

The background of the cover page is a photograph of the University of North Carolina at Chapel Hill campus. In the foreground, there is a white, octagonal gazebo with a green roof and several white columns. Behind the gazebo is a large, multi-story brick building with many windows. The scene is surrounded by large, leafy trees, and the sky is blue with some light clouds. The overall image is slightly faded to allow the text to be clearly visible.

UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL

**OFFICE OF INTERNAL AUDIT
FISCAL YEAR 2020/2021
WORK PLAN**

**Dean A. Weber
Chief Audit Officer**

Preface

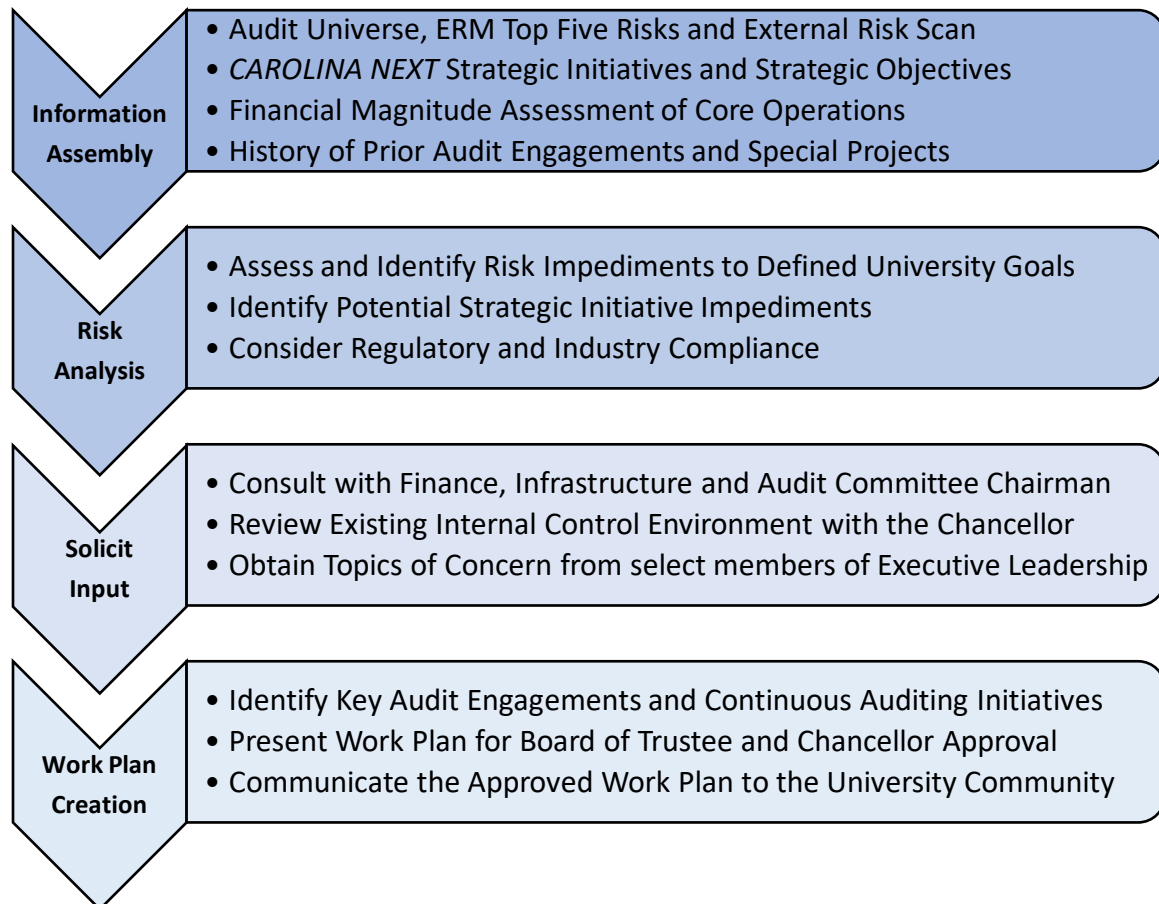
The Office of Internal Audit (OIA) developed the University of North Carolina-Chapel Hill's *Fiscal Year 2020/2021 Internal Audit Work Plan* (Work Plan). Risk Assessment processes employed as part of the Work Plan development phase were adapted due to campus-wide management of COVID-19 response, beginning early March 2020 and continuing. Disruptors of social distancing and business continuity management adversely impacted the OIA's ability to meet to discuss business process changes and perspectives on divisional risk drivers with all members of executive leadership.

