

NC STATE UNIVERSITY

NC State University Board of Trustees

Audit, Risk Management and Finance Committee

September 7, 2023

Dorothy and Roy Park Alumni Center

Hood Board Room

Raleigh, NC 27607

Tim Humphrey, Chair

Members: David Herring, Ghazale Johnston, Ven Poole,
David Powers, Perry Safran

NC STATE UNIVERSITY

September 7, 2023 Audit, Risk Management and Finance Committee

Meeting Agenda

2:30pm

1. Call to Order, Public Meeting Notice, Reading of Ethics Statement

Tim Humphrey, Chair

A. Ethics Statement

2. Executive Summary

A. Executive Summary for Audit, Risk Management and Finance Committee

3. Roll Call

Missie Davis, Board Professional

4. Responsibilities of the Committee

Charles A. Maimone, Vice Chancellor, Finance and Administration

A. Committee Responsibilities

a. Committee Responsibilities

B. Committee Plan of Work

a. Committee Plan of Work

5. Approval of Minutes

Tim Humphrey, Chair

A. April 13, 2023 Meeting Minutes

Action Item for Committee

6. Action Item

A. Special Obligation Bond Resolution
Dana R. Harris, Associate Vice Chancellor, Finance and University Treasurer and Fran Lawrence, University Controller, University Controller's Office, Finance Division

Action Item for Committee and Full Board Approval

a. Special Obligation Bond Resolution - Presentation

b. Special Obligation Bond Resolution

B. Internal Audit Charter Review and Approval
Cecile M. Hinson, Chief Audit Officer and Director,
Internal Audit Division

Action Item for
Committee

a. Internal Audit Charter Review and Approval

7. Informational Reports

A. Internal Audit Update
Cecile M. Hinson, Chief Audit Officer and Director,
Internal Audit Division

- a. Internal Audit Update
- b. NCSU Internal Audit Division Annual Report
- c. FY23 Summary of Engagements
- d. NCSU QAR Report
- e. FY24 Audit Plan Package

B. Budget and Finance Update
Charles A. Maimone, Vice Chancellor, Finance
and Administration

- a. Budget and Finance Update

C. Annual Compliance Update
Allison B. Newhart, Vice Chancellor and General
Counsel and Shawn Troxler, Deputy General
Counsel, Office of General Counsel

- a. 2023 Annual Compliance Update
- b. Summary for 2023 Annual Report on
Compliance Program

8. Committee Discussion

Tim Humphrey, Chair

9. Additional Informational Materials

Tim Humphrey, Chair

- A. NC State Investment Fund Performance
 - a. NC State Investment Fund Performance
- B. NC State Intermediate Term Fund Performance
 - a. NC State Intermediate Term Fund
Performance

3:45pm

10. Adjourn

Tim Humphrey, Chair



NORTH CAROLINA STATE ETHICS COMMISSION

SAMPLE¹ **ETHICS AWARENESS & CONFLICT OF INTEREST REMINDER**

(to be read by the Chair or his or her designee at the beginning of each meeting)

In accordance with the State Government Ethics Act, it is the duty of every [Board] member to avoid both conflicts of interest and appearances of conflict.

Does any [Board] member have any known conflict of interest or appearance of conflict with respect to any matters coming before the [Board] today?

If so, please identify the conflict or appearance of conflict and refrain from any undue participation² in the particular matter involved.

Rev. 1-16-07

¹ N.C.G.S. §138A-15 (e): "At the beginning of any meeting of a board, the chair shall remind all members of their duty to avoid conflicts of interest and appearances of conflict under [Chapter 138A]." There is no set language required by the Act. Specific language can and should be tailored to fit the needs of each covered board as necessary.

² "A public servant shall take appropriate steps, under the particular circumstances and considering the type of proceeding involved, to remove himself or herself to the extent necessary, to protect the public interest and comply with this Chapter, from any proceeding in which the public servant's impartiality might reasonably be questioned due to the public servant's familial, personal, or financial relationship with a participant in the proceeding." See N.C.G.S. §138A-36 (c). If necessary, the Chairman or individual member involved should consult with his ethics liaison, legal counsel, or the State Ethics Commission to help determine the appropriate response in a given situation.



Executive Summary for
Audit, Risk Management and Finance Committee
September 7, 2023

Agenda Item: Audit, Risk Management and Finance Committee Meeting Minutes #5

Presenter: Tim Humphrey, Chair

Summary: The open session meeting minutes from the April 13, 2023 meeting are presented. The minutes provide a summary of the April Audit, Risk Management and Finance Committee Meeting.

Action: Committee Approval

Agenda Item: Special Obligation Bond Resolution Approval #6A

Presenter: Dana R. Harris, Associate Vice Chancellor, Finance and University Treasurer

Fran Lawrence, University Controller, University Controller's Office, Finance Division

Summary: The Board of Trustees will be asked to approve that North Carolina State University at Raleigh requests the Board of Governors to issue one or more series of bonds, the proceeds of which will be applied to the acquisition and conversion of University Towers for student housing. The Audit Risk Management and Finance Committee will hear a summary of this acquisition along with the university's outstanding debt, its rating, and the timeline of bond approvals. After the brief presentation, the committee will vote to recommend that the Board of Trustees approves the resolution at the full board meeting on September 8, 2023

Action: Committee and Full Board Approval

Agenda Item: Internal Audit Charter Review and Approval #6B

Presenter: Cecile M. Hinson, Chief Audit Officer and Director, Internal Audit Division

Summary: The Institute of Internal Auditors, the International Professional Practices Framework, and state law (The Internal Audit Act) requires the annual review and approval of the Internal Audit Charter by the institution's governing body. The Charter provides a blueprint for how internal audit will operate including its mission, authority, independent reporting relationships, scope, and the requirement to conform to IIA standards.

Action: Committee Approval

Informational Items: #7

- Internal Audit Update
 - Budget and Finance Update
 - Annual Compliance Approval
-

Additional Informational Items: #9

- NC State Investment Fund Performance
- NC State Intermediate Term Fund Performance

**NC STATE BOARD OF TRUSTEES
AUDIT, RISK MANAGEMENT AND FINANCE COMMITTEE RESPONSIBILITIES
FY 2023 – 2024**

Plan of Work/Calendar

- Review of Committee Responsibilities (Annual)
- Review of Draft Agenda Items for the Year (Annual)

Approvals/Recommendations (Action Items)

- Minutes
- Internal Audit Charter Review and Approval (Annual) (Audit)
- Internal Audit Yearly Plan (Annual) (Audit)
- Recommendation to full Board – policy changes related to institutional trusts (as needed) (Policy Development)
- Recommendation to full Board – campus security policy changes (as needed) (Policy Development)
- Recommendation to full Board – policy and rate changes for parking (as needed)
- Recommendation to full Board – information technology and cybersecurity policy changes (as needed) (Policy Development)
- Recommendation to full Board – Bond/Debt (as needed) (Finance)
- Recommendation to full Board – NC State All-Funds Budget (Annual) (Finance)

Review of Required Annual Reports

- Annual Financial Report/Audit (State Auditors attend) (Audit)
- Annual Report on Endowment and Investments (Annual) (Finance, Policy Development)
- Associated Entities Review (Annual) (Audit)
- University Debt Update (Annual) (Finance)
- Intercollegiate Athletics Finance and Budget Reporting (Annual) (Finance)
- Campus Securities (Annual) (Audit, Risk Management, Policy Development)
- Information Technology Update (Annual) (Audit, Risk Management, Policy Development)

Receive Informational Reports

- Enterprise Risk Management & Compliance Update (as needed) (Audit, Risk Management, Policy Development)
- Finance Update (Finance)
- Budget and Finance Update (Audit, Finance, Risk Management, Policy Development)
- Internal Audit Update (Audit)
- Investment and Institutional Fund Performance Review (Finance, Policy Development)

**NC STATE BOARD OF TRUSTEES
AUDIT, RISK MANAGEMENT AND FINANCE COMMITTEE
2023 – 2024 PLAN OF WORK**

July

- New Trustee Orientation (as needed)

September

- Approval of Bonds/Debts (NC State Policy) (as needed)
Desired outcome and measure of success: Consider and recommend bond resolution approval to BOT when presented. BOT bond approval
- Enterprise Risk Management and Compliance Update (UNC Policy) (NC State Policy) (as needed)
Desired outcome and measure of success: Receive informational reports on University security, risk and compliance issues. Review risk, security and compliance processes, including but not limited to Title IX, Clery Act and other specifically related topics
- Internal Audit Charter Review and Approval (Req by Internal Audit Act) (Annual)
Desired outcome and measure of success: Review the Internal Audit Charter to be compliant with the Internal Audit Act
- Internal Audit Update (NC State Policy)
Desired outcome and measure of success: Receive informational reports quarterly on current activity, so that Trustees are aware of any issues that could impact the University. In addition, Trustees would receive bi-Annual report on the activities by the Internal Audit Office in reference to the Annual plan, and offer guidance when needed.
- Investment and Institutional Fund Performance Review (NC State Policy)
Desired outcome and measure of success: Inform Trustees of Investment Fund valuation and changes to market affecting the same via written materials provided at each meeting.
- Budget and Finance Update (NC State Policy)
Status update and measure progress: Receive informational report on University budget and financial performance.
- Policy Approvals (NC State Policy) (as needed)
Desired outcome and measure of success: Recommend appropriate policies to the full Board for approval.
- Review of Committee Responsibilities and Agenda Topics (Annual)
Desired outcome and measure of success: Understand Committee scope and develop an effective plan of work for the year.

November

- Approval of Bonds/Debts (NC State Policy) (as needed)
Desired outcome and measure of success: Consider and recommend bond resolution approval to BOT when presented. BOT bond approval
- Campus Securities Review (UNC Policy) (NC State Policy) (Annual)
Desired outcome and measure of success: Receive information report of University campus security.
- Enterprise Risk Management and Compliance Update (UNC Policy) (NC State Policy) (as needed)
Desired outcome and measure of success: Receive informational reports on University security, risk and compliance issues. Review risk, security and compliance processes, including but not limited to Title IX, Clery Act and other specifically related topics.
- Internal Audit Update (NC State Policy)
Desired outcome and measure of success: Receive informational reports quarterly on current activity, so that Trustees are aware of any issues that could impact the University. In addition, Trustees would receive bi-Annual report on the activities by the Internal Audit Office in reference to the Annual plan, and offer guidance when needed.

- Investment and Institutional Fund Performance Review (NC State Policy)
Desired outcome and measure of success: Inform Trustees of Investment Fund valuation and changes to market affecting the same via written materials provided at each meeting.
- Budget and Finance Update (NC State Policy)
Status update on desired outcome and measure progress: Receive informational report on University budget and financial performance
- Policy Approvals (NC State Policy) (as needed)
Desired outcome and measure of success: Recommend appropriate policies to the full Board for approval.
- State Auditor's Report (NC State Policy) (Annual)
Desired outcome and measure of success: Receive a clean audit opinion from the State Auditor's Office.

February

- Annual Financial Report (NC State Policy) (Annual)
Desired outcome and measure of success: via reference to Financial Statement distributed electronically.
- Annual Report on Endowment and Investments (UNC Policy) (NC State Policy) (Annual)
Desired outcome and measure of success: To provide Committee with more understanding about University Endowment and Investments and progress over time.
- Enterprise Risk Management and Compliance Update (UNC Policy) (NC State Policy) (as needed)
Desired outcome and measure of success: Receive informational reports on University security, risk and compliance issues. Review risk, security and compliance processes, including but not limited to Title IX, Clery Act and other specifically related topics.
- Information Technology Security Review (UNC Policy) (NC State Policy) (Annual)
Desired outcome and measure of success: Receive information report of University IT risks, security and compliance.
- Intercollegiate Athletics Finance and Budget Reporting (UNC Policy) (Annual)
Desired outcome and measure of success: Receipt of financial indicators contained in the NCAA Dashboard "Presidential View" with both Annual and 5-year information as well as review of Annual budget including major sources of revenue and expenses. Informational report promotes transparency of Athletics financial operations.
- Internal Audit Update (NC State Policy)
Desired outcome and measure of success: Receive informational reports quarterly on current activity, so that Trustees are aware of any issues that could impact the University. In addition, Trustees would receive bi-Annual report on the activities by the Internal Audit Office in reference to the Annual plan, and offer guidance when needed.
- Investment and Institutional Fund Performance Review (NC State Policy)
Desired outcome and measure of success: Inform Trustees of Investment Fund valuation and changes to market affecting the same via written materials provided at each meeting.
- Budget and Finance Update (NC State Policy)
Status update and measure progress: Receive informational report on University budget and financial performance.
- Policy Approvals (NC State Policy) (as needed)
Desired outcome and measure of success: Recommend appropriate policies to the full Board for approval.

April

- Associated Entities Review (UNC Policy) (NC State Policy) (Annual)
Desired outcome and measure of success: To inform Committee on the activities and broad overview of Annual performance of associated entities as reported to UNC General Administration.
- Enterprise Risk Management and Compliance Update (UNC Policy) (NC State Policy) (as needed)
Desired outcome and measure of success: Receive informational reports on University security, risk and compliance issues. Review risk, security and compliance processes, including but not limited to Title IX, Cleary Act and other specifically related topics.
- Internal Audit Update (NC State Policy)
Desired outcome and measure of success: Receive informational reports quarterly on current activity, so that Trustees are aware of any issues that could impact the University. In addition, Trustees would receive bi-Annual report on the activities by the Internal Audit Office in reference to the Annual plan, and offer guidance when needed.
- Internal Audit Annual Plan Review and Approval (NC State Policy) (Annual)
Requires Committee Approval Desired outcome and measure of success:
- Investment and Institutional Fund Performance Review (NC State Policy)
Desired outcome and measure of success: Inform Trustees of Investment Fund valuation and changes to market affecting the same via written materials provided at each meeting.
- Budget and Finance Update (NC State Policy)
Status update and measure progress: Receive informational report on University budget and financial performance.
- NC State All-Funds Budget Review and Approval (UNC Policy) (Annual)
Desired outcome and measure of success: Consider and recommend budget approval to BOT when presented. BOT budget approval.
- Policy Approvals (NC State Policy) (as needed)
Desired outcome and measure of success: Recommend appropriate policies to the full Board for approval.
- University Debt Update (NC State Policy) (Annual)
*Desired Outcome: Receive informational report regarding the University Debt, and debt standings/rating
Measure of Success: Knowledgeable regarding University Debt, standings and ratings.*

OPEN SESSION MINUTES

Audit, Risk Management and Finance Committee

Board of Trustees

North Carolina State University

April 13, 2023

The Audit, Risk Management and Finance Committee of the Board of Trustees of North Carolina State University met in Park Alumni Center on April 13, 2023.

Members present: Chip Andrews, Acting Chair
 David Herring
 Perry Safran
 Dewayne N. Washington
Absent: Ed Stack, Chair and Jim Harrell

Acting Chair Andrews called the meeting to order at 3:00 p.m. He reminded those in attendance that while the Committee meeting is a public meeting, it is not a meeting for public comment and only those on the agenda will be permitted to speak. Acting Chair Andrews also reminded all members of their duty to avoid conflicts of interest and appearances of conflicts of interest under the State Government Ethics Act and inquired as to whether there were any known conflicts of interest or appearances of conflict with respect to any matters coming before the Committee at this meeting. He asked all Trustees to identify themselves before speaking.

Acting Chair Andrews called on Board Professional, Missie Davis, for the roll call.

ROLL CALL

The roll was called and a quorum was present.

MINUTES

Trustee Safran made the motion, seconded by Trustee Herring, to approve the minutes of the February 16, 2023 meeting and the March 22, 2023 FY24 All-Funds Budget Workshop meeting. The minutes were approved unanimously as presented.

APPROVAL ITEMS

FY24 ALL-FUNDS BUDGET – Barbara A. Moses

Barbara A. Moses, Associate Vice Chancellor, Budget and Resource Management, presented the FY24 All-Funds Budget Narrative and Budget Templates to the Audit, Risk Management and Finance Committee for approval and recommendation for full board approval.

A motion was made by Trustee Safran, seconded by Trustee Herring to recommend the FY24 All-Funds Budget Narrative and Budget Templates to the full Board for approval. The motion passed.

INTERNAL AUDIT FY2024 PLAN – CECILE M. HINSON

Cecile M. Hinson, Chief Audit Officer and Director, Internal Audit Division presented the Internal Audit Division Fiscal Year 2024 Annual Audit Plan for approval. The Committee heard an overview of the Continuous Risk Assessment and Audit Planning process used to develop the Plan, the engagements proposed, and the current staff and organizational structure of the Internal Audit Division; all of which was included in the pre-materials.

A motion was made by Trustee Herring, seconded by Trust Washington, to accept the Plan as presented. The motion passed.

INFORMATIONAL REPORTS

INTERNAL AUDIT UPDATE – CECILE M. HINSON

Cecile M. Hinson, Chief Audit Officer and Director, provided an update on internal audit activity and performance indicators since the last meeting. The audit plan includes fifty-five (55) engagements of which eighteen (18) are closed, twenty eight (28) are in progress, and nine (9) are not yet started. There are five (5) audit reports that are in draft. Ms. Hinson also briefed the committee on 6 audit reports that were issued since the February meeting.

BUDGET AND FINANCE UPDATE – BARBARA A. MOSES and DANA R. HARRIS

Barbara A. Moses, Associate Vice Chancellor, Budget and Resource Management provided a summary of the FY2022-23 All-Funds Budget, compared to actual expenditures and revenues through the 3rd quarter highlighting notable variances. She then reviewed the proposed 2023-25 biennial operating budget, presenting a side-by-side summary of operating expenses. Associate Vice Chancellor for Finance and University Treasurer, Dana Harris, reported on the interim financials for the current fiscal year, comparing results for the first 8 months of fiscal year 2023 to the same time period in 2022. Operating Revenues increased by 4.8% and Operating Expenses by 8.3%. Total assets are up slightly while total liabilities are down.

ASSOCIATE ENTITIES REVIEW – DANA R. HARRIS

Associate Vice Chancellor Harris presented the Annual Review of Associated Entities to satisfy the annual Associated Entity review required by the Board of Governors. All audits were sent to the System Office and copies of the audits were made available to the Board via hyperlinks. There were no audit findings or management letters issued for the fiscal year 2022 audits. She provided information on net assets for the Associated Entities and concluded by providing an overview of the survey results on FY22 endowments from NACUBO, which was also provided in the pre-materials.

UNIVERSITY DEBT UPDATE – DANA R. HARRIS

Associate Vice Chancellor Harris also provided the committee with a debt update. She reviewed a ten-year history of the University's Outstanding Debt, by amount, type, and purpose, and included a debt service schedule for the outstanding bonds. She reviewed steps in the financing timeline to include preparing to borrow and issuing debt. She also discussed the university's financial credit ratings and the UNC System Office's debt affordability study from fiscal year 2022.

STRATEGIC ENTERPRISE RISK MANAGEMENT UPDATE – ALLISON B. NEWHART

Allison B. Newhart, Vice Chancellor and General Council presented an update on the University's Strategic Enterprise Risk Management process. She provided an overview of the University's ERM process, which includes four objectives: (1) Identify risks that impact NC State's goals, (2) Develop plans to monitor and mitigate risks, (3) Provide periodic updates to the Chancellor and BOT, and (4) Report significant enterprise risks to president and, with president's guidance, to the BOG. She discussed the top 10 strategic enterprise risks, which cabinet members have been assigned responsibility for oversight of the risks, and anticipated outcomes. In conclusion, specific presentations and reports given to committees were highlighted.

Acting Chair Andrews referred to the investment performance information that was included in the pre-materials.

With no further business, Acting Chair Andrews adjourned the meeting at 4:25 p.m.

Respectfully submitted,

Secretary to the Committee

Approved:

Chair of the Committee



Special Obligation Bond Resolution

Dana Harris, Associate Vice Chancellor, Finance
and University Treasurer

Fran Lawrence, University Controller, Finance Division

Audit, Risk Management and Finance Committee Meeting
September 7, 2023

University Towers

- Potential University Investment \$52,000,000
- Current lease with NCSU Housing
- 2.5 Acres of Land
- ~215,000 sf building – Constructed in 1988
- Planned occupancy ~916 revenue beds (semi-suite configuration)
- ~ 20,000 sf dining facility
- Stand-alone parking deck



Debt Metrics

as of 6/30/23

- \$503MM Outstanding fixed rate debt
- 3.3% Weighted Average cost of borrowed funds
- \$45MM Annual debt service until FY31
- Aa1/AA Credit Rating (Moody's/S&P)

Anticipated debt issuance of up to \$142MM in Spring of 2024:

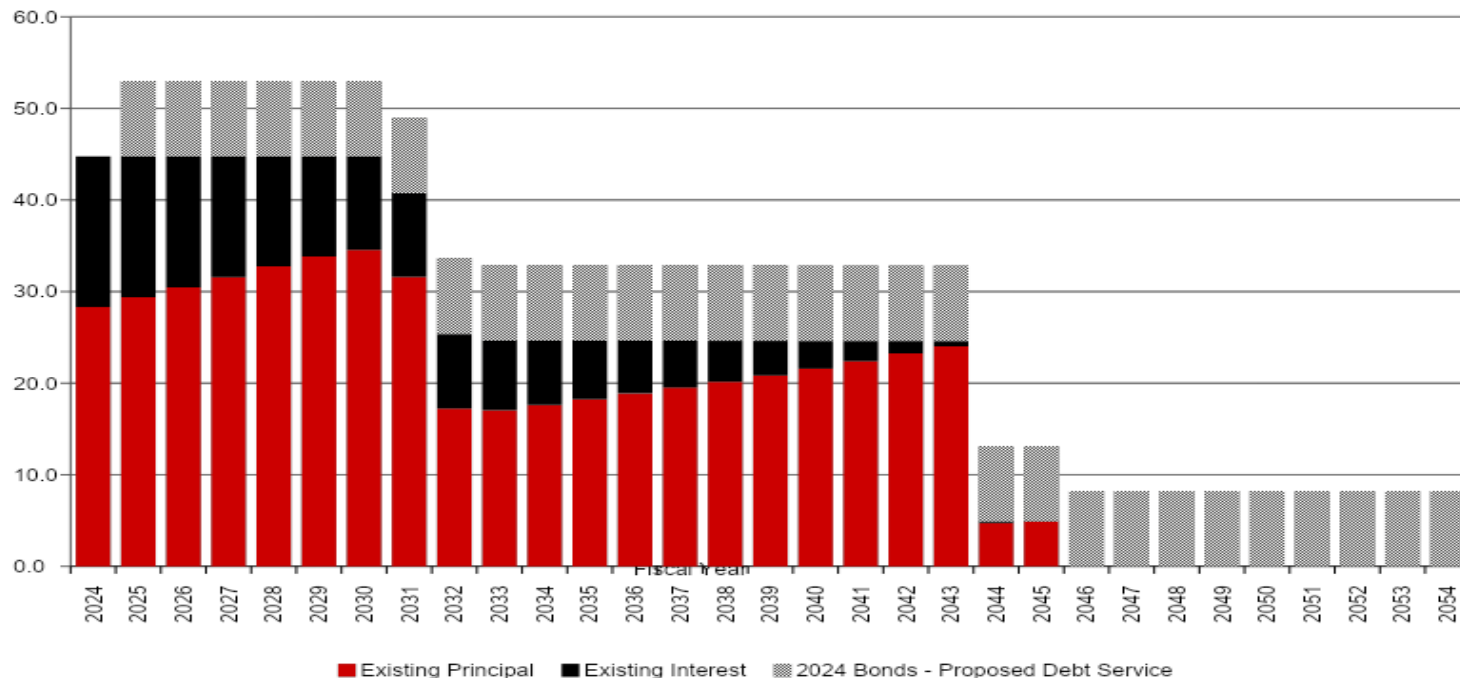
Integrated Sciences Building \$90MM

University Towers \$52MM

This will add approximately \$7MM a year to total an estimated \$52MM annual debt service until FY31 based on August market rates

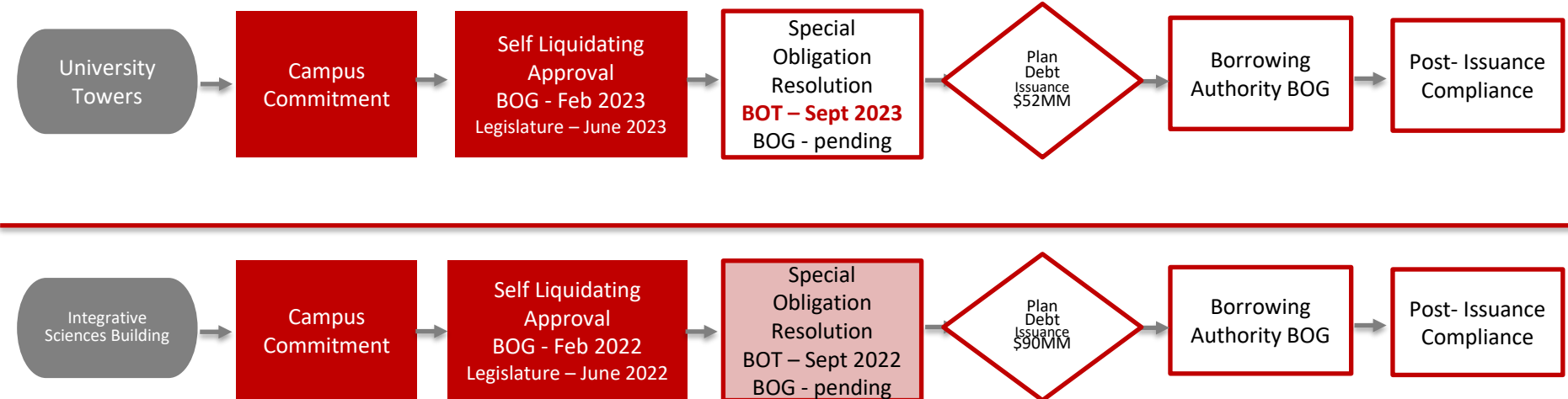
Aggregate Debt Service Payments

Annual Principal and Interest Requirements with Proposed 2024 Debt Service



Note: Market rates as of 8/15/2023. Numbers are preliminary; subject to change.

