



AGENDA

OPEN SESSION

ACTION ITEMS

1. **Approval of the Minutes of May 17, 2023**
Marty Kotis, Committee Chair
2. **Fiscal Year 2023 Annual Certification Letter of Compliance**
Dean Weber, Chief Audit Officer
3. **Proposed Amended Nondiscrimination Resolution**
Marty Kotis, Committee Chair

INFORMATION ITEMS

1. **North Carolina Council of Internal Auditing Self-Assessment and Maturity Model Reporting for Fiscal Year 2023**
Dean Weber, Chief Audit Officer
2. **University Associated Entity Annual Financial Audit Compliance Update**
Dean Weber, Chief Audit Officer
3. **Internal Audit Assessing Compliance with Nondiscrimination Requirements**
Dean Weber, Chief Audit Officer

UNC-CHAPEL HILL BOARD OF TRUSTEES
AUDIT, COMPLIANCE, AND RISK MANAGEMENT COMMITTEE MEETING
Open Session Minutes

May 17, 2023

Committee Chair Marty Kotis called the meeting to order at 9:02 a.m. in the Chancellor's Ballroom at The Carolina Inn. Assistant Secretary Chris McClure called the roll. The following committee members were present:

Chair Marty Kotis
Vice Chair Malcolm K. Turner
John P. Preyer
Allie Ray McCullen

OPEN SESSION

The following items were presented for action:

Approval of March 22, 2023 Minutes

The Committee reviewed and approved the minutes of March 22, 2023. Committee Chair Kotis noted that without objection the approved item would be added to the Consent Agenda for the Full Board meeting.

Fiscal Year 2024 Risk Assessment and Internal Audit Work Plan

Dean Weber, Chief Audit Officer, presented the University's Risk Assessment and Internal Audit Work Plan for Fiscal Year 2024 for review and approval. Questions and comments followed.

Chair Boliek made a motion for approval, which was seconded. The motion carried. The approved item was added to the Consent Agenda for the Full Board meeting.

The following items were presented for information:

IT Security Issues and Program Update

The committee heard an update on the University's IT Security Program from Mike Barker, Vice Chancellor for Information Technology and Chief Information Officer, and Paul Rivers, Chief Information Security Officer and Assistant Vice Chancellor for Information Security. Following the update, questions and discussion were entertained by the Board.

Top Five Enterprise Risk Management (ERM) Risks

George Battle, Vice Chancellor for Institutional Integrity and Risk Management, and Dean Weber presented to the committee the University's Top Five Enterprise Risk Management Risks. Questions and discussion were entertained by the Board.

Water Testing

George Battle, Vice Chancellor for Institutional Integrity and Risk Management, Catherine Brennan, Executive Director of Environment, Health and Safety, and Darrell Jeter, Director of Emergency Management and Planning, provided the committee with an update on water testing. Questions and

UNC-Chapel Hill Board of Trustees
Audit, Compliance, and Risk Management Committee Meeting
Open Session Minutes – May 17, 2023

comments followed.

ADJOURNMENT

There being no further business to come before the committee, Committee Chair Kotis adjourned the meeting at 10:41 a.m. without objection.

AGENDA ITEM

Action Item 1

Fiscal Year 2023 Annual Certification Letter of Compliance

Situation: Audit, Compliance, and Risk Management Committee Annual Certification Letter of Compliance for the University of North Carolina at Chapel Hill's Internal Audit Function.

Background: The University of North Carolina System Task Force on Best Financial Practices prescribed a recommendation that the UNC System Board of Governors require each campus Board of Trustees to have an active Audit Committee, or a committee with the word "audit" in its title, that reports to the Board of Trustees and the Board of Governors annually on its activities. The audit committee functionally oversees the University's internal audit operation providing for independence in the internal audit activities of the institution.

The UNC-Chapel Hill Board of Trustees Audit, Compliance, and Risk Management Committee is responsible for ensuring specific meetings occur and processes are followed concerning internal audit matters with specific points of compliance detailed. Attestation of the Committee's compliance is requested to be submitted annually to the UNC System Vice President for Compliance and Audit Services. A summary of these certifications from each institution will be provided annually to the Board of Governors Committee on Audit, Risk Management, and Compliance.

