



**AGENDA**

**OPEN SESSION**

**ACTION ITEMS**

1. **Approval of the Minutes of January 17, 2024**  
*Vinay Patel, Chair*
2. **Review and Approval of the Audit, Compliance, and Risk Management Committee Charter and the Office of Internal Audit Charter**  
*Dean Weber, Chief Audit Officer*
3. **Approval of the Office of Internal Audit Risk Assessment and Fiscal Year 2025 Internal Audit Work Plan**  
*Dean Weber, Chief Audit Officer*

**INFORMATION ITEMS**

4. **Office of Internal Audit – Risk Assessment and Top Five Enterprise Risk Management Exercise**  
*Dean Weber, Chief Audit Officer*

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

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

**January 17, 2024**

Committee Chair Vinay Patel called the meeting to order at 12:05 p.m. in the Alumni Hall at The Carolina Club.

Assistant Secretary Chris McClure called the roll. The following committee members were present: Dave Boliek, Brad Briner, Jennifer Halsey Evans, Marty Kotis, Vinay Patel, John Preyer, and Malcolm Turner.

Assistant Secretary McClure indicated that there was a quorum.

**OPEN SESSION**

The following items were presented for information only:

**Office of Internal Audit – Fiscal Year 2024 Work Plan Update**

Dean Weber, Chief Audit Officer, presented an update on the Fiscal Year 2024 Work Plan. Questions and comments followed.

**Office of Internal Audit – External Quality Assurance Review Outcomes**

The committee heard an update on the External Quality Assurance Review from Mr. Weber. Questions and comments ensued.

**Institutional Integrity & Risk Management – Campus Safety Update**

The committee heard a campus safety update from George Battle, Vice Chancellor for Institutional Integrity and Risk Management. Questions and comments were entertained.

**Information Technology Cyber Security Update**

Mike Barker, Vice Chancellor for Information Technology and Chief Information Officer introduced Paul Rivers, Chief Information Security Officer and Assistant Vice Chancellor for Information Security. Mr. Rivers provided an update on information technology cyber security. Questions and comments were entertained.

**MOTION TO CONVENE IN CLOSED SESSION**

On motion of Trustee Turner and seconded by Trustee Boliek, the committee voted to convene in closed session pursuant to North Carolina General Statutes Sections 143-318.11(a)(1), (a)(3), (a)(6), (a)(7), and (a)(9).

**CLOSED SESSION**

The committee convened in closed session. Please see closed session minutes.

The committee returned to open session, without objection.

UNC-Chapel Hill Board of Trustees  
Audit, Compliance, and Risk Management Committee Meeting  
Open Session Minutes  
January 17, 2024

**OPEN SESSION**

The committee reconvened in open session.

**ADJOURNMENT**

There being no further business to come before the committee, Committee Chair Patel adjourned the meeting at 1:49 p.m. without objection.

## Action Item #2

**Review and Approval of the Audit, Compliance, and Risk Management Committee Charter and the Office of Internal Audit Charter****Situation:**

Committee review and recommendation for approval of the Board of Trustees' *Audit, Compliance, and Risk Management Charter* and the *Office of Internal Audit Charter*. The Charters were last reviewed and approved on March 27, 2023.

**Background:** The North Carolina *Internal Audit Act* requires the University of North Carolina at Chapel Hill to maintain an effective internal audit function as defined in General Statute Article 79 §143-746.

The University of North Carolina at Chapel Hill Board of Trustees' Audit, Compliance, and Risk Management Committee maintains a Charter detailing oversight responsibilities and operating procedures. The Charter is periodically reviewed to ensure alignment with desired operating practices. A track-change version of the *Audit, Compliance, and Risk Management Committee Charter* identifying recommended changes in content is provided for Committee review.

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

- Purpose of Internal Auditing
- Commitment to adhering to the Standards
- Mandate, including scope and types of services to be provided, and the board's responsibilities and expectations regarding management's support for the internal audit function
- Organizations position and reporting relationships.

The chief audit officer must discuss the charters with the board and senior management periodically to confirm that they accurately reflect their understanding and expectations for the internal audit function. A track-change version of the two charters identifying recommended enhancements in content is provided for Committee review.

**Assessment:**

It is recommended the Committee approve the *Audit Compliance and Risk Management Charter* and the *Office of Internal Audit Charter* detailing the operating parameters of the defined groups. Signatory approval is to be documented by the designated parties.

**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 Audit, Compliance, and Risk Management Committee Charter

### Committee Oversight Responsibilities and Operating Procedures

#### I. Background and Authority

The Committee on Audit, Compliance, and Risk Management (Committee) is a standing committee of the University of North Carolina at Chapel Hill (University) Board of Trustees. The Committee is supported and staffed at the Chancellor's direction by the University's Office of Internal Audit, the Chief Audit Officer, and the Vice Chancellor for Institutional Integrity and Risk Management.<sup>1</sup>

The Committee has access through the Chancellor to other members of management and employees, and relevant information across the University as necessary to discharge its oversight responsibilities.

The legislation and policies relevant to the Committee's jurisdiction and oversight responsibilities are outlined in Appendix A.

The Committee's specific responsibilities concerning oversight of the University's Office of Internal Audit are outlined separately in the *Office of Internal Audit Charter*.

#### II. Purpose

The purpose of the Committee is to provide structured, systematic review and advice to the Chancellor on behalf of the Board concerning the University's audit, compliance, and risk management activities, as well as the University's internal control practices. It is the responsibility of University management under the direction of the Chancellor as the institution's executive and administrative head to maintain programs and systems of internal audit, compliance, risk management, and ethics. The Committee does not exercise decision-making authority on behalf of the University and the Committee's responsibilities do not replace or duplicate management's responsibilities. In addition to providing advice and guidance to management, the Committee sets broad policy for ensuring accurate, sound risk management and ethical behavior; exercises oversight responsibilities on behalf of the Board as defined herein; and makes reports and recommendations to the Board related to:

- A. The integrity of the University's annual financial statements.
- B. The internal audit function, external auditors, firms, and other providers of assurance.
- C. The University's compliance with legal, regulatory, ethics, conflict of interest, and policy requirements.
- D. The University's information governance and security program (Sections 1400.1 and 1400.2 of the UNC Policy Manual).
- E. The required elements of the University's associated entities.
- F. University-wide enterprise risk management and compliance processes.
- G. Campus safety and emergency operations.
- H. Additional matters that may implicate the University's interest in ensuring sound risk management and ethical behavior.

#### III. Organization

The chair of the Board of Trustees selects the Committee members and designates the Committee officers after evaluating the members' collective competencies and balance of skills. The Committee shall consist of no fewer

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<sup>1</sup> See, Section 502 D of *The Code of The Board of Governors of The University of North Carolina*.

than three (3) voting members appointed from the membership of the Board of Trustees. The Committee members:

- A. Must be independent of the University and any University associated entity management and free of any relationship that would impair the member's independence.<sup>2</sup>
- B. May not receive, directly or indirectly, consulting, advisory, or other fees from the University, associated entities of the University, the UNC System, or outside contractors hired to perform special engagements.
- C. Should collectively possess sufficient knowledge of audit, finance, higher education, information technology, law, governance, risk management, compliance, and principles of internal control to respond to regulatory, economic, reporting, and other emerging developments and needs.
- D. Must adhere to the UNC System's code of conduct and values and ethics established by the UNC System, including Sections 200.1 (Dual Memberships and Conflicts of Interest) and 200.7 (Duties, Responsibilities, and Expectations of Board Members) of the UNC Policy Manual, and University *Policy on Individual Conflicts of Interest and Commitment*. Consistent with UNC System policy and the North Carolina State Ethics Act, it is the responsibility of the Committee members to disclose any conflict of interest or appearance of a conflict of interest to the Committee chair.

#### **IV. Meetings**

The Committee shall meet no fewer than four times a year. The Committee will invite when needed, the Chancellor, external and internal auditors, representatives of the Office of the State Auditor, Office of Internal Audit staff, Institutional Integrity and Risk Management staff, and others to attend the meetings and provide pertinent information as required and requested. The Committee will communicate its information requirements, including the nature, extent, and timing of information to staff. The Committee expects all communication with University management and staff, as well as external assurance providers, to be direct, open, and complete.

