University of Nebraska

University of Nebraska-Lincoln•University of Nebraska Medical Center•University of Nebraska at Omaha•University of Nebraska at Kearney

# Internal Audit and Advisory Services

## Annual Report

For the Year Ended June 30, 2024

## Including Audit and Strategic Plans

For the Year Beginning July 1, 2024

For Presentation to the University of Nebraska Board of Regents Audit, Risk, and Compliance Committee

August 2024

**Table of Contents** **Page**


| | |
|---|---|
| Cover Letter to the President and Audit Committee | 2 |
| Organizational Chart | 3 |
| Summary of Prior Fiscal Year | 4-5 |
| Mandatory Disclosures | 6 |
| Risk Assessment Process | 7 |
| President's Current Fiscal Year's Top Ten Risks | 8 |
| Fiscal Year Audit Plan (and beyond) | 9-14 |
| Strategic Plan Update | 15 |
| Appendix A: Staff Listing and Credentials | 16 |
| Appendix B: Internal Audit Charter | 17-22 |
| Appendix C: Prior Fiscal Year Audit Plan Hours | 23-25 |

President Gold and Members of the University of Nebraska Board of Regents Audit, Risk, and Compliance Committee (Committee),

On behalf of Internal Audit and Advisory Services (Internal Audit or IAAS), I am pleased to present the Annual Report for the Fiscal Year ended June 30, 2024.

The mission of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the University of Nebraska's (University's) operations. Internal Audit assists the Board of Regents, the Audit Committee, and the President by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes. This Annual Report describes the scope and results of our activities, metrics, accomplishments, and other measures of our performance. Selected highlights include:

- completing 8 projects during the year and provided those reports to the Committee;
- assisting in the development of the annual risk assessment, performing interviews, coordinating the campus risk assessments, and continuing the standardization of the University-wide risk assessment; and
- beginning to early implement the new Institute of Internal Audits (IIA) *Global Internal Audit Standards* and its *International Professional Practice Framework (Standards).*

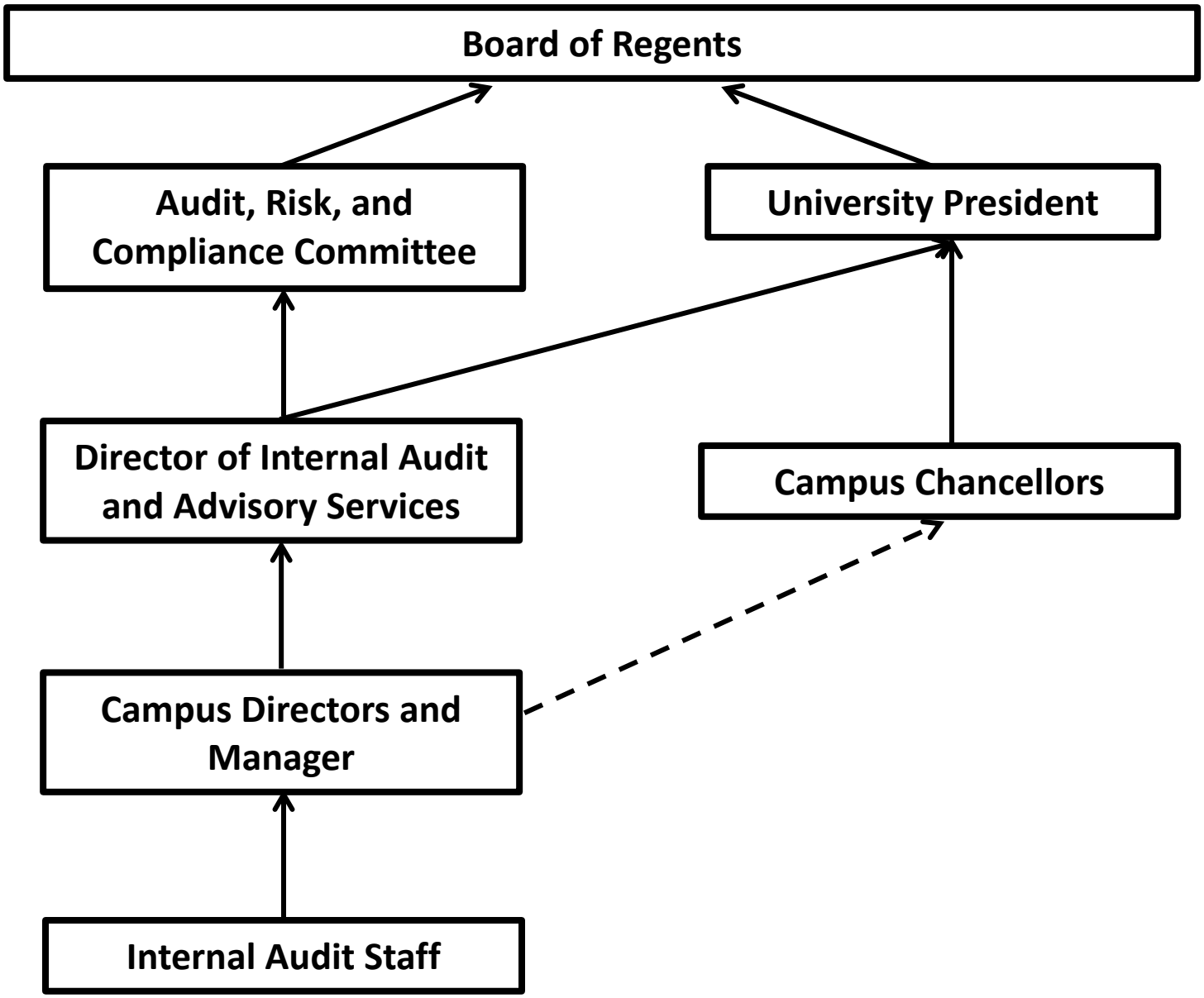
The *Standards* require that we make several disclosures to you, which are included in this report; however, please note that:

- each individual audit was risk-driven; and
- all projects were conducted in accordance with the IIA *Standards*.

This Annual Report is intended to demonstrate our accountability to you by attesting that the internal audit function is operating as intended.