Assessment: The fiscal year 2023 Annual Certification Letter of Compliance for the University of North Carolina is prepared per UNC System guidance and provided for consideration by the Board of Trustees.

Action: This item requires a vote by the Committee and a vote by the full Board of Trustees to approve the Committee Chairman to execute the proposed certification letter to the University of North Carolina System Vice President for Compliance and Audit Services, attesting to compliance with specific terms as outlined within the communication. (Exhibit 1)

*Board of Trustees Audit Committee
Certification Letter
July 27, 2023*

Michael T. Ptasienski, CPA
Vice President for Compliance and Audit Services
The University of North Carolina System

Dear Mr. Ptasienski:

I confirm that the Board of Trustees (BOT) audit committee for the University of North Carolina at Chapel Hill's internal audit function is in compliance with the following for the 2023 fiscal year (*any exceptions must be identified and explained in an accompanying statement*). The Board of Trustees (BOT) audit committee:

1. Met at least four times this past fiscal year.
2. Reviewed the results of the annual financial audit with representatives of the North Carolina Office of the State Auditor (OSA), the Chief Audit Officer and/or appropriate campus official, and discussed corrective actions, if needed.
3. If applicable, reviewed the results of any other audit performed and report/management letter (i.e., investigations, Statewide Federal Compliance Audit Reports, etc.) issued by the OSA with representatives of the State Auditor's Office, the Chief Audit Officer and/or appropriate campus official.
4. If applicable, for any audit finding contained within a report or management letter issued by the OSA, reviewed the institution's corrective action plan and the report of the internal auditor on whether or not the institution has made satisfactory progress in resolving the deficiencies noted, in accordance with North Carolina General Statute 116-30.1 as amended.
5. Reviewed all audits and management letters of University Associated Entities as outlined in Section 600.2.5.2[R] of the UNC Policy Manual.
6. Received and reviewed quarterly status updates from the institution's Chief Audit Officer and internal audit reports that, at a minimum, reported material (significant) reportable conditions, management's corrective action plan for these conditions, and any follow-up reports regarding whether these conditions have been corrected.
7. Received, reviewed, and approved, at the beginning of the audit cycle, the annual audit plan for the institution's internal audit function.
8. Received and reviewed, at the end of the audit cycle, a comparison of the annual audit plan with internal audits performed by the internal audit department.

I further attest the following:

- The institution's Chief Audit Officer reports administratively to the Chancellor, or designee, with a clear and recognized functional reporting relationship to the chair of the BOT Audit Committee.
- The Audit Committee charter defines appropriate roles and responsibilities, including the committee's oversight of the institution's information security program. These responsibilities also include the assurance that the institution is performing self-assessments of operating risks and evaluations of internal controls on a regular basis.
- To my knowledge, the internal audit function is carried out in a way that meets professional standards. The auditor's risk assessment process and annual audit plan considers significant institutional risks, including information security.
- To my knowledge, the institution's Chief Audit Officer forwarded copies of both the approved audit plan and internal audit reports, to the North Carolina Council of Internal Auditing in the prescribed format.
- To my knowledge, the institution's Chief Audit Officer provided the UNC System Office with a summary of audit activities performed each fiscal year.

W. M. Kotis, III, Chair
Board of Trustees, Audit, Compliance, and Risk Management Committee

Note: A summary of these certifications from each institution will be provided annually to the Board of Governors Committee on Audit, Risk Management, and Compliance.

**RESOLUTION OF THE BOARD OF TRUSTEES
OF THE UNIVERSITY OF NORTH CAROLINA
CONCERNING CIVIL RIGHTS**

WHEREAS, Article I of the Constitution of the State of North Carolina provides: *“We hold it to be self-evident that all persons are created equal; that they are endowed by their Creator with certain inalienable rights; that among these are life, liberty, the enjoyment of the fruits of their own labor, and the pursuit of happiness.”*

WHEREAS, this guarantee of the right of our State’s citizens to “enjoy the fruits of their own labor” is unique to North Carolina and was enacted to protect North Carolinians’ rights to pursue their chosen profession and derive the benefits from their hard work – free from unreasonable interference from the government.

