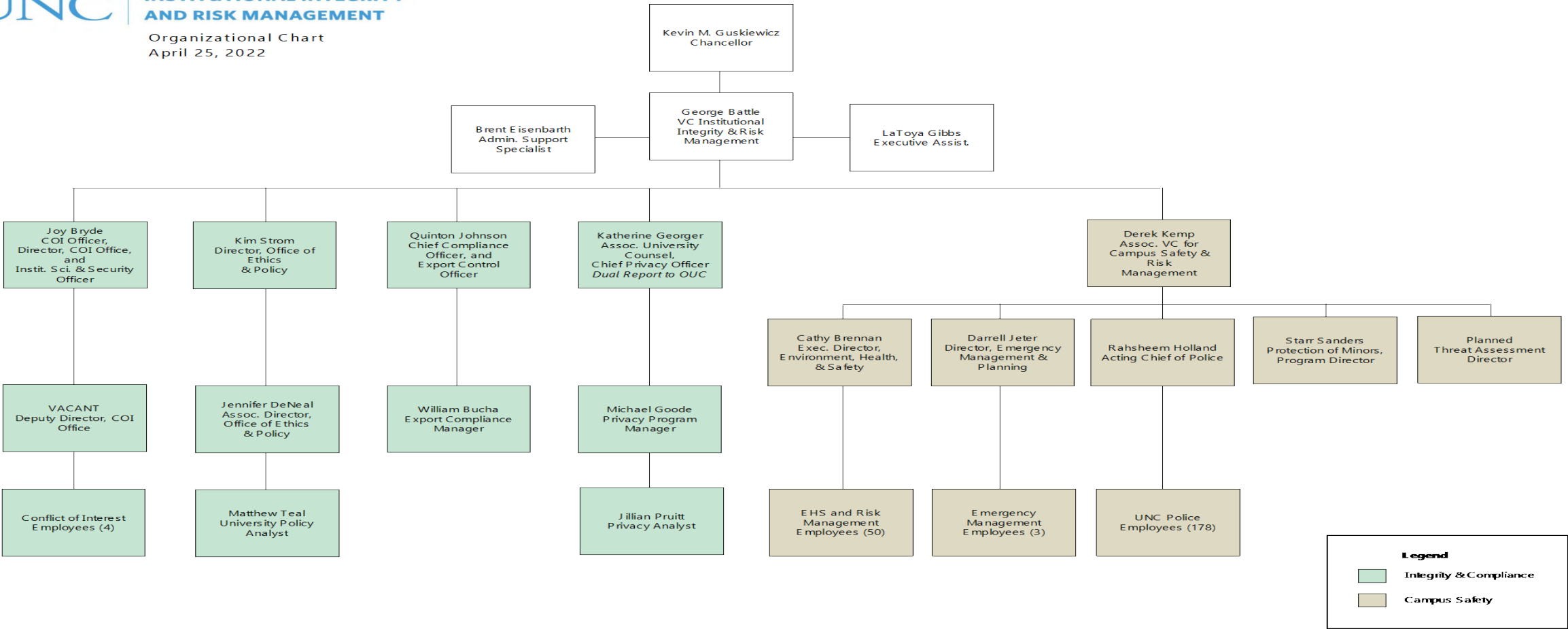
- *Protection of Minors on Campus* (campussafety.unc.edu/protection-of-minors/)
 - Providing a welcoming and safe environment for all minors visiting the University property or participating in University programs by establishing standards, requirements, and procedures that specifically focus on protecting the safety of individuals less than 18 years of age.
- *UNC-CH Police* (police.unc.edu)
 - Providing public safety and law enforcement services on behalf of the University.

Organizational Chart



INSTITUTIONAL INTEGRITY AND RISK MANAGEMENT

Organizational Chart
April 25, 2022



INSTITUTIONAL INTEGRITY AND RISK MANAGEMENT

Partial List of Accomplishments



Created Central Compliance Office

Rebuilt Institutional Privacy Office

Implemented updated privacy incident management and breach response process

Completed policy equity audit

Upgraded the university-wide policy and complaint management systems

Played leading and support roles in the University's efforts to combat COVID-19

Partial List of Accomplishments



In partnership with Office of Internal Audit, created and executed leadership enterprise risk survey

Re-launched Institutional Science and Security Program

Developed an enterprise-wide export compliance program to satisfy Department of Commerce, State, and Treasury requirements

Created policy risk framework

Led the effort to comply with new sanctions and controls on Russia

In Progress



- Key Area Retention, Recruitment & Vacancies
 - UNCPD
 - EHS
- Comprehensive Emergency Management Policy
- Threat Assessment
- NPRSM-33
- Enterprise Risk Management Infrastructure & Workplan
- Central Investigations Unit
- University Code of Conduct

Questions



iirm.unc.edu



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