Purpose of the Work Plan

The document defines key areas of University operations where institutional risk mitigation is being focused through the completion of internal audit activities. In addition to defined engagements, OIA hours are provided within the Work Plan year to perform advisory services and for the completion of special projects and investigations.

Work Plan Development Process

The Work Plan was established based on OIA information gathered through analysis of existing and emerging risks. This included an assessment within higher education of regulatory emphasis from external sources, a financial magnitude assessment, consideration of the University's ERM Register of Top Five Institutional Risks, and potential risk impediments of the eight strategic initiatives framed within *CAROLINA NEXT – INNOVATIONS FOR PUBLIC GOOD*. Institutional risks discussions were held with the Chancellor, Executive Vice Chancellor and Provost, Vice Chancellor for Finance and Operations, and the Board of Trustees Finance, Infrastructure and Audit Committee Chairman.



System Policy on University Enterprise Risk Management and Compliance

Creation of the University's *Fiscal Year 2020/2021 Internal Audit Work Plan* considered 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. System universities are required to submit to the UNC System Office, in December of each year, the University's *Top Five ERM Institutional Risks*. The December 2019 submission for Carolina is detailed below.

Risk Topic	Description	Risk Category
Civic Engagement	UNC -CH continues to be a focus of historical, political, and emotional civic engagement that demands ongoing crisis management strategic discipline and campus safety investment.	Operational
Fiduciary Responsibility	UNC-CH's rapid growth, and the legitimate needs of students, faculty and staff continue to pose financial challenges.	Financial
Physical Infrastructure	UNC-CH currently operates more than \$850 million in deferred maintenance on its campus. In addition, most campus buildings are not covered by all risk insurance coverage, increasing the likelihood of catastrophic, long-term consequences from a natural disaster.	Financial
Student Affairs and Student Health	The physical and mental health of students continues to present institutional risk. Prevention, early identification and response to mental health concerns, alcohol and other controlled substances issues, and disturbing/ disruptive behavior are essential to address student retention, persistence, and even campus violence.	Operational
Regulatory	UNC-CH is a dynamic institution with decentralized governance that operates in a highly regulated environment. It continues to insist upon a culture of compliance, and to deploy sustainable policies, procedures and other tools that integrate regulatory compliance into its ongoing operations.	Operational

For each of the *Top Five ERM Institutional Risks* identified by the University, the Office of Internal Audit defined areas/departments of campus operations linked to each of the five ERM risk topics. Potential key risk events were identified for each area/department. The potential risks were scored by internal audit staff based on their existing knowledge of the internal control environment, with outcomes shared with appropriate senior leadership for consideration and feedback.

Outcomes highlight the following operating areas/departments underpinning the *Top Five ERM Institutional Risks* deemed important by internal audit for consideration in audit engagement planning.

ERM Risk Category	Area/Department	Ranking
Regulatory	Grants & Sponsored Projects	High Risks
Civic Engagement	Environmental Health & Safety	
Regulatory	Academic Research	
Regulatory	Accounts Payable	
Regulatory	Purchasing	
Fiduciary Responsibility	Purchasing Card	
Fiduciary Responsibility	Budget Office	
Fiduciary Responsibility	Development	
Physical Infrastructure	Construction	
Regulatory	Information Technology	
Regulatory	Public Safety	
Fiduciary Responsibility	Travel Management	
Fiduciary Responsibility	General Accounting	

CAROLINA NEXT – INNOVATIONS FOR PUBLIC GOOD

Built upon aspirations of *The BLUEPRINT for NEXT*, the strategic plan *CAROLINA NEXT* aims to turn the University’s vision and aspirational goals into readily understood, significant, implementable, measurable, strategic initiatives and opportunities. *CAROLINA NEXT* is framed around eight strategic initiatives, each detailing three strategic objectives representing the practical means of steering the University towards a shared vision opening the door to strategic opportunities. The OIA identified and considered risks that could potentially impede realization of strategic objectives in development of the Work Plan with outcomes shared with appropriate leadership for consideration and feedback.