The Committee chair will collaborate with the Chancellor, the General Counsel, the Chief Audit Officer, and the Vice Chancellor for Institutional Integrity and Risk Management to establish meeting agendas that ensure the responsibilities of the Committee are properly scheduled and carried out. Meeting agendas and related materials will be prepared and provided in advance to members and meetings will be conducted in accordance with the Open Meeting Act. Minutes will be prepared following applicable law and policy.

#### **V. Education**

The Chancellor and the designated Committee staff are responsible for providing the Committee with educational resources related to auditing, compliance, risk management, accounting principles and practices, legal and regulatory requirements, ethics, conflicts of interest, and other information that the Committee may require. The University's Chief Audit Officer and the Vice Chancellor for Institutional Integrity and Risk Management will assist the Committee in maintaining literacy in the appropriate areas related to the Committee's function.

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

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

- A. General
  1. Adopt and annually review and update the Committee's charter detailing the Committee's responsibilities and operating procedures for approval by the Board of Trustees. The Committee Charter's operating procedures shall describe the scope of the duties and responsibilities of the Committee, the structure of the University's functions within the Committee's oversight responsibilities, and the basic responsibilities of management concerning each function.

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<sup>2</sup> The term "Associated Entity" is defined and describe in Section 600.2.5.2[R] of the UNC Policy Manual, and includes, "any foundation, association, corporation, limited liability company (LLC), partnership, or other nonprofit entity: (1) that was established by officers of the University; or (2) that is controlled by the University; or (3) that raises funds in the name of the University; or (4) that has a primary purpose of providing services or conducting activities in furtherance of the University's mission pursuant to an agreement with the University; or (5) that has a tax-exempt status that is based on being a support organization for the University."

2. Hold meetings following the requirements of the Open Meetings Act.
3. Report Committee oversight activities to the Board of Trustees, along with advice and recommendations as the Committee may deem appropriate.
4. Hear reports from management concerning investigations into any matters within the Committee's scope of oversight responsibility.
5. When deemed necessary by the Board of Trustees on the Committee's recommendation, advise the Chancellor and his or her delegate on the engagement of independent auditors.
6. Review and monitor the implementation of management's response to recommendations by internal and external audits or other assurance providers.
7. Review and/or recommend policies to the Board that support the internal audit, compliance, and risk management functions.
8. Consider and advise the Chancellor regarding the effectiveness of the University's internal control system in responding to risks, including information technology governance and security.
9. Receive legal reports from the General Counsel or the University's retained outside counsel.
10. Perform other oversight responsibilities assigned by the Board of Trustees.

B. Financial Statements

Management is responsible for the preparation, presentation, and integrity of the University's financial statements and the appropriateness of the accounting, internal control, and reporting policies used by the University. The Office of the State Auditor currently conducts the annual audit of the University's financial statements. The following shall be the principal duties and responsibilities of the Committee regarding the financial statements of the University:

1. Receive an annual overview from the State Auditor or a designated representative regarding the annual audits (financial and compliance) of the University. Review the results of the University's independent financial statement audit by the State Auditor, including any difficulties encountered and reportable issues.
2. Resolve any differences between management and the State Auditor regarding financial reporting and other matters.
3. Review with management and the University General Counsel any legal matters (including pending litigation) that may have a material impact on the University's financial statements and any material reports or inquiries from regulatory or governmental agencies.

C. External Audit/Outside Auditors

In addition to the annual financial statement audits (noted above), the Office of the State Auditor conducts federal compliance audits of select state institutions on an annual basis, and may, on occasion, conduct other audits or investigations of the University. Other external auditors may also be engaged by the UNC System Office or by the University for particular projects and matters.

Concerning any such external audits, the Committee's responsibilities are as follows:

1. Review significant audit-related communications from the Office of the State Auditor or, as necessary, other external audit groups or firms concerning the University. Meet separately with the external auditors or firms, if necessary, to discuss sensitive and any other matters that the Committee or auditor believes should be discussed privately.
2. Review reports on the progress of implementing approved management action plans and audit recommendations resulting from completed audit engagements.
3. Be available to meet during the year with external auditors (the State Auditor, engaged CPA firm, or audit staff) for consultation purposes or to discuss the auditor's judgment about the quality, not just the acceptability, of any accounting principles and underlying estimates in the preparation of a financial statement and other matters required to be communicated to the Committee under generally accepted auditing standards.
4. Receive audit reports in those matters where the Board of Trustees or chancellor authorizes or requests an external audit or another independent review.
5. Where needed and appropriate, as determined by the chancellor or the chief audit officer, or the general counsel, receive audit reports in those matters where a board of trustees or the

chancellor or affiliated entity authorizes or requests an external audit or another independent review.

D. Internal Audit

The Office of Internal Audit is responsible for the daily direction, oversight, and management of the University's internal audit work. Concerning any such work of the Office of Internal Audit, the Committee's responsibilities are as follows:

1. Champion the internal audit function to enable it to fulfill the Institute of Internal Auditors' Purpose of Internal Auditing and pursue the internal audit function's strategy and objectives.
- 1.2. Monitor internal control systems at the University through activities of the internal and external auditors.
- 2.3. At the beginning of the audit cycle, review and recommend to the Board for approval the University's fiscal year internal audit work plan for the institution as prepared by the chief audit officer. At the end of the cycle, review a comparison of the approved internal audit plan to internal audits performed.
- 3.4. Review internal audit reports and summaries of external and internal audit activities. Ensure that management is devoting adequate attention to issues raised.
- 4.5. Review all outcomes of audits and management letters of University Associated Entities as defined in section 600.2.5.2[R] of the UNC Policy Manual.
- 5.6. Obtain annual assurance from the chief audit officer that all internal audits were conducted following IIA Professional Standards.
- 6.7. As needed, review and recommend to the Board for approval revisions to the Office of Internal Audit Charter.
- 7.8. Review and resolve any significant disagreement between University management and the Office of Internal Audit in connection with the preparation of internal audit reports and results.
- 8.9. Serve as the audit committee for the University's internal audit function. The Committee's oversight is defined in the charter for the UNC Office of Internal Audit as outlined in Appendix B.
- 9.10. Review and recommend to the Board for approval, in consultation with the chancellor, the budget and resources for the Office of Internal Audit, including the chief audit officer's evaluation and remuneration.
- 10.11. The University's chief audit officer's appointment or termination of appointment shall be by the chancellor, after consultation and concurrence of the Board of Trustees.
- 11.12. Support Chapter 1400 of the UNC Policy Manual, *Information Technology*, including ensuring the following:

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.



E. Audit, Compliance, and Risk Management Committee

It is the responsibility of University management, rather than the Committee and its members, to ensure adherence to laws, regulations, and policies. The responsibilities of the Committee regarding the University's compliance and risk management activities are as follows:

1. Support the efforts, establishment of, and collaboration among the risk management, ethics, and compliance programs within the University, including recommending to the Board University-wide policies regarding compliance and enterprise risk management.
2. Receive regular reports concerning enterprise risk management and compliance activities from the Vice Chancellor for Institutional Integrity and Risk Management, the Chief Audit Officer, and senior officers.
3. Provide general input regarding the University's adherence to laws, regulations, and policies that pertain to University operations.
4. Review the programs and policies of the University designed by management to assure compliance with applicable laws and regulations.
5. When necessary, meet privately with the General Counsel to discuss any matter that the Committee or the general counsel believes should be discussed privately.
6. Coordinate with other Board committees as appropriate on legal, risk management, and compliance matters.

F. Other Responsibilities

1. Oversee management's procedures for the prevention and detection of fraud to ensure appropriate antifraud programs and controls are in place to identify potential fraud and to take appropriate action if fraud is detected.
2. Consult with the General Counsel as necessary to review legal matters that may have a significant impact on a financial statement, overall financial performance, enterprise risk management, or compliance with applicable state, local, or federal laws and regulations. Review and provide advice on systems, practices, policies, and standards of ethical conduct. Identify and manage any legal or ethical violations.
3. Take other actions, as necessary, to ensure that risk exposures are identified and effectively managed to assure the integrity of the finances, operations, and controls of the University. These actions include reviewing the established governance processes and advising on related policies and procedures that should be in place.

The Committee may, in consultation with and with the approval of the Chancellor in areas under the Chancellor's authority, modify or supplement these duties and responsibilities as needed.

In addition to recommending the Board's approval of the annual work plan, the Committee may recommend to the Board the following audit activities, for approval by majority vote:

- A request that the Office of Internal Audit perform other projects within the scope of the Office of Internal Audit activities specified in Section IV.B. of its Charter ("Special Projects");
- A request that the Office of Internal Audit perform consulting or consultative services within the scope of the Office of Internal Audit activities specified in Section IV.B. of its Charter ("Advisory Projects").

