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-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
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

<table>
<thead>
<tr>
<th>Roll Call Vote</th>
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<tbody>
<tr>
<td>Holton</td>
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<td>Burris-Floyd</td>
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<td>Holmes</td>
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<td>Hutchens</td>
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<td>Murphy</td>
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<td>Pope</td>
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</tbody>
</table>
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**

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<tr>
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<tr>
<td>Burris-Floyd</td>
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<tr>
<td>Holmes</td>
<td>Yes</td>
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<tr>
<td>Hutchens</td>
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<td>Murphy</td>
<td>Yes</td>
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<td>Pope</td>
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</table>


**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

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<td>Hutchens</td>
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<tr>
<td>Murphy</td>
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<tr>
<td>Pope</td>
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</table>

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

Situation: Each standing committee submits an annual report of its activities to the Board of Governors.

Background: Pursuant to Section 302 E of The Code, “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.”

Assessment: 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.

Action: 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:

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

<table>
<thead>
<tr>
<th>Campus</th>
<th>Fiscal Year End</th>
<th>Unqualified Audit Opinion</th>
<th>Audit Performed By</th>
<th>Management Letter/Report Issues</th>
<th>Total Net Assets / Net Position</th>
<th>Reporting Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appalachian State University</td>
<td>6/30/19</td>
<td>Yes</td>
<td>Elliott Davis, PLLC</td>
<td>No</td>
<td>$155,760,515</td>
<td>Discretely Presented</td>
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<td>Appalachian State University Foundation, Inc.</td>
<td>6/30/19</td>
<td>Yes</td>
<td>Apple, Koceja &amp; Associates, PA</td>
<td>No</td>
<td>$26,599,201</td>
<td>Discretely Presented</td>
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<td>Appalachian Student Housing Corporation</td>
<td>6/30/19</td>
<td>Yes</td>
<td>Bernard Robinson &amp; Company, L.L.P.</td>
<td>No</td>
<td>$3,712,239</td>
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<td>6/30/19</td>
<td>Yes</td>
<td>Bernard Robinson &amp; Company, L.L.P.</td>
<td>No</td>
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<tr>
<td>East Carolina University Educational Foundation, Inc.</td>
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<td>Yes</td>
<td>Bernard Robinson &amp; Company, L.L.P.</td>
<td>No</td>
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<td>Discretely Presented</td>
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<td>East Carolina University Foundation, Inc. and Consolidated Affiliates</td>
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<td>Yes</td>
<td>Bernard Robinson &amp; Company, L.L.P.</td>
<td>No</td>
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<tr>
<td>East Carolina University Medical &amp; Health Sciences Foundation, Inc.</td>
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<td>Yes</td>
<td>Bernard Robinson &amp; Company, L.L.P.</td>
<td>No</td>
<td>$50,006,838</td>
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<td>Elizabeth City State University</td>
<td>6/30/19</td>
<td>Yes</td>
<td>Cherry Bekaert, LLP</td>
<td>No</td>
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<td>The Elizabeth City State University Foundation</td>
<td>6/30/19</td>
<td>Yes</td>
<td>Murphy and Company PC</td>
<td>No</td>
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<td>Elizabeth City State University National Alumni Association, Inc.</td>
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<td>Yes</td>
<td>Murphy and Company PC</td>
<td>No</td>
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<tr>
<td>Fayetteville State University</td>
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<td>Yes</td>
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<td>No</td>
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<td>Yes</td>
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<td>Fayetteville State University Housing Foundation, LLC</td>
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<td>The Aggie Athletic Foundation of North Carolina A&amp;T State University, Inc.</td>
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<td>Yes</td>
<td>Thomas &amp; Gibbs, CPAs, PLLC</td>
<td>No</td>
<td>$1,396,069</td>
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</table>
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<tr>
<td><strong>North Carolina Central University</strong></td>
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<td>North Carolina Central University Alumni Association, Inc.</td>
<td>6/30/19</td>
<td>Audit was not completed¹</td>
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<td>The North Carolina Central University Educational Advancement Foundation, Inc.</td>
<td>6/30/19</td>
<td>Yes</td>
<td>Thomas &amp; Gibbs, CPAs, PLLC</td>
<td>Yes²</td>
<td>$108,081</td>
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<td>The North Carolina Central University Foundation, Inc.</td>
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<td>Blackman &amp; Sloop, CPAs, P.A.</td>
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<td>NCCU Real Estate Foundation, Inc.</td>
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<td>Yes</td>
<td>Blackman &amp; Sloop, CPAs, P.A.</td>
<td>No</td>
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<td><strong>North Carolina School of Science and Mathematics</strong></td>
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<tr>
<td>North Carolina School of Science and Mathematics Foundation and Subsidiary</td>
<td>6/30/19</td>
<td>Yes</td>
<td>Williams Overman Pierce, LLP</td>
<td>No</td>
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<td>The North Carolina Agricultural Foundation, Inc.</td>
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<td>Williams Overman Pierce, LLP</td>
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<td>NC State Alumni Club, Inc.</td>
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<td>Yes</td>
<td>Batchelor, Tillery &amp; Roberts, LLP</td>
<td>No</td>
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<td>NC State Engineering Foundation, Inc.</td>
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<td>Williams Overman Pierce, LLP</td>
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<td>NC State Investment Fund, Inc.</td>
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<td>Yes</td>
<td>Williams Overman Pierce, LLP</td>
<td>No</td>
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<td>NC State Natural Resources Foundation, Inc.</td>
<td>6/30/19</td>
<td>Yes</td>
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<td>North Carolina State University College of Sciences Foundation, Inc.</td>
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<td>Yes</td>
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<td>$9,083,848</td>
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</table>

¹ 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.