Financing Timeline



Motion for Approval of Recommendation

Excerpt:

.....***WHEREAS***, North Carolina State University at Raleigh may request the Board of Governors to issue one or more series of bonds (the “*Bonds*”), the proceeds of which will be applied to the acquisition and renovation of University Towers approved by the North Carolina General Assembly in North Carolina Session Law 2023-66 (the “*Special Obligation Project*”);

Questions?



**RESOLUTION OF THE BOARD OF TRUSTEES OF
NORTH CAROLINA STATE UNIVERSITY AT RALEIGH
APPROVING THE ISSUANCE OF SPECIAL OBLIGATION BONDS**

WHEREAS, under Article 3, Section 116D General Statutes of North Carolina (the “*Act*”) the Board of Governors (the “*Board of Governors*”) of the University of North Carolina (the “*University*”) may issue special obligation bonds, payable from obligated resources to pay the costs of acquiring, constructing or providing special obligation bond projects at one of the constituent institutions of the University or refunding any obligations previously issued by the Board of Governors;

WHEREAS, North Carolina State University at Raleigh may request the Board of Governors to issue one or more series of bonds (the “*Bonds*”), the proceeds of which will be applied to the acquisition and renovation of University Towers approved by the North Carolina General Assembly in North Carolina Session Law 2023-66 (the “*Special Obligation Project*”);

WHEREAS Section 116D-26(b) of the Act requires the Board of Trustees of North Carolina State University at Raleigh to approve the issuance of Bonds for the Special Obligation Project;

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of North Carolina State University at Raleigh as follows:

Section 1. ***Approval of Issuance of Bonds.*** The issuance of Bonds for the Special Obligation Project is approved.

Section 2. ***Documents Authorized.*** The Chair of the Board of Trustees, the Chancellor and the Vice Chancellor for Finance and Administration, individually or collectively, are hereby authorized, empowered and directed to do any and all other acts and to execute any and all documents, which they, in their discretion, deem necessary and appropriate in order to consummate the issuance of the Bonds and the transactions contemplated by this Resolution.

Section 3. ***Effective Date.*** This Resolution is effective immediately.

ADOPTED AND APPROVED this 8th day of September, 2023.

**THE BOARD OF TRUSTEES OF NORTH CAROLINA
STATE UNIVERSITY AT RALEIGH**

By: _____
Chair

STATE OF NORTH CAROLINA)
)
COUNTY OF WAKE) SS:

I, _____, the duly elected Assistant Secretary of the Board of Trustees of North Carolina State University at Raleigh, ***DO HEREBY CERTIFY*** that (1) the foregoing is a full, true and correct copy of the Resolution adopted by the Board of Trustees of North Carolina State University at Raleigh at its regular meeting of September 8, 2023 and appearing in the minutes of such meeting, (2) notice of the meeting of the Board of Trustees of North Carolina State University at Raleigh held on September 8, 2023 was sent to each member of the Board, and (3) a quorum was present at the meeting on September 8, 2023 at which time the foregoing Resolution was adopted.

WITNESS, my hand and the seal of North Carolina State University at Raleigh this ____ day of September, 2023.

[SEAL]

Assistant Secretary

INTERNAL AUDIT CHARTER

MISSION

The mission of the Internal Audit Division (IAD) is to support the university in the successful achievement of its strategic goals. This is accomplished by serving as an independent partner to university leadership, faculty, and staff in the identification and balancing of their units' risks through objective, flexible, and proactive audit and consultation services. IAD provides independent evaluation of the effectiveness of risk management, control, and governance processes and makes recommendations for improvement.

Our mission is to support NCSU's successful achievement of its strategic goals. We serve as an independent, trusted advisor to the university community in identification, remediation, and continuous monitoring of challenges and risks.

SCOPE OF WORK

IAD provides independent evaluation of the effectiveness of risk management, control, and governance processes and makes recommendations for improvement.

IAD's scope of work includes assessing whether:

- University governance processes support the organization's strategies and objectives
- Risks are appropriately identified and managed across the university
- Financial, process, and information technology controls are effective and efficient
- Policies, regulations, rules, and other guidance and training are consistent in their information, effective, and do not create undue bureaucracy or inefficiencies
- University units are compliant to university, UNC-System Office (UNC-SO), State, and Federal requirements, related processes are administered correctly, and issues are recognized and addressed properly and promptly
- Significant financial, managerial, and operating information and data is accurate, reliable, secure, and timely
- Actions of university personnel are in compliance with policies and applicable laws and regulations
- University resources are acquired economically, used efficiently, and adequately protected
- Quality and continuous improvement are fostered in the university's processes

INDEPENDENCE AND ACCOUNTABILITY

All internal audit activity must be free from undue influence or interference in the selection of activities to be examined, determination of the scope or methodology of work, and in communication of the results in accordance with the international standards of independence as set forth by the Institute of Internal Auditors (IIA).

The Chief Audit Officer & Director of Internal Audit (CAO) reports functionally and administratively directly to the Chancellor. The CAO also reports to the Board of Trustees (BOT) through its Audit, Risk Management, and Finance Committee (Committee) as required by the University of North Carolina (UNC) Board of Governors (BOG) and the IIA standards. The CAO communicates and interacts directly and independently with the Committee who reviews and approves both this Charter and the Annual Audit Plan. In addition, the CAO has informational reporting accountability to the Executive Vice Chancellor and Provost and the Vice Chancellor for Finance and Administration.

INTERNAL AUDIT CHARTER

RESPONSIBILITY

The CAO has the responsibility to ensure IAD achieves the following:

- Maintain compliance with North Carolina General Statute (GS) Chapter §116-40.7 (which establishes the independent audit function at state universities); NC GS Chapter §143 Article 79, The NC Internal Audit Act; and audit-related requirements from the UNC BOG
- Establish a risk assessment process to support the development of a risk-based audit plan and a risk-based approach to individual engagements
- Submit, at least annually, a risk-based audit plan to the Chancellor and the Committee for approval and implement that audit plan
- Continually re-evaluate the audit plan based on changing conditions and emerging issues and revise as necessary to ensure that the highest risk items are given priority
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization
- Appropriate and necessary interactions with the various external audit-related governance groups occur as needed, including interactions with UNC-SO, the state's Council of Internal Audit, Office of the State Auditor (OSA), Office of the State Controller, and the State Bureau of Investigation
- Appropriate and necessary interactions with the various internal audit and investigation related units occur as needed, including interactions with Office of the General Counsel, University Police Department, Employee Relations, and Student Conduct
- Investigate suspected fraudulent activities and notify the Chancellor, the Committee, and other management of any significant results; assist OSA or other external investigators with investigation of allegations as necessary
- Issue audit reports or engagement letters as appropriate to the Chancellor and other management summarizing the results of audit or consulting activities
- Report recent activities and high-risk issues to the Committee at regular quarterly meetings
- Perform consulting services, beyond internal auditing's assurance services, to assist management in meeting its objectives and to proactively address issues; this includes participation at the beginning of a project, initiative, or strategy in order to identify and make recommendations to mitigate potential risk
- Participate on various committees, compliance task forces, and system development projects to provide guidance, proactively address potential issues and internal control weaknesses, improve efficiencies, and increase effectiveness
- Coordinate with other control and monitoring functions both internal and external regarding areas such as risk management, compliance, security, legal affairs, environmental health, and external audits and investigations
- Keep the Chancellor, the Committee, the Executive Vice Chancellor and Provost, and the Vice Chancellor for Finance and Administration informed of emerging trends and successful practices in the internal auditing profession
- Educate the campus-community on university policies, State and Federal regulations, best practices, and the importance of effective internal controls
- Evaluate and assess significant university functions and new or changing services, processes,

INTERNAL AUDIT CHARTER

operations, major systems, and control processes coincident with their development, implementation, and/or expansion

- Develop and maintain a continuous improvement and quality assurance program covering all aspects of IAD's activities
- Adherence to The Institute of Internal Auditors' Mandatory Guidance, which includes the Core Principles for the Professional Practice of Internal Auditing, Code of Ethics, International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing

AUTHORITY

The CAO is authorized to:

- Have direct and unrestricted access to senior management and the BOT
- Have (and delegate to the IAD staff as appropriate) unrestricted, independent access to all personnel, units, functions, records, and property relevant to the performance of engagements and risk assessment activities
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives
- Obtain the necessary assistance of personnel in units of the organization where they perform audits as well as other specialized services from within or outside the organization as needed

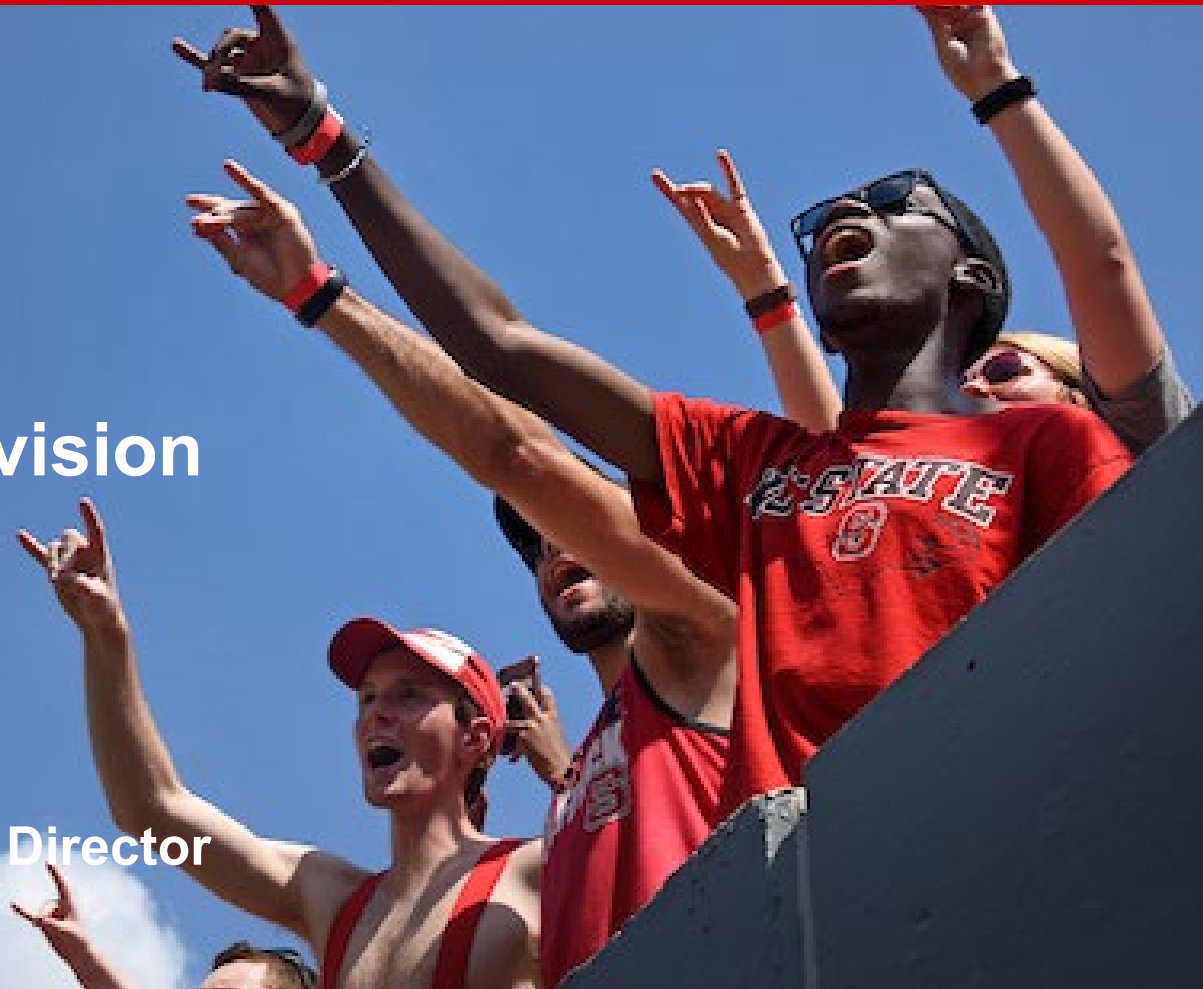
The CAO and staff of the IAD are not authorized to:

- Perform any operational duties for the organization or its affiliates
- Initiate or approve accounting transactions external to the IAD
- Make decisions that are the responsibility of management

Submitted for approval to the
NC State University Board of Trustees
Audit, Risk Management and Finance Committee
~~September 8, 2022~~ September 7, 2023

BOT ARMF September 2023 Internal Audit Division

Cecile Hinson
Chief Audit Officer and Director



Submission of NCSU IAD Charter for Approval



INTERNAL AUDIT CHARTER

MISSION

The mission of the Internal Audit Division (IAD) is to support the university in the successful achievement of its strategic goals. This is accomplished by serving as an independent partner to university leadership, faculty, and staff in the identification and balancing of their units' risks through objective, flexible, and proactive audit and consultation services. IAD provides independent evaluation of the effectiveness of risk management, control, and governance processes and makes recommendations for improvement.

Our mission is to support NCSU's successful achievement of its strategic goals. We serve as an independent, trusted advisor to the university community in identification, remediation, and continuous monitoring of challenges and risks.

SCOPE OF WORK

IAD provides independent evaluation of the effectiveness of risk management, control, and governance processes and makes recommendations for improvement.

IAD's scope of work includes assessing whether:

- University governance processes support the organization's strategies and objectives
- Risks are appropriately identified and managed across the university
- Financial, process, and information technology controls are effective and efficient
- Policies, regulations, rules, and other guidance and training are consistent in their information, effective, and do not create undue bureaucracy or inefficiencies
- University units are compliant to university, UNC-System Office (UNC-SO), State, and Federal requirements, related processes are administered correctly, and issues are recognized and addressed properly and promptly
- Significant financial, managerial, and operating information and data is accurate, reliable, secure, and timely
- Actions of university personnel are in compliance with policies and applicable laws and regulations
- University resources are acquired economically, used efficiently, and adequately protected
- Quality and continuous improvement are fostered in the university's processes

INDEPENDENCE AND ACCOUNTABILITY

All internal audit activity must be free from undue influence or interference in the selection of activities to be examined, determination of the scope or methodology of work, and in communication of the results in accordance with the international standards of independence as set forth by the Institute of Internal Auditors (IIA).

The Chief Audit Officer & Director of Internal Audit (CAO) reports **functionally and administratively** directly to the Chancellor. The CAO also **reports** to the Board of Trustees (BOT) through its Audit, Risk Management, and Finance Committee (Committee) as required by the University of North Carolina (UNC) Board of Governors (BOG) and the IIA standards. The CAO communicates and interacts directly and independently with the Committee **who reviews and approves both this Charter and the Annual Audit Plan**. In addition, the CAO has informational reporting accountability to the Executive Vice Chancellor and Provost and the Vice Chancellor for Finance and Administration.

INTERNAL AUDIT CHARTER

operations, major systems, and control processes coincident with their development, implementation, and/or expansion

- Develop and maintain a continuous improvement and quality assurance program covering all aspects of IAD's activities
- Adherence to The Institute of Internal Auditors' Mandatory Guidance, which includes the Core Principles for the Professional Practice of Internal Auditing, Code of Ethics, International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing

AUTHORITY

The CAO is authorized to:

- Have direct and unrestricted access to senior management and the BOT
- Have (and delegate to the IAD staff as appropriate) unrestricted, independent access to all personnel, units, functions, records, and property relevant to the performance of engagements and risk assessment activities
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives
- Obtain the necessary assistance of personnel in units of the organization where they perform audits as well as other specialized services from within or outside the organization as needed

The CAO and staff of the IAD are not authorized to:

- Perform any operational duties for the organization or its affiliates
- Initiate or approve accounting transactions external to the IAD
- Make decisions that are the responsibility of management

Submitted for approval to the
NC State University Board of Trustees
Audit, Risk Management and Finance Committee
~~September 8, 2022~~ September 7, 2023

Highlights from FY23 Annual Report



Refreshed Mission Statement & Values

Process Improvement & Automation

Exceptional Results -- 5-Year Quality Assessment Review

Summary of FY23 Engagements



FY23 Engagement Status & Count 6/30/23

Closed Engagements 42%

Audit = 1

Investigations = 2

Consulting Engagement = 7

Follow-Ups = 3

Special Assignments = 7

Completed Engagements 17%

Audits = 6

Investigations = 2

Active Engagements 41%

Audits = 5

Investigations = 1

Consultations = 5

Follow-Ups = 5

Special Assignments = 4

Returned to Continuous Risk Assessment

**FY23 Other Direct Time in Hours
6/30/2023**

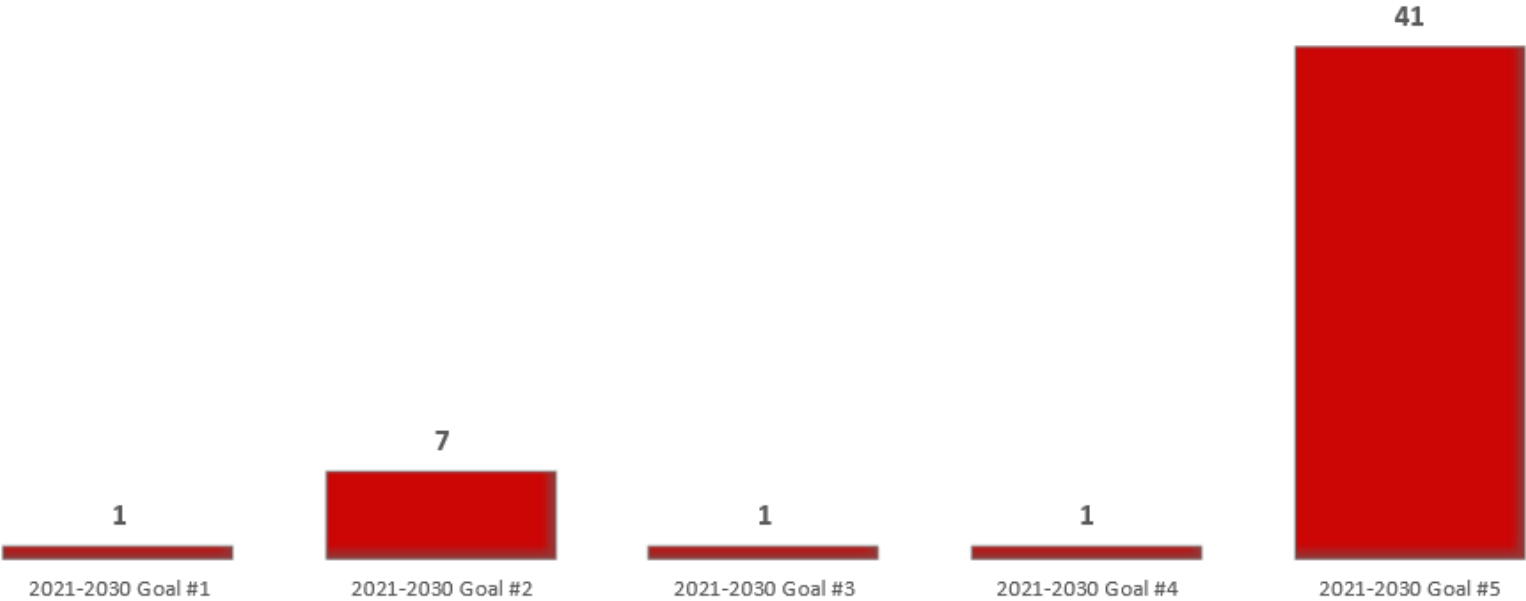
Hours Technical Assistant = 1234

Hours Risk Assessment = 286

**Hotline
Allegation
Review & Due
Diligence = 182**

2021-2030 NCSU Goals

During FY23, IAD contributed to the following university goals:



Coverage of NCSU Risks in FY23 Engagements

6/30/2023

ERM RISK = 57

ERM# 4 - Diversity,
Equity and Inclusion

ERM# 5 - IT Security and
Infrastructure

ERM# 6 - Research

ERM# 7 - Regulatory Compliance

ERM# 9 - Financial
Resources

IAD RISK = 87

Data or Cyber Security
Breach

Effectiveness and
Efficiency of Process

Employee Misconduct

Fraud

Governance

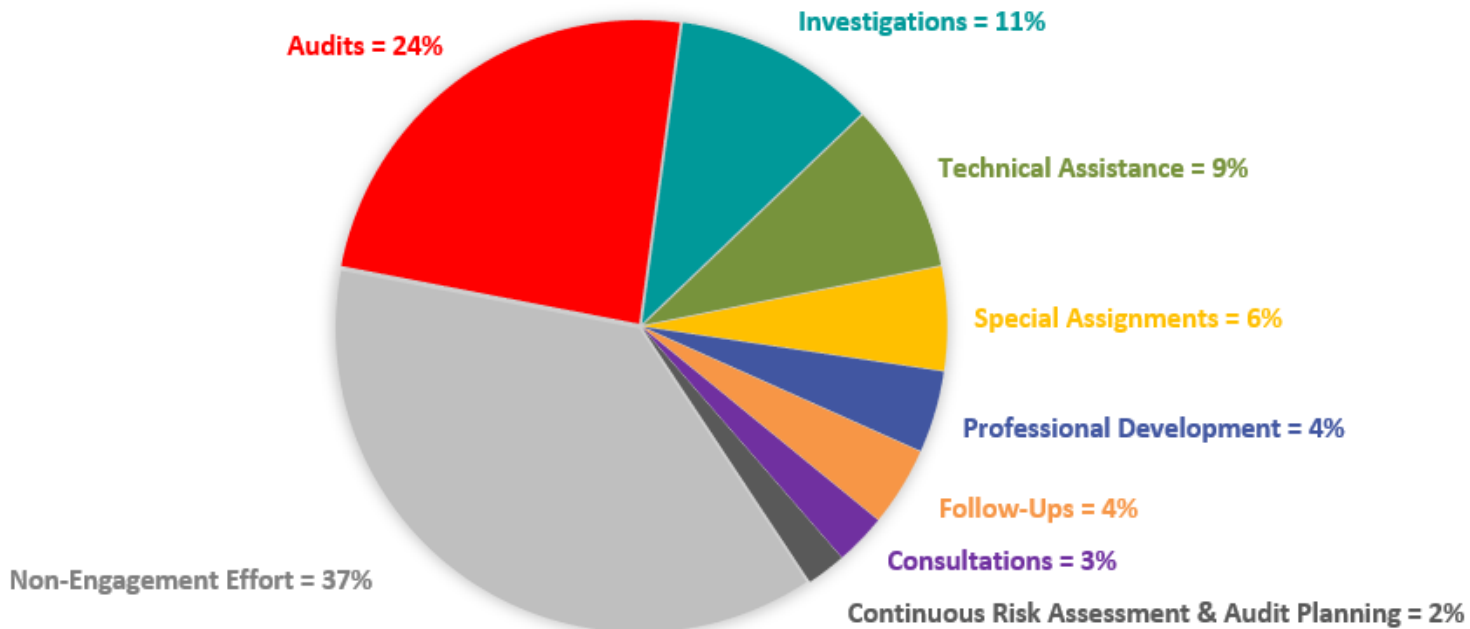
Internal Controls

Regulatory Non-
Compliance

Risk Identification &
Management

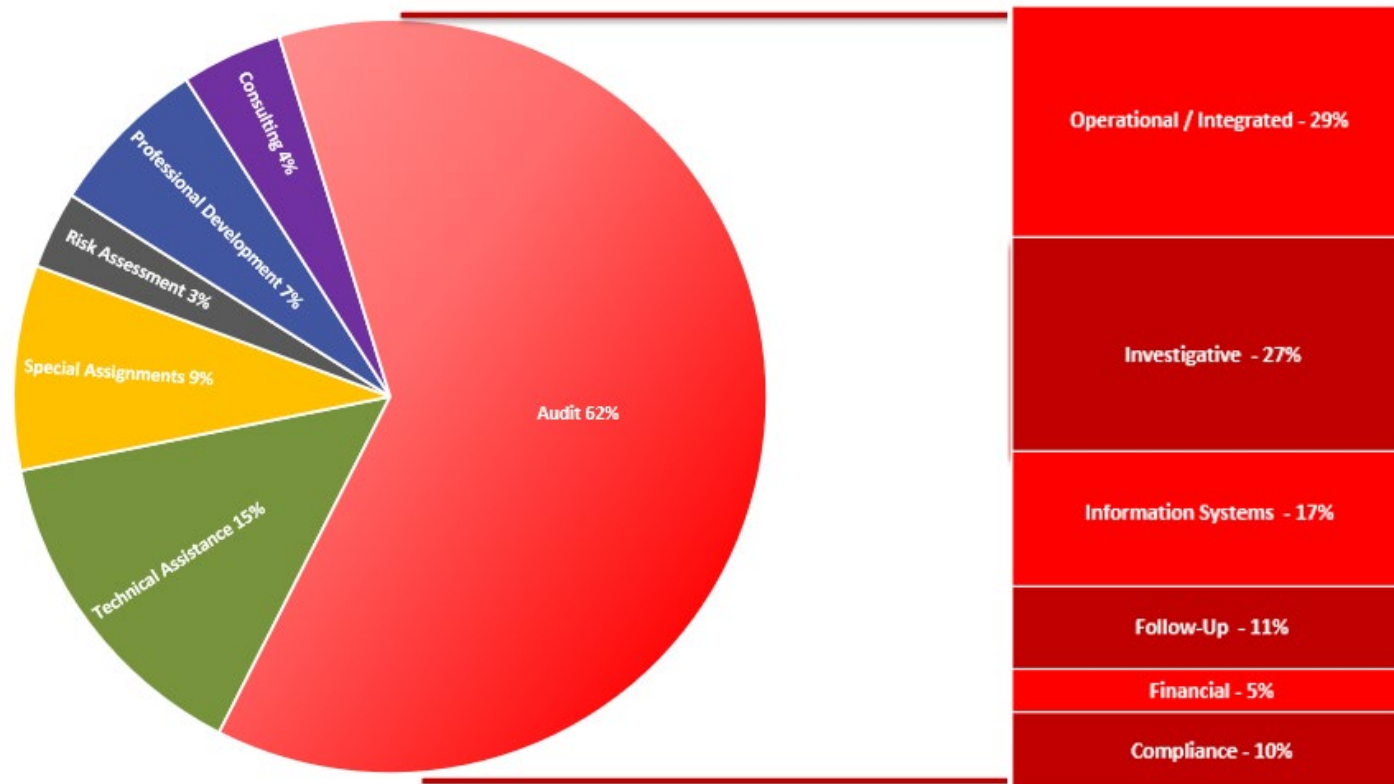
Sexual Violence or Other
Serious Crime

FY23 Auditor Total Effort 6/30/23

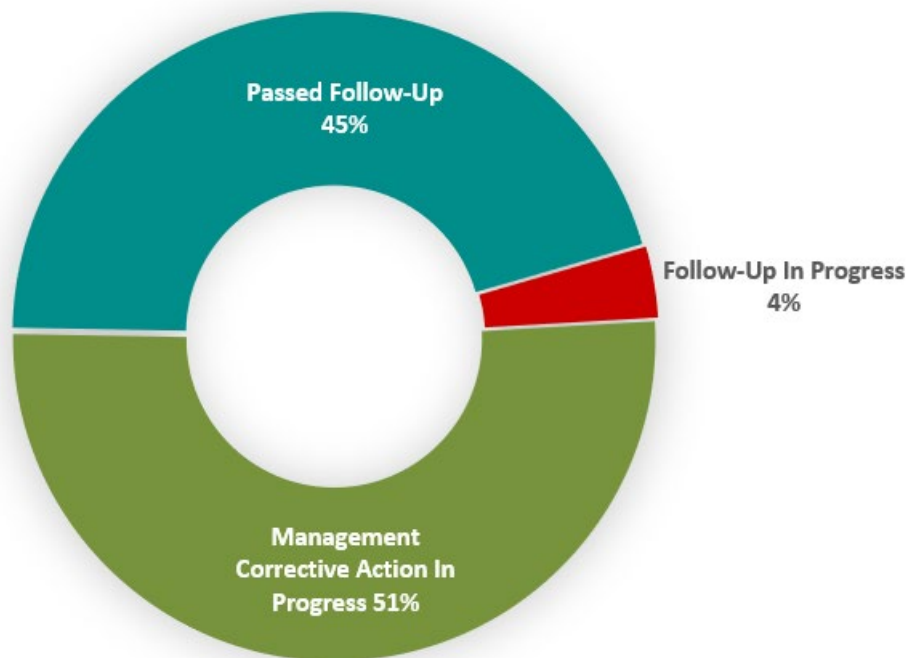


63% Effort on Engagements

FY23 Direct Effort Expended
6/30/23



Issues Status
6/30/23



FY24 Updates



FY24 Engagement Status & Count 8/30/23

CLOSED ENGAGEMENTS 9%



ACTIVE ENGAGEMENTS 68%



ENGAGEMENTS NOT STARTED/ON HOLD 23%



Report Discussion

- **Campus Enterprises – Accounts Receivable Collections – Report 3 of 3**
- **OIT – Security & Compliance – Federal Trade Commission Safeguards Rule**
- **University Finance & Administration – COVID-19 Relief Funding Compliance with Federal Requirements**
- **University Wide – Guests & Affiliates Access**
- **CALS – NC Cooperative Extension Business Process Governance – Follow-Up**
- **COS – Department of Biological Sciences Investigation – Follow-Up**
- **Student Health Services-Pharmacy Investigation - Follow-Up**

Questions?

NEW MISSION STATEMENT & VALUES

Fiscal year 2023's biggest highlight is that all our vacant positions are now filled! Since our new employees are also new to NCSU and their positions account for 63% of our staff, we took time this year to focus on energizing our new team around a common purpose and vision. We refreshed our mission statement and values and are currently working on the first IAD strategic plan.

Our mission is to support NCSU's successful achievement of its strategic goals. We serve as an independent, trusted advisor to the university community in the identification, remediation, and continuous monitoring of challenges and risks.

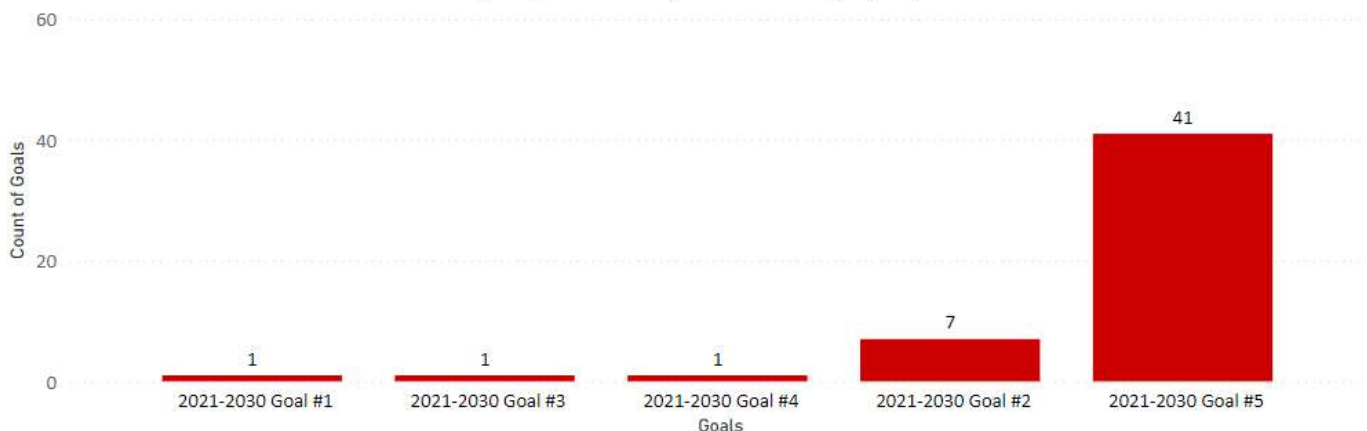
Our 4 values facilitate the achievement of our mission:

- **PARTNERSHIP**
We value collaborative partnerships through continuous engagement with the university community.
- **INTEGRITY**
We conduct our engagements with integrity, adhering to professional standards and ethical guidelines. Our team members embrace honesty, objectivity, and independence in every aspect of our work.
- **RESPECT**
We value the unique perspectives and experiences of our university community.
- **SERVICE**
We serve as a trusted advisor to our university community.

ACHIEVEMENTS ASSOCIATED WITH UNIVERSITY STRATEGIC GOALS

In keeping with our mission, engagements undertaken this year have aided the university's successful progress towards the goals of the University's Strategic Plan, Wolfpack 2030 Powering the Extraordinary. The graph below highlights that our engagements touched 5 of the 7 university goals and our efforts were appropriately weighted towards Goal 5: Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data.

NCSU Internal Audit Division

Coverage of University Goals as of 6/30/2023

UNIVERSITY GOAL 1 – EMPOWER STUDENTS FOR A LIFETIME OF SUCCESS AND IMPACT

This year we enhanced our internship program by partnering with the university's Federal Work Study Program and bringing on board a student from the Poole College of Management. Raymond's internship plan of work gave him the opportunity to closely collaborate with experienced auditors, learning the intricacies of auditing and developing data analytic dashboards.

UNIVERSITY GOAL 2 – ENSURE PREEMINENCE IN RESEARCH, SCHOLARSHIP, INNOVATION AND COLLABORATION

We contributed this year to the university's goal of preeminence in research through engagements such as:

- The Federal Safeguards Rule – Security Requirements Audit in which we reviewed and recommended improvements to current risk assessment approaches, ensuring gaps are identified, fully documented, and properly addressed in compliance with federal regulations
- On-going advisory services to the Enterprise Research Administration system and the Research Enterprise Database project, providing advice, insight into research compliance, data security requirements, and effectiveness and efficiency of processes
- The Chief Audit Officer is a member of the Insider Threat Program (ITP) Working Group and is responsible for providing expert input within her scope of authority to the working group, reporting violations, compliance issues, or incidents to the ITP Senior Official and updating the group with trends from her area of expertise
- Audits in-progress at the end of the fiscal year covering risks associated with unallowable charges to grant funds

UNIVERSITY GOAL 3 – EXPAND AND ADVANCE OUR ENGAGEMENT WITH AND SERVICE TO NORTH CAROLINA AND BEYOND, DEFINING THE STANDARD FOR A 21ST-CENTURY LAND-GRANT UNIVERSITY

The follow-up audit conducted by IAD on the Business Process Governance of the College of Agriculture and Life Sciences (CALS) - NC Cooperative Extension (NCCE) played a role in supporting Goal 3. This goal centers around the collaboration with community partners to tackle the social, economic, and environmental challenges that our state, nation, and world are facing. As in fiscal year 2022, IAD's contribution to this university goal involved offering continuous advisory services to the personnel of NCCE through the relationships established during the follow-up to the audit of NCCE Business Process Governance.

UNIVERSITY GOAL 4 – CHAMPION A CULTURE OF EQUITY, DIVERSITY, INCLUSION, BELONGING AND WELL- BEING IN ALL WE DO

IAD completed an audit this year that focused on governance over high-risk university processes facilitating compliance with the U.S. Department of Education's Title IX Final Rule. Additionally, each staff member completed the required university diversity and inclusion training along with additional hours of DEI-focused training obtained through continuing professional education conferences.

UNIVERSITY GOAL 5 – IMPROVE UNIVERSITY EFFECTIVENESS THROUGH TRANSFORMATIVE TECHNOLOGIES, CUTTING-EDGE PROCESSES AND ACTIONABLE DATA

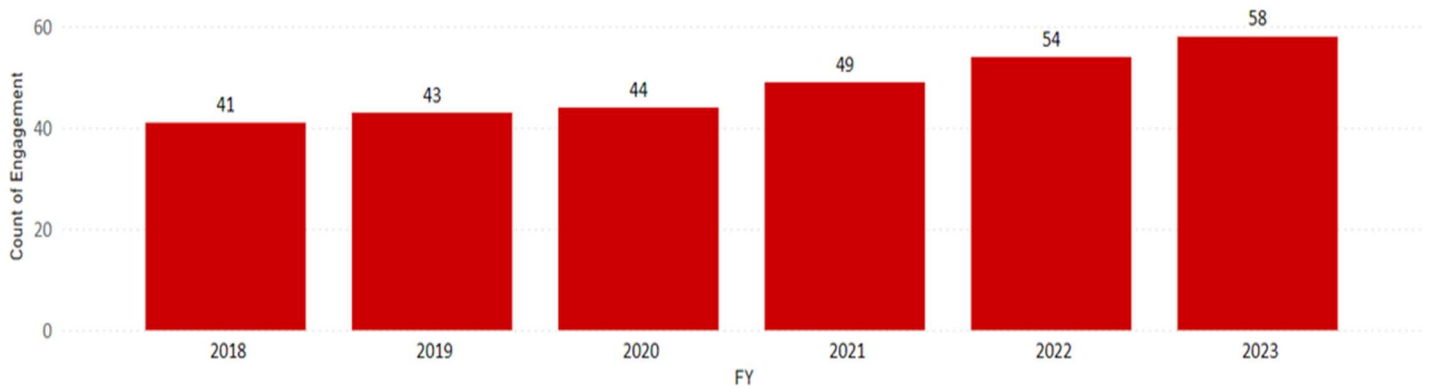
Our activities throughout the year contributed most heavily to the goal of increasing university effectiveness. We affected this goal primarily through recommendations and advice touching on a wide variety of themes, processes, units, and mission-driven functions. Examples of impacted areas include the following:

Title IX	Risk Assessment
IT Security Controls University-wide	PCard
Travel Reimbursement	Accounts Receivable
Financial Fraud Prevention	Physical Access Controls and Safety
Receipt Supported Units	Sponsored Programs/Research
Safety of Minors	Management and Monitoring of Guests and Affiliates Activities
CVM Teaching Hospital	Cash Receipts Internal Controls
HIPPA Compliance	Motor Fleet Management
Data Security	Network Infrastructure
Data Privacy and Compliance	Vulnerability Management
Payment Systems and Processes	Incident Response
Employee Misconduct	Governance

METRICS

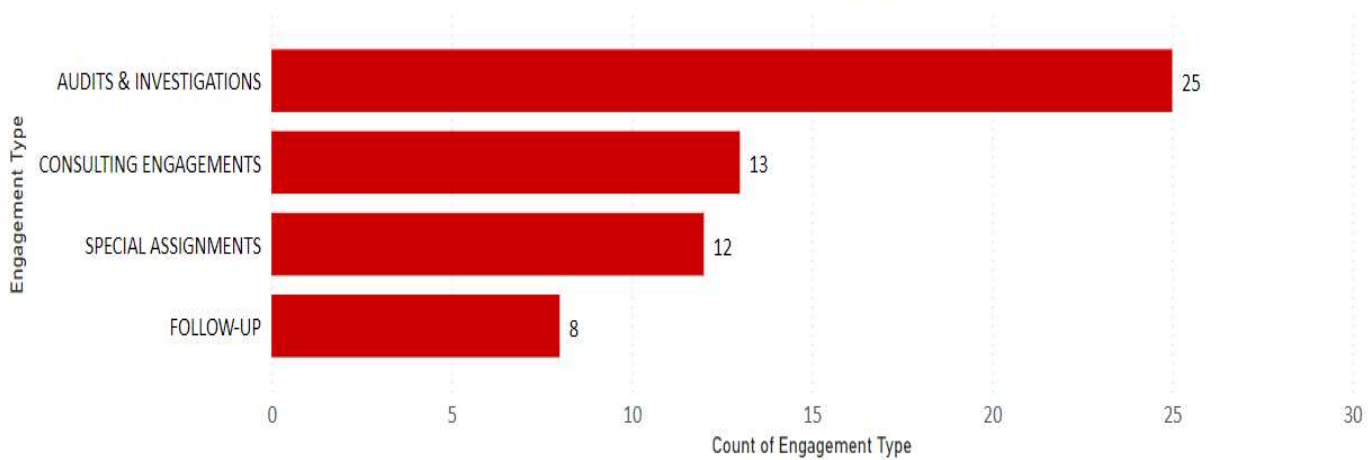
NCSU Internal Audit Division

Number of Engagements Per Year as of 6/30/2023



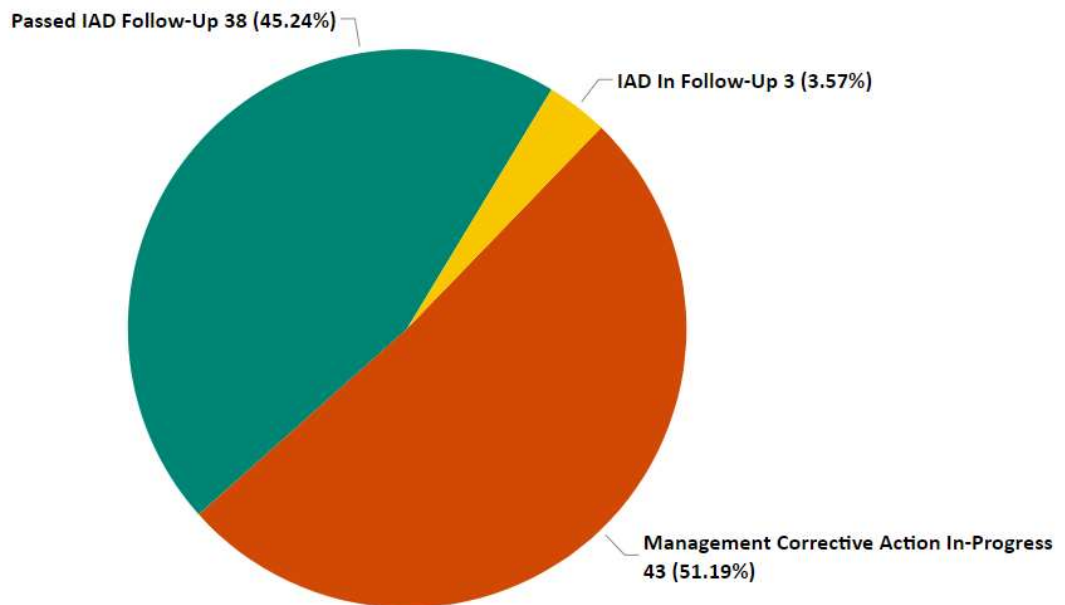
NCSU Internal Audit Division

Fiscal Year 2023 Engagements By Type



NCSU Internal Audit Division

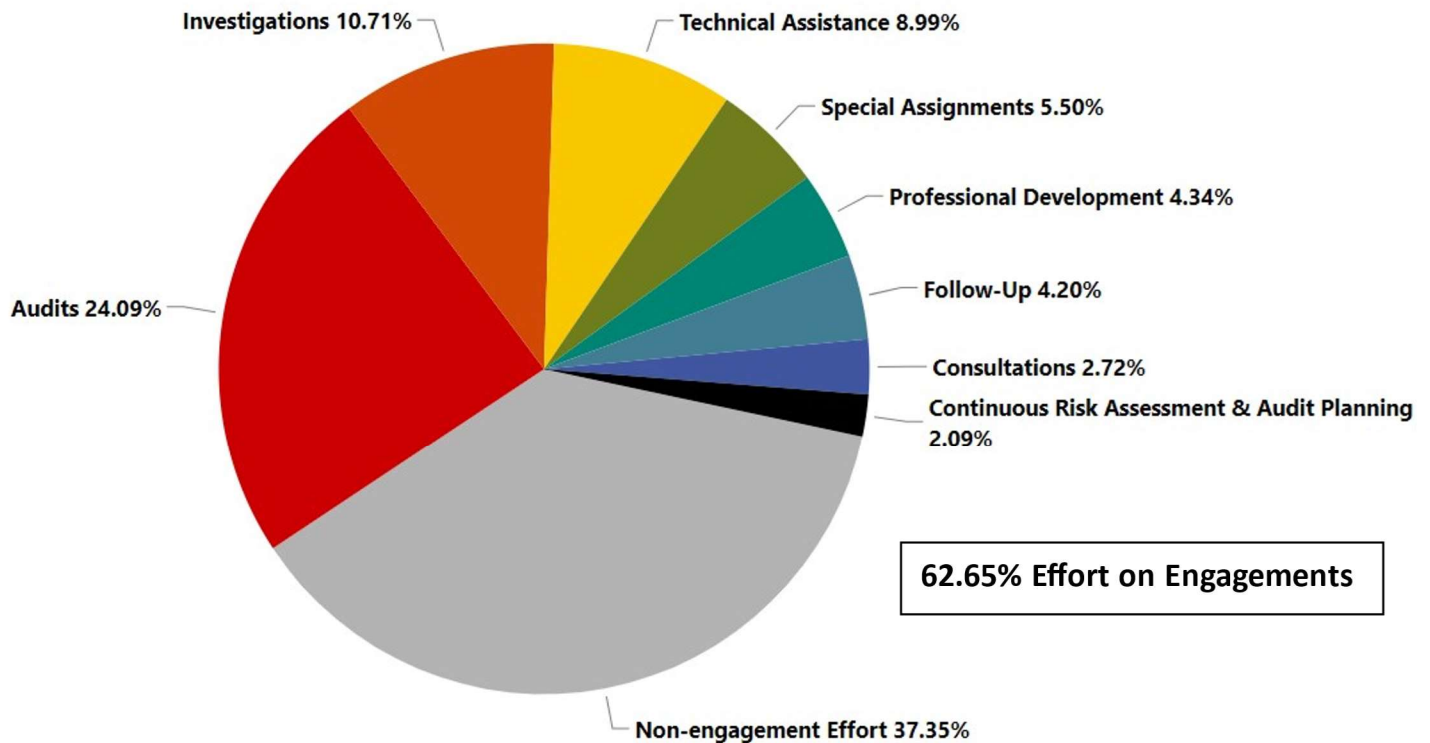
ISSUE STATUS AS OF 6/30/23



We made noteworthy progress this year on many issues still open from reports as far back as 2018. The chart above represents 84 issues tracked during the year. We followed-up on and closed out 38 issues and had 3 follow-ups in progress at year end. As a result, we finished the year current on all follow-up activities with only 43 open issues from 14 audit reports for which management is still implementing corrective action.

NCSU Internal Audit Division

Fiscal Year 2023 Auditor Time Expended As % of Total



As depicted above, IAD engagement effort was less than our historical average of 80% effort on engagements. This is largely due to the impacts of high staff turnover – 5 new staff joined the team at the end of FY22 and in FY23 – and unusually high leave amounts due to our former Assistant Director’s pre-retirement need to use accrued leave time. Additionally, several staff required extended leave due to family circumstances. These coinciding impacts resulted in explainable, but higher than normal, non-engagement effort for the year.

INITIATIVES: MAJOR INITIATIVES AND/OR CHANGES TO PROGRAMS OR ACTIVITIES

PROCESS IMPROVEMENT AND AUTOMATION

While the strength of our existing processes was made evident in the results of our Quality Assurance Review completed this year (see next section), IAD began a major effort to improve the effectiveness and efficiency of both engagement and administrative processes along with enhancing our application of data analytics applicability for both. This effort is essential to our relatively small office’s ability to meet the growing number of extremely detailed management and productivity key performance indicators imposed this year by the state-level Council of Internal Auditing.

We have made great progress in advancing our work practices, particularly in the audit and consultation engagement space, by leveraging the technical and programming skills of our new Assistant Director. We implemented a new workpaper system that not only ensures compliance with the IIA’s Standards as required by our profession, state law, and BOG policy, but also has improved team efficiency, collaboration, and turnaround time on auditor workpaper development and review cycles.

We've developed several administrative dashboards and data analytics tools that improve the accuracy and ease with which we track and collate the data required for reporting to the state Council of Internal Audit. Through collaborative use of these new tools, we have conducted real-time analysis of the effectiveness of our existing processes. As a result, we've also been developing new processes or enhancing old processes and standard operating procedures. Notably, we've also been documenting our processes as they are developed.

In addition to the positive impact enhanced data analytics brought to our administrative processes, with the guidance of our Assistant Director, the audit staff are developing new and expanded skills using data analytics tools such as Power BI. These skill sets enhance their ability to audit large data groups and allow a deeper analysis of audit data to better understand issues and reveal trends.

QUALITY ASSURANCE REVIEW – 5 YEAR REASSESSMENT

A Quality Assessment Review (QAR) is mandated by the Institute of Internal Auditors (IIA) Professional Standards and by state of North Carolina law for all internal audit units every 5 years. NCSU IAD's QAR report was issued in May 2023 with the reviewers noting that IAD:

- Is viewed by the university community and leadership as a “supportive trusted advisor” which “marks the pinnacle accomplishment for which internal auditors strive”
- Customers share an extremely positive view of IAD as noted in surveys and interviews
- Strategically created an experienced team with a diverse set of skills, certifications, and academic and professional backgrounds which facilitates the ability to be “agile in providing services to the organization it serves”
- Operates in a manner that meets or exceeds the major objectives of the professional Standards and Code of Ethics

While no issues were noted during the QAR, our reviewers noted two opportunities for continuous improvement. The reviewers' recommendations and the Chief Audit Officer's (CAO) response to those recommendations are quoted below.