Assessing the strategic plan, *CAROLINA NEXT*, the Office of Internal Audit identified and considered risks that could potentially impede realization of desired strategic objectives.

The process evaluated the 24 strategic objectives underpinning the eight strategic initiatives. For each of the 24 strategic objectives, three potential risks were identified and scored by the Office of Internal Audit.

Outcomes highlight the following strategic objectives deemed important by internal audit for consideration in audit engagement planning.

Strategic Objectives	Ranking
4.1 Pursue creative collaborations in research and scholarship.	High Risk
6.3 Grow partnerships with businesses, nonprofits and government to translate and implement discoveries into practical applications and public use.	
8.1 Transform the administrative operations that support the University's mission of teaching, research and public service.	
1.2 Enhance the educational benefits of diversity and inclusion through effective retention, recruitment and enrollment.	
8.2 Implement a robust data governance structure and process to inform decision-making and drive change.	
2.3 Expand digital technologies to increase access and opportunities for all North Carolinians and beyond.	

External Risk Evaluation – Industry wide Higher Education Environment

The National Institute of Health and the National Science Foundation assessed efforts on sub-recipient monitoring related to due diligence performed on international sub-recipients. Award close-outs and end-of-award spending have also been reviewed. Other areas comprise calculation of indirect cost rates, allocation of procurement rebates, and concerns regarding undue foreign influence on universities. Specifically related to research universities, additional risk areas comprise offshore research, cybersecurity and disruptive technologies. Resulting from the COVID-19 pandemic, the potential exists for the Department of Education audits and evaluative processes surrounding the CARES Act and other financial programs supporting operational compliance. Lastly, national media coverage publicized significant admission scandals at top-ranked institutions alleging fraudulent admission decisions based on improper monetary exchanges.

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, 2019. These include significant funding sources and/or consumption of institutional resources.

Category Area	Financial Impact FY2018/2019	Operational Considerations
Grants & Contracts (Operating) Revenue	\$866,141,478	Award Compliance and Monitoring
State Appropriations Revenue	\$543,274,441	Public Dollar Stewardship Institutional Reputation/Compliance
Patient Services Net Revenue	\$506,765,871	Operational – Accounting for billing/receipts/bad debt
Student Tuition & Fee Revenue	\$424,391,280	Core Business Function Recruitment/Diversity/Retention
Net Investment Income Revenue	\$206,535,596	Financial Stewardship
Professional Services Revenue	\$115,542,523	Partnering with the Public - Blueprint for Next
Athletics Revenue	\$72,854,505	NCAA Division I Compliance Regulations – Institutional Reputation
Residential Life Net Revenue	\$60,603,484	Campus Safety and Security
Dining Net Revenue	\$37,895,453	Operational and Financial Controls
Parking Net Revenue	\$35,451,717	Operational and Financial Controls
Salaries and Benefits Expense	\$1,716,743,513	Largest Resource Expenditure
Procurement Expense (Services/Supplies/Materials)	\$1,013,233,108	State and University Regulatory Compliance
Scholarship/Fellowship (Financial Aid) Expense	\$88,820,896	Federal and State Compliance
Operation & Maintenance Expense	\$101,148,258	Operational - Campus Safety, Health and Security, Facilities Maintenance

Source: June 30, 2019 UNC Chapel Hill Annual Financial Report

Summary

Collectively, the OIA's risk assessment encompassed evaluation of University operations, the *Top Five ERM Institutional Risks*, potential risks impeding strategic objectives of *CAROLINA NEXT*, an external assessment of industry risks, and a financial magnitude assessment in determining the 21 audit engagements populating Carolina's *Fiscal Year 2020/2021 Internal Audit Work Plan*.