Respectfully,
*Michael D. Justus, CPA*
Michael Justus
Director of Internal Audit and Advisory Services

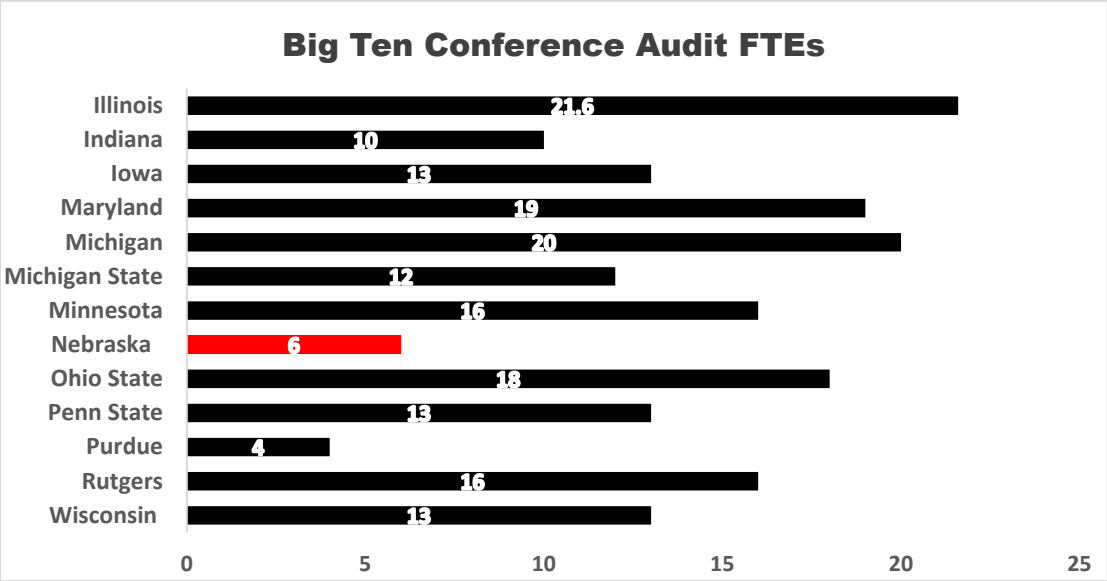
## ORGANIZATIONAL CHART AS OF JUNE 30, 2024



## Summary of Prior Fiscal Year

Internal Audit completed its fourteenth year with an Audit Plan based on the campus risk assessments, which were approved by the Audit Committee at the August 2023 Audit Committee meeting.

As with all University departments, resources are limited and must be applied thoughtfully to ensure the maximum contribution and benefit possible toward achieving the University's vision and objectives. The University's internal audit department is the third smallest in the Big Ten Conference at six full-time equivalents, or FTEs (Director and five staff). The only smaller audit departments are Purdue and Northwestern; Northwestern has three staff and is building their team, but they outsource a large portion of their work. Excluding Northwestern and Nebraska, the average FTE count in the Big Ten is 14.6 (based on the Fall 2023 survey), displayed in the table below.




Additionally, each University audit staff member needs to cover about $570 million of the University's budget and about 8,500 of the University's students (based on the Budget for Fiscal Year 2024), as shown in the table below. The budget coverage per audit staff has nearly doubled since Fiscal Year 2019.

| Internal Audit FTE Statistics for Fiscal Year (FY) 2024 | | | | | | |
|---|---|---|---|---|---|---|
| **Description** | **FY 2024** | **FY 2023** | **FY 2022** | **FY 2021** | **FY 2020** | **FY 2019** |
| NU Budget | $3,312,068,598 | $3,071,039,299 | $2,834,954,777 | $2,706,482,541 | $2,711,428,116 | $2,643,498,168 |
| NU Students (as of Fall Semester) | 49,415 | 49,567 | 50,677 | 51,706 | 51,175 | 51,835 |
| IAAS Staff Hours | 12,035 | 11,626 | 14,095 | 14,465 | 18,210 | 17,341 |
| IAAS Full-Time Equivalent/FTE | 5.8 | 5.6 | 6.8 | 7.0 | 8.8 | 8.3 |
| **Budget per IAAS FTE** | **$572,410,425** | **$549,437,618** | **$418,354,447** | **$389,179,653** | **$309,707,330** | **$317,079,533** |
| **Students per IAAS FTE** | **8,540** | **8,868** | **7,478** | **7,435** | **5,845** | **6,217** |

Key accomplishments during the year included attaining an average of 80 training hours per auditor (all auditors hold one or more professional certifications that require continuing education), beginning work on a new Policy

and Procedures Manual to include the new 2024 Standards, providing consulting on a management request for Student Fees and reviewing several areas on a system-wide level.

Other projects consisted of investigations for potential fraud, waste or fiscal misconduct; monitoring of EthicsPoint: reviews of Information Technology (IT) policy; reviews of business processes and internal controls; continued development of the risk assessment process and annual risk assessments; research on various subjects to support management; and correspondence and meetings with the University's various external auditors. The chart below reflects our activity against the Audit Plan; further detail is provided in Appendix C.

| Internal Audit Plan Project Achievement for Fiscal Year (FY) 2024 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Activity Description** | **Audit Plan** | **Report Issued** | **Deferred (past FY 25)** | **Planning Stage** | **Fieldwork Stage** | **Draft Report Stage** | **Carried Forward (FY 25/26)** | **Eliminated or Risk Lowered** |
| Audits/ Reviews | 8 | 2 | - | - | - | - | 6 | - |
| Follow-Ups | 22 | 5 | - | 3 | 2 | - | 10 | 2 |
| Management Requests | - | - | - | - | 1 | - | - | - |
| Fraud and Consulting | - | 1 | - | - | - | - | - | - |
| **Total** | **30** | **8** | **-** | **3** | **3** | **-** | **16** | **2** |

As you can see from the table above, we did not do well against the Audit Plan. I have likely been too aggressive with the budgets (estimating too low) for the Audit Plan. Since every audit we perform is the first time it has been audited we nearly always have additional work in helping the departments clean up processes.

**Mandatory Disclosures (based on the IIA *Standards*)**

1. Internal Audit's activity, purpose, authority, and responsibility, as defined in the University of Nebraska Internal Audit Charter, continues to be adequate to enable the activity to accomplish its objectives. The Committee updated our Charter in June of 2024.

2. We do not believe there are any issues regarding organizational independence as of June 30, 2024.

3. The Director of Internal Audit and Advisory Services (Director) met with the Audit Committee in Executive/Private Session once during Fiscal Year 2024. However, there was an opportunity for Executive/Private Session at each meeting, if it had been deemed necessary.