1. Resource Improvement

Recommendation: To ensure adequate assurance of information technology and investigative services to cover the University's demand, the University should consider increasing the size of the IA function.

Response: The CAE has been in proactive discussions over the last two years with the Chancellor regarding the need for additional resources. New auditor positions have not been created because the sudden, unexpected turnover experienced in fiscal year 2022 highlighted the need to significantly increase the classifications and related salaries of the existing auditor positions. These resource increases, provided by the Chancellor, ensured more accurate reflection of the qualifications and performance expected of individuals holding these positions. Currently, thanks to the support provided by the Chancellor and his leadership team, all auditors are classified as advanced and have competitive salaries in relation to the local and national markets. The CAE will continue to work with the Chancellor to consider how to address the need for additional audit staff to cover the recognized, ever-increasing volume of work.

2. Continue Implementing Technology-Based Audit Tools

Recommendation: The CAE should implement technology-based investigative audit tools such as Lexis Nexis to help drive efficiency within the investigative process.

Response: In the past, the investigative auditor was provided with several technology-based tools to enhance their ability to perform their work. However, it was discovered that the same tools were being utilized by the NCSU Office of Information Technology and that a shared solution would be more cost effective. These shared tools include email search engines that allow for the rapid sorting, search, and analysis of thousands of emails and secure storage and control of evidence collected. Access to Lexis Nexis, a research tool, has also been explored in the past and was consistently found to be cost prohibitive. The CAE is now exploring new opportunities to possibly join with other university units that use Lexis Nexis. If it is found to be cost effective, Lexis Nexis will be added to the tools available to the investigative auditor. Otherwise, the less costly research approaches currently in use will continue to be utilized in obtaining the data required for investigations.

INTERNAL AUDIT STRATEGIC PLANNING

As noted at the beginning of this report, IAD is in the process of developing its first strategic plan. A new mission statement and set of values is being created along with a detailed analysis of strengths, weaknesses, opportunities, and threats. Our strategic plan will be completed in fiscal year 2024.

STAFF: MAJOR NEW APPOINTMENTS, KUDOS, PROFESSIONAL ACTIVITIES AND RECOGNITION

SAMPLES OF UNIVERSITY COMMUNITY FEEDBACK FROM THE QUALITY ASSURANCE REVIEW (QAR) SURVEY

- “Approachable, professional staff with the range of expertise needed for IA's broad portfolio; appreciation of accounting, IT and business processes' context in the university's teaching, research and service programs.”
- “Cecile and her team are trustworthy, thoughtful, competent, reassuring, non-judgmental, supportive, and caring. Whenever I have an issue or concern, I contact Cecile immediately, as I see her and her team as partners. I see internal audit as a resource, a guide, and someone who wants us to be successful.”
- “The areas of strength for internal audit activity include professionalism, integrity, knowledge of the university, thoroughness, engagement with campus partners in a positive way, and just overall excellence in operations.”
- “Knowledge in best practices and excellent collaboration service. Internal Audit is a great partner in reviewing processes and providing valuable feedback. Their customer service and guidance is awesome.”
- “Collaborative, solution-oriented approaches to problem solving.”
- “Friendly, professional, clearly desire to help, thoughtful”.
“Strong communication and professionalism.”
- “We found internal audit an incredibly valuable partner that provided exactly what we needed for an objective outside opinion to help us improve services and security.”

STAFF PROFESSIONAL ACTIVITIES AND RECOGNITION

- New Certified Internal Auditors (CIA):
 - ✓ Vanessa Collins, Investigative Auditor
 - ✓ Elizabeth Davis, Operational Auditor
- Seth Miller, IT Auditor, is now a Certified Fraud Examiner (CFE)
- Lisa Outlaw, Assistant Director, graduated from University of North Carolina at Wilmington, earning a Master's in Business Administration with a concentration in Cybersecurity

STAFF TURNOVER

- Nancy Burgart, former Assistant Director, retired in November 2022 after more than 28 years of service with the state. She held various positions at NCSU before serving in the role of Assistant Director for the past 10 years.
- Lisa Outlaw joined the Internal Audit Division in November 2022 as the new Assistant Director. Lisa has over 8 years as a Chief Audit Officer at multiple state agencies and has many years of strong experience in audit, forensic investigation, data analytics, and cybersecurity. Lisa also holds strong, relevant certifications: Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE), Certified Data Solutions Privacy Engineer (CDPSE), Certified Information System Auditor (CISA), Certified Information System Security Professional (CISSP), and Certification in Risk Management Assurance (CRMA).

CHALLENGES: RECOMMENDATIONS AND CONCERNS FOR THE FUTURE

As noted in the Quality Assurance Review (QAR) – 5 Year Reassessment section above and in prior Annual Reports, our most significant challenge continues to be the need for additional resources. The university's funding, risk environment, and the complexity of programs, partnerships, and mission-driven activities have all grown with the institution over the last 10 years, but IAD staffing has remained static. As a result, we are now falling behind in our ability to respond to our campus constituency in the timely and focused manner they are used to and count on. Some comments from the QAR survey included:

- "I think they seem a little understaffed, and expanding that might help get a better handle on more outstanding items."
- Increase the "amount of staff to help with timelines and turnaround time."
- "They do a great job, only improvement I see is that they need a larger team."

Additionally, our limited resources are increasingly challenging our office's ability to:

- Respond to allegations and conduct investigations – there is always a backlog
- Assess, plan, and complete audit work related to the ever-increasing IT security requirements
- Assist the university security community in identifying and planning for emerging cybersecurity risks
- Accomplish the work set out in our annual audit plans as approved by the Board of Trustees
- Meet the internal audit administrative data tracking and assessment requirements from the state Council of Internal Auditing

Our lean resources also mean that we are not resilient to staffing issues such as turnover or extended absences due to family circumstances as evidenced in our effort metrics reported in the Metrics section above.

Finally, our staffing levels and the volume of work also challenge our ability to retain staff. At our current size, we can hire only advanced auditors with a diversity of background and experience that enables them to function at a high-level of skill and independence so that we can accomplish as much as possible. However, that also means that we have staff who are ready to advance in their career and move into a supervisory role. We do not have any junior-level staff to allow them that experience. We tried to mitigate that by bringing in student interns but that does not provide the full scope of essential growth experiences afforded by supervising a direct report, full-time employee. Increasing our size to include junior auditors would remediate many of our staffing retention and resiliency issues as well as improving the division's work load capabilities.

INTERNAL AUDIT DIVISION
FISCAL YEAR 2023 SUMMARY OF ENGAGEMENTS
AS OF 06/30/2023

KEY:	CLOSED	MANAGEMENT CORRECTIVE ACTION IN PROGRESS	COMPLETED (CORRECTIVE ACTIONS IN PROCESS)	IN PROGRESS	RETURNED TO RISK ASSESSMENT
Engagement	University Risk(s)	University Strategic Goal(s)	Status	Summary	
AUDIT ENGAGEMENTS					
Title IX Governance Processes	ERM# 4 - Diversity, Equity and Inclusion ERM# 7 - Regulatory Compliance Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process	2021-2030 Goal #4 - Champion a culture of equity, diversity, inclusion, belonging and well-being in all we do 2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Closed	The objective of this audit was to assess the effectiveness of governance over high-risk university processes facilitating compliance with the U.S. Department of Education's Title IX Final Rule. Corrective action was implemented prior to the publication of the report for issues related to providing Title IX coordinator information to students and job applicants, updates to the governing regulation, and updates to the Responsible Employee listing and related training process. In addition, Internal Audit recommended several opportunities for improvement including adding Title IX personnel roles to job descriptions, workplans, and appraisals and suggestions for more broadly advertising Title IX information and resources. Report issued: 09/21/2022. Engagement closed: 09/21/2022.	
College of Veterinary Medicine (CVM) - Teaching Hospital Patient Care	Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Closed	The objective of this engagement was to investigate the allegation from an internal source related to the potential neglect of a patient goat admitted to the NC State Veterinary Hospital. The allegation was unsubstantiated. Report issued: 12/20/2022. Engagement closed: 12/20/2022.	

INTERNAL AUDIT DIVISION
FISCAL YEAR 2023 SUMMARY OF ENGAGEMENTS
AS OF 06/30/2023

<div> <div>KEY:</div> <div>CLOSED</div> <div>MANAGEMENT CORRECTIVE ACTION IN PROGRESS</div> <div>COMPLETED (CORRECTIVE ACTIONS IN PROCESS)</div> <div>IN PROGRESS</div> <div>RETURNED TO RISK ASSESSMENT</div> </div>				
Engagement	University Risk(s)	University Strategic Goal(s)	Status	Summary
Campus Enterprises - RAVE! Catering Investigation - Report 1 of 3	Other - Prior Year Strategic Risk - Employee Misconduct Other - Internal Audit Universe Risk - Fraud Other - Internal Audit Universe Risk - Internal Controls Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Processes	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Closed	<p>The primary objective of this audit was to investigate an allegation from an internal source that a Rave! Catering employee committed theft and abused the privilege of their position by ordering food from Rave! Catering for a personal, non-university event.</p> <p>The secondary objective was to determine if there were any process or internal control weaknesses that facilitated this potential theft.</p> <p>The allegation was unsubstantiated.</p> <p>In the process of investigating the allegations, issues related to Rave! Catering internal controls and Campus Enterprises accounts receivable collections were noted. Two separate engagements were created to address the issues associated with each entity (see Campus Enterprises – Rave! Catering, Report 2 of 3 and Campus Enterprises – Rave! Catering, Report 3 of 3 below).</p> <p>Report issued 2/2/2023.</p> <p>Engagement closed: 02/02/2023.</p>

INTERNAL AUDIT DIVISION
FISCAL YEAR 2023 SUMMARY OF ENGAGEMENTS
AS OF 06/30/2023

<div> <div>KEY:</div> <div>CLOSED</div> <div>MANAGEMENT CORRECTIVE ACTION IN PROGRESS</div> <div>COMPLETED (CORRECTIVE ACTIONS IN PROCESS)</div> <div>IN PROGRESS</div> <div>RETURNED TO RISK ASSESSMENT</div> </div>				
Engagement	University Risk(s)	University Strategic Goal(s)	Status	Summary
Federal Safeguards Rule - Security Requirements Audit	ERM# 7 - Regulatory Compliance Other - Internal Audit Universe Risk - Risk Identification and Management	2021-2030 Goal #2 - Ensure preeminence in research, scholarship, innovation, and collaboration 2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Completed (Corrective Action in Progress)	<p>The objective of this audit was to determine if the university is compliant with Code of Federal Regulations (CFR) Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - Appendix XI Compliance Supplement (Federal Safeguards Rule.) Specifically, we assessed whether the university has implemented core elements of the rule:</p> <ul style="list-style-type: none"> • Designated an individual to coordinate the information security program • Performed a risk assessment that addresses the three areas noted in 16 CFR 314.4 (b) • Implemented and documented safeguards for identified risks <p>The unit is working on corrective action for one issue related to its risk assessment program.</p> <p>Report issued 05/11/2023.</p>

INTERNAL AUDIT DIVISION
FISCAL YEAR 2023 SUMMARY OF ENGAGEMENTS
AS OF 06/30/2023

<div> <div>KEY:</div> <div>CLOSED</div> <div>MANAGEMENT CORRECTIVE ACTION IN PROGRESS</div> <div>COMPLETED (CORRECTIVE ACTIONS IN PROCESS)</div> <div>IN PROGRESS</div> <div>RETURNED TO RISK ASSESSMENT</div> </div>				
Engagement	University Risk(s)	University Strategic Goal(s)	Status	Summary
University Wide - Guests and Affiliates Access	ERM #5 - IT Security and Infrastructure Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Completed (Corrective Action in Progress)	<p>The objective of this report was to obtain an updated management response, documenting the current corrective action plan for an issue reported in the December 19, 2019 College of Engineering - Materials Science and Engineering (MSE) Investigation. Specifically, the university has not yet addressed Issue 6 in that report, which documented inappropriate responsibilities and system access being assigned to non-University personnel.</p> <p>Corrective actions underway prior to the pandemic were stalled during that crisis. Attention is now returning to this issue but changes in the environment and employee turnover made it necessary to obtain an updated corrective action plan from the university.</p> <p>Report issued: 06/28/2023.</p>

INTERNAL AUDIT DIVISION
FISCAL YEAR 2023 SUMMARY OF ENGAGEMENTS
AS OF 06/30/2023

<div> <div>KEY:</div> <div>CLOSED</div> <div>MANAGEMENT CORRECTIVE ACTION IN PROGRESS</div> <div>COMPLETED (CORRECTIVE ACTIONS IN PROCESS)</div> <div>IN PROGRESS</div> <div>RETURNED TO RISK ASSESSMENT</div> </div>				
Engagement	University Risk(s)	University Strategic Goal(s)	Status	Summary
Campus Enterprises - Accounts Receivables Collections - Report 3 of 3	Other - Internal Audit Universe Risk - Fraud Other - Internal Audit Universe Risk - Internal Controls Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Completed (Corrective Action in Progress)	<p>The objective of this audit was to determine the adequacy of Campus Enterprises' accounts receivable collections processes and internal controls.</p> <p>This engagement was opened after internal control and process issues were noted during the corresponding investigation (see Campus Enterprises - RAVE! Catering Investigation - Report 1 of 3 above).</p> <p>The unit is working on 4 corrective actions related to collection of debts and write-offs, oversight of accounts receivable business processes, segregation of duties in accounts receivable collections, and standard operating procedures for accounts receivable collections.</p> <p>Report issued: 06/28/2023.</p>

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Engagement	University Risk(s)	University Strategic Goal(s)	Status	Summary
College of Agriculture and Life Sciences (CALS) - Crop and Soil Sciences Investigation - Report 1 of 3	Other - Prior Year Strategic Risk - Employee Misconduct Other - Internal Audit Universe Risk - Fraud	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Completed (Corrective Action in Progress)	<p>The objective of the engagement was to investigate allegations from an anonymous source related to fraudulent and suspicious personal and mileage reimbursements and misuse of state resources.</p> <p>The allegation was substantiated.</p> <p>The unit is working on one corrective action related to the misuse of federal grant and state resources.</p> <p>During the investigation, internal control issues related to inappropriate reimbursements were noted. Those internal control issues are detailed in College of Agriculture and Life Sciences - Crop and Soil Sciences - Select Internal Controls and Compliance Report - Report 2 of 3 (below).</p> <p>Internal Audit also noted that the university regulation governing the surplus of property was out-of-date. This issue is documented in College of Agriculture and Life Sciences – Crop and Soil Sciences – Regulation on Disposal of University Property Report - Report 3 of 3 (below).</p> <p>Report issued: 03/22/2023.</p>

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Engagement	University Risk(s)	University Strategic Goal(s)	Status	Summary
College of Agriculture and Life Sciences (CALS) - Crop and Soil Sciences - Select Internal Controls and Compliance - Report 2 of 3	ERM# 7 - Regulatory Compliance Other - Internal Audit Universe Risk - Internal Controls Other - Internal Audit Universe Risk - Fraud Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Completed (Corrective Action in Progress)	<p>The objective of this engagement was to determine if adequate internal controls exist for processes associated with departmental fleet vehicles, personal reimbursements, surplus, non-capital assets, and WEX cards.</p> <p>This engagement was opened after internal control and possible compliance issues were noted during the corresponding investigation (see College of Agriculture and Life Sciences – Crop and Soil Sciences Investigation, Report 1 of 3 above).</p> <p>The unit is working on corrective actions for 6 issues related to the authorization and verification of departmental fleet vehicles, proper management of non-capital assets, reconciliation of WEX Card transactions, authorization and verification of personal reimbursements, and surplus of assets.</p> <p>Report issued: 03/22/2023.</p>
College of Agriculture and Life Sciences (CALS) - Crop and Soil Sciences - Regulation on Disposal of University Property - Report 3 of 3	ERM# 7 - Regulatory Compliance Other - Internal Audit Universe Risk - Internal Controls Other - Internal Audit Universe Risk - Fraud Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Completed (Corrective Action in Progress)	<p>The objective of this engagement was to determine if adequate regulations exist to provide guidance for the disposal or “surplus” of university property.</p> <p>This engagement was opened after regulatory issues were noted during the corresponding investigation (see College of Agriculture and Life Sciences – Crop and Soil Sciences Investigation, Report 1 of 3 above).</p> <p>The unit is working on one corrective action related to adequate guidance on requirements and processes for the disposal of university property.</p> <p>Report issued: 03/22/2023.</p>

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Engagement	University Risk(s)	University Strategic Goal(s)	Status	Summary
College of Agriculture and Life Sciences (CALS) - Plants for Human Health Institute (PHHI) Travel Investigation - Report 1 of 2	ERM# 7 - Regulatory Compliance Other - Prior Year Strategic Risk - Employee Misconduct Other - Internal Audit Universe Risk - Internal Controls Other - Internal Audit Universe Risk - Fraud Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Completed (Corrective Action in Progress)	<p>The objectives of this audit were to Investigate an allegation from an internal source of potential misuse of university and grant resources related to the misuse of a university vehicle, fuel card, and PCard by an employee and to determine if there are any process or internal control weaknesses related to travel processing and oversight.</p> <p>The allegation was substantiated.</p> <p>The unit is working on one corrective action related to the misuse of federal grant and state resources.</p> <p>During the investigation, internal control and process issues were noted. These issues are detailed in College of Agriculture and Life Sciences (CALS) - PCard and Travel Reimbursement Process - Report 2 of 2 (below).</p> <p>Report issued: 03/30/2023.</p>

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Engagement	University Risk(s)	University Strategic Goal(s)	Status	Summary
College of Agriculture and Life Sciences (CALS) - Plants for Human Health Institute (PHHI) PCard and Travel Reimbursement Process - Report 2 of 2	ERM# 7 - Regulatory Compliance Other - Internal Audit Universe Risk - Internal Controls Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Completed (Corrective Action in Progress)	<p>The objective of this audit was to determine the adequacy of internal controls within PHHI's PCard and travel authorization and reimbursement processes.</p> <p>This engagement was opened after internal control and process issues were noted during the corresponding investigation (see College of Agriculture and Life Sciences (CALS) - Plants for Human Health Institute (PHHI) Travel Investigation - Report 1 of 2 above).</p> <p>The unit is working on one corrective action related to the authorization and verification of travel expense and PCard transactions.</p> <p>Report issued: 03/30/2023.</p>
Office of Finance and Administration - Environmental Health and Public Safety (EHPS) - Security Applications and Technologies (SAT) - Physical Access Services	Other - Internal Audit Universe Risk - Internal Controls Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Draft Report	The objective of this audit is to assess services for granting, revoking, and managing the physical access to campus locations supported by SAT.
COVID-19 HEERF Relief Funding: Compliance with Federal and State Requirements	ERM# 7 - Regulatory Compliance ERM# 9 - Financial Resources Other - Internal Audit Universe Risk - Internal Controls Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Executive Review	The objective of this audit is to assess the use of COVID-19 funding for compliance with federal and state requirements.

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Engagement	University Risk(s)	University Strategic Goal(s)	Status	Summary	
Campus Enterprises - Rave! Catering Internal Controls - Report 2 of 3	Other - Internal Audit Universe Risk - Fraud Other - Internal Audit Universe Risk - Internal Controls Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Draft Report	The objective of this audit is to review Rave! Catering internal controls to ensure effectiveness and compliance to university and state requirements. This engagement was opened after internal control and process issues were noted during the corresponding investigation (see Campus Enterprises - RAVE! Catering Investigation - Report 1 of 1 above).	
End of Grant Expenditures	ERM# 6 - Research ERM #7 - Regulatory Compliance Other - Internal Audit Universe Risk - Fraud Other - Internal Audit Universe Risk - Internal Controls Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process	2021-2030 Goal #2 - Ensure preeminence in research, scholarship, innovation, and collaboration 2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Planning	The objective of this audit is to evaluate grants closing by June 30, 2023 for compliance with federal expenditure requirements: allowability and allocability.	
College of Science PCard Misuse Investigation	ERM# 6 - Research ERM #7 - Regulatory	2021-2030 Goal #2 - Ensure preeminence in research, scholarship, innovation, and collaboration 2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Planning	The objective of this investigation is review allegations related to the misuse of a PCard and potential inappropriate use of university funds for personal benefit.	

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Engagement	University Risk(s)	University Strategic Goal(s)	Status	Summary
Compliance with the University Regulation on Programs that Involve the Participation of Minors	ERM #7 - Regulatory Compliance Other - Prior Year Strategic Risk - Sexual Violence or Other Serious Crime	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Planning	The objective of this audit is to evaluate compliance with university requirements governing programs that involve the participation of minors.
Poole College of Management (PCOM) - Information Technology (IT) General Controls	ERM# 5 - IT Security and Infrastructure ERM# 7 - Regulatory Compliance Other - Internal Audit Universe Risk - Internal Controls Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Returned to Continuous Risk Assessment	The objective of this audit is to evaluate governance over and effectiveness of IT controls within PCOM IT operations. The elements of this individual unit audit are being incorporated into the IT audits planned for FY24 which will shift the approach to auditing specific risk elements (e.g., vulnerability management, configuration management, systems operations) across all university units as opposed to auditing one unit at a time against each element.
Application Programming Interface (API) Audit	ERM# 5 - IT Security and Infrastructure Other - Prior Year Strategic Risk - Data or Cyber Security Breach	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Returned to Continuous Risk Assessment	The objective of this audit is to: <ul style="list-style-type: none"> • Identify population of APIs transferring university data outside of PeopleSoft Enterprise Systems • Identify ultra-sensitive and sensitive data that is being transferred by APIs • Assess controls governing these types of transfers • Assess security of transfers of ultra-sensitive and sensitive data

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Engagement	University Risk(s)	University Strategic Goal(s)	Status	Summary
University Compliance with Privacy Requirements	ERM# 7 - Regulatory Compliance	2021-2030 Goal #2 - Ensure preeminence in research, scholarship, innovation, and collaboration 2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Returned to Continuous Risk Assessment	The objective of this audit is to evaluate the university's compliance with select federal privacy requirements.
Office of Research and Innovation (ORI) - Professional Development Unit (PDU) Process Review	ERM# 6 - Research ERM #4 - Diversity, Equity, and Inclusion ERM# 7 - Regulatory Compliance	2021-2030 Goal #2 - Ensure preeminence in research, scholarship, innovation, and collaboration 2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data 2021-2030 Goal #4. Champion a culture of equity, diversity, inclusion, belonging and well-being in all we do	Returned to Continuous Risk Assessment	The objective of this audit is to review ORI's PDU processes and to assess for fair, diverse, and equitable practices.

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Engagement	University Risk(s)	University Strategic Goal(s)	Status	Summary
Governance Over Renovation and Repair	ERM# 7 - Regulatory Compliance Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process Other - Internal Audit Universe Risk - Governance	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Returned to Continuous Risk Assessment	The objective of this audit is to evaluate the effectiveness of governance over renovation and repair activities.
Office of Research and Commercialization (ORC) – Licensing and Commercialization Processes	ERM# 7 - Regulatory Compliance Other - Internal Audit Universe Risk - Internal Controls Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Returned to Continuous Risk Assessment	The objective of this audit is to review the licensing and commercialization processes in Office of Research Commercialization for internal controls, efficiency and effectiveness, and compliance.
Provost's Office, Institute for Emerging Issues - Financial Business Operations	ERM# 7 - Regulatory Compliance Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process Other - Internal Audit Universe Risk - Governance	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Returned to Continuous Risk Assessment	The objectives of this audit are to review the financial business operations of the institute including governance; internal controls; efficiency and effectiveness of processes; and compliance with federal, state, and university requirements.

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Engagement	University Risk(s)	University Strategic Goal(s)	Status	Summary
Office of Research and Innovation (ORI) - Research Equipment Facilities - Billing Practices	ERM# 7 - Regulatory Compliance Other - Internal Audit Universe Risk - Internal Controls Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process	2021-2030 Goal #2 - Ensure preeminence in research, scholarship, innovation, and collaboration 2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Returned to Continuous Risk Assessment	The objectives of this audit are to evaluate Research Equipment Facilities billing processes and procedures for: <ul style="list-style-type: none"> • Appropriate levels of monitoring and oversight • Efficiency and effectiveness • Strong internal controls • Compliance with federal, state, and university requirements

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Engagement	University Risk(s)	University Strategic Goal(s)	Status	Summary
CONSULTING ENGAGEMENTS				
College of Veterinary Medicine (CVM) - Teaching Hospital Controlled Substance Theft	Other - Internal Audit Universe Risk - Internal Controls	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Closed	Internal Audit worked with CVM Human Resources to provide advisory and consulting services regarding processes, internal controls, and investigative approaches during an investigation of a possible theft of a controlled substance. The investigation of theft was conducted by the University Police Department. Engagement closed: 10/ 26/2023.
Office of Information Technology (OIT) - Security and Compliance (S&C) - PeopleSoft (PS) Applications and Infrastructure Security Risk Assessment	ERM# 5 - IT Security and Infrastructure ERM# 7 - Regulatory Compliance Other - Internal Audit Universe Risk - Internal Controls Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process Other - Internal Audit Universe Risk - Risk Identification and Management	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Closed	Internal Audit provided advisory and consulting services to OIT S&C as they worked with a third party to conduct a security and risk assessment of the PS Applications and Infrastructure. The objective of the engagement was to determine the maturity of the IT general controls supporting the university's PS enterprise resource planning platform. Engagement closed: 04/25/2023.
NCSU Associated Entities Financial Statement Audits Review	ERM #7 - Regulatory Compliance		Closed	The UNC System Office and the Board of Governors requires university internal audit offices to review financial statement audits of each of their Associated Entities and follow-up on any issues noted. Internal Audit provided this service to NCSU's Associated Entities and Foundations Accounting and Investments. Engagement closed: 05/16/2023.