No individual Trustee may request the Office of Internal Audit to perform any audit activities; only the Board may do so by majority vote. Any request by a Trustee for the Office of Internal Audit to perform audit activities shall be presented to the Committee Chair for inclusion on the Committee's agenda, after consultation with the Chancellor. The Committee shall then vote on the request and, if approved, recommend the request to the Board for approval by majority vote. If approved by the Board, the Board shall direct any necessary resources of the Office of Internal Audit to complete the defined engagement work.

The Committee shall annually review and assess the adequacy of the Committee charter and the Office of Internal Audit charter with the assistance of University staff. The Committee chair will confirm annually that the relevant responsibilities in this charter have been carried out.

**Approved:**

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~~Lee H. Roberts~~~~Kevin M. Guskiewicz~~  
Interim Chancellor  
University of North Carolina at Chapel Hill

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Date

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~~Vinay B. Patel~~~~W.M. Kotis III~~  
Chair, Audit, Compliance, and Risk Management Committee  
University of North Carolina at Chapel Hill Board of Trustees

\_\_\_\_\_  
Date



Committee on Audit, Compliance, and Risk Management

### Statutory and Policy Authority

The legislation and policies relevant to the Committee on Audit, Compliance, and Risk Management's jurisdiction and oversight responsibilities include:

- A. All constituent institutions, affiliated entities, and the University of North Carolina System Office (UNC System Office) are subject to audit by the North Carolina State Auditor under [Article 5A of Chapter 147](#) of the North Carolina General Statutes (G.S.).
- B. Under the authority of [G.S. 116-30.1](#), the Board of Governors may designate a special responsibility constituent institution, by expressly finding that each institution to be so designated has the management staff and internal financial controls that will enable it to administer competently and responsibly all additional management authority and discretion to be delegated to it. The Board, on the recommendation of the president, shall adopt rules prescribing management staffing standards and internal financial controls and safeguards. UNC-Chapel Hill has been designated as a special responsibility constituent institution.
- C. A special responsibility constituent institution is required by [G.S. 116-30.8](#) to have an annual audit conducted by the North Carolina State Auditor.
- D. The UNC System and each constituent institution is required to establish a program of internal auditing pursuant to [G.S. 143-746](#).
- E. [Chapter 600](#) of the UNC Policy Manual establishes financial, reporting, and audit policies, regulations, and guidelines for the University of North Carolina, University-related private foundations, and associated entities.
- F. [Section 1400.2](#) of the UNC Policy Manual assigns the responsibility for oversight of the University's information security program to the standing committee with audit responsibility.



## The University of North Carolina at Chapel Hill

### Office of Internal Audit Charter

#### I. Background and **Authority Organizational Reporting**

A. The University of North Carolina at Chapel Hill is required to establish a program of internal auditing pursuant to G.S. 143-746. The University's Office of Internal Audit shall be accountable to the Board of Trustees (Board) through the Audit, Compliance, and Risk Management Committee (ACRM) and the University Chancellor.

**B.** The chief audit officer reports functionally to the Chair of the Audit, Compliance, and Risk Management Committee and administratively (i.e., day-to-day operations) to the Chancellor of the University.

#### II. Purpose & Authority

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

1. Recommend to the Board for approval of the internal audit charter;
2. Recommend to the Board for approval of the risk-based internal audit plan;
3. Receive communications from the chief audit officer on the internal audit department's performance relative to its plan and other matters;
4. Review and recommend to the Board for approval, in consultation with the chancellor, the Department's budget and resources, including the chief audit officer's evaluation and remuneration;
5. Advise the Chancellor or the Board of Trustees regarding the chief audit officer's appointment and/or termination;
6. Make appropriate inquiries of management and the chief audit officer to determine whether there are inappropriate scope or resource limitations, and,
7. Monitor the effectiveness of the internal audit function, including the efforts made to comply with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* (Standards), the code of ethics, and compliance with the internal audit charter. The ACRM will ensure the audit function completes an external quality assessment review (once every 5 years) and monitor the implementation of recommended improvements.

B. The chief audit officer will have the unrestricted ability to communicate and interact directly with the Board, including in private meetings without management present.

C. The Board authorizes the internal audit department to:

1. Have full, free, and unrestricted access to the data, records, information, personnel, and physical properties ~~all functions, records, property, and personnel~~ necessary to carry out any engagement, provided the department complies with all applicable laws and policies regarding the protection of confidential and/or sensitive records and information.

2. Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
3. Obtain assistance from the necessary personnel of the University, as well as other specialized services from within or outside the University, to complete the engagement.

### **III. Independence and Objectivity**

- A. 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 such actual or apparent impairment will be disclosed to appropriate parties.
- B. 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.
- C. 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:
  1. Assessing specific operations for which they had responsibility within the previous year.
  2. Performing any operational duties for the University or its affiliates.
  3. Initiating or approving transactions external to the internal audit department.
  4. Directing the activities of any 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.
- D. 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:
  1. Disclose any impairment of independence or objectivity, in fact, or appearance, to appropriate parties.
  2. Exhibit professional objectivity in gathering, evaluating, and communicating information about the department or process being examined.
  3. Make balanced assessments of all available and relevant facts and circumstances.
  4. Take necessary precautions to avoid being unduly influenced by their interests or by others in forming judgments.
- E. The chief audit officer will confirm to the ACRM Committee, at least annually, the organizational independence of the internal audit department.
- F. The chief audit officer will disclose to the ACRM Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

### **IV. Scope of Internal Audit Activities**

A. The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence to provide independent assessments to the ACRM 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:

1. Risks relating to the achievement of the University's strategic objectives are appropriately identified and managed.
2. The University promotes governance, ethics, and integrity and communicates risk and control information.
3. The actions of the University's officers, directors, employees, and contractors comply with the University's policies, procedures, and applicable laws, regulations, and governance standards.
4. The results of operations or programs are consistent with established goals and objectives.
5. Operations or programs are being carried out effectively and efficiently.
6. Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly affect the University.
7. Information and the means used to identify, measure, analyze, classify, and report such information is reliable and has integrity.
8. Resources and assets are acquired economically, used efficiently, and protected adequately.

B. The type of audit activities performed by the OIA includes the following:

1. Assessments included on the OIA department's annual work plan including any requested supplemental assessments relating to underlying work ("Work Plan Projects").
2. Other projects within the scope of activities in Section IV.A above upon the request of the Chancellor, projects presented by the chief audit officer to the Chancellor for consideration and approval, or Board of Trustee member requests upon an affirmative vote of a majority of the members of the Board, upon the review and recommendation of the ACRM Committee ("Special Projects").
3. Consulting or consultative services to assist in the investigative or operational review of other University units ("Advisory Projects"), provided the OIA does not assume management responsibility, under the following conditions: (i) the university unit requests the assistance of the OIA and the request is approved by the vice chancellor or dean to which that unit reports, (ii) at the request of the Chancellor in his or her consultation with the Chair of the ACRM, or (iii) for Board of Trustee requests upon an affirmative vote of the majority of the members of the Board, upon review and recommendation by the ACRM Committee. Examples include providing advice and information on internal controls, fraud, risk management, and sound business practices. This includes a limited scope review of current practices, assessing compliance, and interpreting policies and procedures.
4. Working with the UNC System Office, professional organizations, and serving as a liaison between the university and external auditors.
5. Investigating matters presented through the Carolina Ethics Line as deemed appropriate by the chief audit officer for the OIA to review.
6. OIA participating in standing committees, ad-hoc meetings, search committees, and responding to routine questions (policy interpretation, internal control structures, fraud, etc.) as deemed appropriate by the chief audit officer.
7. No individual officer, employee, or Trustee may request the Chief Officer to initiate any

audit activities except as permitted by this Section IV.B.

C. The chief audit officer will report periodically to senior management and the ACRM Committee regarding:

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

D. 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.

## **V. Reporting and Report Distribution**

A. The chief audit officer or a designee will prepare a written report following the conclusion of each Work Plan Project, Special Project, and Carolina Ethics Line Project. Written Reports for Advisory Projects will be completed when deemed appropriate by the Chancellor and/or the ACRM chairperson. Written reports and close-out letters will be distributed to relevant and appropriate members of university management and UNC Board of Trustee members, as determined by the Chief Audit Officer in his or her reasonable discretion. The Chief Audit Office will also deliver a redacted copy of any Work Plan, Special Project, and Carolina Ethics Line Project report to the North Carolina Council of Internal Auditing. The chief audit officer will distribute Advisory Project Reports, if applicable, at the direction and request of the Chancellor and/or the ACRM.