4. The IIA *Standards* require the disclosure of any known weaknesses in Internal Audit's proficiency. We have identified a single known weakness in proficiency, the lack of an identified IT auditor on staff. We have the skillset, but not the title for the position. We have also attempted to work with ITS on outsourcing certain projects to alleviate some of this weakness but have not accomplished any reviews this year. We will have to be diligent in addressing IT audit risks with our limited resources.

5. The IIA definition of Internal Audit, the Code of Ethics, and the *Standards* are included by reference in our Internal Audit Charter.

6. Resource limitations do exist. As mentioned previously, the staff size for the University is small, which makes it impossible to address all high-risk issues identified by management during the risk assessment. Our system's operations are no different than those at Ohio State University or the University of Michigan in complexity and breadth, only in size/dollars, and perhaps not even in size when one considers our four-campus system and special entities.

7. The Director coordinates with the General Counsel's Office, as necessary, on assurance issues (general compliance such as Title IX and conflict of interest). The Director also communicates with the compliance contacts for each campus and Central Administration, though there is little coordination as those functions are NOT resourced to do any assurance work.

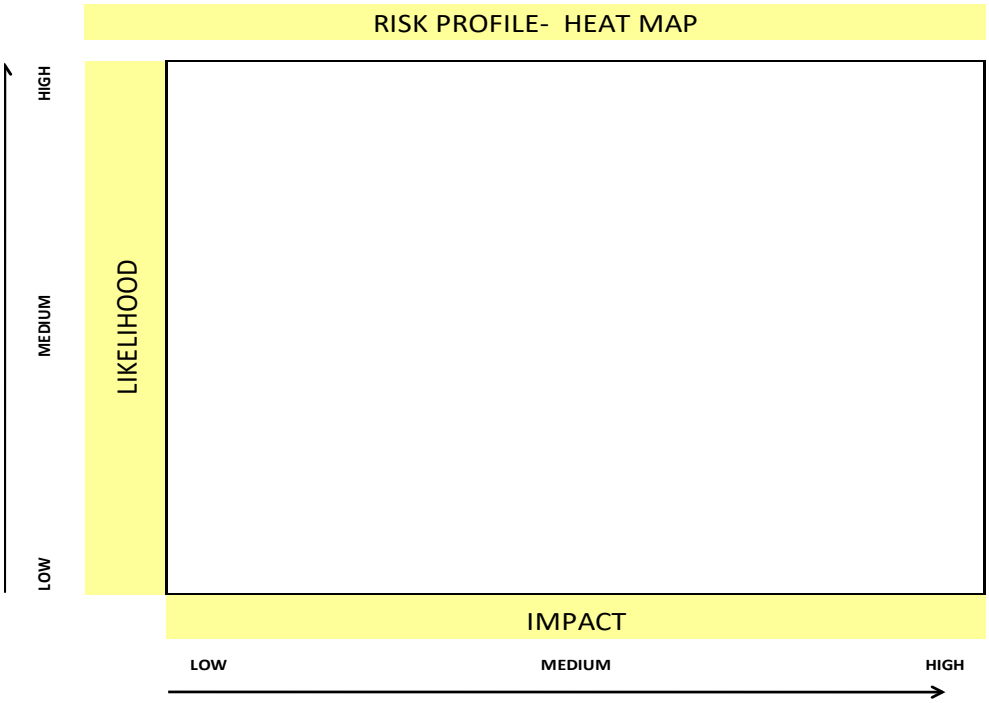
## Risk Assessment Process

Internal Audit assisted management in conducting a risk assessment of the University in March through June of this year. The risk assessment process allows management to focus on key issues and enhance decision making, allows for a more effective use of University resources, and provides information to develop an internal audit plan.

The Audit Committee agreed to use the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as the framework for the risk assessment discussion. The COSO standard has not been adopted as the internal control framework itself. Internal Audit performed the assessment by interviewing selected individuals from administration at each campus.

Internal Audit used COSO's risk definition: "The possibility that an event will occur and adversely affect the achievement of objectives." Internal Audit also emphasized the following COSO categories of risk: compliance, financial reporting, strategic, and operations. Several open-ended questions were asked of each interviewee that centered on objectives, key risks and initiatives, compliance, and controls. The questions not only related to the system-wide and campus levels, but also to the particular area which the interviewee manages. Internal Audit also reviewed the risks identified by the interviewee during the previous year's interview.

The residual risks identified in the interviews were then plotted on a "heat map" (see example below) during the interview based on the likelihood of the risk occurring and the impact the risk would have on the University.




Internal Audit also assisted management by preparing a system-level risk assessment using the work prepared and the final risk assessments completed by each of the campuses. Finally, this overall assessment was shared with the President, who modified the results to be consistent with his assessment. The final Audit Plan is based on the President's risk assessment.