WHEREAS, the “fruits of their own labor” right applies to hiring and contracting in the State of North Carolina.

WHEREAS, the Constitution of the State of North Carolina states in Article 9, Section 9 that the benefits of The University of North Carolina and other public institutions of higher education, as far as practicable, be extended to the people of the State free of expense.

WHEREAS, the federal Civil Rights Act of 1964 prohibits discrimination on the basis of race, color, religion, sex or national origin, such that discrimination on the basis of gender and race in hiring, promoting, and firing violates the laws of the United States.

WHEREAS, the Fourteenth Amendment to the United States Constitution provides, in part, that no state can deny to any person within its jurisdiction the equal protection of the laws, and Title IX specifically prohibits discrimination based on gender.

WHEREAS, voters in the State of California passed [Proposition 209](#) in 1996, which mandates that the state cannot discriminate against or grant preferential treatment on the basis of race, sex, color, ethnicity, or national origin in the operation of public employment, public education, and public contracting. And in 2020, voters in California overwhelmingly voted down [Proposition 16](#), which would have repealed Proposition 209.

WHEREAS, Section 116-33 of the North Carolina General Statutes requires the Trustees of the University of North Carolina to promote the sound development of the University, helping it serve the State, and the Board of Trustees is responsible for oversight as advisor to the Board of Governors and Chancellor concerning the management and development of the Institution.

WHEREAS, Section 300.8.5 of the UNC Policy Manual seeks to advance diversity and to foster an inclusive environment that engages, respects, and values all members of the University community and to ensure such efforts are carried out in an effective manner. The UNC Policy Manual defines “Diversity” as the ways in which individuals vary, including, but not limited to,

backgrounds, personal characteristics, ideas, beliefs, cultures, and traditions that distinguish one individual or group from another, which may include, but are not limited to, Federal, State, University, and constituent institution protected classes.

WHEREAS, the UNC Policy Manual defines “Inclusion” as the enablement of individuals, including those from underrepresented groups, to fully and equitably have access to, and participate in, the University’s programs, services, facilities, and institutional life.

WHEREAS, the UNC Policy Manual defines “Diversity and Inclusion (D&I)” collectively as the intentional efforts undertaken to create an institutional culture and a working and learning environment that offers acceptance, support, and respect for a diversity of individuals as they pursue their academic, research, and professional ambitions and interests.

WHEREAS, the UNC Policy Manual defines “Equal Opportunity (EO)” as the right of individuals to be considered for admission to, employment by, and promotion within the Institution on the basis of merit, experience, and qualifications, without unlawful or impermissible discrimination with respect to federal, State, University, and constituent institution protected classes.

WHEREAS, the University, through its Chancellor, D&I Officer, or other Chancellor designee, is required by the UNC Policy Manual to provide a report at least annually to the Board of Trustees on D&I-related information, as identified by the President or President’s designee. The Board of Trustees may request or require additional or more frequent information to be reported related to D&I operations, programs, and activities.

WHEREAS, it is the unequivocal policy of the University of North Carolina to prohibit discrimination against businesses on the basis of race, color, national origin, or gender; to promote and encourage full and open competition; and to promote equal access to contracting opportunities among the various contractors and vendors that do business with the University.

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of the University of North Carolina, as of this the _____ day of March, 2023 that:

The University shall not discriminate against, or grant preferential treatment to, any individual or group on the basis of race, sex, color, ethnicity, or national origin in its hiring and contracting; and

This Resolution shall apply only to action taken after the Resolution's effective date; and

Nothing in this Resolution shall be interpreted to prohibit *bona fide* qualifications based on gender which are reasonably necessary to the normal operation of public employment, public education, or public contracting; and

Nothing in this Resolution shall be interpreted as invalidating any valid court order or judicial consent decree in force as of the effective date of this Resolution; and

Nothing in this Resolution shall be interpreted to prohibit action which must be taken to establish or maintain eligibility for any federal program, where ineligibility would result in a loss of federal funds to the State; and

For the purposes of this Resolution, "State" shall include the University, or any other political subdivision or governmental instrumentality of or within the University; and

The protections available for violations of this Resolution shall be the same, regardless of the injured party's race, sex, color, ethnicity, or national origin, as are otherwise available for violations of then-existing North Carolina and U.S. antidiscrimination laws; and

This Resolution shall be self-executing. If any part or parts of this Resolution are found to be in conflict with applicable State or federal law, or the Constitution of the State of North Carolina or the United States Constitution, the Resolution shall be implemented to the maximum extent permitted such that the foregoing violation(s) are avoided. Any portion(s) of this Resolution held invalid shall be severable from the remaining portions of this Resolution without affecting the validity thereof or the remainder of the Resolution as a whole.

