



MEETING OF THE BOARD OF GOVERNORS  
Committee on Audit, Risk Management, and Compliance

September 16, 2020 at 12:15 p.m.  
Via Videoconference and UNC-TV Live Stream  
University of North Carolina System Office  
Center for School Leadership Development, Room 128  
Chapel Hill, North Carolina

**AGENDA**

- A-1. Conflict of Interest Statement ..... Mark Holton
- A-2. Approval of the Minutes of July 21, 2020 ..... Mark Holton
- A-3. Presentation of OSA Audit Report ..... Beth Wood, State Auditor's Office
- A-4. Annual CARMC Report ..... Lynne Sanders
- A-5. Summary Report of Associated Entities ..... Lynne Sanders
- A-6. Implementation of Insurance Policy Status Update ..... Lynne Sanders
- A-7. Update on OSA Federal Compliance Audits ..... Lynne Sanders
- A-8. Update on UNC System Public Safety Training Center ..... Brent Herron
- A-9. Adjourn



MEETING OF THE BOARD OF GOVERNORS  
Committee on Audit, Risk Management, and Compliance

## DRAFT MINUTES

July 22, 2020

Via Videoconference and UNC-TV Live Stream

This meeting of the Committee on Audit, Risk Management, and Compliance was presided over by Chair Mark Holton. The following committee members, constituting a quorum, were also present: Pearl Burris-Floyd, James L. Holmes, Jr., Terry Hutchens, Wendy Floyd Murphy, and Art Pope.

Chancellors participating were Nancy Cable and Sharon Gaber.

Staff members present included Lynne Sanders, Thomas Shanahan, and others from the UNC System Office.

---

### 1. Call to Order and Reading of Conflict of Interest Statement (Item A-1)

The chair called the meeting to order at 11:00 a.m., on Wednesday, July 22, 2020, and read the Conflict of Interest Statement. The chair then called upon Lynne Sanders to read the roll.

### 2. Approval of the Minutes of April 16, 2020 (Item A-2)

The chair called for a motion to approve the open session minutes of May 19, 2020.

**MOTION:** Resolved, that the Committee on Audit, Risk Management, and Compliance approve the open session minutes of May 19, 2020, as distributed.

**Motion:** James L. Holmes, Jr.

**Motion carried**

Roll Call Vote	
Holton	Yes
Burris-Floyd	Yes
Holmes	Yes
Hutchens	Yes
Murphy	Yes
Pope	Yes

### 3. CARMC Oversight Responsibilities and Operating Procedures (Item A-3)

The chair called on Lynne Sanders to present item A-3. Ms. Sanders presented an overview of the CARMC Oversight Responsibilities and Operating Procedures and highlighted the committee responsibilities related to enterprise risk management, the UNC System Hotline, information technology, campus safety and security, external audit, and University System-wide internal audit. Ms. Sanders then called on Joyce Boni to present the key components of the internal audit charter for the System Office. The committee approved the oversight responsibilities and operating procedures and recommended to the full Board for a vote through the consent agenda.

**MOTION:** Resolved, that the Committee on Audit, Risk Management, and Compliance approve the CARMC Oversight Responsibilities and Operating Procedures and recommend it to the full Board of Governors for a vote through the consent agenda.

**Motion:** James L. Holmes, Jr.

**Motion carried**

Roll Call Vote	
Holton	Yes
Burris-Floyd	Yes
Holmes	Yes
Hutchens	Yes
Murphy	Yes
Pope	Yes

### 4. UNC System Office Internal Audit 2019-2020 Year-end Report (Item A-4)

The chair called on Joyce Boni to present item A-4. Ms. Boni presented to the committee a year-end status update of the UNC System Office 2019-20 Internal Audit Plan.

**This item was for information only.**

## 5. Approval of the UNC System Office 2020-21 Internal Audit Plan (Item A-5)

The chair called on Joyce Boni to present item A-5. Ms. Boni presented to the committee the Fiscal Year 2020-2021 Internal Audit Plan for approval. Following the presentation, the chair called for a motion to approve the plan.

**MOTION:** Resolved, that the Committee on Audit, Risk Management, and Compliance approve the UNC System Office 2020-21 Internal Audit Plan and recommend it to the full Board of Governors for a vote through the consent agenda.

**Motion:** Terry Hutchens

**Motion carried**

Roll Call Vote	
Holton	Yes
Burris-Floyd	Yes
Holmes	Yes
Hutchens	Yes
Murphy	Yes
Pope	Yes

## 6. Update on UNC System Public Safety Training Center (Item A-6)

The chair called on Brent Herron to present item A-6. Mr. Herron provided an update to the committee on the UNC System Public Safety Training Center. Mr. Herron discussed the in-service training for the 17 UNC System Campus police departments, which began on July 13, and highlighted the plan for future areas of instruction.