## President's Current Fiscal Year's Top Ten Risks

| Rank | Identified Risk | Risk Description |
|---|---|---|
| 1 | **Academic Excellence (AAU)** | Additional investment is necessary to remain competitive with our Big Ten and national peers and elevate the University's stature in pursuit of AAU membership. This includes multiple areas of academic excellence across the educational and research missions such as improving student retention, graduation rates, and research productivity, faculty recognition. The University must determine what priorities and realignment are needed to move forward with this goal. |
| 2 | **Structure of the University System** | There is increased pressure from our journey of academic excellence, budget uncertainties and the overall perceived values of higher education to continually adapt our current academic structure and business systems further to maximize efficiencies and cost savings while continuing to provide strong educational programs to our students and best serve Nebraskans. Uncertainty surrounding the structure causes insecurity, stress, and concern across campus and system academic and business areas. |
| 3 | **Budget/Planning/ Economic Opportunities** | The University continually faces difficult decisions on how to fund academic excellence and ongoing operations while keeping higher education costs low for students and families. The University must respond to these challenges by continually aligning its business model with its strategic priorities and goals for the future and by implementing a sustainable budget plan that facilitates growth in key areas of excellence. |
| 4 | **Leadership Transitions** | A number of key leadership positions have been or are in the process of being filled. The historical and operational knowledge regarding the University takes time to rebuild. These changes will be built upon timely and broad based exploration of strategic structural best practices and will be driven by our vision and strategies. Timely resolution and transparent communications will minimize campus uncertainties. |
| 5 | **Attract & Retain Talented Employees** | The current job market has made recruiting employees more time consuming and more expensive as remote work has made staffing a national market in most cases. There is a need for a compensation strategy to keep the University market relevant, an employer of choice and to retain our existing employees. This risk impacts employee workload, morale, and in many ways, our academic excellence. |
| 6 | **Enrollment Management Strategy** | Enrollment management and the resulting increase in net tuition is the key to University financial growth and our strategy for academic excellence and workforce development. Demographic changes are creating declining numbers of high school populations to recruit from. This, along with global competition for students, federal policies, tuition and tuition remission structures, and budget cuts create a challenging enrollment environment. |
| 7 | **Campus Mental Health & Well-Being** | The mental health of everyone on the campuses (faculty, staff, students, visitors) continues to be fragile. People are exhausted, discouraged, and concerned about the impacts of existential forces, leadership transitions, budget, etc. National trends show employee and student well-being is increasingly challenged. Our ability to successfully destigmatize traditionally difficult discussions of mental wellness and stress need to continue to improve as does our ability to prevent the associated academic and personal outcomes associated with mental health concerns. |
| 8 | **Cyber Security & ITS Support** | Information sharing and security is critical to academic growth, ongoing operations, and fulfilling our academic mission. Data security risks are increasing as more data is transported/stored in the cloud and as online working and learning is more routine. There is a lack of unified IT network segmentation to support the University structure and cyber security standards and accountability. It is impossible to fully monitor/control the number of daily cyber security threats. IT scale and automation is necessary to keep up with continued threat demands. IT Support and good customer relations are essential as is the continuous evaluation/implementation of new and effective technology. |
| 9 | **Generative Artificial Intelligence** | Generative artificial Intelligence is an emerging issue we have not yet had sufficient system wide discussions around. It will impact both academic, research and support system programs and integrity. We must incorporate it into our curriculum to develop our students and into our training for employees. It will impact our cyber security as the "bad guys" develop tools that learn as they get deeper into our systems. Our system wide policy framework is highly campus specific and undeveloped. |
| 10 | **Athletics/NIL/Anti-Trust Settlement/ Future Litigation** | NU campus athletics is being impacted by the quickly changing landscape in college athletics and brings uncertainty with budget and recruiting going forward.<br><br>This is particularly true as the result of legal settlements, revenue sharing, student athlete transfers, aging infrastructure and the sustainability of long standing revenue models. |

## Audit Plan

We look forward to Fiscal Year 2025 and the positive impact we can make on the University. We developed a two-year audit plan, and the 2025 plan is displayed here. The audit plan is developed through the risk assessment process and is detailed below.

## Fiscal Year 2025

| Carryforwards | Description | Hours |
|---|---|---|
| Enrollment Management | A review of the four campus Enrollment Management plans for areas of opportunity. *(Risk #6 Enrollment Management)* | 10 |
| UNO Fund A Student Fees | A management request for a review of the use of Fund A fees, *already in progress.* | 398 |
| UNL Student Fees Follow-Up (FU) | This is the follow-up project on the collection, use, and transparency of student fees, *already in progress.* | 392 |
| Remove Files from AuditBoard | To move files from AuditBoard to ensure records retention is met after contract expires. | 10 |
| UNMC/UNO Weapons and Ammunition | Final wrap up of project reports issued in FY 2024. | 2 |
| UNMC/NeMed IT Policy Overview | | 3 |
| Hiring, Salary, and Benefit Increases and Personnel Files FU | Work to ensure that recommendations from the original projects have been accomplished. | 67 |
| Structure of ITS Change Control FU #3 | | 150 |
| UNL Data Center Physical Security FU #2 | | 82 |
| UNMC/NeMed IT Policy Overview FU | | 2 |
| **Risk-Based Audits** | **Description** **(Including U-Wide Risk Assessment category)** | **Hours** |
| UNL NCAA Compliance Process Review | A review of the NCAA compliance processes covering Financial Aid Administration, Extra Benefits and HIPAA. *(Risk #10 Athletics)* | 264 |
| UNO NCAA Compliance Process Review | | 164 |
| Collectibles – UNMC McGoogan Health Library Rare Books | A review of the McGoogan Health Library policies for additions, deletions, and tracking of inventory as well as a review of their last inventory for accuracy *(Risk #3 Budget/Planning/Economic Opportunities', and Fraud)* | 212 |
| Human Resources Exit Interviews and Analysis | A review of the exit interview process to determine if it is working as anticipated, and to determine if the information is being summarized and shared with management effectively. *(Risk #5 Attract & Retain Talented Employees)* | 480 |
| ITS Endpoint Management | A review of the process to detect, provision, deploy, update, and troubleshoot ITS endpoint devices. *(Risk #8 Cyber Security & ITS Support)* | 160 |
| UNK Late Fees Assessed to Students | A review of fees for transparency and reasonableness. Obtain and review policies, compare to peers, and review effectiveness of billing process. *(Risk #6 Enrollment Management)* | 105 |

| Risk-Based Audits (Continued) | Description<br>(Including U-Wide Risk Assessment category) | Hours |
|---|---|---|
| Procure-to-Pay (P2P) Ethics Point / Controls | A review of P2P controls in Ariba (contract and payment system) related to approving payments, contract review, workflows, and escalation processes. *(Risk #2 Structure of the University System)* | 332 |
| UNL Weapons and Ammunition | A review of where weapons/ammunition are stored and how they are accounted for. *(Risk #3 Budget/Planning/Economic Opportunities and Fraud)* | 590 |
| **Follow-Up Audits** | **Description** | **Hours** |
| UNMC Student Fees FU #3 | Work to ensure that recommendations from the original projects have been accomplished. | 132 |
| Fraud Policy FU | | 8 |
| Governance FU #2 | | 47 |
| Institutional Data Use Policy FU | | 41 |
| ITS Splunk FU #3 | | 133 |
| ITS Vulnerability Management FU | | 400 |
| Overloads and Stipends FU | | 300 |
| Tuition Remissions – UNO FU | | 400 |
| UNK Accounts Receivable FU | | 130 |
| UNK NE Safety Center FU | | 80 |
| UNL Food and Housing FU | | 200 |
| UNL NCAA Compliance FU #2 | | 131 |
| UNO Ticketing FU #2 | | 186 |
| **Other Projects** | **Description** | **Hours** |
| Management Requests | Time allotted for management requests and fraud reviews not yet known throughout the year. | 200 |
| Fraud and Ethics Point | | 190 |
| Internal Audit Projects | Strategic Plan (176); QAR (112); Audit Universe, Assurance Map, Audit Plan (128); Quarterly and Annual Reporting (40); Risk Assessment (520) | 976 |
| **Total Project Hours** | | **6,977** |
| **Administrative Hours** | Audit Committee Meetings and Prep/Follow-Up; Internal Audit Staff Meetings; Building/Campus and Leadership Meetings; CIO/CISO Security Council; CoI/Compliance/Legal; Legislation; Policies, Procedures, and Forms Updates; Timekeeping and Scheduling; Outsourcing/RFPs; Hiring, Evals/Goals, Human Resource Issues; Training; Big 10 Issues; Website; Outside Organizations; and Other Admin | 2,735 |
| **Leave Hours** | Vacation, Sick, Holidays, Other (Funeral, Administrative, COVID, etc.) | 3,256 |
| **Total Project & Non-Project Hours** | | **12,968** |