² Findings begin on page 7
<table>
<thead>
<tr>
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<th>Fiscal Year End</th>
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<th>Reporting Status</th>
</tr>
</thead>
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<tr>
<td>NC State University Partnership Corporation and Affiliates</td>
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<td>Williams Overman Pierce, LLP</td>
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<td>North Carolina Textile Foundation, Inc.</td>
<td>6/30/19</td>
<td>Yes</td>
<td>Koonce, Wooten &amp; Haywood, LLP</td>
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<td>North Carolina Tobacco Foundation, Inc.</td>
<td>6/30/19</td>
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<td>Williams Overman Pierce, LLP</td>
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<td>North Carolina Veterinary Medical Foundation, Inc.</td>
<td>6/30/19</td>
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<td>NC State Student Aid Association, Inc.</td>
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<td>Elliott Davis, PLLC</td>
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<td>The University of North Carolina at Asheville</td>
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<td>University of North Carolina Asheville Foundation, Inc.</td>
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<td>Yes</td>
<td>Burleson &amp; Earley, P.A.</td>
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<td>The University of North Carolina at Chapel Hill</td>
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<tr>
<td>Carolina Angel Network, LLC</td>
<td>6/30/19</td>
<td>Yes</td>
<td>Williams Overman Pierce, LLP</td>
<td>No</td>
<td>($559,078)</td>
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<td>Carolina for Kibera, Inc.</td>
<td>6/30/19</td>
<td>Yes</td>
<td>Koonce, Wooten &amp; Haywood, LLP</td>
<td>Yes</td>
<td>$2,947,482</td>
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<td>Carolina Research Ventures, LLC</td>
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<td>Blackman &amp; Sloop, CPAs, P.A.</td>
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<td>Chapel Hill Foundation Real Estate Holdings, Inc.</td>
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<td>Yes</td>
<td>KPMG LLP</td>
<td>No</td>
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<tr>
<td>Dental Foundation of North Carolina, Inc.</td>
<td>6/30/19</td>
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<td>Blackman &amp; Sloop, CPAs, P.A.</td>
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<td>HVPV Holdings, LLC</td>
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<td>Blackman &amp; Sloop, CPAs, P.A.</td>
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<td>The Educational Foundation, Inc.</td>
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<td>Batchelor, Tillery, &amp; Roberts, LLP</td>
<td>No</td>
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<td>The Kenan-Flagler Business School Foundation</td>
<td>6/30/19</td>
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<td>Bernard Robinson &amp; Company, L.L.P.</td>
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<td>Medical Air, Inc.</td>
<td>6/30/19</td>
<td>Yes</td>
<td>Blackman &amp; Sloop, CPAs, P.A.</td>
<td>No</td>
<td>$3,455,337</td>
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2 Findings begin on page 7
<table>
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<tbody>
<tr>
<td>The University of North Carolina at Chapel Hill (Continued)</td>
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<td>The Medical Foundation of North Carolina, Inc.</td>
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<td>KPMG LLP</td>
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<td>Morehead-Cain Scholarship Fund</td>
<td>6/30/19</td>
<td>Yes</td>
<td>Batchelor, Tillery, &amp; Roberts, LLP</td>
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<td>North Carolina Botanical Garden Foundation, Inc.</td>
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<td>The School of Government Foundation, Inc. and SOG DFI, LLC</td>
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<td>The School of Media and Journalism Foundation of North Carolina, Inc.</td>
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<td>Yes</td>
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<td>Spirovation Inc.</td>
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<td>University of North Carolina at Chapel Hill Arts and Sciences Foundation, Inc.</td>
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<td>UNC Eshelman School of Pharmacy Foundation</td>
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<td>Yes</td>
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<td>UNC Intermediate Pool, LLC</td>
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<td>The University of North Carolina at Chapel Hill Foundation Fund</td>
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<td>No</td>
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<td>Yes</td>
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<td>The University of North Carolina at Chapel Hill School of Nursing Foundation, Inc.</td>
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<tr>
<td>UNC Global Projects, LLC</td>
<td>6/30/19</td>
<td>Yes</td>
<td>Blackman &amp; Sloop, CPAs, P.A.</td>
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<td>UNC Law Foundation, Inc.</td>
<td>6/30/19</td>
<td>Yes</td>
<td>Blackman &amp; Sloop, CPAs, P.A.</td>
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<td>UNC Management Company, Inc.</td>
<td>6/30/19</td>
<td>Yes</td>
<td>KPMG LLP</td>
<td>No</td>
<td>$19,601,491</td>
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<tr>
<td>The University of North Carolina at Chapel Hill Public Health Foundation, Inc.</td>
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<td>Yes</td>
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<td>No</td>
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<td>WUNC Public Radio, LLC</td>
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² Findings begin on page 7
# Summary Report of Major Associated Entities