**This item was for information only.**

## 7. Adjourn

There being no further business, the meeting adjourned at 11:29 a.m.

---

Terry Hutchens, Secretary

## AGENDA ITEM

A-3. Presentation of Audit Reports from the Office of the State Auditor ..... Beth Wood, State Auditor's Office

**Situation:** The Office of the State Auditor performed an Information Systems Audit at the UNC System Office and issued a report dated September 2020. The purpose of the audit was to determine if the UNC System Office developed and issued information technology guidance in accordance with the UNC Policy Manual.

**Background:** All constituent institutions and the UNC System Office are subject to audit by the North Carolina State Auditor under Article 5A of Chapter 147 of the North Carolina General Statutes. The state auditor conducts annual financial statement audits at each institution, annual federal compliance audits at select institutions, and periodically performs other audits, such as information system audits at select institutions.

**Assessment:** In 2018, the UNC Board of Governors adopted three IT policies to create consistent standards for IT practices among the UNC System Office and constituent institutions. These policies were related to information security, IT governance, and user identity and access control. The results of OSA's audit identified a deficiency related to the development and issuance of guidance for IT governance that is considered reportable under Government Auditing Standards. Specifically, the UNC System Office has not fully developed and issued guidance for IT governance. The following link provides access to the full report: <https://www.auditor.nc.gov/EpsWeb/Reports/Infosystems/ISA-2020-6010.pdf>

**Action:** This item is for information only.

## AGENDA ITEM

A-4. 2019-20 Committee on Audit, Risk Management, and Compliance Annual Report..... Lynne Sanders

<b>Situation:</b>	Each standing committee submits an annual report of its activities to the Board of Governors.
<b>Background:</b>	Pursuant to Section 302 E of <i>The Code</i> , “each standing committee shall make a written report to the Board of Governors at least annually, reviewing the work of the committee during the preceding year.”
<b>Assessment:</b>	The annual report on the activities of the Committee on Audit, Risk Management, and Compliance for fiscal year 2019-20 is ready for review and submission.
<b>Action:</b>	This item requires a vote by the committee to accept the report for submission to the Board of Governors.

## DUTIES AND MEMBERSHIP

The Committee on Audit, Risk Management, and Compliance is responsible for recommending a committee charter for review and approval by the Board, addressing the University's internal audit, enterprise risk management, and compliance functions; recommending for approval University-wide policies regarding internal audit, enterprise risk management, and compliance; reviewing annual and other reports of the constituent institutions, UNC System Office, and affiliated entities; reviewing a summary of the internal audit plans and work of the audit committees of the constituent institutions; reviewing a summary of the annual financial audit reports and management letters on University Major Associated Entities; meeting with the state auditor annually; and taking such other actions as are necessary or appropriate to ensure that risks are identified and properly managed and to assure the integrity of the finances, operations, and controls of the University. This report summarizes the work of the Committee on Audit, Risk Management, and Compliance from July 2019 through June 2020.

The committee was composed of the following Board members: Carolyn L. Coward, Thomas H. Fetzer, James L. Holmes, Jr., Mark Holton, and Dr. Robert Rucho. Mr. Holmes served as chair, Mr. Fetzer served as vice-chair, and Mrs. Coward served as secretary.

Chancellor Sheri Everts (ASU) and Interim Chancellor Brian Cole (UNCSA) also served on the committee.

## ACTIONS

The Committee on Audit, Risk Management, and Compliance met in six regular meetings between July 1, 2019 and June 30, 2020. The major actions of the committee are summarized as follows:

Summary of Approval Actions	Month Approved
Approval of the UNC System Office Internal Audit Plan for fiscal year 2019-20	September 2019
Approval of the 2018-19 Committee on Audit, Risk Management, and Compliance Annual Report	September 2019
Approval of the UNC System-wide Internal Audit Plans for fiscal year 2019-20	November 2019
Approval of Policy on Insurance Coverage	May 2020

## AGENDA ITEM

A-5. Summary Report of Major Associated Entities ..... Lynne Sanders

**Situation:** The Committee on Audit, Risk Management, and Compliance annually reviews a summary of the University's Associated Entities.

**Background:** Under the UNC Policy Manual Chapter 600.2.5.2[R], Associated Entities of the UNC System and its constituent institutions must provide copies of the audit report, management letters, and responses to management letters to the chancellor of the Approving Institution. The chancellor then distributes these materials to the governing board of the Approving Institution and the president of the UNC System, who in turn distributes the materials to the Board of Governors. One of the responsibilities of the Committee on Audit, Risk Management, and Compliance is to review a summary of the annual financial audit reports of the University's major Associated Entities.