## Beyond Two-Year Audit Plan

Areas we identified as high risk to the campuses, but which we are not able to audit within the next two years due to limited staffing, are as follows: UNK Business and Finance and UNK Student Life; UNL Business and Finance and Ag Research Division; UNMC College of Medicine, UNMC College of Pharmacy, and UNMC Student Services; and UNO College of Education. We identified these as areas as high risk based on ratings for recent leadership changes, federal award expenditures, sales/other revenue activity, compliance requirements/regulations, IT system changes, public interest/political sensitivity/media coverage, unusual events or litigation, and hotline or whistleblower reports filed.

In addition, below is a list of processes we are NOT able to include in the Audit Plan. Our intent in identifying these processes is for you to be aware of the many areas of the University which are not subject to review by our internal audit team. These areas include:

*Operating Revenues*

- Tuition and Fees
    - Tech fees, admissions process (recruiting and exception process, needs and demands of future students), retention rates (processes and programs in place), graduation rates, gross tuition (differential tuition [i.e., Career Currency at UNO], online tuition, online/distance education strategy and mission, refunds, internal and external scholarships, cash payments)
- Federal, Private, and State Grants and Contracts
    - Grant submission process, sub awards, grant monitoring process (including effort reporting), grant closeout process (including transfers), fringe benefit rates (private and state grants only)
- Sales and Services of Educational Activities (dual credit courses, non-athletic camps, extension)
- Sales and Services of Healthcare Activities/Operations (student health centers)
- Sales and Services of Auxiliary Segments (housing/rental units [including future demands], food services, print services, campus recreation, bookstores, athletic camps, computer and telephone sales, dairy store)
- Other Operating Revenue (i.e., Pepsi contract)
- Reconciliations (bank transfers and payroll, Foundation and NU transfers, UTDC and NU transfers, SAP and State system, SAP and CashNet, SAP and bond trustee transfers, SAP, and student loans)
- Student mental health operations, hospital/clinical joint ventures, operating agreements with UNMC/hospitals and clinics

*Operating Expenses*

- Compensation and Benefits
    - Faculty and administrative hiring process, tenure, onboarding (training, benefits enrollment), non-July 1 salary increases, payroll processing (reports, monthly reviews, bank accounts, bank transfers, total reconciling, emergency payroll), classifications and rates of pay (including market rates and additional pay deductions), job descriptions and evaluations/fitness for duty (including title changes, promotion process, reclassifications, contractor vs. employee), employee recognition programs and wellness, employee development (including succession planning and ongoing/positional training and tracking), grievances and other notes to the file, separations (RIF, reasoning, IDs, keys, PCards, deaths, SSN review), coach/employment contracts, HR/payroll compliance (i.e., tax treaties, working remotely across campuses consistently), diversity planning and reporting, pay equity, payroll imprest fund process, faculty workload and overload structure, remote work applications, retention/incentive award program, third-party payroll services (Kelly Services), and comparable states listings/identification.
    - COVID-19 administrative leave, health and dental plan, vision, disability, pharmacy, retirement (Fidelity and TIAA), EAP program, moving expenses, life insurance, spouse/dependent life insurance, long-term care insurance, leave (sick, vacation, etc.), total comp/comp strategy, FSA (health and dependent care) and HSA, FMLA, Employee Remissions program, COBRA

- Repairs and Maintenance (maintenance operations – auto repair shops and inventory, key shop, landscape services operation and inventory, facilities operations and inventory)
- Cash on Hand (change funds/petty cash)
- Supplies and Materials (eShop-vs. non-eShop [i.e., Athletics, Amazon, etc.], PCards and TCards, Procurement organization, ghost cards)
- Inventory (annual inventory process, fuel inventory, research animals, livestock, hazardous chemicals, vehicle inventory/fleet management), drugs (College of Pharmacy, Student Health Ctr., etc.)
- Accounts Receivable (new SAP process)
- Contractual Services
    - IT, marketing expenses, legal expenses, external affairs (lobbying), China/foreign travel, general liability trust fund/insurance programs, self-insurance fund (building and auto), other insurance (i.e., travel, student health, directors, and officers, etc.), leases, SaaS contracts, property leases (Scott Properties, etc.), contract management (non-routine payments [wire transfers] and signature authority), minority/women business enterprises
- Utility Operations (generator inventory, security [physical and application], UNK and UNL Steam and Chillers and Solar, UNMC Steam and Electrical, UNO Central Utility Plant)
- Depreciation (capital additions, capital removals from service, annual inventory of capital equipment)
- Scholarships and Fellowships (graduate fellowships)

*Non-Operating Revenues and Expenses*

- State Appropriations (Programs of Excellence funds use), Federal Grants, Gifts (including transfers to/from the Foundation), Investment Income (investment purchases and sales, Foundation agreement – comparison to market), Interest on Bond Obligations (bond issuance, payments, and extinguishment), Equity in Joint Venture
- Other Revenue, Expenses, Gains, and Losses (Transfers in/out of SAP, State of Nebraska Capital Appropriations, Capital Grants and Gifts, Endowments, Construction Process [bidding to production])
- Artwork and Other Collections/Inventory
    - Museums (i.e., Larsen Tractor Museum, Dental Museum, Elephant Hall), library collections, art collections (i.e., MONA, Cancer Center, Samuel Bak Collection), musical instruments, athletic awards and memorabilia, drugs inventory (College of Pharmacy, Student Health Centers)
- Taxes (excess compensation, unrelated business income, quarterly payroll, 1098-T, 990s, income tax earned in states other than Nebraska)