Audit Committee Chair, Board of Trustees

Date: _____

Audit Committee Vice-Chair and
Secretary of the Board of Trustees

Date: _____

Chair, Board of Trustees

Date: _____

Vice-Chair, Board of Trustees

Date: _____

Member, Board of Trustees

Date: _____

[Add further signature blocks/titles as needed]

AGENDA ITEM

Information Item 1 ***North Carolina Council of Internal Auditing Self-Assessment and Maturity Model Reporting for Fiscal Year 2023***

Situation: For Committee review and information is the North Carolina Internal Auditing Self-Assessment and Maturity Model (SAMM) reporting for the fiscal year 2023.

Background: The North Carolina Council of Internal Auditing (Council) instituted a requirement for all state government internal audit functions to report to the Council annually on a self-assessment of operations for alignment to six prescribed operational themes. Carolina must comply with this reporting requirement.

The SAMM consists of separate self-assessment questionnaires addressing the following themes:

1. Services and Role of Internal Auditing
2. Professional Practices
3. Performance Management and Accountability
4. People Management
5. Organizational Relationships
6. Governance Structures

Each theme is broken down into subthemes with specific questions addressing related internal audit office operational topics. The self-assessment exercise requires the selection of a rating supporting the internal audit office's attainment of practices in meeting expectations for each operational topic. The five rating levels comprise (1) Initial, (2) Infrastructure, (3) Integrated, (4) Managed, and (5) Optimized.

Based on individual scores assigned to the six themes via the self-assessment exercise, an overall rating level is calculated. Any rating level less than 3 (Integrated) must be supported with a corrective action plan for improvement.

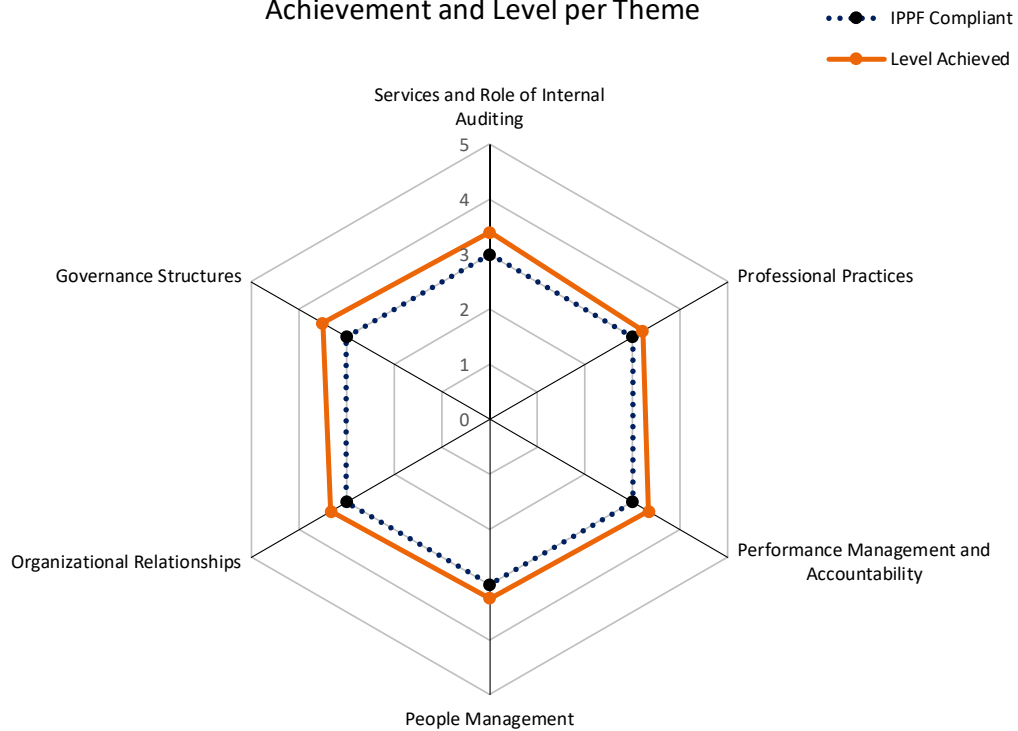
The SAMM report must be attested to by the head of the agency (Chancellor) annually and the Board is to be informed of outcomes from the completed SAMM.