**Assessment:** As of June 30, 2019, there were 89 major Associated Entities subject to the reporting requirements in UNC Policy Manual Chapter 600.2.5.2[R]. All Associated Entities received unqualified audit opinions from audit firms that were in good standing with the NC State Board of CPA Examiners. Five of the Associated Entities had one or more findings.

**Action:** This item is for information only.



## Summary Report of Major Associated Entities

Campus	Fiscal Year End	Unqualified Audit Opinion	Audit Performed By	Management Letter/Report Issues	Total Net Assets / Net Position	Reporting Status
<b>Appalachian State University</b>						
Appalachian State University Foundation, Inc.	6/30/19	Yes	Elliott Davis, PLLC	No	\$155,760,515	Discretely Presented
Appalachian Student Housing Corporation	6/30/19	Yes	Apple, Koceja & Associates, PA	No	\$26,599,201	Discretely Presented
<b>East Carolina University</b>						
East Carolina University Alumni Association, Inc.	6/30/19	Yes	Bernard Robinson & Company, L.L.P.	No	\$3,712,239	
East Carolina University Educational Foundation, Inc.	6/30/19	Yes	Bernard Robinson & Company, L.L.P.	No	\$29,376,698	
East Carolina University Foundation, Inc. and Consolidated Affiliates	6/30/19	Yes	Bernard Robinson & Company, L.L.P.	No	\$150,376,424	Discretely Presented
East Carolina University Medical & Health Sciences Foundation, Inc.	6/30/19	Yes	Bernard Robinson & Company, L.L.P.	No	\$50,006,838	
<b>Elizabeth City State University</b>						
The Elizabeth City State University Foundation	6/30/19	Yes	Cherry Bekaert, LLP	No	\$5,925,177	Blended
Elizabeth City State University National Alumni Association, Inc.	12/31/19	Yes	Murphy and Company PC	No	\$156,738	
<b>Fayetteville State University</b>						
Fayetteville State University Foundation, Inc., and Subsidiary	6/30/19	Yes	Buie, Norman & Co., P.A.	No	\$11,389,713	Blended
Fayetteville State University Housing Foundation, LLC	6/30/19	Yes	Buie, Norman & Co., P.A.	No	\$2,521,233	Blended
Fayetteville State University Student Housing Corporation and Subsidiary	6/30/19	Yes	Buie, Norman & Co., P.A.	No	\$1,186,156	Blended
<b>North Carolina A&amp;T State University</b>						
North Carolina A&T Real Estate Foundation, Inc.	6/30/19	Yes	Thomas & Gibbs, CPAs, PLLC	No	\$28,612,124	Discretely Presented
The Aggie Athletic Foundation of North Carolina A&T State University, Inc.	6/30/19	Yes	Thomas & Gibbs, CPAs, PLLC	No	\$1,396,069	

## Summary Report of Major Associated Entities

Campus	Fiscal Year End	Unqualified Audit Opinion	Audit Performed By	Management Letter/Report Issues	Total Net Assets / Net Position	Reporting Status
<b>North Carolina Central University</b>						
North Carolina Central University Alumni Association, Inc.	6/30/19	Audit was not completed <sup>1</sup>				
The North Carolina Central University Educational Advancement Foundation, Inc.	6/30/19	Yes	Thomas & Gibbs, CPAs, PLLC	Yes <sup>2</sup>	\$108,081	
The North Carolina Central University Foundation, Inc.	6/30/19	Yes	Blackman & Sloop, CPAs, P.A.	No	\$24,208,506	Discretely Presented
NCCU Real Estate Foundation, Inc.	6/30/19	Yes	Blackman & Sloop, CPAs, P.A.	No	(\$95,439)	Blended
<b>North Carolina School of Science and Mathematics</b>						
North Carolina School of Science and Mathematics Foundation and Subsidiary	6/30/19	Yes	Williams Overman Pierce, LLP	No	\$22,851,138	Discretely Presented
<b>North Carolina State University</b>						
The North Carolina Agricultural Foundation, Inc.	6/30/19	Yes	Williams Overman Pierce, LLP	No	\$175,251,305	Discretely Presented
NC State Alumni Club, Inc.	12/31/18	Yes	Batchelor, Tillery & Roberts, LLP	No	\$170,798	
NC State Engineering Foundation, Inc.	6/30/19	Yes	Williams Overman Pierce, LLP	No	\$151,223,093	
NC State Investment Fund, Inc.	6/30/19	Yes	Williams Overman Pierce, LLP	No	\$1,261,957,359	Blended
NC State Natural Resources Foundation, Inc.	6/30/19	Yes	Williams Overman Pierce, LLP	No	\$40,069,020	
North Carolina State University Alumni Association, Inc.	6/30/19	Yes	Williams Overman Pierce, LLP	No	\$45,033,106	
North Carolina State University College of Sciences Foundation, Inc.	6/30/19	Yes	Williams Overman Pierce, LLP	No	\$27,122,379	
North Carolina State University Foundation, Inc.	6/30/19	Yes	Williams Overman Pierce, LLP	No	\$460,201,594	Discretely Presented
North Carolina State University Club	12/31/19	Yes	Batchelor, Tillery & Roberts, LLP	No	\$9,083,848	