Internal audit reports will typically include management's response regarding corrective action taken or to be taken regarding the specific findings. Management's response should include a timetable for the 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 of choosing not to address a reported condition.

## **VI. Responsibility**

A. The chief audit officer has the responsibility to:

1. Submit, at least annually, to senior management and the ACRM Committee a risk-based internal audit plan for review and approval.
2. Communicate with senior management and the ACRM Committee about the impact of resource limitations on the internal audit plan.
3. Review and adjust the internal audit plan, as necessary, in response to changes in the University's business, risks, operations, programs, systems, and controls.
4. Communicate with senior management and the ACRM Committee any significant interim changes to the internal audit plan.

5. 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. If internal audit plan engagements are not completed by fiscal year-end, communicate to the ACRM the rationale as to why engagement work was unable to be completed.
6. When necessary, assist or conduct consulting/consultative engagement, investigation, and special project engagement requests of significant noncompliance, control deficiencies, as well as suspected misuse, fraud, or abuse presented to the OIA for action by university leadership or by the ACRM Committee as defined in the ACRM Charter.
7. Follow up on engagement findings and corrective actions, and report periodically to senior management and the ACRM Committee any corrective actions not effectively implemented.
8. Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
9. 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.
10. Ensure trends and emerging issues that could impact the University are considered and communicated to senior management and the ACRM Committee as appropriate.
11. Ensure emerging trends and successful practices in internal auditing are considered.
12. Establish and ensure adherence to policies and procedures designed to guide the internal audit department.
13. 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 ACRM Committee.
14. 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.
15. Ensure conformance of the internal audit department with the International Standards for the Professional Practice of Internal Auditing (Standards), with the following qualifications:
16. If the internal audit department is prohibited by law or regulation from conforming 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.
17. If the Standards are used in conjunction with requirements issued by other authoritative bodies, the chief audit officer will ensure the internal audit function conforms with the Standards, even if the internal audit function also conforms with the more restricted requirements of other authoritative bodies.

## **VII. Quality Assurance and Improvement Program**

- A. 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.
- B. The chief audit officer will communicate to the University Chancellor and the ACRM 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:**

\_\_\_\_\_  
Lee H. Roberts~~Kevin M. Guskiewicz~~  
Interim Chancellor  
University of North Carolina at Chapel Hill

\_\_\_\_\_  
Date

\_\_\_\_\_  
Vinay B. Patel~~W.M. Kotis III~~  
Chair, Audit, Compliance, and Risk Management Committee  
University of North Carolina at Chapel Hill Board of Trustees

\_\_\_\_\_  
Date

\_\_\_\_\_  
Dean A. Weber  
Chief Audit Officer  
University of North Carolina at Chapel Hill

\_\_\_\_\_  
Date

<b>Action Item #3</b>	<b>Approval of the Fiscal Year 2025 Risk Assessment and Internal Audit Work Plan</b>
<b>Situation:</b>	The Committee has for its consideration the University of North Carolina at Chapel Hill's Office of Internal Audit Risk Assessment and Fiscal Year 2025 Internal Audit Work Plan for review and action.
<b>Background:</b>	<p>The Audit, Compliance, and Risk Assessment Committee Charter directs the Committee's review and approval of the Office of Internal Audit (OIA) fiscal year risk assessment and work plan of the university. Additionally, in consultation with the Chancellor, the Committee shall approve the budget and staffing level necessary to execute the plan.</p> <p>The proposed work plan is designed to reduce the university's exposure to adverse risks, 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.</p> <p>The work plan classifies internal audit engagements for completion addressing a cross-section of significant risks identified by the OIA risk assessment exercise. Collectively, the OIA's risk assessment encompassed the evaluation and consideration of university operations, the Top Five ERM Institutional Risks, potential risks impeding strategic objectives of CAROLINA NEXT, a survey of leadership on risk and audit perspectives, a financial magnitude assessment, and an external assessment of industry risks. Outcomes determined the 25 audit engagements populating Carolina's Fiscal Year 2025 Internal Audit Work Plan.</p> <p>Additionally, the Vice-Chancellor for Finance and Operations has designated appropriate budgeted funds necessary to support the work plan providing for OIA staffing of 8 full-time-equivalent employees.</p>
<b>Assessment:</b>	It is recommended the Committee approve the <i>University of North Carolina at Chapel Hill Risk Assessment and Fiscal Year 2025 Internal Audit Work Plan</i> and the budgeting and staffing level necessary to execute the plan. Signatory approval is to be documented by the Committee Chairman and the Interim Chancellor.
<b>Action:</b>	This item requires a vote by the Committee and a vote by the full Board of Trustees.

# Office of Internal Audit Risk Assessment and Fiscal Year 2025 Internal Audit Work Plan

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

*Dean Weber, CIA, CRMA  
Chief Audit Officer  
May 15, 2024*

# Office of Internal Audit- Mission and Vision

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## Mission Statement

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 State requirements and the University's mission, goals, and objectives.

## Vision Statement

To be recognized as a trusted and proactive partner in promoting a culture of accountability, transparency, and continuous improvement across the University of North Carolina at Chapel Hill.



# Office of Internal Audit- Work Plan Guidance and Standards

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## ***The International Standards for the Professional Practice of Internal Auditing and the State of North Carolina Article 79, Internal Auditing Act***

- The internal audit work plan must be based on a document **risk assessment** undertaken annually
- The Chief Audit Officer must identify and **consider the expectations of senior management, the board, and other stakeholders**
- The Chief Audit Officer must communicate to senior management and the Board for **review and approval of the internal audit activity's plans and resource requirements**, including significant interim changes and the impact of resource limitations
- The state agency shall establish a program of internal auditing that promotes an effective system of internal controls to **safeguard public funds, assets, and minimize instances of fraud, waste, and abuse**
- Determine if operations comply with **federal and state laws**, review the **effectiveness and efficiency** of agency operations, and audit the agency's major systems and controls

# Risk Assessment and Fiscal Year 2025 Audit Work Plan Objectives

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## Progressive Planning Approach

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

## Considering Potential Impediments

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

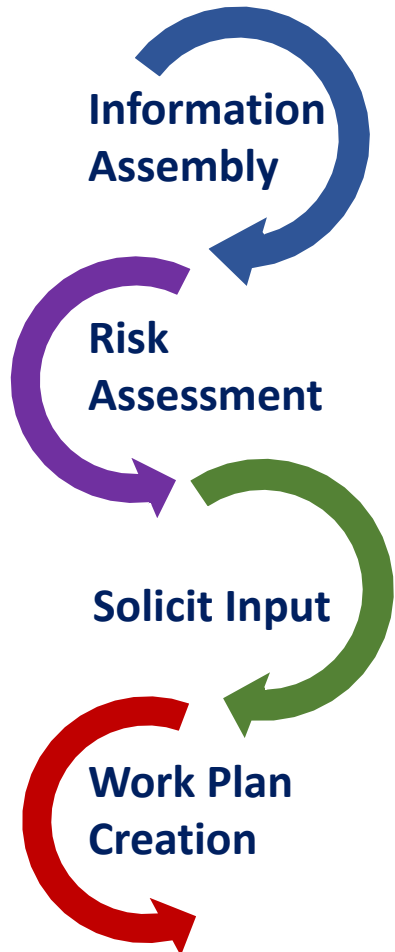
## Linking Audits to Key University Areas

- 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 2025 Audit Work Plan Development Process



- Audit Universe
- Develop Questionnaires
- External Risk Scan
- *CAROLINA NEXT*
- ERM Top Five Risks
- 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
- University Executive Leadership
- University Director level Survey Campus
- Key Audit Engagements, Consulting, and Special Projects
- Work Plan for Board of Trustees and Chancellor Approval
- Communicate the Approved Work Plan to the Campus

# Risk Assessment and Fiscal Year 2025 Audit Work Plan Mission Linkage

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## ***CAROLINA NEXT – INNOVATIONS FOR PUBLIC GOOD Strategic Plan***

- Assess the strategic plan, *CAROLINA NEXT*, to identify and consider risk impediments to the realization of the three key Priorities.
  1. Career Development for Faculty, Staff, and Students
  2. Research and Innovation Powerhouse
  3. Civil Discourse
- *Current Transitional Areas of Focus* - Committee Focused Work Groups
  1. Enrollment Planning
  2. Physical Master Plan
  3. Applied Science
  4. Generative AI

**Fifteen work plan engagements support the assessment of potential risk impediments of CAROLINA NEXT**



# Risk Assessment and Fiscal Year 2024 Audit Work Plan – Risk Identification

## Leadership Risk Feedback

The OIA consulted with executive leadership in discussion regarding perceived top university risk topics. **Nine work plan engagements** support leadership-identified risks.