Assessment: The Chief Audit Officer completed the SAMM reporting for the fiscal year 2023. For each of the six themes and topics, operational practices of the OIA were considered to be at a level 3 (Integrated) or higher. No corrective action plans are necessitated, see Exhibit 1 for outcomes.

Action: No action is required.

Theme	IPPF Compliant	Level Achieved
Services and Role of Internal Auditing	3	3.4
Professional Practices	3	3.2
Performance Management and Accountability	3	3.3
People Management	3	3.3
Organizational Relationships	3	3.3
Governance Structures	3	3.5

Achievement and Level per Theme



DASHBOARD PER TOPIC		
Theme	Topic	Level achieved
Services and Role of Internal Auditing	Assurance services	3.8
	Consulting services	3.0
Professional Practices	Audit plan	3.3
	Quality Assurance	3.2
Performance Management and Accountability	Internal Audit Function Plan	3.0
	Reporting	3.7
People Management	Professional Development	3.5
	HR Planning	3.0
Organizational Relationships	Organizational Relationships	3.3
Governance Structures	Management and oversight of the IA activity	4.0
	Access and awareness	3.0

AGENDA ITEM*Information Item 2* **University Associated Entity Annual Financial Audit Compliance Update****Situation:** University Associated Entity Annual Financial Audit Compliance Update**Background:** The Committee-approved Audit, Compliance, and Risk Management Charter provides for notification of completed external audits of University Associated Entities as defined in section 600.2.5.2[R] of the University of North Carolina Policy Manual. Copies of associated entities' financial reports are available to all university Board of Trustee members.

Annually, the University of North Carolina at Chapel Hill must comply with the UNC System Policy, Required Elements of University-Associated Entity Relationship. Each associated entity is required to obtain an annual audit as part of this policy.

For the fiscal year ended June 30, 2022, 27 associated entities completed their annual audit and 26 received an Unqualified or clean opinion on their annual financial statements. One entity received a Qualified opinion for excluding fixed assets and accounts payable in the statements of financial position, a departure from U.S. GAAP. Management letter comments were provided to three entities.

As per UNC Policy, the Associated Entities have responded with proper corrective actions to address any areas of concern. Finance and Operations will continue to check the progress made in addressing these areas throughout the fiscal year and assist, as needed, with their upcoming annual audits.

Assessment: The UNC Associated Entities have completed and submitted to the university annual financial audits for the fiscal year ending June 30, 2022, with results shared for consideration of the Board of Trustees.**Action:** No action is required.

Board of Trustees Audit, Compliance, and Risk Management Committee Meeting

The UNIVERSITY OF NORTH CAROLINA at CHAPEL Hill

July 26, 2023

Dean Weber, CIA, CRMA
Chief Audit Officer

Action Item #1

Board of Trustee Certification on Internal Audit to the UNC System Office

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

July 26, 2023

Dean Weber, CIA, CRMA
Chief Audit Officer

Certification on Internal Audit



Task Force on Best Financial Practices Guidelines (UNC System Board of Governors' adopted November 2005)

- *The Task Force on Best Financial Practices* made a recommendation, subsequently adopted, to the University of North Carolina System Board of Governors, requiring the establishment of a Board Audit Committee.
- Responsibilities are defined for the Audit Committee to uphold.
- Oversight for information technology governance and security is later assigned as a responsibility of the Audit Committee via Board of Governors' Chapter 1400; *Information Technology*, Section 1400.1; *Information Technology Governance* and 1400.2; *Information Security* (adopted May 2018 and April 2019, respectively).