<sup>1</sup> The audit for the NCCU Alumni Association was not completed for FYE June 30, 2019. Per the institution, the audit was not completed because the lead partner of the firm retired and transition of the Alumni Association audit did not go as planned by the auditors. The audit is in process and scheduled to be complete by September 25, 2020.

## Summary Report of Major Associated Entities

Campus	Fiscal Year End	Unqualified Audit Opinion	Audit Performed By	Management Letter/Report Issues	Total Net Assets / Net Position	Reporting Status
<b>North Carolina State University (Continued)</b>						
NC State University Partnership Corporation and Affiliates	6/30/19	Yes	Williams Overman Pierce, LLP	No	\$18,065,817	Blended
North Carolina Textile Foundation, Inc.	6/30/19	Yes	Koonce, Wooten & Haywood, LLP	No	\$62,918,669	
North Carolina Tobacco Foundation, Inc.	6/30/19	Yes	Williams Overman Pierce, LLP	No	\$11,203,467	
North Carolina Veterinary Medical Foundation, Inc.	6/30/19	Yes	Williams Overman Pierce, LLP	No	\$86,838,194	
NC State Student Aid Association, Inc.	6/30/19	Yes	Elliott Davis, PLLC	Yes <sup>2</sup>	\$83,917,691	
<b>The University of North Carolina at Asheville</b>						
University of North Carolina Asheville Foundation, Inc.	6/30/19	Yes	Burleson & Earley, P.A.	No	\$41,256,653	Discretely Presented
<b>The University of North Carolina at Chapel Hill</b>						
Carolina Angel Network, LLC	6/30/19	Yes	Williams Overman Pierce, LLP	No	(\$559,078)	
Carolina for Kibera, Inc.	6/30/19	Yes	Koonce, Wooten & Haywood, LLP	Yes <sup>2</sup>	\$2,947,482	
Carolina Research Ventures, LLC	6/30/19	Yes	Blackman & Sloop, CPAs, P.A.	No	\$701,623	Blended
Chapel Hill Foundation Real Estate Holdings, Inc.	6/30/19	Yes	KPMG LLP	No	\$8,907,454	
Dental Foundation of North Carolina, Inc.	6/30/19	Yes	Blackman & Sloop, CPAs, P.A.	Yes <sup>2</sup>	\$50,961,397	
HVPV Holdings, LLC	6/30/19	Yes	Blackman & Sloop, CPAs, P.A.	No	\$1,564,334	Blended
The Educational Foundation, Inc.	6/30/19	Yes	Batchelor, Tillery, & Roberts, LLP	No	(\$15,319,003)	
The Kenan-Flagler Business School Foundation	6/30/19	Yes	Bernard Robinson & Company, L.L.P.	No	\$158,905,546	Blended
Medical Air, Inc.	6/30/19	Yes	Blackman & Sloop, CPAs, P.A.	No	\$3,455,337	

