

OFFICE OF INTERNAL AUDIT FISCAL YEAR 2019/2020 WORK PLAN

UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL

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Chief Audit Officer

University of North Carolina at Chapel Hill

Office of Internal Audit

Fiscal Year 2019/2020 Work Plan

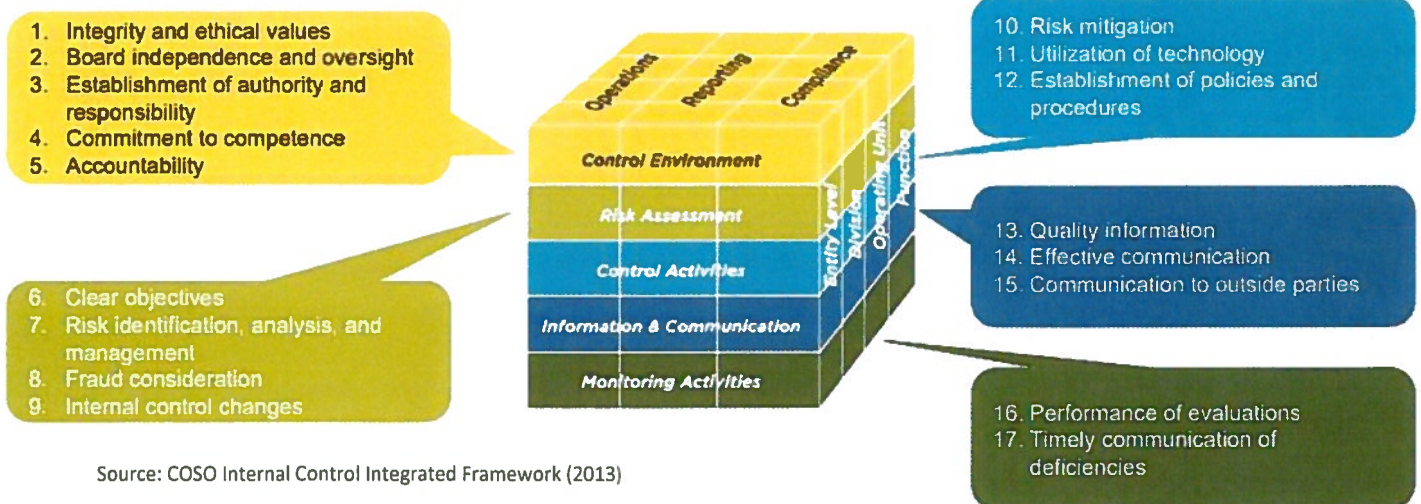
Background

The University of North Carolina at Chapel Hill's *Fiscal Year 2019/2020 Internal Audit Work Plan* (Work Plan) was developed by the Office of Internal Audit (OIA). The process included completion of a high-level risk assessment to prioritize internal audit coverage and ensure timely review of operations possessing the greatest potential risk exposure. The assessment comprised analysis of risks supporting the strategic mission and plan of the University, examination of the OIA's prior-year annual risk assessment, consideration of enterprise risk management (ERM) exposure, and through communication with senior leadership of the University and the Board of Trustees Finance, Infrastructure and Audit Committee Chairperson.

COSO Internal Control and Enterprise Risk Management Framework

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is an industry standard model for assessing risks and internal controls in both the public and private business sectors. The COSO Internal Control Framework cube represents the various business objectives and control components within an organization. The 17 principles provide guidance to implement the five components of internal control. The ERM Framework is an expansion of the cube detailing a wider array of risks including compliance, strategic, operational, financial and reputational risks.

COSO 17 Principles



Source: COSO Internal Control Integrated Framework (2013)

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Financial Magnitude of Core University Areas

The OIA collected and assessed financial data for 14 core components of University operations (revenues/expenses) for the fiscal year ended June 30, 2018. These include significant funding sources and/or consumption of institutional resources.

Category Area	Financial Impact FY2017/2018	Operational Considerations
Grants & Contracts (Operating) Revenue	\$837,984,782	Award Compliance and Monitoring
State Appropriations Revenue	\$518,231,277	Public Dollar Stewardship Institutional Reputation/Compliance
Patient Services Net Revenue	\$481,876,888	Operational – Accounting for billing/receipts/bad debt.
Student Tuition & Fee Revenue	\$438,404,927	Core Business Function Recruitment/Diversity/Retention
Net Investment Income Revenue	\$292,214,598	Financial Stewardship
Professional Services Revenue	\$122,135,327	Partnering with the Public - Blueprint for Next
Athletics Revenue	\$72,978,513	NCAA Division I Compliance Regulations – Institutional Reputation
Residential Life Net Revenue	\$72,695,671	Campus Safety and Security
Dining Net Revenue	\$36,880,015	Operational and Financial Controls
Parking Net Revenue	\$32,276,418	Operational and Financial Controls
Salaries and Benefits Expense	\$1,730,163,726	Largest Resource Expenditure
Procurement Expense (Services/Supplies/Materials)	\$962,523,864	State and University Regulatory Compliance
Scholarship/Fellowship (Financial Aid) Expense	\$129,050,342	Federal and State Compliance
Operation & Maintenance Expense	\$92,708,756	Operational - Campus Safety, Health and Security, Facilities Maintenance

Source: June 30, 2018 UNC Chapel Hill Annual Financial Report

University of North Carolina at Chapel Hill

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System Policy on University Enterprise Risk Management and Compliance