*Other Processes and Risk Considerations*

- Financial Management Issues
    - Ability to Monitor and Track Employees and Students, Alignment of Finance with Board and U-wide Strategic Priorities, Budgeting and Forecasting, Capital Planning Process, Cash Flow Monitoring, Debt and Credit Ratings (Moody's, etc.), Deferred Maintenance Backlog Maintenance Program and New Projects (LB588), Deferred Maintenance Central Maintenance Fund (LB588), Emergency Preparedness (not just IT related), Endowment/Investment Management (Foundation - Divestment, etc.), Facilities Planning, Facilities Operations (current floor plans, etc.), Faculty and Staff Retention Programs, Financial Reporting (identification and implementation of new standards), Key Performance Indicators (measures against competition), Late Fees Assessed to Students, Marketing Programs and Expenditures, Monitoring of Unit Fiscal Stewardship, Organizational Structure (decentralization), Oversight/Monitoring of International Operations, Pcard Process, Real Estate Management, Reorganizations (P2P, ITS, etc.), Revenue Enhancement, Risk Management (insurance - property, buildings, student health, etc.), Student Loans (Perkins), Supplier Concentration (sole source, limited suppliers, supplier diversity), Third Party Services Providers (not just SOC situations), Use of Foundation Funds, Vendor Setup
- Athletics and Athletics Compliance
    - Sponsorships/Licensing/Streaming, Concessions, TV Revenue, Guarantees, Camps/Outside Events, Merchandise, Baxter Arena, Fundraising, Coaching Contracts/Outside Activities/Time and

Leave Use, Facilities Usage (including rentals)/Facilities Upkeep, Academic Support, Concussions/Student Health, Event Safety Programs, Team Travel, Name/Image/Likeness, Athletic Training (medical malpractice), Athletic Equipment
    - Title IX Gender Equity, Recruiting, Camps and Clinics, Amateurism, Commitment of Personnel to Rules-Compliance Activities
- Governance (Strategy, ERM, Ethics, Compliance, Org Accountability, Monitoring, Campus Culture)
- Student Organizations/Alumni Organizations/Fraternities and Sororities (GASB 84 Implementation, Alcohol and Drug Use/Programs, Career Services, Alumni Relations, Finances, Student Legal Services, Newspapers)
- Public/Private Partnerships

  UNK - University Village, including agreements with Kearney; UNL - NICDC and NUCorp; UNMC - MCDC, UNeMed, UNeTech, and UNeHealth; UNO - PKIDC; UNCA - UTDC, NUTech Ventures, NSRI, and NDRC; NeXT; NSWERS.
- Institutes (Water for Food, Buffett Early Childhood, Rural Futures, Nebraska Safety Center)
- Campus Safety
    - Active Threat/Shooter, Building Safety and Accessibility (master keys, ability to close down campus, small appliances, etc.), Campus Grounds Safety and Lighting (video cameras, blue light phones, etc.), Campus Security Structure (armed or unarmed police, safety employee vs. rent, etc.), Clery Act/Safety Reporting, Discrimination (gender, race, religion, political, etc.), Dorm and Fire Safety, Drug and Alcohol Issues, Emergency Preparedness, Employee and Student Training, Greek Housing, Health (COVID-19/return to campus), Medical/Clinical Operations (medical malpractice), Policy Creation and Review Process (pets, technology, etc.), Sexual Assault, Stadium/Large Event Security, Student Activism, Student Judiciary/Government, Student Mental Health Support, Suicide Prevention, Traffic Safety, Youth on Campus, Medical Malpractice, Athletic Training (medical malpractice), Ice Rinks (UNMC and UNL Breslow), Use of License Plate Readers
- Compliance
    - 16 CFR 314 Standards for Safeguarding Consumer Information, Accreditation, ADA, Animal Research Subjects (IACUC), Anti-Corruption and FCPA, Building and Fire Codes, Clery Act, Compliance Charter, Compliance with NIST (FISMA or others as applicable), Consensual Relationships Policy, Effort Reporting, Environmental Health and Safety/Lab Safety, Export Controls, FERPA, Financial Aid Compliance (part of Uniform Guidance work), Foreign Influence, Graham Leach Bliley, Hazardous Materials Handling, Higher Education Opportunity Act, HIPAA, Intellectual Property/Tech Transfer Process, IRB, Leadership Travel, Minority/Women Business Enterprises, Minors on Campus, Radiation and Laser Safety, Record Retention Policies and Compliance, Research Integrity and Academic Misconduct Processes, Safety and Wellness Abroad, Student and Visiting Scholars, Student Code of Conduct and Judicial Process, Tax Laws (excise tax, UBIT, bond compliance, payroll – non-resident aliens, other state payroll tax, etc.), Tax Reporting by non-University Entities (UTDC, FACT, etc.), Title IX – Sexual harassment, Tracking/Monitoring Funding from Foreign Governments and Entities, Uniform Guidance Changes, Whistleblower Policy and Procedures/Marketing to Employees, Consolidated Appropriations Act, Medical/Clinical Operations (HIPAA)
- Information Technology
    - University-wide IT Processes, Ability to Harness and Analyze Data (Big Data), Asset Management, Business Continuity/Incident Management, Cloud Computing and SOC Reports, Data Breach Notification and Response, Data Consistency (including integration between applications), Data Use Agreements, Deprovisioning, Disaster Recovery, End User Computing, GDPR Consulting, Identity and Access Management (including privileged access), Integration Engine, IT Strategic Plan, ITS Operations (backup and recovery), Logical Security, Mobile Device Security Plan, Network Architecture, Non-ITS Endpoint Management, Non-ITS Facilities, Penetration Testing, Phishing (including training/exercises), Physical Security (Non-Data Centers), Social Media Policy, Stand-Alone Applications (i.e., CashNet, StarRez), System Development Life Cycle, System

Outages (normal), Third-Party Vendor Security (SOC policy), Two-Factor Security, UNMC/NeMed MOU and Operations, Website Security, PCI Compliance

- COVID-19 Related
    - Business Continuity Plan Updates, CARES Act/HEERF Revenues, Compare Faculty Activity Reports/Google to CoI Reports, Contract Language (force majeure), Title IX Training for "Employees" Listed as Affiliates in SAP, Internally Funded Research using IRB/Animals, PCard Purchases (especially deliveries to home addresses), Remote Work Policy, Salaries During "No Raises" Period, Supply Chain, Visiting Scholars Policy, Federal Award Use for Students
- Academic (academic or research misconduct allegations process, tenure revocation process, campus climate surveys, program reviews process, cost/benefit by class)

## Strategic Plan Update

We are going to update our Strategic Plan for Fiscal Year 2025 in the fall of 2024. We typically include the strategic plan tasks we plan to complete in Fiscal Year 2025 but because of we are updating the Plan, we did not; however we will update the Audit Committee at the February meeting once we finalize the update.