<sup>2</sup> Findings begin on page 7

## Summary Report of Major Associated Entities

Campus	Fiscal Year End	Unqualified Audit Opinion	Audit Performed By	Management Letter/Report Issues	Total Net Assets / Net Position	Reporting Status
<b>The University of North Carolina at Chapel Hill (Continued)</b>						
The Medical Foundation of North Carolina, Inc.	6/30/19	Yes	KPMG LLP	No	\$397,493,699	Discretely Presented
Morehead-Cain Scholarship Fund	6/30/19	Yes	Batchelor, Tillery, & Roberts, LLP	No	\$38,824,104	
North Carolina Botanical Garden Foundation, Inc.	6/30/19	Yes	Blackman & Sloop, CPAs, P.A.	No	\$8,066,962	
The School of Government Foundation, Inc. and SOG DFI, LLC	6/30/19	Yes	Blackman & Sloop, CPAs, P.A.	No	\$31,951,705	
The School of Media and Journalism Foundation of North Carolina, Inc.	6/30/19	Yes	Blackman & Sloop, CPAs, P.A.	No	\$37,390,032	
Spirovision Inc.	12/31/18	Yes	Blackman & Sloop, CPAs, P.A.	Yes <sup>2</sup>	\$291,332	
University of North Carolina at Chapel Hill Arts and Sciences Foundation, Inc.	6/30/19	Yes	Blackman & Sloop, CPAs, P.A.	No	\$346,918,473	Discretely Presented
UNC Eshelman School of Pharmacy Foundation	6/30/19	Yes	Koonce, Wooten & Haywood, LLP	No	\$55,776,140	
UNC Investment Fund, LLC	6/30/19	Yes	KPMG LLP	No	\$6,681,290,103	Blended
UNC Intermediate Pool, LLC	6/30/19	Yes	KPMG LLP	No	\$590,215,732	Blended
The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc.	6/30/19	Yes	KPMG LLP	No	\$3,639,351,955	Blended
The University of North Carolina at Chapel Hill Foundation, Inc.	6/30/19	Yes	KPMG LLP	No	\$423,265,578	Blended
The University of North Carolina at Chapel Hill School of Nursing Foundation, Inc.	6/30/19	Yes	Blackman & Sloop, CPAs, P.A.	No	\$13,929,490	
UNC Global Projects, LLC	6/30/19	Yes	Blackman & Sloop, CPAs, P.A.	No	\$0	
UNC Law Foundation, Inc.	6/30/19	Yes	Blackman & Sloop, CPAs, P.A.	No	\$62,972,735	Blended
UNC Management Company, Inc.	6/30/19	Yes	KPMG LLP	No	\$19,601,491	Blended
The University of North Carolina at Chapel Hill Public Health Foundation, Inc.	6/30/19	Yes	Blackman & Sloop, CPAs, P.A.	No	\$70,384,489	
WUNC Public Radio, LLC	6/30/19	Yes	Blackman & Sloop, CPAs, P.A.	No	\$25,010,667	Blended

<sup>2</sup> Findings begin on page 7

## Summary Report of Major Associated Entities

Campus	Fiscal Year End	Unqualified Audit Opinion	Audit Performed By	Management Letter/Report Issues	Total Net Assets / Net Position	Reporting Status
<b>The University of North Carolina at Charlotte</b>						
The Athletic Foundation of the University of North Carolina at Charlotte	6/30/19	Yes	RSM US LLP	No	\$32,228,115	
The Foundation of The University of North Carolina at Charlotte, Inc.	6/30/19	Yes	RSM US LLP	No	\$167,564,535	Discretely Presented
The University of North Carolina at Charlotte Facilities Development Corporation, Inc.	6/30/19	Yes	RSM US LLP	No	\$3,965,150	Blended
The University of North Carolina at Charlotte Investment Fund, Inc.	6/30/19	Yes	RSM US LLP	No	\$222,611,981	Blended
<b>University of North Carolina at Greensboro</b>						
Capital Facilities Foundation, Inc.	6/30/19	Yes	Bernard Robinson & Company, L.L.P.	No	\$4,566,840	Blended
Serve, Inc.	6/30/19	Yes	Bernard Robinson & Company, L.L.P.	No	\$341,600	
The UNCG Excellence Foundation	6/30/19	Yes	Bernard Robinson & Company, L.L.P.	No	\$148,605,469	Blended
The University of North Carolina at Greensboro Investment Fund, Inc.	6/30/19	Yes	Bernard Robinson & Company, L.L.P.	No	\$307,580,639	Blended
<b>The University of North Carolina at Pembroke</b>						
The UNCP University Foundation, LLC	6/30/19	Yes	Thomas, Judy & Tucker, P.A.	No	\$15,335	Blended
The University of North Carolina at Pembroke Foundation, Inc.	6/30/19	Yes	Thomas, Judy & Tucker, P.A.	No	\$16,741,285	Blended
The UNCP Student Housing Foundation, LLC	6/30/19	Yes	Thomas, Judy & Tucker, P.A.	No	\$2,988,423	Blended
<b>The University of North Carolina School of the Arts</b>						
University of North Carolina School of the Arts Foundation, Inc.	6/30/19	Yes	Smith Leonard PLLC	No	\$76,657,097	Discretely Presented
University of North Carolina School of the Arts Housing Corporation	6/30/19	Yes	Bernard Robinson & Company, L.L.P.	No	\$1,334,893	Blended
University of North Carolina School of the Arts Program Support Corporation	6/30/19	Yes	Bernard Robinson & Company, L.L.P.	No	\$1,195,741	Blended
RiverRun International Film Festival	6/30/19	Yes	Butler & Burke, LLP	No	\$329,881	
The Semans Art Fund, Inc.	6/30/19	Yes	Smith Leonard PLLC	No	\$4,228,125	