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<td>The University of North Carolina at Charlotte</td>
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<tr>
<td>The Athletic Foundation of the University of North Carolina at Charlotte</td>
<td>6/30/19</td>
<td>Yes</td>
<td>RSM US LLP</td>
<td>No</td>
<td>$32,228,115</td>
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<td>The Foundation of The University of North Carolina at Charlotte, Inc.</td>
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<td>Yes</td>
<td>RSM US LLP</td>
<td>No</td>
<td>$167,564,535</td>
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<td>The University of North Carolina at Charlotte Facilities Development Corporation, Inc.</td>
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<td>Yes</td>
<td>RSM US LLP</td>
<td>No</td>
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<td>The University of North Carolina at Charlotte Investment Fund, Inc.</td>
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<td>RSM US LLP</td>
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<td>University of North Carolina at Greensboro</td>
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<td>Capital Facilities Foundation, Inc.</td>
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<td>Yes</td>
<td>Bernard Robinson &amp; Company, L.L.P.</td>
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<td>Serve, Inc.</td>
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<td>Bernard Robinson &amp; Company, L.L.P.</td>
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<td>The UNCG Excellence Foundation</td>
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<td>Yes</td>
<td>Bernard Robinson &amp; Company, L.L.P.</td>
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<td>The University of North Carolina at Greensboro Investment Fund, Inc.</td>
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<td>The University of North Carolina at Pembroke</td>
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<td>The UNCP University Foundation, LLC</td>
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<td>Yes</td>
<td>Thomas, Judy &amp; Tucker, P.A.</td>
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<td>The UNCP Student Housing Foundation, LLC</td>
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<td>The University of North Carolina School of the Arts</td>
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<td>University of North Carolina School of the Arts Foundation, Inc.</td>
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<td>Yes</td>
<td>Smith Leonard PLLC</td>
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<td>University of North Carolina School of the Arts Housing Corporation</td>
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<td>University of North Carolina School of the Arts Program Support Corporation</td>
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<td>RiverRun International Film Festival</td>
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<td>Yes</td>
<td>Butler &amp; Burke, LLP</td>
<td>No</td>
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<td>The Semans Art Fund, Inc.</td>
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<td>Yes</td>
<td>Smith Leonard PLLC</td>
<td>No</td>
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2 Findings begin on page 7
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<td>The Alumni Association of The University of North Carolina at Wilmington</td>
<td>6/30/19</td>
<td>Yes</td>
<td>Bernard Robinson &amp; Company, L.L.P.</td>
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<tr>
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<td>Bernard Robinson &amp; Company, L.L.P.</td>
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<td>UNCW Research Foundation</td>
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<td><strong>Western Carolina University</strong></td>
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<td>The North Carolina Arboretum Society</td>
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<td>Yes</td>
<td>Carter, P.C.</td>
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<td>Simon Green Atkins Community Development Corporation</td>
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<td>Yes</td>
<td>Cannon &amp; Company, LLP</td>
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<td>Butler &amp; Burke, LLP</td>
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<td>Butler &amp; Burke, LLP</td>
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<td>The North Carolina Public Television Foundation, Inc.</td>
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<td>Yes</td>
<td>Thomas &amp; Gibbs, CPAs, PLLC</td>
<td>No</td>
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</table>
| 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. |
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<tr>
<td>NC State Student Aid</td>
<td>(1) Aging of Pledges Receivable</td>
<td>(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.</td>
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<tr>
<td></td>
<td>(2) Donor System Reconciliation</td>
<td>(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.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(3) Accounting Resources</td>
<td>(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.</td>
<td></td>
</tr>
<tr>
<td>North Carolina State University</td>
<td></td>
<td>(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.</td>
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<td>(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.</td>
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<td>(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.</td>
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<td><strong>University of North Carolina at Chapel Hill</strong></td>
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<tr>
<td>Carolina for Kibera</td>
<td>(1) Organizational Structure</td>
<td>(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.</td>
<td>(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 &amp; 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&amp;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&amp;A committee and the larger board have backgrounds in accounting and finance.</td>
</tr>
<tr>
<td>Dental Foundation of North Carolina, Inc.</td>
<td>(1) Reconciliation of Accounting Records</td>
<td>(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.</td>
<td>(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.</td>
</tr>
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<td>Spirovation, Inc.</td>
<td>(1) Segregation of Accounting Duties (2) Contract Accounting</td>
<td>(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.</td>
<td>(1) Management acknowledges this need and given Spirovation’s small size and limited personnel, this comment will remain. Spirovation will continue to involve the Board members in the operation and accounting areas of this portion of the business as recommended. (2) Spirovation 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.</td>
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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.