## Appendix A: Staff Listing and Credentials

**MICHAEL JUSTUS, Director of Internal Audit and Advisory Services**
Bachelor of Arts in Business Administration
Emphasis in Accounting
Certified Public Accountant
40 Years Audit Experience * 23 Years with the University

**BARBARA BREY, UNMC Campus Director**
Bachelor of Science in Business Administration
Emphasis in Accounting
Certified Public Accountant and Certified Internal Auditor
30 Years Audit Experience * 9 Years with the University

**STEPHANIE TODD, Manager**
Bachelor of Science in Business Administration
Emphases in Accounting and Finance
Certified Public Accountant, Certified Internal Auditor, and Certified Fraud Examiner
16 Years Audit Experience * 4 Years with the University

**DIANE HOLTORF, Senior Auditor**
Bachelor of Science in Business Management
Certified Public Accountant
27 Years Audit Experience * 4 Years with the University

**RUBBY IBE-IKECHI, Senior Analyst**
Master of Science in Business Intelligence & Analytics
Certified Information Systems Auditor, ISO 27001 Lead Auditor
11 Years Audit Experience * 1 Year with the University

**STACY SPANN, Senior Analyst**
Master of Business Administration
Certified Internal Auditor, Texas State Bar (Inactive Status)
9 Years Audit Experience * 1 Month with the University

## Appendix B: Internal Audit Charter

### Internal Audit Charter for the University of Nebraska

### Purpose

The purpose of the internal audit function is to strengthen the University's ability to create, protect, and sustain value by providing the Audit, Risk and Compliance Committee (Audit Committee) and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function, Internal Audit and Advisory Services (IAAS) enhances the University's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

IAAS is most effective when:

- Internal auditing is performed by competent professionals in conformance with the IIA's Global Internal Audit Standards™, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Audit Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

#### *Commitment to Adhering to the Global Internal Audit Standards*

The University's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The chief audit executive will report periodically to the Audit Committee and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

### Mandate

#### *Authority*

The Audit Committee grants the internal audit function the mandate to provide the Audit Committee and senior management with objective assurance, advice, insight, and foresight.

The internal audit function's authority is created by its direct reporting relationship to the Audit Committee. Such authority allows for unrestricted access to the Audit Committee and board.

The Audit Committee authorizes the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities (the University Technology Development Corporation and its entities, UNeHealth and NSRI Classified Task Orders and related activity are not in the scope/audit universe). Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.

- Obtain assistance from the necessary personnel of the University and other specialized services from within or outside the University to complete internal audit services.

### *Independence, Organizational Position, and Reporting Relationships*

The chief audit executive will be positioned at a level in the University that enables internal audit services and responsibilities to be performed without interference from management thereby establishing the independence of the internal audit function. The chief audit executive will report functionally to the Audit Committee and administratively (for example, day-to-day operations) to the President. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the Audit Committee, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The Director of Internal Audit and Advisory Services (chief audit executive) will confirm to the Audit Committee, at least annually, the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the chief audit executive will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The chief audit executive will disclose to the Audit Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

### *Changes to the Mandate and Charter*

Circumstances may justify a follow-up discussion between the chief audit executive, the Audit Committee, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant acquisition or reorganization within the organization.
- Significant changes in the chief audit executive, Audit Committee, and/or senior management.
- Significant changes to the organization's strategies, objectives, risk profile, or the environment in which the organization operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

## Chief Audit Executive Roles and Responsibilities

### *Ethics and Professionalism*

The chief audit executive will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

## Objectivity

The chief audit executive will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the chief audit executive determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for the University or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any University employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the chief audit executive, Audit Committee, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

### *Managing the Internal Audit Function*

The chief audit executive has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the Audit Committee and senior management. Discuss the plan with the Audit Committee and senior management and submit the plan to the Audit Committee for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Audit Committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in the University's business, risks, operations, programs, systems, and controls.
- Communicate with the Audit Committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.

- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Audit Committee and senior management periodically and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact the University and communicate to the Audit Committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to the University's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Audit Committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the chief audit executive cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Audit Committee.

### *Communication with the Board and Senior Management*

The chief audit executive will report periodically to the Audit Committee and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit budget.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit Committee.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the University's risk appetite.

### *Quality Assurance and Improvement Program*

The chief audit executive will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance

measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the chief audit executive will communicate with the Audit Committee and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the University; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

**Scope and Types of Internal Audit Services**

The scope of internal audit services covers the entire breadth of the organization, including all of the University's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Audit Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for the University.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the University's strategic objectives are appropriately identified and managed.
- The actions of the University's officers, directors, management, employees, and contractors comply with the University's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the University.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.

  Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

**Management's Responsibilities**

Management is responsible for ensuring that systems of internal control are in place; good business practices are implemented and followed in all areas; compliance with federal, State, and University policies, laws, and

regulations is maintained; fraud risks are identified and mitigated; and effective governance is established. This provides assurance that financial information and other management information are reliable, that University resources are used efficiently and effectively, and that the potential for fraud is minimized.

Management shall provide a written response to report recommendations issued within time frames requested by IAAS. Management is responsible for addressing issues identified by implementing recommendations or agreed-upon corrective action plans, and by providing updates to the Audit Committee using the Audit Recommendations Tracking Document.

**Working Papers and Reports**

All internal audit personnel have the responsibility for maintaining records as follows:

All internal audit reports, once accepted by the Audit Committee, shall be maintained in accordance with University Records Retention policies. Working papers and other audit files maintained by IAAS are privileged and confidential and may be withheld in response to a public records request. The information contained in working papers and audit files prepared pursuant to a specific audit is not subject to disclosure except to a county attorney, the Nebraska Attorney General, or University General Counsel in connection with an investigation made or action taken in the course of the official duties of the county attorney, the Nebraska Auditor of Public Accounts, or the Legislative Performance Audit Committee. University units being audited, and the federal agencies that have awarded grants to such units, shall also have access to the relevant working papers and audit files. For purposes of this subsection, working papers means those documents containing evidence to support the IAAS's findings, opinions, conclusions, and judgments and includes the collection of evidence prepared or obtained by the auditor during the audit. The University may make the working papers available for purposes of a quality assurance review as required by the Global Internal Audit Standards.