## Summary Report of Major Associated Entities

Campus	Fiscal Year End	Unqualified Audit Opinion	Audit Performed By	Management Letter/Report Issues	Total Net Assets / Net Position	Reporting Status
<b>The University of North Carolina at Wilmington</b>						
The Alumni Association of The University of North Carolina at Wilmington	6/30/19	Yes	Bernard Robinson & Company, L.L.P.	No	\$913,028	
The Foundation of the University of North Carolina at Wilmington, Inc.	6/30/19	Yes	Bernard Robinson & Company, L.L.P.	No	\$6,695,136	
UNCW Student Aid Association, Inc.	6/30/19	Yes	Bernard Robinson & Company, L.L.P.	No	\$2,373,267	
UNCW Corporation	6/30/19	Yes	Bernard Robinson & Company, L.L.P.	No	\$0	Blended
UNCW Research Foundation	6/30/19	Yes	Bernard Robinson & Company, L.L.P.	No	\$491,432	Blended
<b>Western Carolina University</b>						
The North Carolina Arboretum Society	6/30/19	Yes	Carter, P.C.	No	\$3,070,882	
Western Carolina University Foundation	6/30/19	Yes	Burleson & Earley, P.A.	No	\$50,187,352	Blended
Western Carolina University Research and Development Corporation	6/30/19	Yes	Burleson & Earley, P.A.	No	\$3,222,197	Blended
<b>Winston-Salem State University</b>						
Simon Green Atkins Community Development Corporation	6/30/19	Yes	Cannon & Company, LLP	No	\$3,241,923	
Winston-Salem State University Foundation, Inc. and Subsidiary	6/30/19	Yes	Butler & Burke, LLP	No	\$23,898,659	Discretely Presented
Winston-Salem State University National Alumni Association, Inc.	6/30/19	Yes	Butler & Burke, LLP	No	\$153,117	
<b>The University of North Carolina System Office</b>						
The North Carolina Public Television Foundation, Inc.	6/30/19	Yes	Thomas & Gibbs, CPAs, PLLC	No	\$3,450,730	
The University of North Carolina Foundation, Inc.	6/30/19	Yes	Koonce, Wooten & Haywood, LLP	No	\$487,905	Blended

## Summary Report of Major Associated Entities

Campus / Associated Entity	Management Letter/Report Issues	CPA Firm's Audit Recommendations	Associated Entity's Response
<b>North Carolina Central University</b>			
The North Carolina Central University Educational Advancement Foundation, Inc.	(1) Functional Allocation of Expenses (2) Preparation of Financial Statements	(1) The Eagle Club does not allocate expenses on a functional basis during the year in accordance with accounting standards. The Eagle Club should implement policies and procedures to allocate expenses on a functional basis.  (2) The financial statements presented to the audit firm contained misstatements that were corrected as a result of two (2) audit adjustments, which were individually significant to the Eagle Club's financial statements. These adjustments related to:  Scholarship expense - The annual scholarship expense amount paid by the Eagle Club to North Carolina Central University (the University) is based on a percentage of the fiscal year's revenue. The amount due for the year ended June 30, 2019 was not paid until after year end, but was not appropriately accrued.  In-kind services - The value of University personnel time contributed to the Eagle Club was not recorded in accordance with generally accepted accounting principles. These misstatements indicate the Eagle Club's internal control over financial reporting was not effective, and without these corrections, the financial statements could have been misleading to the reader. The Eagle Club should enhance its knowledge and ability to accurately prepare financial statements in accordance with GAAP.	(1) The NCCU Educational Advancement Foundation(Eagle Club) accepts the recommendation as stated and will implement policies and procedures to allocate expenses.  (2) The NCCU Educational Advancement Foundation (Eagle Club), in conjunction with the NCCU Foundation, will prepare its financial statements in accordance with GAAP.

## Summary Report of Major Associated Entities

Campus / Associated Entity	Management Letter/Report Issues	CPA Firm's Audit Recommendations	Associated Entity's Response
<b>North Carolina State University</b>			
NC State Student Aid Association, Inc.	<p>(1) Aging of Pledges Receivable</p> <p>(2) Donor System Reconciliation</p> <p>(3) Accounting Resources</p>	<p>(1) Pledges receivable per the donor system should be reconciled to the general ledger on a monthly basis. The Association should establish a written policy related to how the general reserve for pledge receivables is established and monitored. In addition, the policy should address how a specific reserve is established for capital and endowment pledges. Lastly the policy should establish guidelines for when an account should be written off.</p> <p>(2) The general ledger should be reconciled to the donor system monthly. Such a reconciliation is a primary means of preventing or detecting an error or fraud in revenue. It is recommend that a reconciliation of the general ledger to the donor system be made at the end of each month and that any reconciling items be investigated and/or cleared and explained. Lastly, review of the reconciliation should be documented.</p> <p>(3) Absent contracting with an accounting firm to provide assistance, the Association should consider adding to the finance team an individual who has sufficient accounting knowledge and training to perform key accounting functions. This will allow the CFO to perform the appropriate oversight and review role.</p>	<p>(1) The Association does not adjust or record pledges until fiscal year end. Management will develop a policy to review pledges quarterly for pledges that are not related to a ticket for a specific sport (i.e. endowments). Management will also monitor write-offs to determine if the reserve is adequate.</p> <p>(2) The Association started the reconciliation process of the donor system to the general ledger starting with July 2019. The CFO identifies discrepancies and discusses them with the Business Manager and Director of Gift Processing monthly as a part of month end close. Discrepancies are accounted for via journal entries or noted.</p> <p>(3) In prior years, an external accounting firm was hired for fiscal year end entries, reconciliations and all other audit related work papers. In the future, an analysis will be done for additional segregation of duties for the year end close process and audit preparation. On a normal day to day operating basis there is a segregation of duties for the accounting functions.</p>