Creation of the University's Fiscal Year 2019/2020 Audit Work Plan considered outcomes upholding the UNC System Board of Governors' Policy on *University Enterprise Risk Management and Compliance*, providing for the establishment of UNC System-wide and institution-based enterprise risk management and compliance processes. The Board of Governors, in May 2019, was presented the first iteration of the UNC System risk register identifying the following six current System ERM topics of importance (each supported with underlying matrices) comprising:

- IT Governance/Data Security/Cybersecurity
- Human Resources – Recruitment, Retention, Compensation
- Financial Stability/Funding Model Issues
- Deferred Maintenance
- Enrollment
- Campus Safety and Security

The Blueprint for Next

The Blueprint for Next is Carolina's strategic framework to guide the University during the next decade. The framework was endorsed by the UNC-Chapel Hill Board of Trustees in January 2017 and is designed to provide an overarching mission of growth and success built upon two pillars, *Of the Public for the Public* and *Innovation Made Fundamental*. The Blueprint for Next continued to evolve through the efforts of leadership resulting in the identification of eight working blueprint strategic priorities and twenty-seven strategic opportunities providing a roadmap for success based upon defined quantitative areas of focus.

Summary

Collectively, the OIA's risk assessment encompassing the financial magnitude assessment, COSO considerations, *The Blueprint for Next*, System ERM, and current higher education industry risks were evaluated in determining the 16 audit engagements populating the University's *Fiscal Year 2019/2020 Internal Audit Work Plan*.

The University's Office of Internal Audit is undergoing redevelopment in terms rebuilding staffing, branding and evaluating operational processes and procedures. As such, an aggressive work plan is presented with a goal of completing a minimum of 75 to 80 percent of presented engagements, with full completion dependent upon the timeframe of new staff onboarding.

University of North Carolina at Chapel Hill Fiscal Year 2019/2020 Internal Audit Work Plan

Audit Engagement	Risk Category	Functional Area	Supportive Rational
Grant Closeout Controls	Operational	Grants and Contracts - Research	Financial Magnitude – Identified in the UNC System <i>Business Process Dashboard of Key Performance Indicators</i> as a significant risk
Campus Safety and Risk Management	Operational	Public Affairs and Secretary of the University	Blueprint for Next – <i>Campus Safety Commission</i> strategic opportunity and System ERM & Compliance topic
Clinical Trials – Participant Remuneration	Financial	School of Medicine Research	Financial Magnitude – Research compliance and monitoring
Donor Intent – Fundraising Restrictions	Reputational	University Development	Financial Magnitude – Blueprint for Next
Athletics* Financial Aid Administration Student Athlete Employment Extra Benefits – Team Travel Extra Benefits – Student Athlete Vehicles Eligibility Certification	Compliance	Athletics	COSO – Control environment/accountability with external compliance - Division I National Collegiate Athletic Association regulations
Distance Education	Operational	Academic Programing	Blueprint for Next – <i>Digital and Lifelong Learning</i> strategic opportunity
New Hire Onboarding	Operational	Workforce Strategy, Equity and Engagement	Financial Magnitude – Greatest expenditure, System ERM & Compliance topic



Audit Engagement	Risk Category	Functional Area	Supportive Rational
Revenue Recognition School of Pharmacy	Financial	Provost –School of Medicine	Financial Magnitude – Patient Services Revenue
PeopleSoft User Access Management	Technology	Information Technology	System ERM IT Governance/Date Security/Cyber Security
IT General Control Review	Technology	School of Business	System ERM IT Governance/Date Security/Cyber Security
Undergraduate Admissions	Strategic	Enrollment and Undergraduate Admissions	Blueprint for Next – <i>Educational Benefits of Diversity</i> strategic opportunity and System ERM and Compliance
Higher Education Opportunity Act	Compliance	Institutional Compliance	COSO – Control environment/accountability with external compliance - Higher Education Opportunity institutional reporting and disclosure requirements

* National Collegiate Athletic Association (NCAA) Compliance Review Plan for Division I Institutions (Attachment 1)

NOTE: In addition to defined work plan engagements, the Office of Internal Audit budgeted hours for the completion of special project requests and investigations as they may arise, and as approved for completion.

Approvals:



 Interim Chancellor

8-1-19

 Date



 Finance, Infrastructure and Audit Committee Chairman

8-1-19

 Date



THE UNIVERSITY
of NORTH CAROLINA
at CHAPEL HILL

**University of North Carolina at Chapel Hill
Office of Internal Audit
NCAA Compliance Review Plan
Department of Intercollegiate Athletics**

Internal Audit Four-Year Athletic Review Plan

Below is the four-year cyclical internal audit engagement plan based on the Association of College and University Auditors' *National Collegiate Athletic Association Division One Audit Guide*.

Year 1 (Fiscal Year 2019/2020)

Financial Aid Administration
Student Athletic Employment
Extra Benefits – Team Travel
Extra Benefits – Student Athletic Vehicles
Eligibility (comprises initial-eligibility, continuing eligibility, and transfer eligibility certifications)

Year 2 (Fiscal Year 2020/2021)

Recruiting – Off Campus
Recruiting – On Campus
Extra Benefits – Representatives of the University's Athletic Interests
Extra Benefits – Complimentary Admissions
Rules Education
Camps and Clinics
Investigations and Self-Reporting of Rules Violations

Year 3 (Fiscal Year 2021/2022)

Governance and Organization
Extra Benefits – Athletic Apparel and Equipment
Commitment to Personnel to Rules Compliance Activities – Certification of Compliance
Commitment to Personnel to Rules Compliance Activities – Coaching Staff Limits and Contracts
Playing and Practice Seasons
Amateurism
Academic Performance Program

Year 4 (Fiscal Year 2022/2023)

Athletic Director's Project Discretion