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Engagement	University Risk(s)	University Strategic Goal(s)	Status	Summary
Office of Information Technology (OIT) - Security and Compliance (S&C) and the University Compliance, Ethics, and Risk Management Officer - IT Risk Assessment Program (ITRM)	ERM# 5 - IT Security and Infrastructure Other - Internal Audit Universe Risk - Risk Identification and Management	2021-2030 Goal #2 - Ensure preeminence in research, scholarship, innovation, and collaboration 2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Closed	Internal Audit provided advisory and consulting services to OIT and the ITRM working group prior to and during their IT Risk Assessment. Report issued: 09/21/2022. Engagement closed: 09/21/2022.
Office of the State Auditor (OSA) - Audit of the 2022 NCSU Financial Statements	ERM# 5 - IT Security and Infrastructure ERM# 7 - Regulatory Compliance Other - Prior Year Strategic Risk - Data or Cyber Security Breach Other - Internal Audit Universe Risk - Internal Controls		Closed	Internal Audit staff consulted with Office of Information Technology - Security and Compliance on the Information Technology Controls portion of the university's annual Financial Statement Audit by OSA. Internal Audit Director was involved in periodic updates throughout the engagement including entrance and exit meetings. Engagement closed: 10/10/2022.
NCSCALES - McKimmon Center - Cash Receipts Process	ERM #7 - Regulatory Compliance Other - Internal Audit Universe - Fraud Other - Internal Audit Universe - Internal Controls Other - Internal Audit Universe - Effectiveness and Efficiency of Processes	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Closed	Internal Audit provided advisory and consulting services to the McKimmon Center Business Office reviewing enhanced processes and internal controls within the newly designed receipts process. Report issued: 01/20/2023. Engagement closed: 01/20/2023.

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Engagement	University Risk(s)	University Strategic Goal(s)	Status	Summary
Office of Information Technology (OIT) - Security and Compliance (S&C) - NCSU IT International Organization for Standardization (ISO) 27002 Security Crosswalk – 2022 Review	ERM# 5 - IT Security and Infrastructure ERM# 7 - Regulatory Compliance Other - Internal Audit Universe Risk - Internal Controls Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process Other - Internal Audit Universe Risk - Risk Identification and Management	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Closed	IAD provided advisory and consulting services to NCSU's OIT S&C unit throughout the 2022 review of the ISO 27002 Security Crosswalk. IAD activities including: <ul style="list-style-type: none"> • Participating in group meetings to review the previous assessment score and determine if scores match the university's current maturity level • Providing feedback on controls to give a clearer picture of maturity level scoring • Identifying information and data to address the scoring differences • Providing references for policies/rules/regulations associated with the reviewed controls Engagement closed: 12/12/2022.
Foundations Accounting and Investments - Office of Investments - Review of Cybersecurity Practices	ERM# 5 - IT Security and Infrastructure Other - Prior Year Strategic Risk - Data or Cyber Security Breach	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Fieldwork	Internal Audit is providing advisory and consulting services to the Investments Unit in Foundations Accounting and Investments regarding cybersecurity practices.
Office of Information Technology (OIT) – Security and Compliance (S&C) – Assessment of Health Insurance Portability and Accountability Act (HIPAA) Security Rule	ERM# 7 - Regulatory Compliance	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Fieldwork	Internal Audit is providing advisory services to OIT S&C in their remediation efforts of findings from consultant BerryDunn. The consultant was engaged to conduct a compliance gap assessment of the HIPAA Security Rule for Covered Components which included PsychEd Clinic, Diagnostic Teaching Clinic, Student Health Services, Counseling Center, and Sports Medicine.

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Engagement	University Risk(s)	University Strategic Goal(s)	Status	Summary
Wilson College of Textiles (WCOT) - Textile Protection and Comfort Center	ERM# 7 - Regulatory Compliance	2021-2030 Goal #2 - Ensure preeminence in research, scholarship, innovation, and collaboration 2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Fieldwork	Internal Audit is providing advisory and consulting services to determine if the Textile Protection and Comfort Center's direct lab fees for faculty members are complete and accurate.
College of Agriculture and Life Sciences (CALS) - Office of Diversity and Inclusion	Other - Audit Universe Risk - Internal Controls Other - Audit Universe Risk - Fraud	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Fieldwork	Internal Audit is providing advisory and consulting services to the CALS Business Office as they investigate potential misuse and waste of university funds, unauthorized contracts, and potential falsified signatures on authorization forms.
Enterprise Research Administration (ERA) Project and Research Enterprise Database (RED) Implementation	Other - Internal Audit Universe Risk - Internal Controls Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process Other - Internal Audit Universe Risk - Risk Identification and Management	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	In Progress	Internal Audit is providing advisory and consulting services and oversight to the Office of Research and Innovation, Office of Finance and Administration, and Office of Information Technology during the IT implementation project for replacing the university's multiple legacy systems currently used for research administration.
Technical Assistance			In Progress	Internal Audit receives requests every week from constituents of the university, the university system, and state entities seeking consultative advice and input on a broad variety of subjects. Time is allowed on the division's fiscal year audit plan for minor consulting and advisory services.

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Engagement	University Risk(s)	University Strategic Goal(s)	Status	Summary
FOLLOW-UP - PRIOR YEAR'S ENGAGEMENTS				
College of Engineering (COE) - Materials Science and Engineering Investigation	ERM# 5 - IT Security and Infrastructure Other - Prior Year Strategic Risk - Employee Misconduct Other - Internal Audit Universe Risk - Regulatory Non-Compliance Other - Internal Audit Universe Risk - Internal Controls Other - Internal Audit Universe Risk - Fraud	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Closed	The objective of the audit was to investigate allegations from an internal source of a potential conflict of interest and misuse of federal funds. 8 issues related to non-compliance, internal controls, fraud, and misconduct were resolved. Report issued: 12/19/2019. Follow-up completed, engagement closed: 02/02/2023.
User Controls Over Ultra-Sensitive Data - Follow-up	ERM# 5 - IT Security and Infrastructure ERM# 7 - Regulatory Compliance Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Closed	The objectives of the audit were to: • Determine whether university users with known access to ultra-sensitive data are adequately protecting the data throughout business process lifecycles • Identify, to the extent possible, previously unknown areas where ultra-sensitive data is transmitted and stored • Assess whether current university users with access to ultra-sensitive data actually have a legitimate business need for the data The unit resolved 23 issues related to compliance, IT security, and process effectiveness and efficiency. Report issued: 03/26/2018. Follow-up completed, engagement closed: 03/21/2023.

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Engagement	University Risk(s)	University Strategic Goal(s)	Status	Summary
College of Sciences (COS) - Department of Biological Sciences Investigation - Follow-Up	Other - Internal Audit Universe Risk - Internal Controls Other - Internal Audit Universe Risk - Fraud Other - Prior Year Strategic Risk - Employee Misconduct Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Closed	The objective of this audit was to investigate an allegation from an internal source related to a reimbursement received by a Department of Biological Sciences faculty member based on a potentially falsified document. The allegation was substantiated. The unit resolved 5 issues related to a faculty member's pattern of unprofessional conduct and non-compliance. Report issued: 04/29/2022. Follow-up completed, engagement closed: 06/12/2023.
College of Agriculture and Life Sciences (CALS) - NC Cooperative Extension (NCCE) - Business Process Governance - Follow-Up	ERM# 7 - Regulatory Compliance Other - Internal Audit Universe Risk - Internal Controls Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process Other - Internal Audit Universe Risk - Governance	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data 2021-2030 Goal #3. Expand and advance our engagement with and service to North Carolina and beyond, defining the standard for a 21st-century land-grant university	Management Corrective Action in Progress	The objective of the audit was to assess the effectiveness of governance over NCCE business processes. These processes include: <ul style="list-style-type: none"> • Strategic planning • Financial management • Procurement • Human resources • Program delivery • Training • Compliance with federal, state, and university guidelines The units are working on corrective actions for 3 issues: strategic planning, advisory councils and program committees, and county departmental PCard initiative. Report issued: 10/19/2020.

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FISCAL YEAR 2023 SUMMARY OF ENGAGEMENTS
AS OF 06/30/2023

<div> <div>KEY:</div> <div>CLOSED</div> <div>MANAGEMENT CORRECTIVE ACTION IN PROGRESS</div> <div>COMPLETED (CORRECTIVE ACTIONS IN PROCESS)</div> <div>IN PROGRESS</div> <div>RETURNED TO RISK ASSESSMENT</div> </div>				
Engagement	University Risk(s)	University Strategic Goal(s)	Status	Summary
Student Health Services (SHS) - Pharmacy Investigation - Follow-Up (PHASE 2 - Internal Controls)	ERM# 5 - IT Security and Infrastructure ERM# 7 - Regulatory Compliance Other - Prior Year Strategic Risk - Employee Misconduct Other - Internal Audit Universe Risk - Fraud Other - Internal Audit Universe Risk - Internal Controls Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Draft Report	<p>The objective of the audit was to investigate an allegation from an internal source related to a potential theft of controlled substances from the SHS Pharmacy by a pharmacy employee.</p> <p>The unit is working on corrective actions for 5 issues related to physical security, IT security, non-compliance with university requirements, and a lack of standard operating procedures and pharmacy processes.</p> <p>Report 2 of 2 - Internal Controls - issued: 07/26/2021.</p>
Campus Enterprises - NC State Dining - Vendor Processes Fraud Risk Assessment - Follow-up	ERM# 5 - IT Security and Infrastructure ERM# 7 - Regulatory Compliance Other - Internal Audit Universe Risk - Internal Controls Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Fieldwork	<p>The objective of the audit was to assess the effectiveness of NC State's Dining's vendor payment processes and internal controls at reducing the risk of fraud.</p> <p>The unit is working on corrective actions for 2 issues related to non-compliance with university IT security requirements and use of non-university vendor payment and accounting systems.</p> <p>Report issued: 3/12/2019.</p>

INTERNAL AUDIT DIVISION
FISCAL YEAR 2023 SUMMARY OF ENGAGEMENTS
AS OF 06/30/2023

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Engagement	University Risk(s)	University Strategic Goal(s)	Status	Summary
Campus Enterprises - NC State Stores - Vendor Processes Fraud Risk Assessment - Follow-up	ERM# 5 - IT Security and Infrastructure ERM# 7 - Regulatory Compliance Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Fieldwork	<p>The objective of the audit was to assess the effectiveness of The NC State Stores' vendor payment processes and internal controls at reducing the risk of fraud.</p> <p>The unit is working on corrective actions for 2 issues related to non-compliance with university IT security requirements and use of non-university vendor payment and accounting systems.</p> <p>Report issued: 3/12/2019.</p>
College of Sciences (COS) - General Information Technology (IT) Controls - Follow-Up	ERM# 5 - IT Security and Infrastructure ERM# 7 - Regulatory Compliance Other - Internal Audit Universe Risk - Internal Controls Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Planning	<p>The objectives of the COS IT general controls audit were to evaluate the:</p> <ul style="list-style-type: none"> • Effectiveness of governance over COS IT operations throughout the college • Effectiveness of the IT processes and internal controls derived from that governance • Compliance with International Organization for Standardization, National Institute of Standards and Technology, and university requirements and guidance <p>The unit is working on 11 issues related to IT vision, direction, and strategic approach; IT support throughout the college; IT policies and procedures; physical and environmental controls in server rooms; backups and backup strategy for research/critical data; and IT disaster recovery/business continuity planning.</p> <p>Report issued: 12/07/2021.</p>

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Engagement	University Risk(s)	University Strategic Goal(s)	Status	Summary
SPECIAL ASSIGNMENTS				
NCSU Associate Vice Chancellor for Finance and University Treasurer Search Committee			Closed	IAD's CAO served as a member of the nominating committee to fill the NCSU Associate Vice Chancellor for Finance and University Treasurer.
College of Science (COS) Assistant Dean for Finance and Business Search Committee			Closed	IAD's CAO is serving as a member of the search committee to fill the COS Assistant Dean for Finance and Business.
Western Carolina University (WCU) Chief Audit Officer (CAO) Search			Closed	IAD's CAO participated in WCU's search for their new CAO by serving as an interviewer and resource.
COWG Ethics Group			Closed	IAD's CAO served on this NCSU Compliance Officials Working Group subcommittee focused on compliance-related ethics topics. Working Group was discontinued with the restructuring of the university's compliance position.
UNC System Office Vice President for Compliance and Audit Services & Chief Audit Officer (CAO) Search			Closed	IAD's CAO served on the UNC System Office's search committee for their new Chief Audit Officer.

INTERNAL AUDIT DIVISION
FISCAL YEAR 2023 SUMMARY OF ENGAGEMENTS
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Engagement	University Risk(s)	University Strategic Goal(s)	Status	Summary
Quality Assurance Review (QAR) - Phase 2: External Quality Assessment	ERM# 7 - Regulatory Compliance Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process Other - Internal Audit Universe Risk - Governance	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Closed	<p>A QAR is mandated by the Institute of Internal Auditors Professional Standards (Standards) and by the State of NC for all state internal audit units every 5 years. The objectives of the QAR External Quality Assessment were to:</p> <ol style="list-style-type: none"> 1. Assess conformance with the mandatory requirements of the Standards and Code of Ethics 2. Assess Internal Audit's effectiveness in carrying out its mission 3. Identify opportunities for improving the Internal Audit function at the University <p>Our QAR Peer Review was conducted by a team working through the State of NC Council of Internal Auditing Peer Review Program and included Chief Audit Officers from both a sister institution within the UNC System and a state agency.</p> <p>The final report was issued 5/22/23 and noted that not only is our office fully compliant with the Standards and Code of Ethics, we are also "viewed as a supportive trusted advisor to the organization....[which] marks the pinnacle accomplishment for which internal auditors strive." It was also noted that we have built an experienced team of auditors with unusually diverse and beneficial skill sets that support our office's goal of providing agile services to our organization. Two opportunities to increase our positive impact to the university were noted: additional audit staff are needed, especially in the IT and investigative areas; and, additional investigative software could increase efficiency in our investigative processes.</p>

INTERNAL AUDIT DIVISION
FISCAL YEAR 2023 SUMMARY OF ENGAGEMENTS
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Engagement	University Risk(s)	University Strategic Goal(s)	Status	Summary
Quality Assurance Review (QAR) Phase 1 - Self Assessment	ERM# 7 - Regulatory Compliance Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process Other - Internal Audit Universe Risk - Governance	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	Closed	A QAR is mandated by the Institute of Internal Auditors Professional Standards and by the State of NC for all state internal audit units every 5 years. The objective of a QAR is to determine whether an internal audit function/program is in compliance with the International Standards of the Professional Practice of Internal Auditing. The first phase of the QAR process is the self-assessment. Our internal self-assessment was completed in March 2023 and no issues or concerns were noted.
University Information Technology (IT) Governance Committees	ERM# 5 - IT Security and Infrastructure ERM# 7 - Regulatory Compliance Other - Internal Audit Universe Risk - Fraud Other - Internal Audit Universe Risk - Internal Controls Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	In Progress	Internal Audit is providing objective, independent input to various university IT committees as the committees recommend and implement IT policies and technology that ensure the best possible decisions and practices are adopted in advancing the use of technology to meet the university's technology mission, vision, and goals.

INTERNAL AUDIT DIVISION
FISCAL YEAR 2023 SUMMARY OF ENGAGEMENTS
AS OF 06/30/2023

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Engagement	University Risk(s)	University Strategic Goal(s)	Status	Summary
Insider Threat Program (ITP) Working Group	ERM# 6 - Research ERM# 7 - Regulatory Compliance Other - Internal Audit Universe Risk - Fraud Other - Internal Audit Universe Risk - Employee Misconduct Other - Internal Audit Universe Risk - Internal Controls Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process	2021-2030 Goal #2 - Ensure preeminence in research, scholarship, innovation, and collaboration 2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	In Progress	ITP was created to meet a federal rule (NISPOM Rule) requiring a system of security controls to deter, detect, and mitigate threats to our personnel, facilities, research, information, and technology. The CAO is a member of the ITP Working Group responsible for the following: •Provide expert input to the group in relation to their area of responsibility •Report violations, compliance issues, or incidents that include relevant and credible information related to the Adjudicative Guidelines involving Insiders to the ITP Senior Official (ITPSO) [NCSU Director, Research Compliance] •Provide information related to observed trends in their area of responsibility •Participate and complete ITP training as determined by the ITPSO
Office of Research and Innovation (ORI) - Institutional Animal Care and Use Committee (IACUC) Educational Awareness Program	ERM #6 - Research ERM# 7 - Regulatory Compliance Other - Internal Audit Universe - Effectiveness and Efficiency of Processes	2021-2030 Goal #2 - Ensure preeminence in research, scholarship, innovation, and collaboration 2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	In Progress	IAD's CAO serves on ORI's IACUC Educational Awareness Program which focuses on how NCSU's veterinary care program promotes animal well-being to uphold the highest standards of care and ethics in accordance with federal, state and university guidelines. IAD's CAO serves on ORI's IACUC Educational Awareness Program which focuses on how NCSU's veterinary care program promotes animal well-being at all times to uphold the highest standards of care and ethics in accordance with federal, state, and university guidelines.

INTERNAL AUDIT DIVISION
FISCAL YEAR 2023 SUMMARY OF ENGAGEMENTS
AS OF 06/30/2023

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Engagement	University Risk(s)	University Strategic Goal(s)	Status	Summary
Compliance Officials Working Group (COWG)	ERM# 7 - Regulatory Compliance Other - Internal Audit Universe Risk - Effectiveness and Efficiency of Process	2021-2030 Goal #5 - Improve university effectiveness through transformative technologies, cutting-edge processes, and actionable data	In Progress	The objective of this Special Assignment is for the CAO to serve as an ex-officio member of the COWG as appointed by the University Compliance Steering Team Committee (UCSC). The mission of the COWG is to assist the UCSC in promoting and educating the university community on applicable federal, state, and local laws and regulations, as well as university policies, regulations, and rules. The COWG helps to promote a culture of compliance and integrity, assist in the coordination of compliance initiatives, and facilitate communication and collaboration across responsible units.

OTHER				
Continuous Risk Assessment and Audit Planning			In Progress	Throughout the year, all Internal Audit team members visit faculty and staff across the university to discuss their unit's strategic plans, goals, and risk posture in relation to the university's mission. This includes new and on-going activities related to academic, research, and outreach missions and potential concerns or emerging risks to both strategic and tactical goals at the unit and university level.
Hot Line Allegation Review and Due Diligence			In Progress	The Audit Plan includes estimated time for due diligence and investigation of allegations reported through the Internal Audit Division Hot Line, the Office of the State Auditor Hot Line, or other internal and external sources.

NC COUNCIL'S PEER REVIEW PROGRAM

**EXTERNAL QUALITY
ASSESSMENT**

FOR THE

North Carolina State University

May 22, 2023

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May 22, 2023

W. Randolph Woodson, Chancellor, NC State University
Edwin Stack III, Chair of Audit, Risk Management and Finance Committee, NC State Board of Trustees
Cecile Hinson, Chief Audit Officer & Director, Internal Audit Division

Greetings,


We have completed the External Quality Assessment (Assessment) of the North Carolina State University (NCSU) Internal Audit function as required every five years by the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* (“Standards”). The objectives of the Assessment were to:

1. Assess conformance with the mandatory requirements of the Standards and Code of Ethics;
2. Assess Internal Audit’s effectiveness in carrying out its mission; and
3. Identify opportunities for improving the Internal Audit function at the University.

Overall, it is our opinion that the NCSU Internal Audit Function “**Generally Conforms**” to the Standards. Within this report, we have noted opportunities for improvement that will enhance Internal Audit’s conformance to the Standards and improve its overall effectiveness in carrying out its mission.


We appreciate the courtesy and cooperation extended to the assessment team by agency personnel. We will be pleased to respond to further questions concerning this report and to furnish any desired information.

Jack Gagnon
Lead Reviewer
Senior Internal Auditor
Office of State Budget and Management

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6/12/2023

Sharnita Parker
Review Team Member
Chief Audit Officer
Elizabeth City State University

DocuSigned by:

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6/12/2023

Lonnetta Raynor
Review Team Member
Inspector General, Audit Director
Department of Transportation

DocuSigned by:

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6/12/2023

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EXECUTIVE SUMMARY

The *International Standards for the Professional Practice of Internal Auditing (Standards)* requires that an external quality assessment of an internal audit activity must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The qualified assessor or assessment team must demonstrate competence in both the professional practice of internal auditing and the quality assessment process. The quality assessment can be accomplished through a full external assessment or a self-assessment with independent validation.

The chief audit executive (CAE) discussed the form and frequency of the quality assessment, as well as the independence and qualifications of the external assessor or assessment team, including any potential conflicts of interest with the appropriate oversight. North Carolina State University (NCSU) was assigned Jack Gagnon (OSBM), Sharnita Parker (ECSU), and Lonnetta Raynor (DOT) as the qualified assessment team to conduct a full external assessment of the internal audit function of NCSU.

The Agency's Internal Audit function currently consists of the CAE and 6 full-time auditors. The CAE reports functionally and administratively to the Chancellor of the University.

Opinion as to Conformance with the Standards

It is our overall opinion that NCSU's Internal Audit function **Generally Conforms** to the *Standards*. Please see Attachment A.

The IIA's *Quality Assessment Manual for the Internal Audit Activity* suggests a scale of three rankings when opining on the internal audit function: "Generally Conforms," "Partially Conforms," and "Does Not Conform." The ranking of "Generally Conforms" means that an IA has a charter, policies, and processes that are judged to be in conformance with the *Standards* and the Code of Ethics. "Partially Conforms" means that deficiencies in practice are noted and are judged to deviate from the *Standards* and the Code of Ethics; however, these deficiencies did not preclude the IA from performing its responsibilities in an acceptable manner. "Does Not Conform" means that deficiencies in practice are judged to deviate from the *Standards* and the Code of Ethics and are significant enough to seriously impair or preclude the IA from performing adequately in all or in significant areas of its responsibilities. A detailed description of conformance criteria can be found in Attachment A.

Objectives

The principal objectives of the Quality Assessment (QA) were to:

- Assess IA's conformance with the *Standards* and the Code of Ethics.

- Evaluate IA's effectiveness in carrying out its mission (as set forth in the internal audit charter and expressed in the expectations of management);
- Identified successful internal audit practices demonstrated by IA; and
- Identified opportunities for continuous improvement to enhance the efficiency and effectiveness of the infrastructure, processes, and the value to their stakeholders.

Scope and Methodology

As part of the preparation for the QA, the CAE prepared documents with detailed information and sent surveys to a representative sample of the NCSU's key stakeholders. A summary of the survey results (without identifying the individual survey respondents) have been furnished to the CAE. Prior to commencement of the onsite work by the peer review team, the team lead worked with the CAE to gather additional background information related to the IA governance, staff management and process. During the onsite fieldwork, extensive interviews were conducted with stakeholders and IA staff. We also reviewed IA's risk assessment and audit planning processes, audit tools and methodologies, engagements and staff management processes, and a representative sample of IA's working papers and reports.

Summary of Observations

The IA environment where the external assessment was performed is well structured and progressive, where the *Standards* are understood, the Code of Ethics is being applied, and management endeavors to provide useful audit tools and implement appropriate practices. Consequently, comments and recommendations are intended to build on this foundation already in place in the IA.

Observations are divided into three categories:

- **Successful Internal Audit Practices** – Areas where IA is operating in a particularly effective or efficient manner when compared to the practice of internal auditing demonstrated in other internal audit functions. Successful internal audit practices identified during this QA are summarized and detailed in the following section(s) of this report:
 - Trusted Advisor and Valued Partner- The IA function is viewed as a supportive trusted advisor to the organization and not as a reactionary or punitive function. Administrators clearly recognize the importance of the IA function and see the unit as a valued resource;
 - Experienced Staff with Diverse Skill Sets - The IA staff has experience and diverse skill sets allowing the internal audit function to provide value in a wide range of areas.
- **Gaps to Conformance with the *Standards* or the Code of Ethics** – Areas identified during the QA where the assessment team has concluded that IA is operating in a manner that falls short of achieving one or more major objectives, with the *Standards* or the Code of Ethics that results in an opinion for an individual standard of “partially conforms” or “does not conform.” These items will include recommendations offered by the external assessment team for actions to be implemented for achieving “generally in conformance” with the standard and will include an IA response and an action plan to address the gap. Gaps to conformance with the *Standards* or Code of Ethics identified during this QA are summarized and detailed in the following section(s) of this

report:

- No gaps to conformance with the Standards or the Code of Ethics were identified during the review.