University of North Carolina at Chapel Hill
Fiscal Year 2020/2021 Internal Audit Work Plan Engagements

Audit Engagement	Risk Category	Functional Area	Supportive Rational
Construction Contracting	Financial	Finance and Operations	Top Five ERM System Reported Risk – Physical Infrastructure
Accounts Payable	Financial	Campus-wide University Divisions	Top Five ERM System Reported Risk – Regulatory and Fiduciary Responsibility
Imprest Accounts and Cash Advances	Financial	Campus-wide University Divisions	Top Five ERM System Reported – Fiduciary Responsibility General Accounting
Budgeting and Revenue Recognition	Financial	School of Dentistry	<i>CAROLINA NEXT</i> Strategic Objective 8.1 and Top Five ERM System Reported Risk – Fiduciary Responsibility
Office of Sponsored Research Uniform Guidance - Procurement	Compliance	Office of Sponsored Research	<i>CAROLINA NEXT</i> Strategic Objective 4.1, Top Five ERM System Reported Risk – Regulatory, and Financial Magnitude Assessment
COVID-19 CARES Package	Compliance	Finance and Operations	Higher Education Industry – Department of Education Compliance
Jeanne Clery Act	Compliance	Institutional Compliance	Top Five ERM System Reported Risk – Regulatory (public safety and external reporting)

Audit Engagement	Risk Category	Functional Area	Supportive Rational
Chemical Storage and Disposal	Operational	Academic Labs and Campus Operations	Top Five ERM System Reported Risk – Civic Engagement (campus safety and compliance)
Foreign Influence	Operational	Office of Sponsored Research	<i>CAROLINA NEXT</i> Strategic Objective 4.1
Dean of Students	Operational	Student Support Services	<i>CAROLINA NEXT</i> Strategic Objective 1.2
IT 3 rd Party Software Inventory	Technology	Information Technology	Top Five ERM System Reported – Subset Information/Security
Institutional Data Governance Management	Strategic	Institutional Research and Assessment	<i>CAROLINA NEXT</i> Strategic Objective 8.2
Continuous Auditing Processes: ¹ -System Administration Initiative -Technology Access Controls -University Travel -Grant Closeout Reconciliations	Technology Technology Compliance Compliance	System-wide Operations and Office of Sponsored Research	Top Five ERM System Reported – Subset Information/Security, Financial Magnitude and <i>CAROLINA NEXT</i> Strategic Objective 6.3
NCAA Compliance ² -Athlete Recruiting On/Off Campus -Extra Benefits Representatives & Tickets -Rules Education -Camps & Clinics -Investigations & Self Reporting Violations	Compliance	Athletics	Financial Magnitude and Accountability with External Compliance – Division I National Collegiate Athletic Association Regulations
Special Project Engagements ³	Various	Various	Engagements designed to meet the immediate needs of BOT and University leadership.

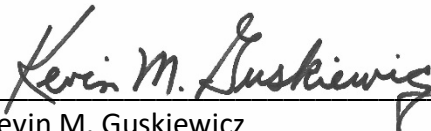
¹ Audit assessments will be completed on a fixed interval basis covering activities spanning differing operating units of the University with individual reporting provided to local management as reviews are completed accompanied by overall results summarized in fiscal year-end reports to the Chancellor for each of the four engagement areas.

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

³ The Fiscal Year 2020/2021 Internal Audit Work Plan maintains budgeted hours available to complete six Special Project Engagements as the need may arise, and engagements are approved, during the course of the fiscal year.

Approval providing for completion of engagements populating the *Office of Internal Audit Fiscal Year 2020/2021 Internal Work Plan* for Carolina.


_____ __05/21/2020__
Haywood D. Cochrane, Jr. Date
Finance, Infrastructure and Audit Committee Chairman


_____ __05/21/2020__
Kevin M. Guskiewicz Date
Chancellor

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

Internal Audit Four-Year Athletic Review Plan

Below is the four-year cyclical internal audit engagement plan (introduced beginning FY2019/20) 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