**Approved by the Audit Committee at its meeting on** June 19, 2024

## Appendix C: Prior Fiscal Year Audit Plan Hours

Below are the results of last year's Audit Plan. *Please note that some Plan Hours have changed since the Fiscal Year 2023 Annual Report was issued.*

| FY 23 Audit Plan Carryforwards | Description | Plan Hours | Actual Hours | Status |
|---|---|---|---|---|
| UNMC/UNO Weapons and Ammunition | A management request for a review of where weapons/ammunition are stored and how they are accounted. | 35 | 412 | **Report Issued** Feb. 1, 2024 |
| UNL Weapons and Ammunition | | 560 | - | Carried Forward |
| UNK Late Fees Assessed to Students | A review of fees for transparency and reasonableness. Obtain and review policies, compare by campus and by peers, and review effectiveness of billing process. | 300 | - | Carried Forward |
| Overloads and Stipends (additional compensation) Follow-up | A review of the process to provide employees compensation above basic pay, including volume, classification, and usage. | 440 | - | Carried Forward |
| UNL Student Fees Follow-Up | This is the follow-up project on the collection, use, and transparency of student fees. | 236 | 816 | Fieldwork |
| UNO Student Fees Follow-Up | | 431 | 393 | Eliminated |
| UNL NCAA Compliance Process Review Follow-Up | This is the follow-up review of NCAA compliance processes covering Governance and Organization, Continuing Eligibility Certification, and Academic Performance Program (along with any related software and tech processes). | 7 | 65 | **Report Issued** Sept. 6, 2023 |
| UNO NCAA Compliance Process Review Follow-Up | | 7 | 84 | **Report Issued** Sept. 11, 2023 |
| Hiring, Salary, and Benefit Increases and Personnel Files Follow-Up (FU) | Work to ensure that recommendations of the original projects have been accomplished. | 122 | 1,215 | Fieldwork |
| ITS Change Control FU #3 | | 160 | 37 | Planning |
| ITS Splunk FU #3 | | 120 | - | Carried Forward |
| ITS Vulnerability Management FU | | 320 | - | Carried Forward |
| UNK Accounts Receivable FU | | 133 | 54 | Planning |
| UNK G/L Revenue FU | | 70 | 248 | **Report Issued** March 28, 2024 |
| UNK Nebraska Safety Center Contract FU | | 80 | - | Carried Forward |
| UNL Data Center Physical Security FU #2 | | 100 | 72 | Planning |
| UNL Food and Housing FU | | 200 | - | Carried Forward |
| Institutional Data Use Policy FU | | 40 | - | Carried Forward |

| FY 23 Audit Plan Carryforwards (Cont.) | Description | Plan Hours | Actual Hours | Status |
|---|---|---|---|---|
| UNL University Services FU | Work to ensure that recommendations of the original projects have been accomplished. | 60 | 87 | **Report Issued** Nov. 20, 2023 |
| UNMC Munroe Meyer Institute FU | | 440 | - | Carried Over |
| UNMC Data Center Physical Security FU | | 100 | - | Eliminated |
| UNMC/NeMed IT Overview FU | | 25 | 402 | **Report Issued** March 13, 2024 |
| UNO G/L Revenue FU | | 122 | - | Carried Over |
| **Risk-Based Audits** | **Description (Including U-Wide Risk Assessment category)** | **Plan Hours** | **Actual Hours** | **Status** |
| UNL NCAA Compliance Process Review | A review of the NCAA compliance processes covering Financial Aid Administration, Extra Benefits and HIPAA. *(Risk #10 Athletics)* | 226 | - | Carried Over |
| UNO NCAA Compliance Process Review | | 226 | - | Carried Over |
| Human Resources Exit Interviews and Analysis | A review of the exit interview process to determine if it is working as anticipated and if the information is being summarized and shared with management effectively. *(Risk #3 Employees)* | 215 | - | Carried Over |
| Collectibles – Policy and Last Inventory for Sheldon | A review of the Sheldon's policies for additions, deletions and tracking of inventory, as well as a review of their last inventory for accuracy. *(Risk #6 Academic & System Structure)* | 192 | - | Carried Over |
| Enrollment Management | A review of the four campus Enrollment Management plans for areas of opportunity. *(Risk #1 Enrollment Management)* | 240 | 5 | **Memo Issued** Nov. 30, 2023 |
| **Follow-Up Audits** | **Description** | **Plan Hours** | **Actual Hours** | **Status** |
| UNMC Student Fees FU #3 | Work to ensure that recommendations of the original projects have been accomplished. | 120 | - | Carried Over |
| UNO Ticketing FU #2 | | 423 | - | Carried Over |
| **Other Projects** | **Description** | **Plan Hours** | **Actual Hours** | **Status** |
| Management Requests | Time allotted for management requests not yet known throughout the year. | 250 | 3 | Ongoing (Also See Below) |
| UNO Fund A Student Fees | A management request for a review of the use of Fund A fees. | - | 108 | Fieldwork |
| Fraud and EthicsPoint | Time allotted for fraud reviews not yet known throughout the year. | 276 | 71 | Ongoing |
| EthicsPoint Case: Vehicle Use | Two concerns regarding an administrator's use of a University-leased vehicle. | - | 37 | **Report Issued** July 24, 2023 |

| Other Projects (Continued) | Description | Plan Hours | Actual Hours | Status |
|---|---|---|---|---|
| Internal Audit Projects | Strategic Plan (204); QAR (88); Audit Universe, Assurance Map, Audit Plan (104); Quarterly and Annual Reporting (44); Risk Assessment (480) | 920 | 931 | Ongoing |
| **Total Project Hours** | | **7,196** | **5,040** | |
| **Administrative Hours** | Audit Committee Meetings and Prep/Follow-Up; Internal Audit Staff Meetings; Campus and Leadership Meetings; CIO/CISO Security Council; CoI/Compliance/Legal; Consulting/Advisory; Legislation; Policies and Forms Updates; Timekeeping and Scheduling; Outsourcing/RFPs; Hiring, Evals/Goals, Human Resource Issues; Training/Orientation; Big 10 Issues/Relations; Website; APA Cases; Outside Organizations; and Other Admin | 2,968 | 3,773 | Ongoing |
| **Leave Hours** | Vacation, Sick, Holidays, Other (Funeral, Administrative, COVID, etc.) | 2,560 | 3,222 | Ongoing |
| **Total Project & Non-Project Hours** | | **12,724** | **12,035** | |