# Risk Assessment and Fiscal Year 2024 Audit Work Plan – ERM Risks

Supporting UNC System Board of Governors’ Policy 1300.7, the OIA and the Office of Vice Chancellor for Institutional Integrity and Risk Management surveyed university leaders with results driving the development of **Carolina’s Top Five ERM Topics** for submission to the UNC System Office.

Risk Rank	Chapel Hill Risk Title	System Office Risk Category
One	Effectively Managing Talent and Retention Risks/Great Resignation/Retain and Attract Employees	Talent Management
Two	Managing finances to keep pace with increasing expenses	Financial
Three	Physical Infrastructure/Unsafe Conditions/ Assessability	Infrastructure
Four	Building Health Safety and Campus Security	Safety
Five	Navigating Artificial Intelligence Applications	Technology

**Eight work plan engagements** support the rationale linked to mitigating the *Top Five ERM Institutional Risks and other ERM identified risks.*

# Risk Assessment and Fiscal Year 2024 Audit Work Plan Other Considerations

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## *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 16 academic units for the fiscal year ended June 30, 2023. These comprise significant funding sources and/or the consumption of institutional resources. **Three proposed work plan engagements support financial assessment rationale.**

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

- NACUBO
- Protiviti – Perspectives on Higher Education Top Risks
- United Educators
- Price Waterhouse Coopers – Higher Education Sector

**Eight proposed work plan engagements are linked to the external assessment.**

# Risk Assessment and Fiscal Year 2025 Audit Work Plan Engagements

## Defined Engagements by Audit Category (31 projects)

### Operational Audit (10 audits)

- Faculty Workload
- Student Athlete Tutoring Services
- Facilities Health and Safety (EHS)
- Fleet Services
- Website Communications
- Generative AI Use – Academic
- Family and Medical Leave Act
- Employee Separation
- Student Housing Building Access & Security
- Carolina One Card

### Compliance Audits (7 audits)

- Grade Change Requests
- Annual Student Learning Outcomes
- Research Security
- Alcohol Policy
- Animal Research Protocols
- IIA Global Standards Self-Assessment
- International Programs

### Financial Audits (4 audits)

- UNC Give
- Athletic Travel Expenses
- Tango Card
- Expense Audit – School Public of Health

### Information Technology (4 audits)

- IT Inventory Management
- IT Contingency Planning
- IT Endpoint Configuration Management
- Enterprise Use of Lansweeper Software

### Special Projects/Investigations (6)

- Identified as Need Determines

### THE COMPLETION GOAL:

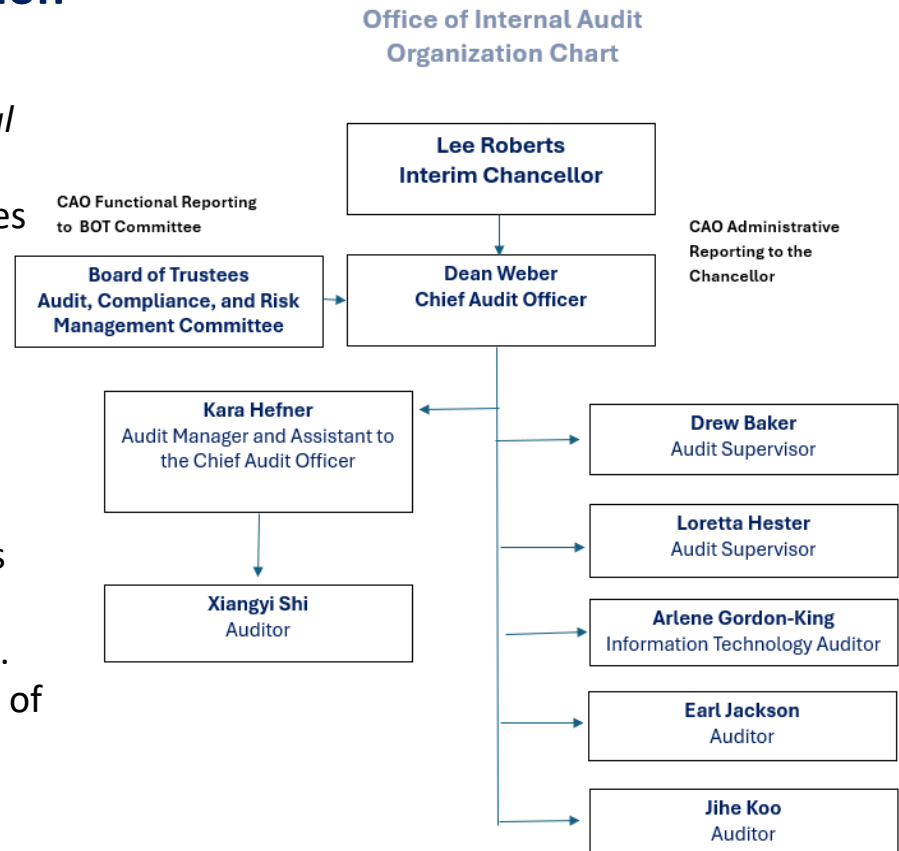
**100%** - would be ideal...**75% to 80%** would be successful.

The Office of Internal Audit anticipates approximately 2 carry-over engagements ongoing at June 30, 2024, but not yet completed. These engagements will be completed in the first quarter of FY2025.

# Risk Assessment and Fiscal Year 2025 Audit Work Plan Resourcing

## 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.
- The Fiscal year 2025 budgeted **staffing complement** provides for 8 FTE auditing professionals.
- The Vice Chancellor for Finance and Operations designated **funding** necessary to support the Office of Internal Audit's operations for FY2025. Work Plan engagements are driven by the level of resources provided and currently meet the university's needs.



# Risk Assessment and Fiscal Year 2025 Audit Work Plan Committee Action

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## Recommended Action:

A motion authorizing the Audit, Compliance, and Risk Management Committee's recommended approval of the *Office of Internal Audit's Risk Assessment and Fiscal Year 2025 Internal Audit Work Plan for Carolina* and the **budget and staffing level** necessary to execute the plan to the full Board of Trustees. Signatory approval is to be documented by the Committee Chairman and the Interim Chancellor.

The University of North Carolina  
at Chapel Hill

**RISK ASSESSMENT  
AND  
FISCAL YEAR 2025 INTERNAL AUDIT  
WORK PLAN**



Photo Credit: 2023 Carolina Next Annual Report

Dean A. Weber, CIA, CRMA  
Chief Audit Officer

## Preface

The Office of Internal Audit (OIA) developed the University of North Carolina at Chapel Hill's *Risk Assessment and Fiscal Year 2025 Internal Audit Work Plan*. The document is presented to the Chancellor and the University Board of Trustees Audit, Compliance, and Risk Management Committee for review and recommended approval whereby directing the OIA's professional talent and resources through the completion of identified internal audit engagement activities.