● **Opportunities for Continuous Improvement** – Observations of opportunities to enhance the efficiency or effectiveness of IA’s infrastructure of processes. These items do not indicate a lack of conformance with the *Standards* or the Code of Ethics, but rather offer suggestions on how to better align with criteria defined in the *Standards* or the Code of Ethics. They may also be operational ideas based on the experiences of the external assessment team from working with other internal audit activities. A management response and an action plan to address each opportunity for continuous improvement noted are normally included. Opportunities for continuous improvement identified during this QA are summarized and detailed in the following section(s) of this report:

- Standard 2030 - Resource Management - Increase resources to improve risk coverage;
- Standard 1220.A2 - Audit Tools – Investigative tools to drive efficiency.

DETAIL OBSERVATIONS

SUCCESSFUL INTERNAL AUDIT PRACTICES

1. Trusted Advisor and Valued Partner

Standard 2100 – Nature of Work states, *“The internal audit activity must evaluate and contribute to the improvement of the organization’s governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive, and their evaluations offer new insights and consider future impact.”*

The IA function is viewed as a supportive trusted advisor to the organization and not as a reactionary or punitive function. Administrators clearly recognize the importance of the IA function and see the unit as a valued resource. Being viewed as a trusted advisor marks the pinnacle accomplishment for which internal auditors strive. The CAE has made substantial investments in customer communications and fosters an image of helpfulness and accessibility through their day-to-day operations. Customers share an extremely positive view of IA as noted in the surveys and interviews conducted during the assessment. Respondents described the IA function as: “an incredibly valuable partner that provided exactly what we needed for an objective outside opinion to help us improve services and security”; “Knowledge in best practices and excellent collaboration service. Internal Audit is a great partner in reviewing processes and providing valuable feedback. Their customer service and guidance is awesome.”; “Cecile and her team are trustworthy, thoughtful, competent, reassuring, non-judgmental, supportive, and caring. Whenever I have an issue or concern, I contact Cecile immediately, as I see her and her team as partners. I see internal audit as a resource, a guide, and someone who wants us to be successful.”; “Collaborative, solution-oriented approaches to problem solving”; “Friendly, professional, clearly desire to help, thoughtful”.

2. Experienced Staff with Diverse Skill Sets

Standard 1210 – Proficiency states, *“Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and their competencies to perform its responsibilities.”*

Internal audit has developed an experienced staff with a diverse set of skills and certifications. The function has experienced turnover but was fully staffed as of November 2022. This core group holds CPA, CIA, CFE, CCEP, CRMA, CISSP, CDPSE, and CISA certifications. Staff come from a diverse set of academic and professional backgrounds. This diversity allows the function to participate in a variety of engagements and to be agile in providing services to the organizations it serves.

GAPS TO CONFORMANCE WITH THE *STANDARDS* OR CODE OF ETHICS

1. No areas were identified during the QA where the assessment team concluded the CAE is operating in a manner that falls short of achieving one or more major objectives with the *Standards* or the Code of Ethics that results in an opinion for an individual standard of “partially conforms” or “does not conform.”

OPPORTUNITIES FOR CONTINUOUS IMPROVEMENT

1. Resource Improvement

Standard 2030 – Resources Management: The chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

Observation: IA function does not appear to have adequate resources to allow for optimal coverage, specifically in the information technology and investigative areas. Information technology and investigative service demand currently places strains on the Internal Audit function. During the survey and interview process of the QAR review, numerous respondents indicated the need for additional capacity within IA information technology and investigative service lines.

Recommendation: To ensure adequate assurance of information technology and investigative services to cover the University’s demand, the University should consider increasing the size of the IA function.

Response:

The CAE has been in proactive discussions over the last two years with the Chancellor regarding the need for additional resources. New auditor positions have not been created because the sudden, unexpected turnover experienced in fiscal year 2022 highlighted the need to significantly increase the classifications and related salaries of the existing auditor positions. These resource increases, provided by the Chancellor, ensured more accurate reflection of the qualifications and performance expected of individuals holding these positions. Currently, thanks to the support provided by the Chancellor and his leadership team, all auditors are classified as advanced and have competitive salaries in relation to the local and national markets. The CAE will continue to work with the Chancellor to consider how to address the need for additional audit staff to cover the recognized, ever-increasing volume of work.

2. Continue Implementing Technology-Based Audit Tools

Standard 1220.A2 – Due Professional Care states, “*In exercising due professional care internal auditors must consider the use of technology-based audit and other data analysis techniques.*”

Observation: The IA function currently does not have direct access to technology based

investigative tools. These types of tools would significantly improve IA ability to substantiate fraud, waste, and abuse allegations.

Recommendation: The CAE should implement technology-based investigative audit tools such as Lexis Nexis to help drive efficiency within the investigative process.

Response: In the past, the investigative auditor was provided with several technology-based tools to enhance their ability to perform their work. However, it was discovered that the same tools were being utilized by the NCSU Office of Information Technology and that a shared solution would be more cost effective. These shared tools include email search engines that allow for the rapid sorting, search, and analysis of thousands of emails and secure storage and control of evidence collected. Access to Lexis Nexis, a research tool, has also been explored in the past and was consistently found to be cost prohibitive. The CAE is now exploring new opportunities to possibly join with other university units that use Lexis Nexis. If it is found to be cost effective, Lexis Nexis will be added to the tools available to the investigative auditor. Otherwise, the less costly research approaches currently in use will continue to be utilized in obtaining the data required for investigations.

ATTACHMENT A: EVALUATION SUMMARY AND RATING DEFINITIONS

	GC	PC	DNC
OVERALL EVALUATION:	X		

IIA Code of Ethics	GC	PC	DNC
Code of Ethics	X		

Attribute Standard (1000 – 1300)		Standards			Major Category		
		GC	PC	DNC	GC	PC	DNC
1000	Purpose, Authority, and Responsibility	X			X		
1010	Recognition of the Definition of Internal Auditing	X					
1100	Independence and Objectivity	X			X		
1110	Organizational Independence	X					
1111	Direct Interaction with the Board	X					
1112	Chief Audit Executive Roles Beyond Internal Auditing	X					
1120	Individual Objectivity	X					
1130	Impairments to Independence or Objectivity	X					
1200	Proficiency and Due Professional Care	X			X		
1210	Proficiency	X					
1220	Due Professional Care	X					
1230	Continuing Professional Development	X					
1300	Quality Assurance and Improvement Program	X			X		
1310	Requirements of the Quality Assurance and Improvement Program	X					
1311	Internal Assessments	X					
1312	External Assessments	X					
1320	Reporting on the Quality Assurance and Improvement Program	X					
1321	Use of “Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> ”	X					
1322	Disclosure of Nonconformance	X					

Performance Standards (2000- 2600)		Standards			Major Category		
		GC	PC	DN C	GC	PC	DNC
2000	Managing the Internal Audit Activity	X			X		
2010	Planning	X					
2020	Communication and Approval	X					
2030	Resource Management	X					
2040	Policies and Procedures	X					
2050	Coordination	X					
2060	Reporting to Senior Management and the Board	X					
2070	External Service Provider and Organizational Responsibility for IA	X					
2100	Nature of Work	X			X		
2110	Governance	X					
2120	Risk Management	X					
2130	Control	X					
2200	Engagement Planning	X			X		
2201	Planning Considerations	X					
2210	Engagement Objectives	X					
2220	Engagement Scope	X					
2230	Engagement Resource Allocation	X					
2240	Engagement Work Program	X					
2300	Performing the Engagement	X			X		
2310	Identifying Information	X					
2320	Analysis and Evaluation	X					
2330	Documenting Information	X					
2340	Engagement Supervision	X					
2400	Communicating Results	X			X		
2410	Criteria for Communicating	X					
2420	Quality of Communications	X					
2421	Errors and Omissions	X					
2430	Use of “Conducted in conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> ”	X					
2431	Engagement Disclosure of Nonconformance	X					
2440	Disseminating Results	X					
2450	Overall Opinions	X					
2500	Monitoring Progress	X			X		
2600	Communicating the Acceptance of Risks	X			X		

Rating Definitions

GC – “Generally Conforms” means that the assessor or the assessment team has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual standard or elements of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformity to a majority of the individual Standard or element of the Code of Ethics and at least partial conformity to the others within the section/category. There may be significant opportunities for improvement, but these should not represent situations where the activity has not implemented the *Standards* or the Code of Ethics, and has not applied them effectively or achieved their stated objectives. As indicated above, general conformance does not require complete or perfect conformance, the ideal situation, or successful practice, etc.

PC – “Partially Conforms” means that the assessor or assessment team has concluded that the activity is making good-faith efforts to comply with the requirements of the individual standard or elements of the Code of Ethics or a section or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the *Standards* or the Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the internal audit activity and may result in recommendations to senior management or the board of the organization.

DNC – “Does Not Conform” means that the assessor or assessment team has concluded that the internal audit activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many or all of the objectives of the individual standard or element of the Code of Ethics or a section or major category. These deficiencies will usually have a significantly negative impact on the internal audit activity’s effectiveness and its potential to add value to the organization. These may also represent significant opportunities for improvement, including actions by senior management or the board.

NC STATE UNIVERSITY

**INTERNAL AUDIT DIVISION
AUDIT PLAN
FISCAL YEAR 2024**



NCSU Internal Audit Division

Fiscal Year 2024 Audit Plan

Audits	
Operational Processes and Internal Controls - Accounts Payable	The objectives of this audit are to evaluate accounts payable operational processes and internal controls across university units.
Operational Processes and Internal Controls - Accounts Receivable	The objectives of this audit are to evaluate accounts receivable operational processes and internal controls across university units.
Operational Processes and Internal Controls - PCard	The objectives of this audit are to evaluate PCard operational processes and internal controls across university units.
Operational Processes and Internal Controls - Travel	The objectives of this audit are to evaluate travel-related operational processes and internal controls across university units.
Operational Processes for Asset Management	The objectives of this audit are to evaluate asset management operational processes and internal controls across university units.
Operational Processes and Internal Controls - Motor Fleet Management	The objectives of this audit are to evaluate campus-wide operational processes and internal controls over motor fleet management

Information Technology Audits	
University-wide Compliance - Vulnerability Management	The objective of this audit is to evaluate the university's compliance with relevant vulnerability management standards including but not limited to NIST 800-171 and ISO 27002, as appropriate.
University-wide Compliance - Configuration Management	The objective of this audit is to evaluate the university's compliance with relevant configuration management standards including but not limited to NIST 800-171 and ISO 27002, as appropriate.
University-wide Compliance - Systems Operations	The objective of this audit is to evaluate the university's compliance with relevant systems operations standards including but not limited to NIST 800-171 and ISO 27002, as appropriate.

Fiscal Year 2023 Engagements Expected to be in Progress on July 1, 2023

Office of Research and Innovation (ORI) - Research Equipment Facilities - Billing Practices

Compliance with the University Regulation on Programs that Involve the Participation of Minors

Investigations

The Audit Plan includes estimated time -1 FTE based on the past five years volume - for analysis of allegations reported through the Internal Audit Division Hotline, University Ethics Point Hotline, the Office of the State Auditor Hotline, or other internal and external sources and their subsequent investigation.

Prior Year Follow-up Audits

College of Sciences - General IT Controls

College of Agriculture and Life Sciences - PHHI Travel Investigation - Report 1 of 2

College of Agriculture and Life Sciences - PHHI PCard and Travel Reimbursement Process - Report 2 of 2

College of Agriculture and Life Sciences - Crop and Soil Sciences Investigation - Report 1 of 3

College of Agriculture and Life Sciences - Crop and Soil Sciences- Select Internal Controls and Compliance - Report 2 of 3

College of Agriculture and Life Sciences - Regulation on Disposal of University Property - Report 3 of 3

Campus Enterprises - Rave! Catering Internal Controls - Report 2 of 3

Campus Enterprises - Accounts Receivables Collections - Report 3 of 3

University Wide - Guests and Affiliates Access

Office of Finance and Administration - Environmental Health and Public Safety - Security applications and technologies - Physical Access Services

COVID-19 HEERF Relief Funding: Compliance with Federal and State Requirements

Consulting and Advisory Services

University Information Technology Governance Committees

Chief Audit Officer & Director, Assistant Director, and IT Auditor are providing advisory services to various IT governance committees

Enterprise Research Administration (ERA) Project and Research Enterprise Database (RED) Implementation

Internal Audit is providing advisory and consulting services on the replacement of multiple legacy systems used for ERA activities

Minor Consulting/Technical Assistance Services	Internal Audit receives requests every week from constituents of the university, the university system, and state entities seeking consultative advice and input on a broad variety of subjects. Time is allowed on the division's fiscal year audit plan for these advisory services.
Special Assignments	
Office of Research Innovation (ORI) - Institutional Animal Care and Use Committee (IACUC) Educational Awareness Program	The Chief Audit Officer serves on ORI's IACUC Educational Awareness Program which focuses on how NCSU's veterinary care program promotes animal well-being to uphold the highest standards of care and ethics in accordance with federal, state, and university requirements.
Insider Threat Program (ITP) Working Group	<p>ITP was created to meet a federal rule requiring a system of security controls to deter, detect, and mitigate threats to our personnel, facilities, research, information, and technology. The Chief Audit Officer is a member of the ITP Working Group responsible for the following:</p> <ul style="list-style-type: none"> • Provide expert input to the group in relation to their area of responsibility • Report violations, compliance issues, or incidents that include relevant and credible information related to the Adjudicative Guidelines involving Insiders to the ITP Senior • Official (ITPSO, who is the NCSU Director, Research Compliance) • Provide information related to observed trends in their area of responsibility • Participate and complete ITP training as determined by ITPSO
Quality Assurance Improvement Projects	Automation of management processes, engagement tracking. New system queries and data analytics for common audit engagement data needs, e.g., organizational reporting lines
Continuous Risk Assessment and Audit Planning	
Every week, Internal Audit Division team members visit university faculty and staff to discuss their unit's strategic plans, goals, and risk posture in relation to the university's mission. This includes new and ongoing activities related to their academic, research, and outreach missions and potential concerns or emerging risks to both strategic and tactical goals at the unit and university level. This process supports the identification of potential audit and consulting or advisory engagements and is used as an objective tool in the development of our Annual Audit Plan.	

NCSU Internal Audit Division

Continuous Risk Assessment and Audit Planning Process

Audit Risk Universe (see illustration, page 6)

Best practices relating to development of the audit universe contend that a risk-based internal audit function consider all risks that affect their enterprise, not just the "auditable risks." Specifically, at NCSU, this broader concept of the audit universe begins with the core elements of the NC State Mission: academics, research, and engagement. The NC State Internal Audit Division (IAD) identifies three integral activities necessary for the achievement of our mission:

- 1) Governing – performed by our university leadership team and the Board of Trustees who set the direction and ethical expectations for university constituents
- 2) Doing – performed by our faculty, engagement agents, and staff around the globe
- 3) Supporting – performed by university units through various processes and practices carefully designed to manage risk and ensure the university meets its goals, objectives, and requirements

Risks to this mission - critical activities and the ways in which risks are mitigated are the focus of our Continuous Risk Assessment (RA) Process that leads to the development of our Audit Risk Inventory and Audit Plan.

Continuous Risk Assessment Process (see illustration, page 6)

IAD continuously performs risk assessment activities across the Audit Risk Universe to identify areas of high risk to the university "enterprise" in relation to achieving both its strategic and tactical goals and objectives. The RA process is at the core of our audit and consulting engagements and is used as an objective tool in the development of our risk-based Audit Plans. We use our Audit Risk Inventory to compile and track risk exposures to the university's governance, operations, and information systems that relate to components such as the:

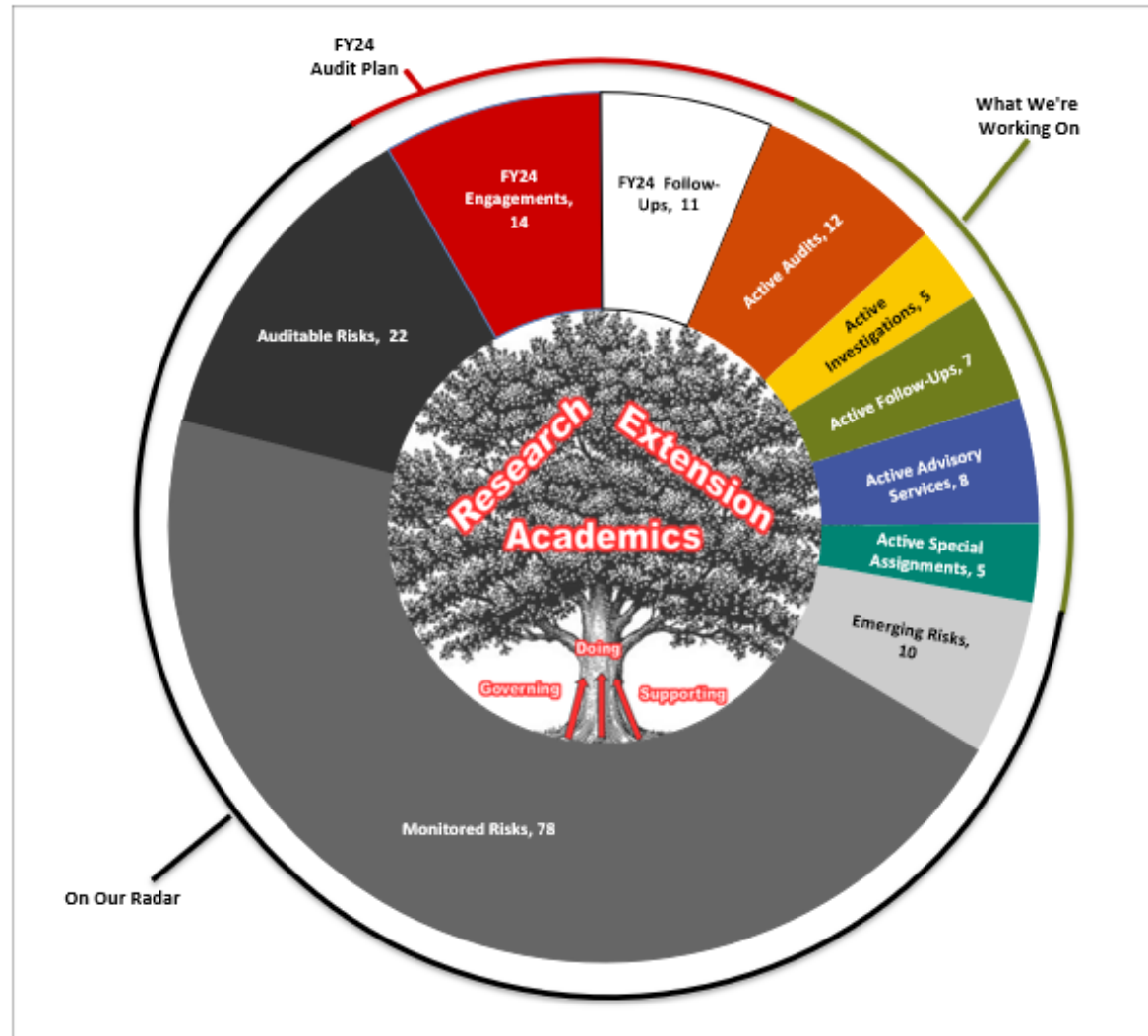
- Reliability and integrity of research, financial, and operational information
- Effectiveness and efficiency of operations
- Safeguarding of assets
- Compliance with university and UNC System policies
- Compliance with legal, regulatory, and contractual obligations
- Detection and prevention of fraud
- Effectiveness of information technology security and compliance

Audit Plan Development (see illustration, page 7)

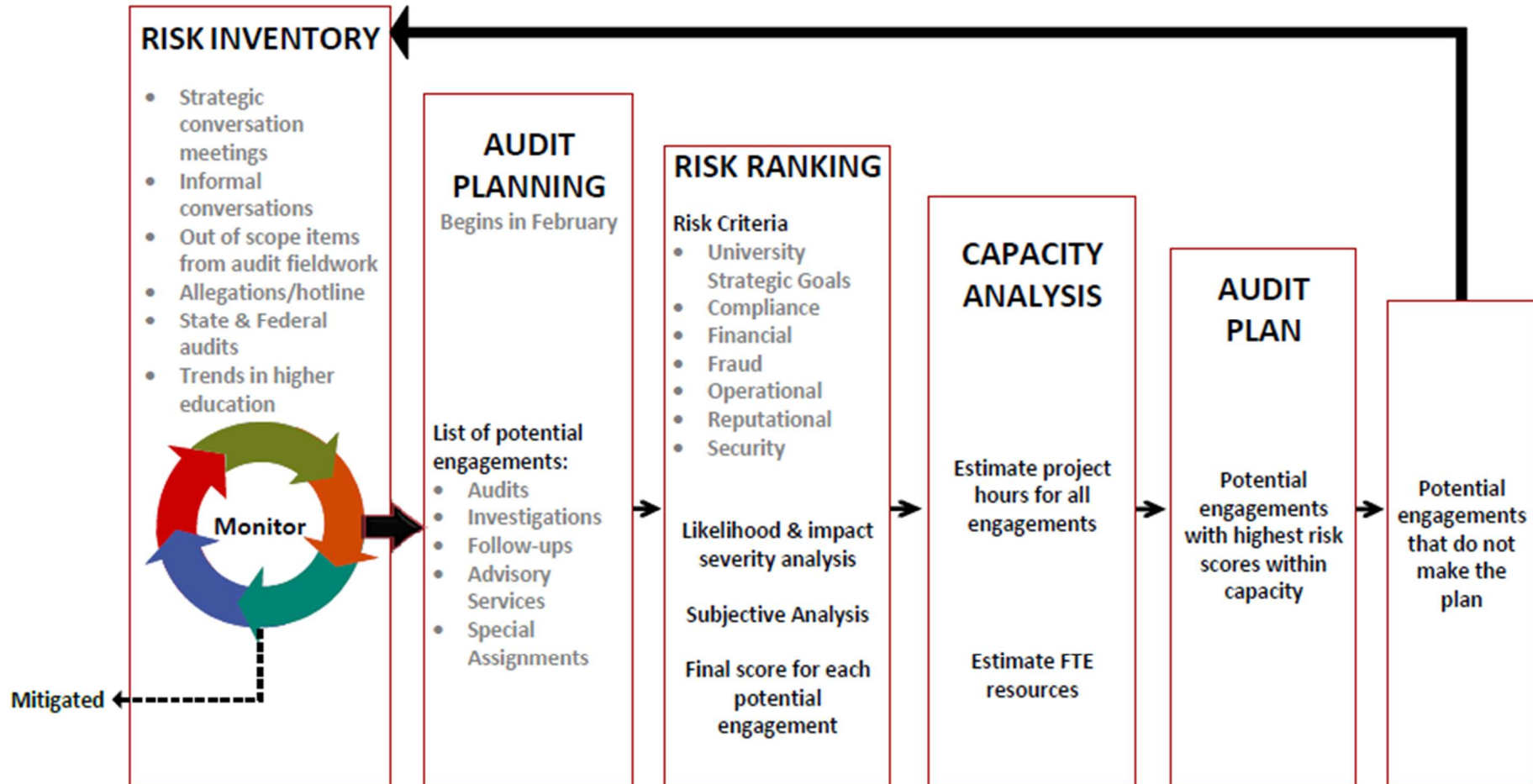
All objective and subjective information and data gathered through our continuous RA process is analyzed when received and at IAD management team meetings. This on-going analysis process allows IAD to determine areas that may need immediate attention, areas that are potential near-term or future audits, and areas that we will continue to watch and monitor through our process.

Our Audit Plan reflects the results of our continuous assessment and analysis process as of the end of January each calendar year. Each year's Audit Plan is presented for approval at the April meeting of the NC State Board of Trustees and is implemented at the start of the new fiscal year on July 1.

