

January 25, 2018 at 3:30 p.m.
University of North Carolina General Administration
Center for School Leadership Development, Room 119
Chapel Hill, North Carolina

AGENDA

OPEN SESSION

- A-1. [Approval of the Minutes of December 12, 2017](#) Jim Holmes
- A-2. [UNC System Insurance Coverage](#) Bryan Heckle
- A-3. [Information Technology](#) Steven Hopper
- A-4. [UNC-GA Internal Audit Update](#) Joyce Boni

CLOSED SESSION

- A-5. Approval of the Closed Session Minutes of
November 2 and December 12, 2017 Jim Holmes
 - a. November 2, 2017
 - b. December 12, 2017
- A-6. UNC-GA Internal Audit Report Joyce Boni
- A-7. IT General Controls Audit –
UNC-Chapel Hill Chris McKittrick, NC Office of the State Auditor

OPEN SESSION

- A-8. Adjourn

DRAFT MINUTES

December 12, 2017
University of North Carolina General Administration
Spangler Center, Board Room
Chapel Hill, North Carolina

This meeting of the Committee on Audit, Risk Management, and Compliance was presided over by Chair Holmes. The following committee members, constituting a quorum, were also present in person or by phone: Kellie Hunt Blue, Carolyn Coward, Walter Davenport, and William Webb.

Staff members present included Lynne Sanders, Tom Shanahan, and others from General Administration.

1. Call to Order and Approval of Open Session Minutes (Item A-1)

Chair Holmes called the meeting to order at 4:01 p.m., on Monday, December 12, 2017, and called for a motion to approve the open session minutes of November 2, 2017.

MOTION: Resolved, that the Committee on Audit, Risk Management, and Compliance approve the open session minutes of November 2, 2017, as distributed.

Motion: William Webb
Motion carried

2. Approval of the Information Security Policy (Item A-2)

The committee approved the proposed Information Security Policy, 1400.2, and voted to recommend it for full Board approval through the consent agenda at the next full Board meeting.

MOTION: Resolved, that the Committee on Audit, Risk Management, and Compliance approve the Information Security Policy and recommend it to the full Board of Governors for a vote through the consent agenda at the next meeting.

Motion: Carolyn Coward
Motion carried

3. Other Business (Item A-3)

The chair discussed the Dixon Hughes Goodman review at Elizabeth City State University and advised the committee that the review will be addressed at the full Board meeting on December 15, 2017. There were no questions from the committee.

4. Closed Session

MOTION: Resolved, that the Committee on Audit, Risk Management, and Compliance move into closed session to prevent the disclosure of information that is privileged or confidential under Article 7 of Chapter 126 and § 143-748 of the North Carolina General Statutes, or not considered a public record within the meaning of Chapter 132 of the General Statutes; consult with our attorney to protect the attorney-client privilege; pursuant to Chapter 143-318.11(a)(1) and (3) of the North Carolina General Statutes.

Motion: Walter Davenport

Motion carried

THE MEETING MOVED INTO CLOSED SESSION.

(The complete minutes of the closed session are recorded separately.)

MOTION: Resolved, that the Committee on Audit, Risk Management, and Compliance return to open session.

Motion: William Webb

Motion carried

THE MEETING RESUMED IN OPEN SESSION.

There being no further business, the meeting adjourned at 4:33 p.m.

William Webb, Secretary

AGENDA ITEM

A-2. UNC System Insurance Coverage Bryan Heckle

Situation: The UNC System, constituent institutions, and affiliated entities manage and insure risk in a variety of areas through the insurance coverages maintained by the University or the State, and through participation in the State Property Fire Insurance Fund.

Background: As a state entity, the UNC System acquires insurance coverage through the North Carolina Department of Insurance (NCDOI), which is responsible for procuring insurance coverage for state entities, and for managing the State Property Fire Insurance Fund. The State Property Fire Insurance Fund provides insurance for buildings, structures, and business personal property owned by the State of North Carolina. All property is required to have coverage for losses caused by Fire and Lightning. NCDOI maintains certain blanket insurance coverages, such as employee dishonesty, excess liability for state employees, and boiler and machinery. The UNC System may also choose to insure property under its control for other types of property losses.

Assessment: Given the committee's system-wide oversight responsibilities in the area of risk management, it is appropriate for the committee to be briefed on the approach to and costs of insurance coverage for UNC System institutions and activities.

Action: This item is for information only.

Committee on Audit, Risk Management, and Compliance



Risk Management Division

Bryan Heckle, Director of Risk Management
January 25, 2018

State Property Fire Insurance Fund

- State's Self-insurance Fund
- Provides property insurance requested by State Agencies & Universities
- Insurance coverage is not automatic
- Reinsurance is purchased to protect the Fund
- Fund's coverage may be broader than excess insurance in some cases