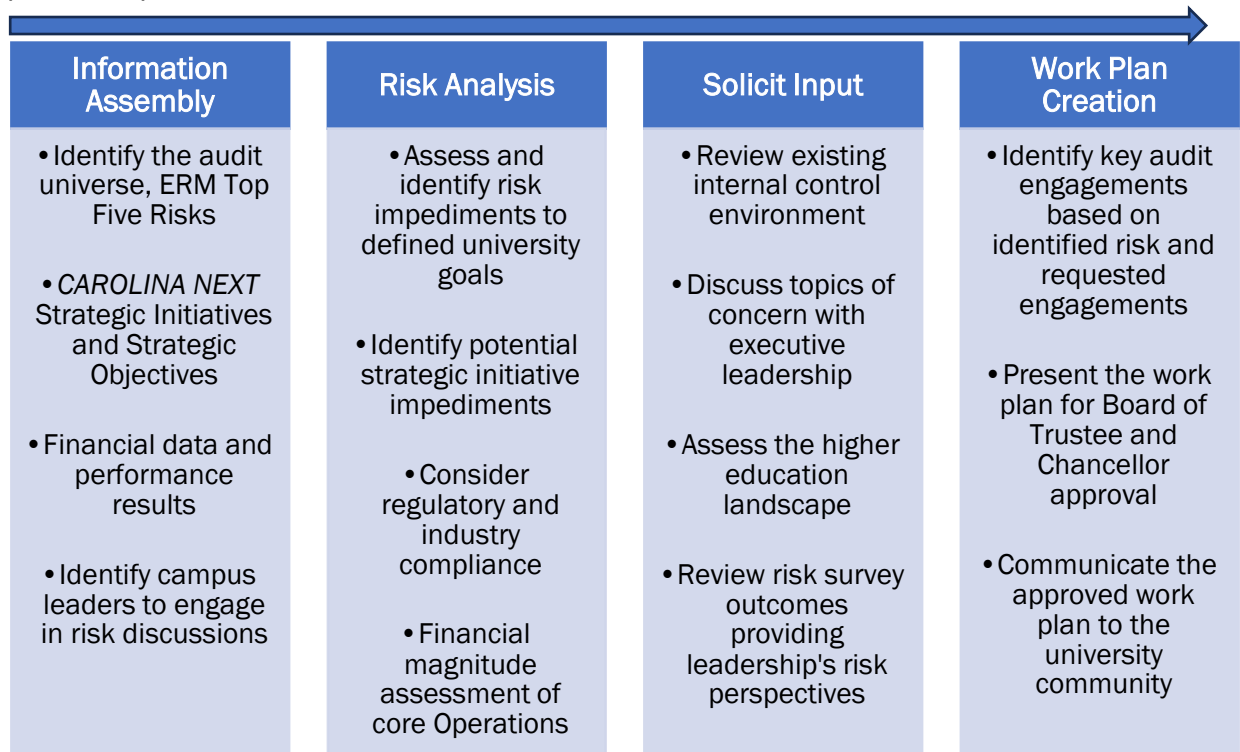
## Purpose of the Risk Assessment and Internal Audit Work Plan

The OIA completes a high-level risk assessment as the foundation for developing the University's internal audit work plan as required by the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. The risk assessment affords the prioritization of internal audit engagement activities addressing the timely review of operations potentially possessing the greatest adverse risk exposure to university operations.

The internal audit plan outlines the university's key operations where internal audit engagement activities will support institutional risk mitigation.

## Work Plan Development Process

The Work Plan is built upon an OIA analysis of existing and emerging risks. This comprised exercises identifying the University's *ERM Register of Top Five Institutional Risks* (including a senior leadership risk survey), potential risk impediments of the University's strategic plan *CAROLINA NEXT – Innovations for Public Good*, a financial magnitude risk assessment, and current issues impacting higher education. Additionally, the Board of Trustees, Chancellor, Provost, and members of executive leadership were consulted to provide input.





## Input from University Leadership – Discussions, Questionnaire, and Survey

Discussions and questionnaires with the Chief Audit Officer, the executive, and senior leadership provided input regarding key risk topics and areas that may benefit from OIA evaluation of procedures, internal controls, and processes.

Building on this information, the OIA researched the current higher education risk landscape and developed the *Fiscal Year 2024 Enterprise Risk Management Survey*. The OIA distributed the survey to 552 employees comprising members of the Chancellor’s and Provost’s cabinets and campus leaders at the “director” level and above. The process obtained feedback on 40 potential ERM topics, grouped within 10 risk categories. Respondents scored the identified risks considering (1) the likelihood of the risk occurring and (2) the risk impact if the event occurred.

Response percentages were calculated for each risk topic. Based on the scored results, risk topics were grouped into High, Medium, and Low risk categories. The outcomes revealed 14 High, 22 Medium, and 4 Low scored risks. Results delivered a ranked leadership perspective of risks and identified potential internal audit engagement areas for consideration in fiscal year 2025. The chart below provides details of the highest-scoring risk topics.

ERM Audit Risk Topic	Risk Category	Risk Ranking
Talent management and retention	Employment	High > 70%
Lack of attention to the physical infrastructure causing potentially unhealthy or unsafe conditions	Environment	
Cybersecurity events encompassing loss or exposure	Technology	
Weighing infrastructure investments - deferred vs new construction	Financial	
Inferior Facilities safety and long-term health Impact	Campus Safety	
Financial management to keep pace with expense increases	Financial	
Workforce shifts/Great resignation/Alternate work demands	Employee	
Maintaining time and resources supporting diversity efforts	Ethics & Culture	
Effectively managing operations where increasing external political actions adversely impact functions	Geopolitical Tension	
Ability to ensure instructor and researcher freedom without external interference	Ethics & Culture	
Navigating artificial intelligence	Technology	
Managing mental health resources for faculty, staff, and students	Campus Safety	
Inequity in campus unit funding and discretionary spending	Financial	
Ensuring funding and investment in campus safety	Financial	

# North Carolina System Policy – Carolina’s Top Five ERM Risks

UNC System Policy 1300.7, *University Enterprise Risk Management and Compliance* mandates all constituent institutions to establish an enterprise risk management program that aligns with the institution's management systems and processes supporting its goals. This program requires reporting the Top Five ERM concerns of the institution annually to the president and subsequently to the Board of Governors under the president's guidance.

The OIA and the Office of Institutional Integrity and Risk Management collaborated to assess outcomes of the university’s *Fiscal Year 2024 Enterprise Risk Management Survey* to determine the University’s Top Five ERM Risks of focus for fiscal year 2025, as detailed in the following chart.

Risk Rank	Chapel Hill Risk Title	System Office Risk Category
One	Effectively managing talent and retention risks arising from vulnerabilities related to attracting, successfully hiring, developing, and retaining skilled faculty, staff, and administrators within the university. Managing shifts in the workforce with the university continuing to navigate the great resignation and adapting alternative work arrangements to retain employees and attract new talent in a tight labor market.	Talent Management
Two	Managing finances to keep pace with growing personnel and operating expenses, including the ability to address anticipated salary increases related to the reclassification of staffing from SHRA to EHRA classifications.	Financial
Three	Lack of attention to the physical infrastructure of campus facilities causing a state of potentially unhealthy conditions, becoming non-conductive for personnel occupancy (mold, toxins, hazards, etc.) and/or no longer meeting the academic/operational requirements, including ADA requirements.	Infrastructure
Four	Potential impacts resulting from failure to maintain buildings both from a safety and long-term health-related impact stance. (In addition to a healthy building, would include locks, and other safety technology and exclude weapons in the classroom per NC statute).	Safety
Five	Navigating Artificial Intelligence risks related to reliability of information, ethics, and equitable implementation to maximize its benefits within the university's operating environment.	Technology

The chart at right highlights the survey’s 10 risk categories where category-specific risks were identified and provided to university leadership for risk ranking of event probability and impact.

OIA engagement planning considers internal audit projects aimed toward the mitigation of category risks as part of the work plan development process.

Campus Survey Risk Categories
Employee
Ethics and Culture
Technology
Environment
Geopolitical Tension
Financial
Campus Safety
Organizational Resilience
Student
Legal and Regulatory

# 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, and measurable strategic initiatives and opportunities.” The University Board of Trustees endorsed *Carolina Next* in January 2020. An annual report of *Carolina Next* activity was published in 2021, and 2022 marks the third year of the strategic plan.

The strategic plan is built around eight major *Strategic Initiatives*. In 2022, the plan envisioned a new focus supporting *Three Priorities*, encompassing the *Strategic Initiatives*. The enhanced vision is portrayed in the graphic (below) detailing the linkage of initiatives.

## Priorities

## Strategic Initiative(s)

### 1. Career development for faculty, staff, and students

Carolina will be a place where all members of our community know they earned their place; prepares students for a variety of career paths with confidence for success; and fosters career growth and development of faculty and staff with pathways for upward mobility and leadership opportunities.

### 2. Research and innovation powerhouse

Carolina will be a place where our research scholars lead in solving the world’s most challenging problems through creative collaboration

### 3. Civil discourse

Carolina will be a place where students, staff, and faculty regularly and comfortably engage in meaningful civil discourse, as well as a place where everyone knows their voice matters.