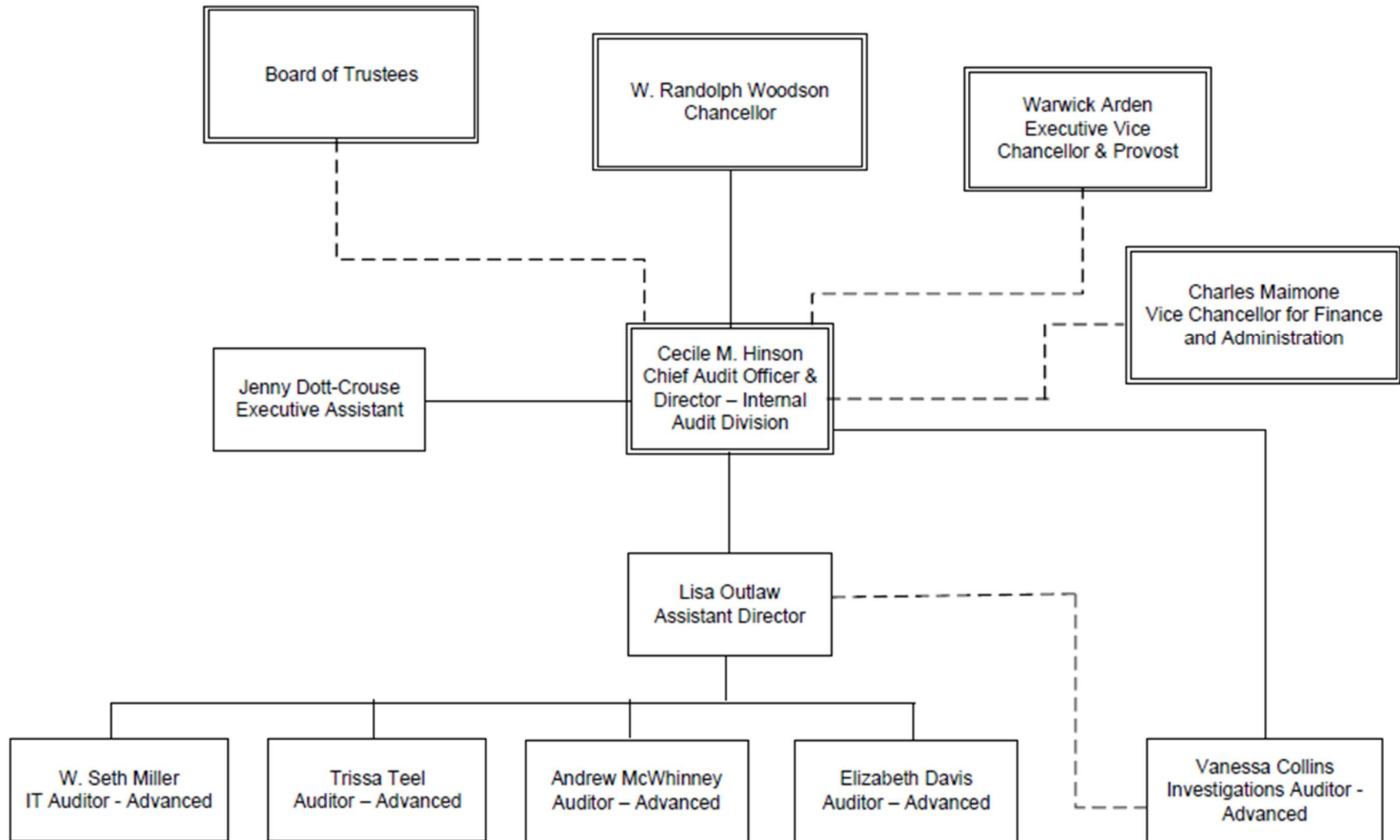
NCSU Internal Audit Division
Continuous Risk Assessment and Audit Planning Process
Audit Risk Universe



NCSU Internal Audit Division
Risk Assessment and Audit Planning Process
Continuous Risk Inventory and Audit Plan Development



NCSU Internal Audit Division Organizational Chart



NCSU Internal Audit Division

Staff Bios

CHIEF AUDIT OFFICER AND DIRECTOR

Cecile M. Hinson, CCEP, CFE, CISA

Cecile joined the Internal Audit Division in February 2001. Prior, she worked for Lockheed Martin and PricewaterhouseCoopers, LLP, in the areas of financial, operational, and information technology auditing. Cecile earned her Bachelor of Science degree in Business, with an emphasis in accounting, from Meredith College. She is a Certified Compliance and Ethics Professional (CCEP), a Certified Fraud Examiner (CFE), and a Certified Information Systems Auditor (CISA). Cecile is also a graduate of the NC State Equal Opportunity Institute and holds an Information Technology Audit Certificate from the MIS Training Institute.

ASSISTANT DIRECTOR

Lisa Outlaw, CISA, CISSP, CRMA, CIA, CFE, CDPSE

Lisa joined the Internal Audit Division in November 2022. Prior to joining NCSU, she served as an auditor and information security specialist for the state of North Carolina for over 27 years. Lisa holds a Bachelor of Science in Business Administration with a concentration in accounting from La Salle University. She has attended several institutions of higher learning to further her education in various computer technology fields and currently is seeking a master's degree in Business Administration with a specialization in cybersecurity from the University of North Carolina at Wilmington. Lisa is a Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE), Certified Data Solutions Privacy Engineer (CDPSE), Certified Information System Auditor (CISA), Certified Information System Security Professional (CISSP), and Certified in Risk Management Assurance (CRMA).

STAFF

Vanessa Collins, CPA, CFE

Vanessa joined the Internal Audit Division in March 2020. Prior to joining NCSU, she served as an investigative auditor at the NC Office of the State Auditor and NC Real Estate Commission. Vanessa earned her Bachelor of Arts degree from the University of North Carolina at Chapel Hill and her MBA from North Carolina State University. Vanessa is a Certified Public Accountant (CPA), a Certified Fraud Examiner (CFE).

Elizabeth Davis, CFE, CIA

Elizabeth joined the Internal Audit Division in April 2022. Prior to joining NCSU, Elizabeth was an Internal Auditor at the University of North Carolina at Wilmington. Elizabeth has a Bachelor of Science and Arts degrees in Business Administration and Political Science from the University of North Carolina at Wilmington. She is a Certified Fraud Examiner (CFE) and Certified Internal Auditor (CIA).

Andrew McWhinney, MA, CIA

Andrew joined the Internal Audit Division in April of 2022. His audit experience includes five years in compliance focused auditing as a Quality Assurance and Accountability Reviewer for Virginia Department of Social Services and, most recently, three years of risk-based auditing with the Office of Audit, Risk, and Compliance at Virginia Tech. Andrew has a bachelor's degree in Sociology from Virginia Tech in 2011, and dual master's degrees from the University of Wyoming in Sociology and Environment and Natural Resources. Additionally, Andrew is a Certified Internal Auditor (CIA).

Seth Miller, CISA, CFE, Net+

Seth joined the Internal Audit Division in August 2018. Prior to joining NCSU, he worked at RTI International and SAS Institute, focusing on compliance, operations, governance, security, and auditing. He earned his Bachelor of Science Degree in Business Administration, with a concentration in Marketing, from Appalachian State University. Seth is a Certified Information Systems Auditor (CISA), a Certified Fraud Examiner (CFE), and Network Plus (Net+) certified.

Trissa Teel, CICA, MSAFM, AIPR

Trissa joined the Internal Audit Division in March 2022. Trissa comes to NCSU from the NC Department of Administration (DOA), where she was the Internal Audit Director for the past 4 years. Prior to her tenure at NC DOA, Trissa was an insurance regulator auditor with the NC Department of Insurance. Trissa has a Bachelor of Science Degree in Accounting from NCSU and a Master of Science in Accounting and Financial Management (MSAFM) from the University of Maryland. Trissa is a Certified Internal Controls Auditor (CICA) and a certified Associate Professional in Insurance Regulation (AIPR).

Jennifer (Jenny) Dott-Crouse

Jenny joined the Internal Audit Division in August 2021. Jenny has several years of experience in the accounting industry and has held various positions, including PCard & Fraud Program Officer at the Naval Hospital, Naples, Italy; Information Systems Specialist at Ernst & Young; and most recently as the Director of Communications, Marketing, & Data for a non-profit. Jenny earned her Bachelor of Arts degree in English from Randolph-Macon College, with a minor in Asian Studies. She is a Certified Content Manager and assists IAD with administrative and business matters.

Budget and Finance Update

Charles A. Maimone

Vice Chancellor, Finance and Administration

Agenda

- State Budget Update
- FY23 UNCSO All-Funds Budget to Actuals Comparison
- Financial Highlights
- Questions and Discussion

State Budget Update

- House and Senate are continuing to negotiate a budget compromise for the 2023-25 State Budget.
- The State is operating under statutory continuing budget authority until the 2023-25 budget is ratified.
- Items included in both House and Senate budgets:
 - Compensation increase between:
 - Senate: 2.50% in FY24, 2.50% in FY25
 - House: 4.25% in FY24, 3.25% in FY25
 - Engineering Expansion Recurring Funds (\$10M)
 - Veterinary Medicine Class Size Expansion (\$5.5M)

State Budget Update

- Included in both House and Senate Budgets:
 - Repairs and Renovations Funding for UNC System
 - \$280M in FY24
 - \$200M in FY25
- New Capital Project Authorizations

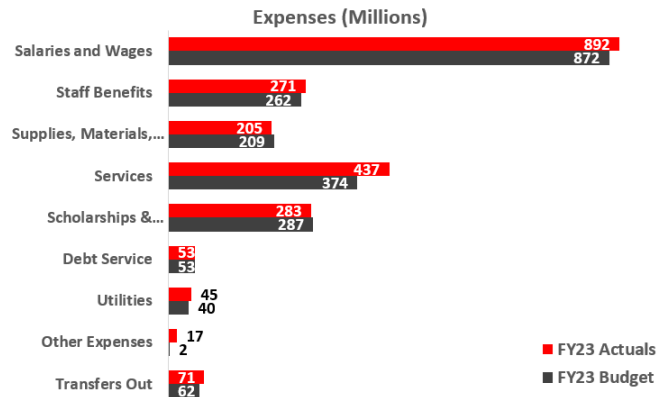
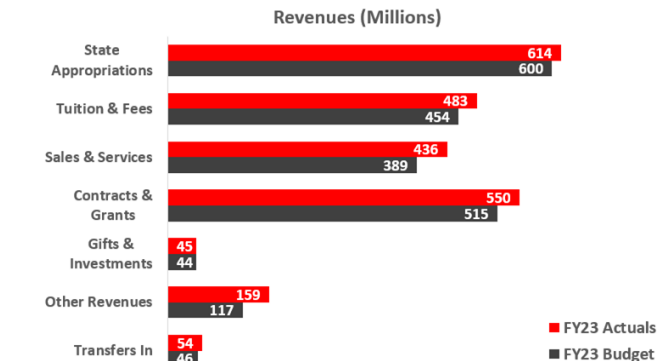
Mann Hall - \$30M Authorization	Both
Polk Hall - \$63M Authorization	House Only
Dabney Hall - \$80M Authorization	House Only
Veterinary School-Large Animal Hospital - \$70M Authorization	House Only
Engineering Classroom Building - \$200M Authorization	House Only
Business School - Advanced Planning \$4.5M Authorization	Senate Only

FY23 UNCSCO All-Funds Budget and Actuals

University Level Budget

		FY23 Actuals	FY23 Budget	Variance %
Revenues	State Appropriations	614,041,824	600,380,000	2.3%
	Tuition & Fees	482,619,948	454,350,000	6.2%
	Sales & Services	436,238,355	388,760,000	12.2%
	Contracts & Grants	549,519,453	514,930,000	6.7%
	Gifts & Investments	44,788,025	44,010,000	1.8%
	Other Revenues	158,525,409	117,160,000	35.3%
	Transfers In	53,837,805	46,490,000	15.8%
Revenues Total		2,339,570,820	2,166,080,000	8.0%

Expenses	Salaries and Wages	892,129,328	871,840,000	2.3%
	Staff Benefits	271,288,337	262,070,000	3.5%
	Supplies, Materials, & Equip	204,832,535	209,390,000	-2.2%
	Services	436,752,955	373,940,000	16.8%
	Scholarships & Fellowships	282,523,693	286,740,000	-1.5%
	Debt Service	52,546,006	53,010,000	-0.9%
	Utilities	45,285,616	39,920,000	13.4%
	Other Expenses	16,757,088	2,120,000	690.4%
	Transfers Out	70,630,648	61,780,000	14.3%
Expenses Total		2,272,746,206	2,160,810,000	5.2%
Net Income		66,824,614	5,270,000	



Financial Highlights

Fiscal 2023 Financial Statement Audit Process is On Track:

- Year-end reporting was submitted to Office of State Controller on August 25
- Financial statements to Office of State Auditor is due on September 21
- The State Auditor will present the audit results at the November BOT meeting

Financial Highlights

- FY23 data presented is unaudited and subject to change
- Operating Revenues and Net Nonoperating Revenues totalled \$1.9 billion.
- Operating Expenses were \$1.7 billion.
- The impacts for the fiscal year is an increase in net position of \$0.2 billion which will reflect a total net position of \$1.6 billion as of June 30, 2023.
- Given our healthy financial position, NC State is in a solid position to issue debt in the Spring of 2024 for the Integrated Sciences Building and University Towers.

Questions

Annual Compliance Update

**Audit, Risk Management, and Finance Committee
NC State University Board of Trustees**

September 7, 2023

Allison B. Newhart
Vice Chancellor and General Counsel

Shawn Troxler
Deputy General Counsel

compliance.ncsu.edu

Agenda

- Highlights of Compliance Program Annual Report
- Governance Update
- 2023-24 Program Priorities
- PRR Initiative

Compliance and Integrity Program

Annual Report 2022-2023



NC State University's Compliance and Integrity Program is designed to promote the University's values and strives to integrate these values into its daily and long-term decisions and actions related to its educational, research, and business practices.

[COMPLIANCE.NCSU.EDU](https://compliance.ncsu.edu)

Compliance Program: FY 22-23 Annual Report

Compliance
Oversight

PRRs, SOPs, and
other Guidance

Communication
and Training

Monitoring and
Auditing

New/ Emerging
Compliance
Efforts

Goals and
Challenges

2022-2023 Focus Areas

Issue Focus Areas

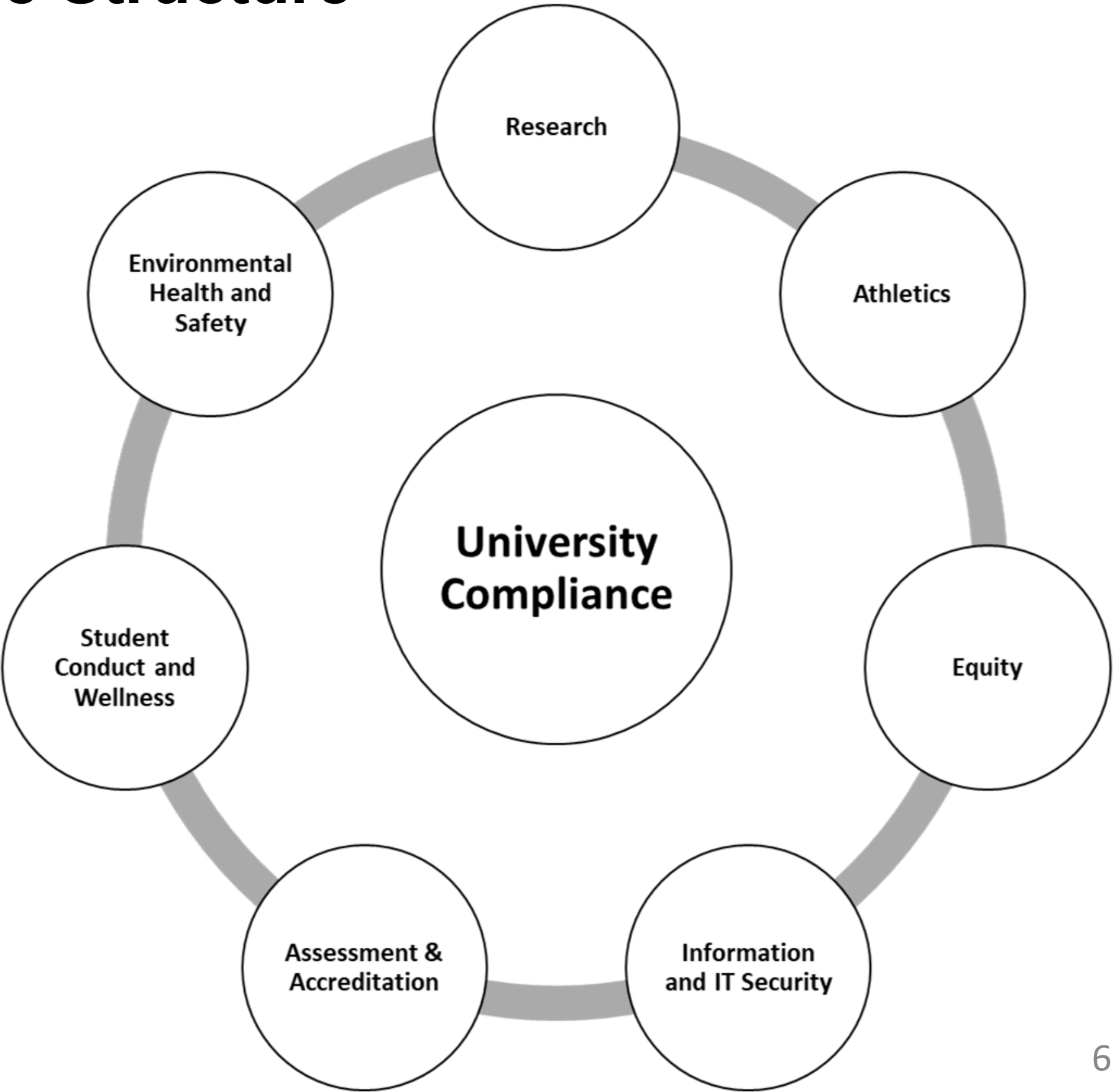
- Academic Visitors
- Foreign Gifts and Contracts
- Research Security
- Combating Human Trafficking

Program Focus Areas

- Governance:
 - Steering Committee Charter and Operational Guidelines
 - Compliance Officials Working Group Charter and Operational Guidelines

Governance Structure

Role	Function
Audit, Risk Management, and Finance Committee*	Board Oversight
University Compliance Steering Committee	Executive Leadership and Oversight
Compliance Officials Working Group	Unit Leadership and Communication
Unit Compliance Officials (Three tiers)	Implementation, Leadership, and Communication for Unit-based Compliance Programs
*Committee Liaison: Vice Chancellor and General Counsel	



Governance Updates

Keep up with evolution of program & the changing compliance environment

Compliance Steering Committee

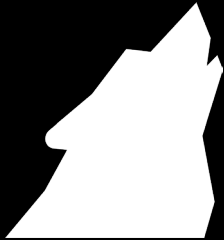



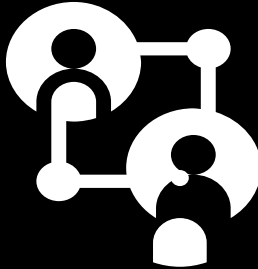
- Clarify the advisory function
- Update roles and responsibilities
- Operating guidelines and charter

Compliance Officials Working Group

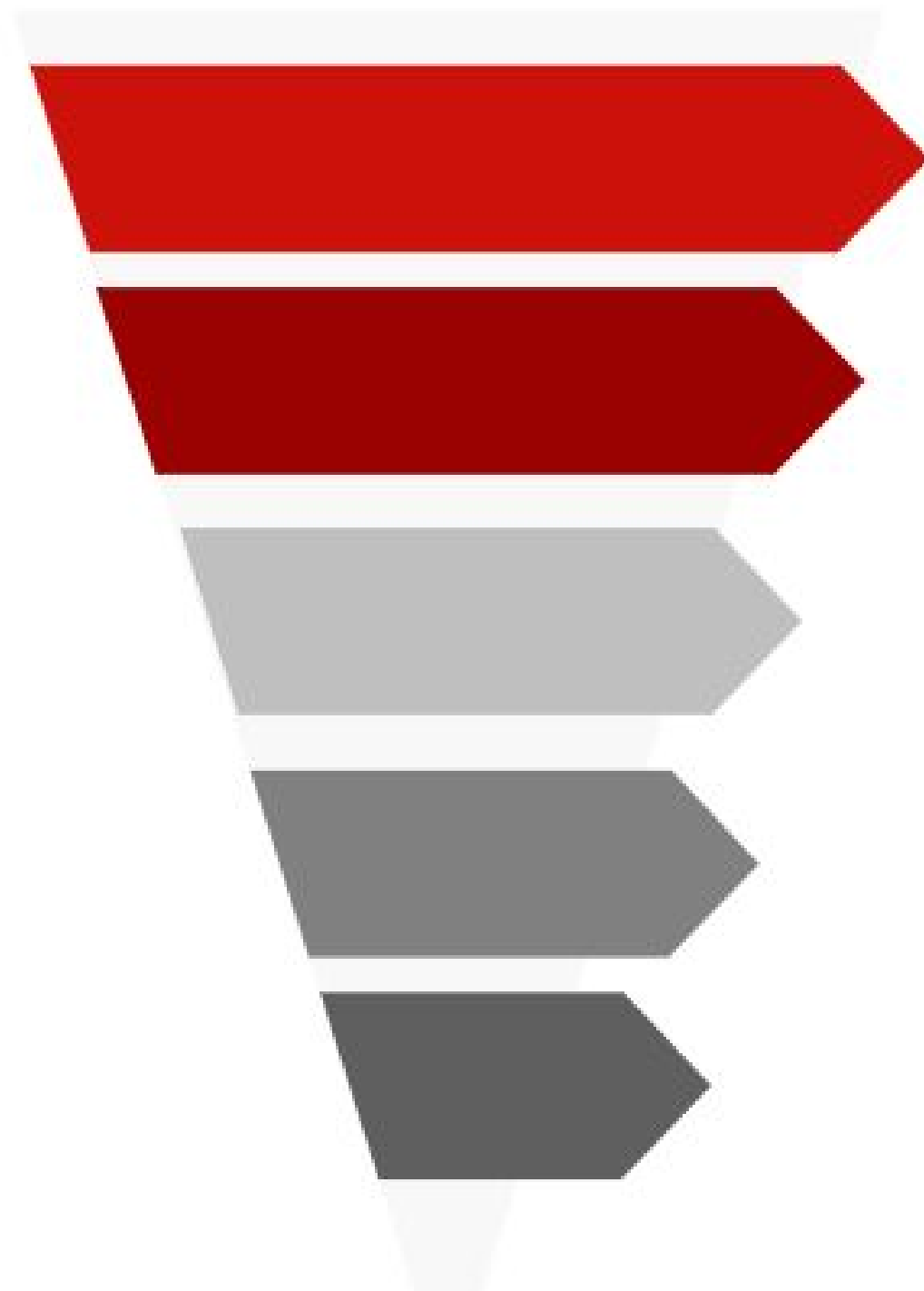
- Clarifies the COWG's role as the advisory and informational body to the UCSC and UCEO
- Membership slightly altered to include positions leading units that are responsible for the key compliance areas
- Operating guidelines and charter



Significant New or Emerging Compliance Obligations

Privacy	Nondiscrimination	Research	Cybersecurity	Free Speech
<ul style="list-style-type: none">GDPR (EU)PIPL (China)HIPAAFERPAData Security	<ul style="list-style-type: none">Title IXCivil Rights	<ul style="list-style-type: none">NSPM-33 implementationResearch securityFederal Regulatory Compliance	<ul style="list-style-type: none">NIST 800-171GLBA Safeguard RuleCMMC 2.0 & ISO 27002:2022	<ul style="list-style-type: none">Evolving obligations under federal and state laws
				

2023-2024 Goals



Risk & Program Assessment

- Partners plan to conduct risk assessments for program reviews and to better support their units as they implement new or updated strategies and processes.

Enhance Resources

- Partners plan to improve technical processes and systems and to begin or continue efforts to implement controls to help manage compliance in their areas.

Communication & Education

- With evolving and increased compliance requirements, Partners plan to focus significantly on communicating with the regulated community across campus.

PRR/SOP Updates

- Partners plan to review and update PRRs and implement SOPs to meet compliance standards expected to be updated this upcoming year.

Monitoring

- Compliance partners plan to enhance monitoring efforts to ensure compliance and to identify opportunities to continuously improve their compliance programs.