## Summary Report of Major Associated Entities

Campus / Associated Entity	Management Letter/Report Issues	CPA Firm's Audit Recommendations	Associated Entity's Response
<b>University of North Carolina at Chapel Hill</b>			
Carolina for Kibera	(1) Organizational Structure (2) Financial Statement Preparation	(1) The organization should continue to apply implemented procedures as proper segregation of duties is not possible given the size of the organization, giving rise to this deficiency in internal control. (2) Management requested the audit firm to prepare a draft of the financial statements, including the related footnote disclosures. Per the audit firm, this outsourcing of services is not unusual for entities of their size and is a result of management's cost benefit decision to rely on the firm's accounting expertise rather than incurring this internal resource cost.	(1) The organization continues to apply procedures to ensure segregation of duties and has established a procedure to share monthly finance reports to the Finance & Audit Committee as an additional internal control. The Board of Directors of Carolina for Kibera will continue to strengthen the procedures and controls to ensure segregation of duties. (2) The CPA firm preparing CFK Inc's financial statements and footnote disclosures continues to be the most cost effective and practical option for the organization. The management and Board of Directors of Carolina for Kibera will continue to regularly and thoroughly evaluate the cost effectiveness of hiring a person with the appropriate qualifications to prepare CFK Inc's financial statements and The Finance and Audit (F&A) Committee of the Board of Directors takes seriously its mandate to safeguard the organization by ensuring appropriate mitigating controls are in place. These include a strong internal control environment and sound financial management processes to effectively identify and deter material misstatement. Members of both the F&A committee and the larger board have backgrounds in accounting and finance.
Dental Foundation of North Carolina, Inc.	(1) Reconciliation of Accounting Records	(1) Historically, the Foundation has utilized Abila MIP Fund Accounting Software ("MIP"), a separate system to provide financial reporting. For the year ended June 30, 2019 the transactions entered in MIP for the UNC accounts were not reconciled to the amounts in the UNC accounting system. As a result, numerous significant adjusting journal entries were needed to properly compile a complete and accurate trial balance at June 30, 2019. The audit firm recommended if MIP is going to be used as the source for financial reporting for the Foundation, then it is critical that all accounts are reconciled monthly. Alternatively, the Foundation could utilize the UNC Accounting System for financial reporting and processes be put in place that will provide reporting on a timely basis.	(1) The major discrepancies identified were unprocessed transactions in the UNC system and related to or generated right after the conversion from FRS to PeopleSoft (ConnectCarolina). Deposits and vouchers recorded in MIP and not in the UNC system affected cash and account receivables. Beginning July 1, 2019, the Foundation moved to use ConnectCarolina to process purchases and payments, so UNC's system captures the details with vouchers, requisitions, and travel modules as much as possible. This move reduced the number of checks issued from the MIP system. The bank balance is also recorded at UNC source to reconcile the external bank account balance monthly. The Foundation is updating its version of MIP and its database to align with UNC's Chart of Accounts and balances of accounts in sources/funds.

## Summary Report of Major Associated Entities

Campus / Associated Entity	Management Letter/Report Issues	CPA Firm's Audit Recommendations	Associated Entity's Response
Spirovention, Inc.	(1) Segregation of Accounting Duties (2) Contract Accounting	(1) It was noted that there is limited personnel, who are responsible for all accounting functions, including receiving and posting cash, preparing disbursements, recording journal entries, and reconciling accounts. Adequate segregation of duties is not possible in a small organization, so it was recommended that the CEO and the Board of Directors remain involved in the monthly review of financial information. (2) In order to properly recognize revenue on contracts, receipts and disbursements should be entered into the accounting system by contract. QuickBooks has a feature for entering transactions by 'job' or 'class'. Utilizing this feature, every contract the Organization enters into can be tracked as a job or class in QuickBooks, thereby allowing management to monitor all receipts and disbursements for those contracts. This would help management determine on a monthly basis the status of every contract, and improve reporting to the board.	(1) Management acknowledges this need and given Spirovention's small size and limited personnel, this comment will remain. Spirovention will continue to involve the Board members in the operation and accounting areas of this portion of the business as recommended. (2) Spirovention has implemented a policy of providing executed contracts with payment schedules to the contract accountant. These will be recorded in job/class feature in the accounting system (Quick Books) enabling entry of each receipt/disbursement by contract. Management acknowledges that this implementation will provide better oversight and records.