2 Strengthen Student Success

3 Enable Career Development

4 Discover

6 Serve to Benefit Society

7 Globalize

1 Build Our Community Together

5 Promote Democracy

The Fiscal Year 2025 Internal Audit Work Plan contains engagements with linkage to the *Three Priorities*. Audit engagement topics were identified and determined through the OIA risk assessment exercise designed to ensure alignment of OIA work in support of *CAROLINA NEXT*.

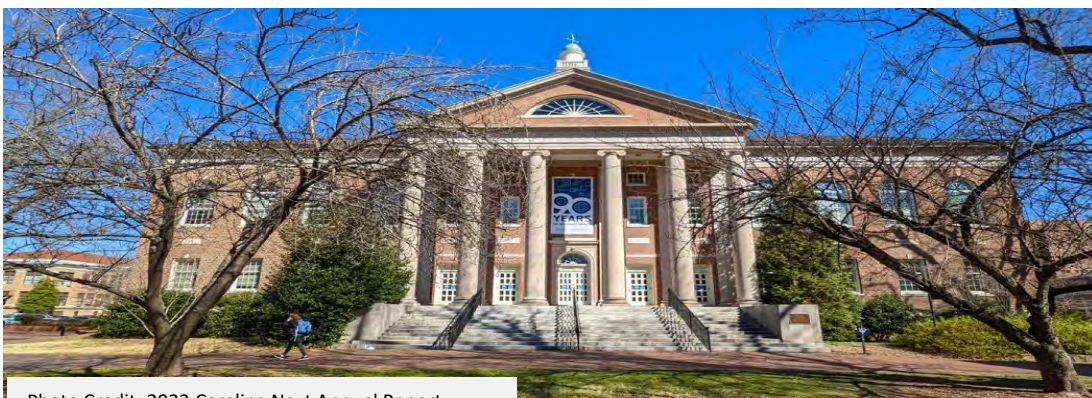


Photo Credit: 2023 Carolina Next Annual Report

## Financial Magnitude of Core University Areas

The OIA assessed financial data from the 2023 *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 FY2023	Operational Considerations
Grants & Contracts (Operating) Revenue	\$1,105,404,815	Award Compliance and Monitoring
State Appropriations Revenue	\$622,039,924	Public Dollar Stewardship Reputation
Patient Services Net Revenue	\$606,182,563	Operational – Accounting for billing/receipts/bad debt
Student Tuition & Fee Revenue	\$479,785,894	Core Business Function Recruitment/Diversity/Retention
Athletics Revenue	\$103,728,146	NCAA Division I Compliance
Sales & Services AE Revenue	\$555,369,742	Ancillary Funding Streams
Salaries and Benefits Expense	\$1,921,677,324	Largest Resource Expenditure
Procurement Expense (Services/Supplies)	\$1,234,891,590	State and University Regulatory Compliance
Scholarship/Fellowship (Financial Aid) Expense	\$155,886,005	Federal and State Compliance
Utility Expense	\$94,073,425	Operational Expense – Consumable Product, Energy Consumption

A financial analysis of the university's Colleges, Schools, and Libraries was completed. The chart to the right details the total fiscal year 2023 expenditures (including transfers) for each of the academic units listed.

Financial amounts reflect ConnectCarolina's recorded expenditures on June 30, 2023, 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 2023 Expenses
College of Arts and Sciences	\$471,121,914
Kenan-Flagler Business School	208,456,822
School of Education	25,542,018
School of Journalism	21,572,881
School of Law	39,626,061
School of Information & Library Science	15,746,136
School of Government	34,090,991
School of Social Work	27,444,503
Graduate School	27,721,104
Summer School Admin	1,229,825
School of Data Science Society	1,694,503
School of Medicine	1,876,307,162
School of Dentistry	81,513,203
School of Nursing	31,235,144
School of Pharmacy	86,562,566
School of Public Health	184,127,992
University Libraries	55,047,852
<b>Total Expenditures FY 2023</b>	<b>\$3,189,040,677</b>

# External Risk Evaluation – Industry-wide Higher Education Environment

The National Association of College and University Business Officers reported the top five business issues higher education institutions will face in 2023. They comprise: (1) Supporting and Maintaining the Workforce, (2) Ensuring Successful Student Outcomes, (3) Securing and Modernizing Technology Systems, (4) Navigating Affordability and Enrollment Management, and (5) Meeting Physical Infrastructure Needs.

**Protiviti’s  
Executive  
Perspectives  
on Higher  
Education  
Top Risks  
Trends for  
2024**

- Economic conditions, including inflation
- Ability to attract, develop, and retain top talent and address succession challenges
- Cyber-threats
- Third-party risks
- Heightened regulatory changes and scrutiny
- Adoption of digital technologies requiring new skills in short supply
- Legacy IT infrastructure
- Change in the current interest rate environment
- Increases in labor costs
- Ensuring privacy and compliance with identity protection expectations.
- Data Security

The 2023 United Educators reported on input from 112 colleges and universities identifying the most pressing current and evolving risks

Current Risks	Evolving Risks
<ul style="list-style-type: none"> <li>• Data Security</li> <li>• Enrollment</li> <li>• Recruitment and Hiring</li> <li>• Operational Pressures</li> <li>• Student Mental Health</li> <li>• Financial Stability</li> <li>• Facilities and Deferred Maintenance</li> <li>• Regulatory and Legal Compliance</li> <li>• Title IX</li> </ul>	<ul style="list-style-type: none"> <li>• Artificial Intelligence and Emerging Technologies</li> <li>• Student Mental Health</li> <li>• Public Distrust in Education</li> <li>• Climate Change</li> <li>• Political Climate and Adversarial Regulation</li> <li>• Admission Practices</li> </ul>

Additionally, PwC recently released a report titled "Perspectives in Higher Education (Spring 2023)" which highlights some of the most significant challenges and opportunities currently faced by colleges and universities. The report covers topics including the US Macroeconomic Outlook, The Future of College Admissions, Safety & Security on Campus, Strengthening the Path Between Higher Education and Careers, Environmental, Social, and Governance Issues, International Students, Washington Update, and The State of Compliance.

## Summary

The internal audit planning 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*, executive leadership risk and audit perspectives, a financial magnitude assessment, and an external assessment of industry risks. Outcomes determined the 25 audit engagements addressing high and moderate risks in populating Carolina’s *Fiscal Year 2025 Internal Audit Work Plan*.

# University of North Carolina at Chapel Hill

## Fiscal Year 2025 Internal Audit Work Plan Engagements

Audit Engagement	Risk Category	Risk Scale	Audit Functional Area	Supportive Rationale
Faculty Workload Audit	Operational	Moderate	Provost's Office	Leadership Risk Survey Carolina Next – Optimize Operations
Student Athlete Tutoring Services	Operational	High	Academic Support Services	Leadership Request
Facilities Health and Safety (EHS)	Operational	High	Environmental Health and Safety	Top 5 ERM Institutional Risk (Infrastructure) External Risk Landscape (Safety/Security)
Fleet Services	Operational	Moderate	Finance and Operations Facilities Services	ERM Risk Survey (Expense Management)
Website Communications	Operational	High	Communications Infrastructure	Leadership Risk Survey
Generative AI Use - Academic	Operational	High	Provost's Office	Top 5 ERM Institutional Risk (Technology) Carolina Next – Strengthen Student Success
Family & Medical Leave Act	Operational	Moderate	Human Resources	External Risk Landscape (Compliance)
Employee Separation	Operational	High	Human Resources/Payroll	Top 5 ERM Institutional Risk (Talent) Carolina Next – Optimize Operations
Student Housing Access & Security	Operational	High	Environmental Health/Safety and Student Affairs	Top 5 ERM Institutional Risk (Safety) Carolina Next – Optimize Operations ERM Risk Landscape (Environment)
Carolina One Card	Operational	High	Finance and Operations	Financial Magnitude
Give UNC	Financial	Moderate	Development	Leadership Risk Survey Financial Magnitude
Athletic Team Travel Expenses	Financial	Moderate	Athletics	Carolina Next – Optimize Operations
Tango Card	Financial	Moderate	Finance and Operations Office of Sponsored Programs	Carolina Next – Research and Innovation Powerhouse
Expense Audit	Financial	Moderate	School of Public Health	Top 5 ERM Institutional Risk (Financial) Financial Magnitude