2023-2024 Focus Areas

Issue Focus Areas

Continuing

- Academic Visitors
- Foreign Gifts and Contracts
- Title IX

New

- Research Security & Compliance
- Federal Regulatory Compliance
- Privacy
- Cybersecurity

Program Focus Areas

Continuing

- Compliance Plan review and updates
- EthicsPoint Hotline Administration

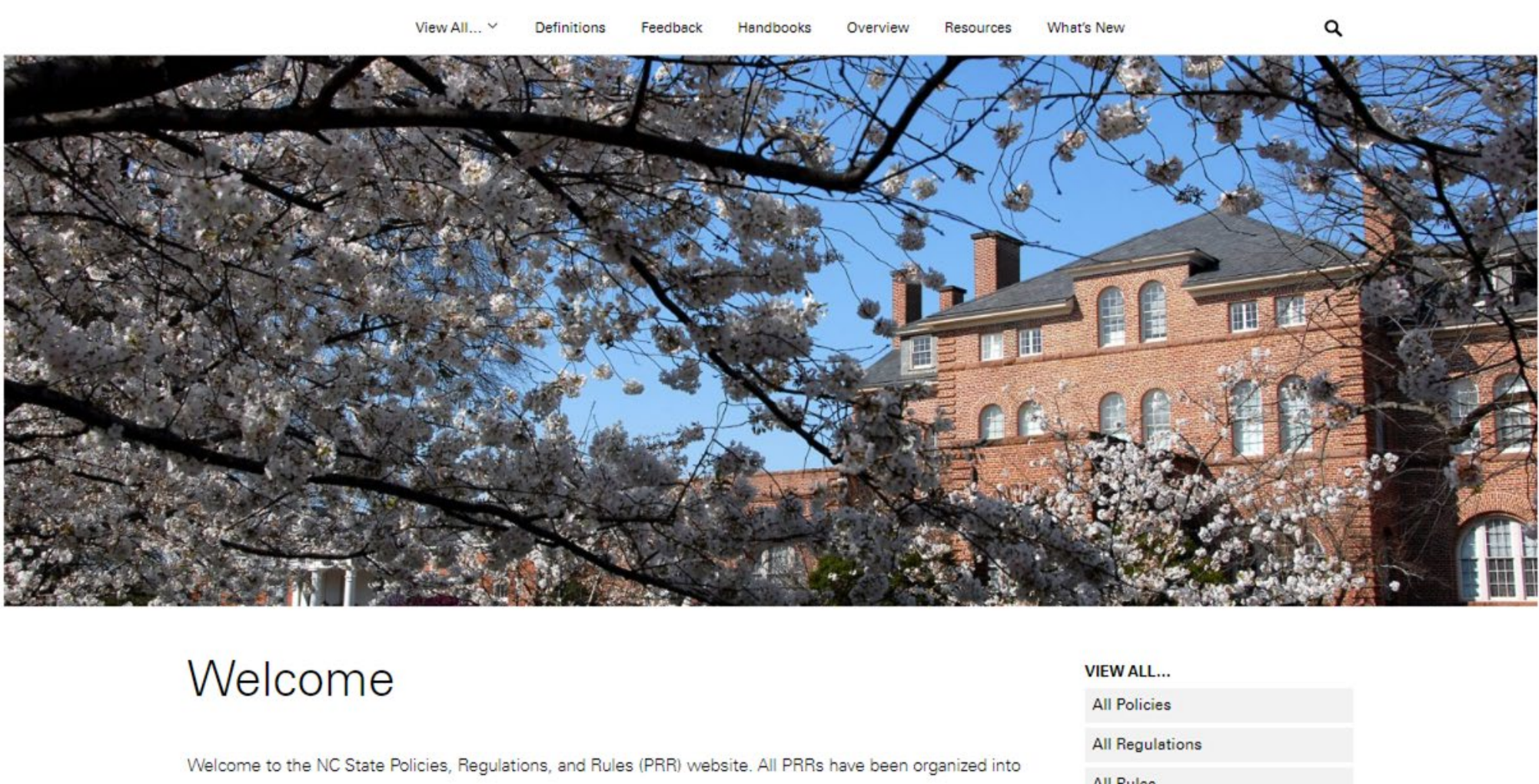
New

- Internal compliance review process and risk assessments
- Review and refresh program attributes and elements

PRR Initiative Update

Institution-wide review of policies, rules, and regulations

Policies, Regulations & Rules



Questions?

University Compliance and Integrity Program FY 22-23 Summary

The success of the Program is predicated on the University's embrace of a culture of compliance and the identification of key goals toward the attainment of the University's compliance objectives. This year, the Program maintained focus on specific compliance efforts ("Issue Focus Areas") and programmatic developments ("Program Focus Areas") summarized in Figure 1.



Figure 1. Focus Areas

Issue Focus Areas

Academic Visitors

The Academic Visitors Sub Working Group was charged by the University Compliance Steering Committee (UCSC) to enhance NC State's processes and procedures for hosting academic visitors, both foreign and domestic. The Group continued its work over the past year, focusing on the introduction and implementation of the Research Visitor pilot program. This pilot program is predicated on identifying and registering visitors who will be involved in or are conducting research at NC State. The Group's work on the pilot program included: working on defining the roles, responsibilities, and procedures necessary for managing these research visitors, including developing a website that provides information on these roles and responsibilities and sets out the visiting researcher approval process, updating the "visiting researcher agreement" to ensure the university's interests in confidentiality and any intellectual property created are maintained and to eliminate the need for multiple agreements to be signed by the visiting researcher, working with Human Resources to reduce and identify the job codes that visiting researchers may be identified as in the university's systems; identifying unique arrangements and developing process solutions, and educating the campus community about the updated research visitor processes and procedures. The Research Visitor pilot program began in April 2023, and sought voluntary compliance with the defined processes and procedures. However, the research visitor process will become mandatory for everyone to utilize and follow beginning in the Fall 2023.

Foreign Gifts and Contracts

Section 117 of the Higher Education Act requires institutions of higher education to biannually report information about foreign gifts and contracts received by the institution. Reports are due to the Department

of Education in January and July. The University Compliance and Ethics Officer

(UCEO) coordinates the collection of information about foreign gifts and contracts from units campus-wide for each biannual report, including Sponsored Research and Research Compliance Services (SPARCS), the Cashier's Office, the Office of Global Engagement (OGE), the Office of Research Commercialization (ORC), the Controller's Office, and University Advancement. Each cycle, the UCEO, Deputy General Counsel, and Office of General Counsel staff review hundreds of transactions to determine which are reportable to the U.S. Department of Education (ED). Following the review, the Office of Scholarships and Financial Aid submits the report to ED. Figure 2 provides information about foreign gifts and contracts reviewed and reported during FY 22-23. A summary of reported transactions is shared with the Vice Chancellor for Research and Innovation, the Vice Chancellor and General Counsel, the Director of Federal Relations, and UCSC after each reporting cycle.

Research Security

A working group was created in Fall 2022 and charged by Vice Chancellor for Research and Innovation, Mladen Vouk, to assess NC State's preparedness for meeting the requirements of National Security Presidential Memorandum 33 (NSPM-33) and the recommended practices for universities to preserve the integrity and transparency expected in federally sponsored research, while protecting it from improper influence, including possible foreign influence. The working group has analyzed most of the 21 recommended practices including transparency of researcher outside interests, management of conflicts of interest and conflicts of commitment, training in responsible conduct of research, visiting scholars and foreign travel.

In March, the Office of Science and Technology Policy published the initial draft of research security standards for organizations conducting research with federal funds, the mechanism for implementing NSPM-33. While we anticipate revisions to the wording to resolve inconsistencies and respond to community comments, the draft affirms the working group's deliberations to date.

Major federal funding agencies are working toward common disclosure forms for the Biographical Sketch and Current and Pending (Other) Support. The revised research security standards and these common disclosure forms, both of which will be published for public comment before implementation, will help refine the working group's recommendations.

Combating Human Trafficking

Certain federal grants and contracts can subject NC State to the requirements of FAR 52.222-50, Combating Trafficking in Persons. This FAR clause places a host of compliance obligations on the federal contractor, including various employee notifications and reporting obligations regarding the United States Government's policy on prohibiting trafficking in persons, and actions that will be taken against employees for violations of this policy. The FAR Clause also requires the development of a compliance plan for certain high value contracts where the services provided under the contract will be performed outside of the United States. The compliance plan includes an employee awareness and reporting program for those working on the project, a recruitment and wage plan for project employees, an applicable housing plan if the contractor intends to provide for or arrange housing, and a procedure to prevent subcontractors from engaging in the trafficking in persons.

The UCEO worked with SPARCS to ensure compliance with FAR 52.22-50 when applicable, and to help develop a compliance plan for a federally-sponsored award received by one of NC State's colleges that included this clause. Pursuant to the award, the college is to perform trainings in a foreign country and met the

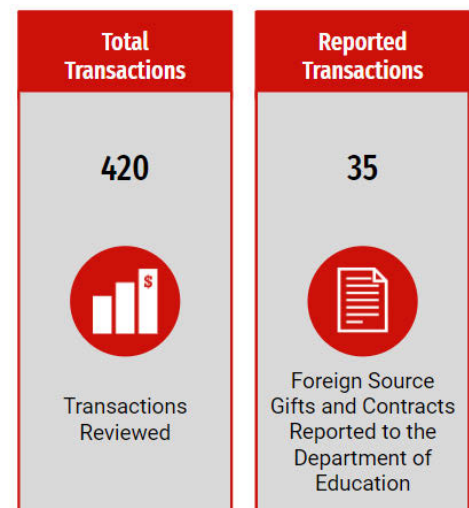


Figure 2. Foreign Gifts & Contract Reporting - FY 22-23

**NATIONAL
HUMAN
TRAFFICKING
HOTLINE**

- Call their toll-free hotline 24/7 at 1-888-373-7888.
- Text at 233733.
- Chat via www.humantraffickinghotline.org/chat.
- Submit a tip online through the [anonymous online reporting form](#).
- More than 200 languages (include español)

value threshold for the development of a project compliance plan.

Program Focus Areas

NC State's Program is designed to promote the University's values and strives to integrate these values into NC State's daily and long-term decisions and actions related to its educational, research, and business practices. Consistent with NC State's values and strategic goals, the Program is designed to create a culture of constant improvement in order to achieve excellence. To that end, the Program is intended to be dynamic, capable of adapting to changes in the university's mission, values and strategic goals, as well as the continually evolving regulatory landscape. This past year, The UCSC, in collaboration with the UCEO, worked on refining the governance and oversight responsibilities of the UCSC and the Compliance Officials Working Group (COWG). The UCSC reviewed the governance structure of the Program to ensure the Program can achieve its goals and objectives in the most effective and efficient way.

UCSC Charter and Operating Guidelines

A successful institutional compliance program requires leadership's embrace of constant evaluation of compliance responsibilities. As part of this evaluation and the Program's dynamic nature, the UCSC developed its Charter and Operating Guidelines to better define and help guide its Program roles and responsibilities. The Charter restates the Committee's mission and overall charge, and clarifies the UCSC's role as the advisory body for the University's compliance and ethics priorities and initiatives, while also maintaining oversight of the Program in general. The Charter also sets forth the UCSC's specific duties and responsibilities to help accomplish these objectives, which include reviewing and discussing the university's compliance environment and the substantive compliance initiatives, as well as the priorities of the major units and/or groups involved in compliance and the alignment of those priorities with the mission, strategic goals, and risk appetite of the university.

CHARTER AND OPERATING GUIDELINES FOR THE UNIVERSITY COMPLIANCE STEERING COMMITTEE

1. **Background and Mission:** NC State University provides a supportive environment for scholars and students to engage in teaching, learning, research, outreach and engagement, and economic development, and to provide veterinary health care. Integrity in our work and compliance with applicable laws and regulations is critical to our academic enterprise and operations. The primary locus of compliance with applicable laws and regulations is in the academic and administrative units throughout the University, where the authority for policy development and the responsibility for implementation of compliance reside. The mission of the University Compliance Steering Committee (UCSC) is to promote excellence in all our compliance efforts to assure integrity and compliance with all legal, regulatory, and ethical responsibilities.

The UCSC does not exercise decision-making authority on behalf of the university. It is not the duty of the UCSC or its members, individually or collectively, to undertake the day-to-day compliance roles, responsibilities or functions of individual units.

2. **Composition:** The members of the UCSC are the Executive Vice Chancellor and Provost (Chair), the Vice Chancellor, Finance and Administration, the Vice Chancellor and General Counsel, the Vice Chancellor for Research and Innovation, and the Vice Chancellor for Information Technology and Chief Information Officer. The University Compliance and Ethics Officer (UCEO), supported by the Deputy General Counsel and the Office of General Counsel, serves as staff to the UCSC.

COWG Charter and Operating Guidelines

In order to enhance the Program's maturity, as well as in furtherance of the UCSC's mission and duties, the UCSC examined the COWG's purpose and responsibilities, as well as group makeup, to ensure that NC State is best organized to monitor, educate, and respond to compliance issues and areas as they arise. As a result of this review, the membership of the COWG is being slightly altered to include positions leading units that are responsible for the key compliance areas. The UCSC, in collaboration with the COWG and UCEO, developed the COWG Charter and Operating Guidelines to reflect the COWG's important role in NC State's Program, including one that is informational, advisory, collaborative, and reactive. The Charter restates the COWG's mission and responsibilities, and clarifies the COWG's role as the advisory and informational body to the UCSC and UCEO.

Compliance Partner Accomplishments

Compliance Partners reported continued progress and success in their compliance efforts despite navigating significant challenges, such as leadership changes, an uncertain and evolving regulatory environment, resource constraints, competing demand, and challenges with recruiting and retaining staff. (Table 1.)

Table 1. Compliance Partner Accomplishments

Environmental Health and Public Safety (EHPS). EHPS developed and implemented the 2023 Security Master Plan to inform university standards and define the compliance roadmap for security and safety obligations.

EHPS also collaborated with other campus units to revise REG 11.55.02, Use of University Space, and further developed and refined the campus-wide Major Event assessment process to enhance operational compliance with campus expectations for events, contracts, and safe management of activities with minors.

University Athletics (Athletics). NC State recently won a significant waiver case that allowed a women's tennis student athlete to play in the Spring 2023 season, after she was initially deemed ineligible by the NCAA. Athletics also educated coaches and staff as new NCAA updated guidance on Name, Image, and Likeness activities became available.

Youth Programs and Compliance (YPC). YPC coordinated the development for integrating Human Resource Information Management data into REPORTER for background checks, which helps to facilitate populating the minors compliance forms. This process is essential since these checks are required every 3 years and allows for seamless transfer of data to ensure the background checks are in compliance.

This past year was the first year since the start of the pandemic where the university had primarily in-person youth program activities on campus. YPC completed 27 different observational program reviews of various programs involving minors. Over the past year, YPC has trained nearly 6,000 individuals in accordance with REG 01.25.18, Programs that Involve the Participation of Minors. YPC also provided quarterly reports to the Colleges through the Associate Deans and Approvers for minors programs for their review.

Office of Institutional Equity and Diversity (OIED). The Equal Opportunity and Equity Office (EOE) collaborated with Campbell Law School and brought in their first two externs. Through this partnership, the EOE hopes to develop additional relationships with NC Central Law School and create a pipeline of possible candidates interested in equal employment opportunity work on higher education campuses. OIED also began to prepare and work on new federal regulations for pregnant and parenting individuals, as well as to assess compliance with new policies from the UNC Board of Governors.

Office of Information Technology (OIT)

Outreach, Communications and Consulting (OIT-OCC).

OIT-OCC continued its work to broaden the scope of working with purchasing units on campus to review ICT in the exploratory phase, before it gets to the ITPC review process, in order to ensure the most accessible products are considered initially. OIT-OCC also increased its collaboration with DELTA and the University Libraries' digital accessibility teams, and actively engaged with the NC Higher Ed Digital Accessibility Collaborative to share and develop campus accessibility resources among schools in North Carolina.

Security and Compliance (OIT-S&C). OIT-S&C ensured the Secure University Research Environment (SURE) continues to maintain compliance with the NIST 800-171 requirements for Defense Federal Acquisition Regulation Supplement (DFARS) 252.204-7012, Safeguarding Covered Defense Information and Cyber Incident Reporting. OIT-S&C also evaluated Gramm-Leach-Bliley Act (GLBA) compliance for the Student Information System and enhanced compliance with the requirements of GLBA that will position NC State to be ahead of a possible mandate on NIST 800-171. compliance.

Sponsored Research and Regulatory Compliance (SPARCS)

Sponsored Programs. SPARCS recruited and hired a new Director of Sponsored Programs, who brought new compliance perspectives and a wealth of experience to help support a growing sponsored programs portfolio.

Institutional Review Board (IRB). The IRB team made extensive updates to the IRB website to improve clarity and user friendliness. The team proactively reviewed and provided guidance on compliance issues by meeting with researchers via the Proposal Development Unit and other

Institutional Animal Care and Use Committee (IACUC). The IACUC completed a USDA inspection with no citations, accomplished in part through improved processes, training and engagement. The IACUC also achieved the following:

- Implemented clinical report tracking with Attending Veterinarians;
- Made strides in standardizing monthly reporting to the IACUC;
- Expanded opportunities for facility staff and primary site veterinarians to interact with the University Attending Veterinarian by hosting

referrals for large scale studies that needed IRB consultation at the grant application stage. The IRB also Implemented more consistent use of ResearchMatch, a recruitment tool for study participants, and are seeing an increase in researcher interest.

Export Controls. The Export Controls team adopted SIMS software to document, track, and report on controlled projects and associated personnel. This software system will provide notification of pending expirations, easy and versatile reporting, and a more robust auditing tool, all while eliminating manual processes.

University Human Resources (UHR). In collaboration with several other University units, UHR developed REG 04.10.01, Drug and Alcohol Free Workplace. This regulation is designed to foster the university's goals of a drug and alcohol free workplace by describing prohibited conduct and the consequences of engaging in such conduct. UHR also collaborated with OIT and other various units to work on the implementation of new job-code identifiers and processes.

Violence Prevention and Threat Management (VPTM). The VPTM team worked collaboratively with Human Resources to identify and assign required Workplace Violence Prevention: Guidance for Managers and Leaders required training. This collaboration resulted in 1,919 individuals completing this training, which was a 180% increase compared to the previous year. VPTM also saw a 390% increase in QPR Suicide Prevention Training. Enhancing partnerships with Prevention Services and Cares allowed for greater outreach to the university community to include family members and outside community members leading to increased reports received by fellow students and parents. Over the past reporting year, VPTM received 3,049 incident reports of concerning and threatening behaviors, which was a 20% increase compared to the previous year.

Division of Academic and Student Affairs (DASA). In the Fall of 2022, the Vice Chancellor and Dean for Student Affairs created the NC State Student Mental Health Task Force, made up of students, faculty and staff, to reevaluate the university's mental health services, resources and policies. The Task Force highlighted the significant programs, services and resources in place at NC State, and it noted where the university has opportunities to expand and better support student mental health and well-being. The Task Force's work included reviewing NC State's policies, regulations, and rules that may impact student well-being. Implementation teams have been identified to examine the feasibility of the Task Force's recommendations.

quarterly meetings with all facilities and locations; and

- Provided Table Top IACUC scenario training for two facility locations. This training prepares staff to recognize and practice how to respond when faced with various animal related situations.

Conflict of Interest (COI). The COI team recruited an experienced Business Analyst to support the Compliance modules, focusing initially on working towards cross-module connectivity in RED (PT/PAM and COI). This connectivity will help align processes, regulatory reviews and maintain compliance with Federal, State, and institutional rules and regulations.

Office of Assessment and Accreditation (OAA). OAA worked with many University units to complete SACSCOC standards narratives and identified a topic for NC State's next Quality Enhancement Plan. The OAA is working across the university to prepare for the next SACSCOC reaffirmation of accreditation which will take place in Academic Year 2023-2024.

Office of Global Education (OGE). OGE's Office of International Services successfully completed the redesignation of NC State's J-1 Exchange Visitor Program as well as added the new category of "Specialist" which will allow the university to host experts (such as artistic performers) that may have non-traditional academic credentials which often make hosting the individual as a research scholar impossible.

Enrollment Management and Services (EMAS). An audit of state financial aid programs administered by North Carolina State Education and Assistance Authority was completed in January 2023, covering the 2018-19, 2019-20, 2020-21, and 2021-22 academic years. No issues of noncompliance were identified. EMAS also met regularly with all Colleges to review enrollment targets and projections for 2023-2030 to ensure long term enrollment plans align with the University's Strategic Plan Wolfpack 2030: Powering the Extraordinary.

Long Term Investment Pool
Portfolio Performance and Allocation
June 30, 2023

9A

Performance Summary	MTD	3 Month	CYTD	1 Year	3 Year	5 Year	10 Year
Long Term Investment Pool	1.2%	1.5%	2.6%	1.2%	13.3%	9.8%	9.5%
<i>Policy Benchmark*</i>	3.9%	4.3%	9.4%	12.1%	9.6%	7.7%	7.4%
<i>UNC Investment Fund, Inc.</i>	1.0%	1.1%	1.5%	-0.4%	14.0%	10.3%	9.7%
<i>NC State Private Assets</i>	-0.2%	2.3%	4.5%	4.4%	23.7%	14.3%	13.8%
<i>BlackRock LPP</i>	4.9%	4.6%	10.6%	12.8%	8.9%	6.9%	7.5%
<i>Global Index (1)</i>	4.0%	4.1%	10.3%	11.2%	6.5%	6.1%	6.7%
Asset Class/Style	Market Value**	Asset Allocation				Tactical Range	
		Actual**	Policy	Over (Under)**			
Total Long Term Pool	\$ 1,659,292,242	100.0%	100.0%				
Long Biased Equity	452,240,511	27.3%	33.0%	-5.7%		24 - 36%	
Domestic Equity	205,763,217	12.4%					
International Equity	109,272,719	6.6%					
Emerging Market Equity	71,988,807	4.3%					
Global Equity	65,215,768	3.9%					
Long/Short Equity (2)	177,293,704	10.7%	15.0%	-4.3%		10 - 20%	
Global Equity Strategies Total	629,534,215	37.9%	48.0%	-10.1%			
Fixed Income Strategies Total	156,893,945	9.5%	11.0%	-1.5%		5 - 15%	
Cash Total (3)	110,134,742	6.6%	2.0%	4.6%		0 - 8%	
Diversifying Strategies Total	115,579,560	7.0%	6.0%	1.0%		3 - 14%	
Private Equity	478,476,901	28.8%	22.0%	6.8%		14 - 30%	
Real Estate	108,538,780	6.5%	6.0%	0.5%		3 - 12%	
Energy and Natural Resources	60,134,100	3.6%	5.0%	-1.4%		3 - 10%	
Private Strategies Total	647,149,781	39.0%	33.0%	6.0%			
<i>* Preliminary</i> <i>** Totals may vary due to rounding</i> Note 1: Global Index of 70% ACWI and 30% Barclay's Aggregate Note 2: The sub-asset classes "Hedged Equity" and "Low Beta Equity" were decommissioned as of September 2019. Going forward, these assets will be aggregated into "Long/Short Equity" Note 3: Includes Liquidating Managers							

Note: This Monthly Performance Report is based on information available at the time of distribution. The financial information comprising this report has not been audited and is subject to change.

NC State ITF Fund
Intermediate Term Fund
Portfolio Performance and Allocation
June 30, 2023

9B

Performance Summary	MTD	3 Month	CYTD	1 Year	3 Year	5 Year	Since Inception
NC State ITF Fund	0.1%	0.2%	2.1%	1.7%	0.4%	2.2%	1.8%
Vanguard Short Term Fund	-0.3%	-0.1%	1.7%	1.5%	-0.9%	1.5%	1.5%
PIMCO Income Fund	1.0%	1.2%	3.8%	5.3%	1.8%	2.6%	3.3%
JP Morgan Funds	-0.3%	-0.3%	-	-	-	-	-
Merganser	-0.1%	0.3%	-	-	-	-	-
US Treasuries	0.0%	0.0%	-	-	-	-	-
Barclays US Universal 1-5 Years	-0.4%	-0.4%	1.5%	0.8%	-1.2%	1.3%	1.3%
Barclays U.S. Treasury: 1-3 Year	-0.5%	-0.6%	1.0%	0.1%	-1.1%	0.9%	0.7%
Asset Class	Market Value*			Actual%*	Yield%	Fees%**	Effective Duration***
NC State ITF Fund	\$322,775,144			100.0%	5.1%	0.2%	2.5
Core Assets	\$223,430,066			69.2%	4.9%	0.1%	2.3
Vanguard Short Term Fund	\$83,125,596			25.8%	5.3%	0.1%	2.7
JP Morgan Short Core Fund	\$33,303,993			10.3%	3.9%	0.3%	1.9
JP Morgan Short Core Plus Fund	\$22,099,119			6.8%	4.7%	0.3%	2.7
JP Morgan Core Fund	\$7,190,801			2.2%	4.3%	0.3%	6.4
JP Morgan Core Plus Fund	\$3,746,234			1.2%	4.8%	0.4%	6.5
Merganser	\$29,735,922			9.2%	6.1%	0.2%	1.7
US Treasuries	\$44,228,400			13.7%	4.5%	0.0%	0.8
Strategic Assets	\$95,728,745			29.7%	5.5%	0.5%	3.2
PIMCO Income Fund	\$82,032,269			25.4%	5.5%	0.5%	3.0
JP Morgan Income Fund	\$13,696,476			4.2%	6.1%	0.4%	4.4
Cash	\$3,616,333			1.1%	2.6%	0.0%	0.8
STIF	\$3,616,333			1.1%	2.6%	0.0%	0.8

Note: This Monthly Performance Report is based on information available at the time of distribution. The financial information comprising this report has not been audited and is subject to change.

*Total may vary due to rounding

** The management fee of PIMCO Income hasn't changed at 50bps, but there was a regulatory rule that went into effect recently that now requires mutual funds to disclose interest expense in prospectuses and other fund marketing materials. As such, you might see a fluctuation from time to time in the Fund's total expense ratio, although the management fee itself didn't change. A fund incurs interest expense on financing arrangements in which it receives cash from an approved counterparty. Generally, the interest expense reflected in a fund's total expense ratio is attributable to the cost incurred by a fund for borrowing cash on a short-term basis (e.g., through reverse repurchase agreements) or securities. Interest expense is not paid to PIMCO.

*** The effective duration figure is currently excluding US Treasuries from the calculation