## AGENDA ITEM

A-6. Implementation of Insurance Policy Status Update..... Lynne Sanders

**Situation:** In July 2020, the Board of Governors approved policy 1300.7.1 titled *Policy on Insurance Coverage*. The policy requires minimum insurance standards for property and other special coverages. The policy implementation steps place emphasis on performing property assessments and process development for exceptions to minimum coverage standards by October 2020 to ensure a policy effective date of January 2021.

**Background:** The University's insurance coverage options are governed by Chapters 58, 116, and 143 of the North Carolina General Statutes. As a general rule, the University covers its major property risks like any state agency through the state's self-insurance fund, which is managed and overseen by the North Carolina Department of Insurance. Coverage is not automatic, and the process of securing coverage is decentralized. Individual institutions make decisions as to what property will be covered and to what extent. DOI maintains reinsurance for the self-insurance fund.

In order to mitigate against the risks associated with damage to or loss of University property, institutions must maintain sufficient minimum insurance coverage to be consistent with institutional operations and industry standards and to protect the investment the state has made in each constituent institution.

**Assessment:** UNC System Office staff, as well as representatives from the Department of Insurance, are working with institutional risk managers to update property valuation records and define the framework for limited exceptions to the UNC System minimum coverage standards.

**Action:** This item is for information only.

**AGENDA ITEM**

A-7. Update on OSA Federal Compliance Audit Reports ..... Lynne Sanders

**Situation:** At its May 2020 committee meeting, the State Auditor reported to the committee that three institutions receiving statewide federal compliance audits had audit findings related to the administration of student financial aid programs.

**Background:** All constituent institutions and the UNC System Office are subject to audit by the North Carolina State Auditor under Article 5A of Chapter 147 of the North Carolina General Statutes. The Committee on Audit, Risk Management, and Compliance is to receive an annual overview of the audits that the state auditor has performed on the constituent institutions and the UNC System Office. The committee is to review and discuss the results, including any reportable issues. As required by North Carolina General Statute 116-30.1, the University must make satisfactory progress in resolving noted deficiencies within ninety days of the receipt of the published report from the Office of the State Auditor.

To ensure satisfactory resolution of the audit finding, appropriate staff at each institution should develop a corrective action plan. The chief audit officer should review the finding, the institution's response, and the corrective action plan. The review should occur during the ninety-day resolution period to evaluate the University's progress toward resolving the finding(s) included in the audit reports. A report outlining the results of the internal auditor's review is forwarded to the UNC System Office and the State Auditor's Office for review.

**Assessment:** The follow-up reviews conducted by each chief audit officer concluded that satisfactory progress was made toward corrective action of reported deficiencies.

**Action:** This item is for information only.

**AGENDA ITEM**

A-8. Update on UNC System Public Safety Training Center..... Brent Herron

**Situation:** The UNC System, in partnership with the Department of Public Safety (DPS) Samarcand Training Academy, will offer a series of training courses and activities for public safety personnel from UNC System institutions.

**Background:** Each institution in the UNC System maintains a public safety department staffed by sworn officers and headed by a police chief. In addition to performing traditional law enforcement functions, University law enforcement officers require specialized training and skills to work in and meet the unique public safety needs of the academic communities in which our students, faculty, and staff collaborate and interact. A UNC System study conducted during 2019 identified joint training programs as one area of potential collaboration between and among UNC System public safety departments. The DPS Samarcand Training Academy provides excellent facilities in a central location that would appear to be conducive to conducting joint training programs.

**Assessment:** The UNC System Public Safety Training Center is fully engaged with staff from the Samarcand Training Academy to conduct in-service training for the 17 UNC System campus police departments. An on-site UNC System training coordinator, under the supervision of the associate vice president for Campus Safety & Emergency Operations at the UNC System Office, has been hired to fill the role on a temporary basis for one year. In-service training courses began effective July 13, 2020. At this time, the following courses have been scheduled or are in planning state: Response to Sexual Assault for Law Enforcement, Orientation for UNC Campus Training Coordinators, Civil Disturbance Train the Trainer Course, and Impartial and Non-Biased Policing.

**Action:** This item is for information only.