	Risk Category	Risk Scale	Audit Functional Area	Supportive Rationale
IT Inventory Management	Technology	Moderate	School of Data Sciences	Top 5 ERM Institutional Risk (Technology) External Risk Landscape (IT Infrastructure)
IT Contingency Planning	Technology	Moderate	School of Public Health	Leadership Survey Risk Carolina Next - Optimize Operations
IT Configuration Management of Endpoints	Technology	Moderate	School of Law	Leadership Survey Risk External Risk Landscape Carolina Next - Optimize Operations
Enterprise Usage of Lansweeper Software	Technology	Moderate	Campus-wide	Leadership Survey Risk Carolina Next - Optimize Operations
Grade Change Requests	Compliance	Moderate	Academic Services	Carolina Next – Optimizing Operations
Annual Student Learning Outcomes Reporting	Compliance	Moderate	Institutional Research and Assessment	External Risk Landscape (Student Outcomes) Leadership Risk Survey Carolina Next – Strengthen Student Success
Research Security	Compliance	High	Office of Sponsored Programs	External Risk Landscape (Compliance) Carolina Next – Research and Innovation Powerhouse
Alcohol Policy (Consumption and Serving)	Compliance	Moderate	Campus-wide	Leadership Risk Survey External Risk Landscape (Legal/Regulatory)
Animal Research Protocols	Compliance	High	Office of Sponsored Research	External Risk Landscape (Compliance) Carolina Next – Optimize Operations
Institute of Internal Audit Global Standards Self-Assessment	Compliance	High	Office of Internal Audit	Carolina Next – Optimize Operations
International Programs	Compliance	Moderate	UNC Global Affairs	Carolina Next – Globalize
<b>Special Project Engagements<sup>1</sup></b>	Various	--	Various	Needs of University leadership to be determined

\* The Risk Scale rating is subjective and is determined by the Office of Internal Audit Risk Assessment.

<sup>1</sup> The Fiscal Year 2025 Internal Audit Work Plan maintains budgeted hours (280/project) available to complete six Special Project Engagements (audit requests, investigations, consultations, etc.) as the need may arise, and engagements are approved, during the fiscal year.

# Fiscal Year 2025 Risk Assessment and Audit Plan

## Available Budget and Project Hour Summary

	<u>Engagement Project</u>	<u>Budgeted Hours</u>	
<p>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 2025 Work Plan with the <i>Audit, Compliance, and Risk Assessment Committee</i>, as appropriate.</p> <p>At present, the OIA is professionally staffed by the Chief Audit Officer, one Manager, two Audit Supervisors, one Information Technology Auditor, and three Staff Auditors.</p> <p>The Vice-Chancellor for Finance and Operations has designated fiscal year 2025 budgeted funds necessary to support the work plan providing for OIA staffing of up to 8 full-time-equivalent professional audit staff.</p>	<b>Operational (10)</b>		
	Faculty Workload	280	
	Student Athlete Tutoring Services	280	
	Facilities Health & Safety (EHS)	280	
	Fleet Services	280	
	Website Communications	280	
	Generative AI Use	280	
	Family & Medical Leave Act	280	
	Employee Separation	280	
	Student Housing Access & Security	280	
	Carolina One Card	280	
	<b>Financial (4)</b>		
	UNC Give	280	
	Athletic Travel Expenses	280	
	Tango Card	280	
	Expense Audit – School of Public Health	280	
	<b>Technology (4)</b>		
	IT Inventory Management	280	
	IT Contingency Planning	280	
	IT Configuration Management of Endpoints	320	
	Enterprise Usage of Lansweeper Software	240	
	<b>Compliance (7)</b>		
	Grade Change Requests	280	
	Annual Student Learning Outcomes Report	280	
	Research Security	280	
	Alcohol Policy Consumption & Serving	280	
	Animal Research	280	
	IIA Global Standards Self-Assessment	280	
	International Programs – Global	280	
	Special Projects (6 Projects @ 280 Hours)	1,680	
	FY24 Estimated Carry-Over Work	100	
	<b>Total Work Plan Budgeted Hours</b>	<b>8,780</b>	
	<b><u>Work Plan Hourly Detail</u></b>		
	Total Available Audit Hours (7 auditors @ 2,080 hours)	14,560	
	Less Employee Leave (Annual/Sick/Holiday)	-2,184	
	Less Work Plan Hours	-8,780	
	Less Non-Work Plan Hours *	-2,494	
	Less Audit-Related Duties (Committees/Etc.)	-910	
Balance Hours Available	<u>192</u>		
<b>* Auditor Non-Work Plan Hours</b>			
Prior Finding Follow-up	280		
Work Paper Peer Review	744		
Professional Development	280		
UNC Training	280		
Routine Consultations/Admin	910		
Total Hours	<u>2,494</u>		



Approval providing for the completion of engagements populating the *Office of Internal Audit Fiscal Year 2025 Internal Work Plan* for Carolina and for the budget and staffing level necessary to execute the plan.

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Vinay Patel  
Audit, Compliance, and Risk Management Committee Chair

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Date

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Lee H. Roberts  
Interim Chancellor

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Date

UNC Chapel Hill Board of Trustees  
Audit, Compliance, and Risk Assessment Committee

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Vinay B. Patel, Chair  
Malcolm K. Turner, Vice Chair  
David L. Boliek, Jr.  
Bradford B. Briner  
Jennifer Halsey Evans  
W. M. Kotis, III

Information Item #1 **Top Five Enterprise Risk Management (ERM) Risks**

**Situation:** Provided for Committee awareness is an informational overview of the University's compliance with UNC System Policy 1300.07, specifically identifying the top five enterprise-level risks facing the University.

**Background:** The UNC System requires that each constituent institution identify and submit its top five enterprise-level risks. This responsibility has been jointly administered over the past several years by the Office of Internal Audit and the Division of Institutional Integrity and Risk Management.

**Assessment:** N/A

**Action:** This item is for information only and does not require a vote by the Committee.

# Enterprise Risk Management: 2024-2025

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

May 15, 2024



**INTERNAL  
AUDIT**



- **UNC System Policy 1300.7**
  - “Each constituent institution shall establish an enterprise risk management process that aligns with the institution’s programs, activities, and management systems and that supports the institution’s strategic and other goals.”
- **Defining “Enterprise Risk”**
  - “The possibility of an issue, event, or incident occurring and impacting the ability of the university to achieve its mission, strategic goals, and objectives.”
- **Partnership**
  - Institutional Integrity and Risk Management
  - Office of Internal Audit

# Timeline



# Survey Development



- Evaluated University risk landscape
  - Evaluated the current higher education risk landscape based on third-party publications
  - Considered OIA and IIRM identified campus risks
  - Interviewed campus executive leaders to determine top campus risk concerns
- Developed risk survey questions based on identified risks
- Prepared and issued the 2024 Enterprise Risk Management Survey



- 40 potential enterprise risks were identified, grouped within 10 risk categories
- Each risk was evaluated on:
  - Likelihood of occurring
  - Impact on the university if the risk materializes
- The survey was distributed to 552 participants (campus leaders at the director level and above)
- The survey was open for 8 calendar days



- Weighted, scored, and ranked each risk by:
  - Risk Category
  - Greatest Likelihood
  - Greatest Probability
  - Overall Risk Score
- Survey outcomes were analyzed determining 14 high, 22 Medium, and 4 Low scored risks
- Combined similar risks by theme to create the Top Five Risks



# Survey Results – Top Five ERM Risks



Risk Rank	Chapel Hill Risk Title	System Office Risk Category
One	Effectively managing talent and retention risks arising from vulnerabilities related to attracting, successfully hiring, developing, and retaining skilled faculty, staff, and administrators within the university. Managing shifts in the workforce with the university continuing to navigate the great resignation and adapting alternative work arrangements to retain employees and attract new talent in a tight labor market.	Talent Management
Two	Managing finances to keep pace with growing personnel and operating expenses, including the ability to address anticipated salary increases related to reclassification of staffing from SHRA to EHRA classifications.	Financial
Three	Lack of attention to the physical infrastructure of campus facilities causing a state of potentially unhealthy conditions, becoming non-conductive for personnel occupancy (mold, toxins, hazards, etc.) and/or no longer meeting the academic/operational requirements, including ADA requirements.	Infrastructure
Four	Potential impacts resulting from failure to maintain buildings both from a safety and long-term health-related impact stance. (In addition to a healthy building, would include locks, and other safety technology and exclude weapons in the classroom per NC statute).	Safety
Five	Navigating Artificial Intelligence risks related to reliability of information, ethics, and equitable implementation to maximize its benefits within the university's operating environment.	Technology



# Questions?



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