Certification on Internal Audit



Committee Responsibilities

- Meets at least four times per year.
- Review annual financial audit with the Office of State Auditor or Chief Audit Officer.
- Review results of any other audits performed.
- Review corrective action plan for audit findings.
- Review audits of University Associated Entities.
- Receive and review quarterly status updates from the Chief Audit Officer.
- Review and approve the University's annual internal audit plan and staffing level for the audit cycle.
- Receive and review a year-end comparison of internal audits completed against the plan.



AUDIT

Operational Processes

- CAO reports administratively to the Chancellor and functionally to the Board of Trustee Audit, Compliance, and Risk Management Committee.
- The Audit, Compliance, and Risk Management Committee charter defines appropriate roles and responsibilities, including the committee's oversight of the institution's information security program.
- Internal audit functions are carried out in a way that meets professional standards.
- The CAO forwards the approved audit plan and internal audit reports to the Carolina Council of Internal Auditing.
- The CAO provides the UNC System Office with a summary of audit activity performed.



Motion:

For the Committee to approve and to move forward for voting by the full Board of Trustees providing authorization for the Audit, Compliance, and Risk Management Committee Chair to execute the *Board of Trustee Audit Committee Certification Letter* for submission to the UNC System Office

Information Item #1

Council of Internal Auditing 2023 Self-assessment and Maturity Model Report

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

July 26, 2023

Dean Weber, CIA, CRMA
Chief Audit Officer

NC Council of Internal Audit Self-Assessment and Maturity Model (SAMM)



- The SAMM is required to be completed by all state governmental internal audit departments and comprises a framework for assessing the capabilities of an internal audit function against the International Professional Practices Framework (IPPF). Results are required to be shared with governing boards.
- As a self-assessment exercise, a conservative scoring strategy was employed, and a compliant level 3 score or greater was attained for the six themes assessed.

Theme	IPPF Compliant Rating	OIA Level Achieved
Services and Role of Internal Auditing	3	3.2
Professional Practices	3	3.2
Performance Management and Accountability	3	3.3
People Management	3	3.3
Organizational Relationships	3	3.3
Governance Structures	3	3.5



Questions?

Information Item #2

Report of University Associated Entities External Financial Audit Results

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

July 26, 2023

Dean Weber, Chief Audit Officer

Chandrika Rao, ED Associated Entities/Associate Controller

UNC Policy Manual 600.2.5.2 [R] requirements



Per UNC Policy Manual Chapter 600.2.5.2[R], “Required Elements of University-Associated Entity Relationship” adopted in 2005 and amended in 2014, 2015, 2021, and 2022, the UNC System Office requires each defined Associated Entity to:

1. Obtain an independent annual audit of all Financial Statements of the organization in a timely and thorough manner.
2. Annual Review of Internal Controls.
3. Deliver formal communication to UNC-CH Financial Leadership and its Board of Directors including major updates, audit findings, and remediation plans (if any).
4. Annual updated short-term and long-term budget projections.
5. Maintain supporting documentation available for inspection by UNC System Office.

Results of Fiscal Year 2022 Independent Annual Audits of Financial Statements



For the fiscal year ended June 30, 2022:

- 27 associated entities completed their annual financial statement audits
- 26 associated entities received unmodified opinions on their annual financial statements.
- One associated entity received a qualified opinion for excluding accounts payable and fixed assets in the statements of financial position, considered as a departure from U.S. GAAP.

Management response: Acknowledged and expect recommended corrective actions to be addressed and financial statements prepared to conform to U.S. GAAP.

Results of Fiscal Year 2022 Independent Annual Audits of Financial Statements , cont'd



Areas of Concern noted by the independent auditors:

Three entities received management letters from the independent auditors identifying the following areas of concern:

- General ledger reconciliation of account balances not performed resulting in audit adjustments.
- Lack of segregation of duties mainly attributed to the small size of the accounting staff.
- Improper cut-off resulting in audit entries to reflect the proper timing of receivables and payables transactions.

As per UNC Policy, the Associated Entities have provided responses with proper corrective actions to address these areas of concern. F&O will continue to check the progress made in addressing these areas throughout the fiscal year and assist, as needed, with their upcoming annual audits.



Questions?