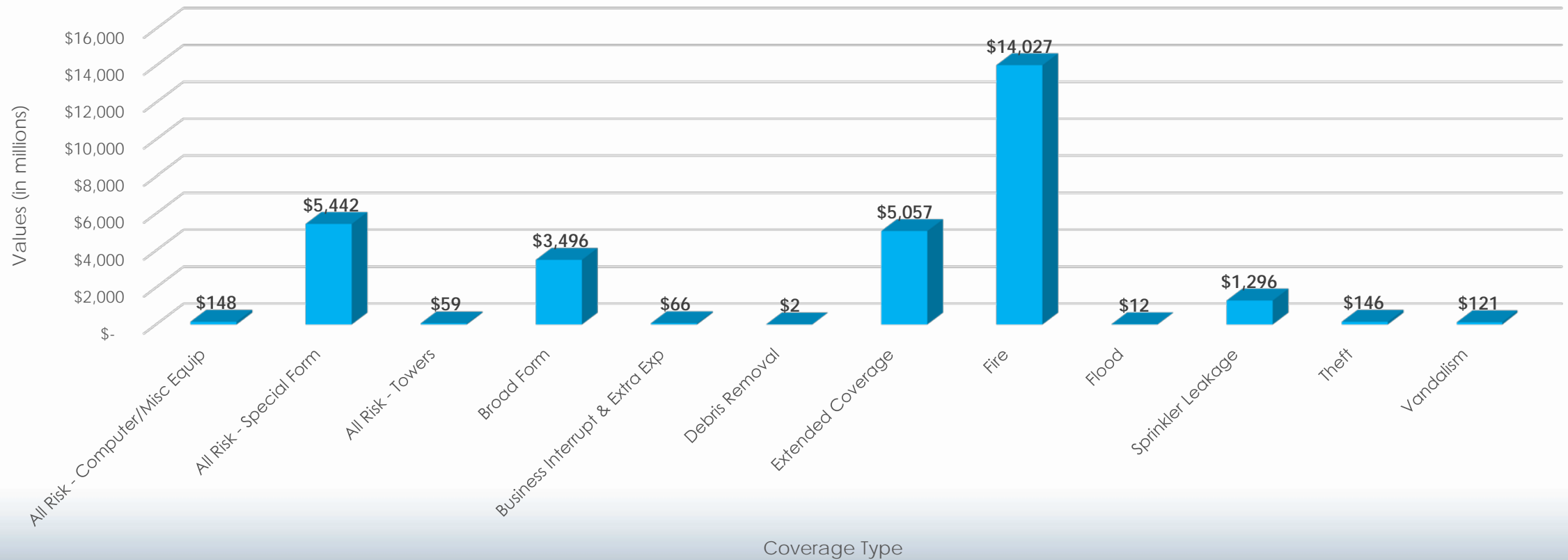
Insuring Property

State Property Fire Insurance Fund

- Buildings
- Contents
 - In buildings
 - In leased facilities
- Interests in improvements & betterments

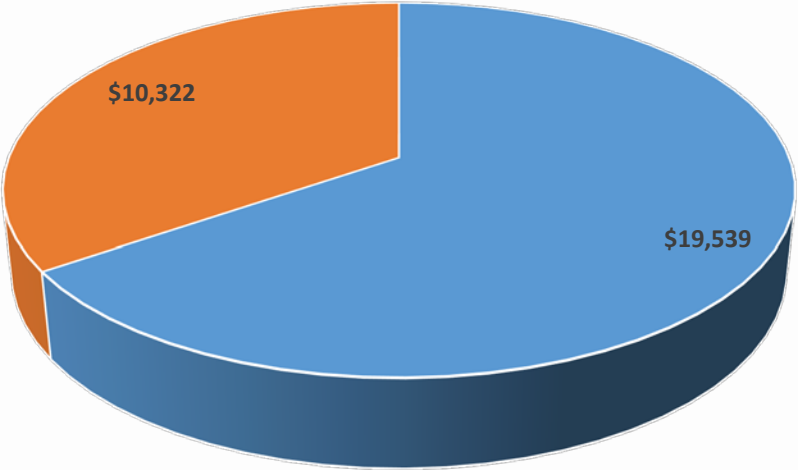
Values Insured – Types of Coverage

Coverage Comparison



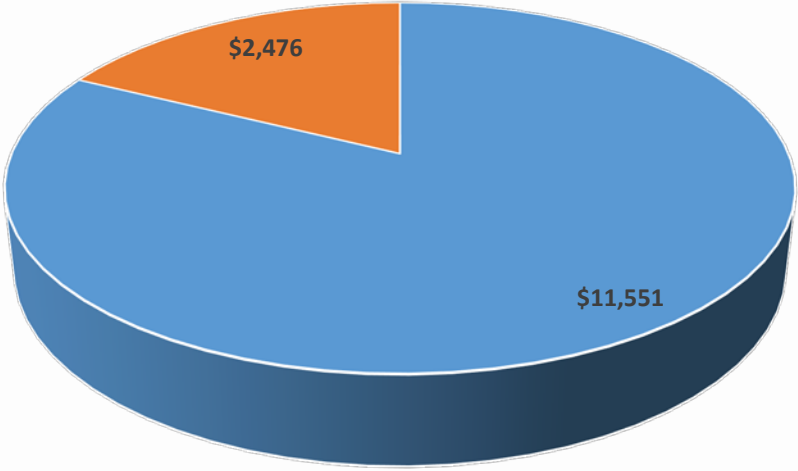
Values Insured – Types of Coverage

Funding Type (in Millions)



■ General Fund ■ Special Fund

Property Values with only Fire Coverage (in Millions)



■ General Funded ■ Special Funded

Values Insured – Types of Coverage

Fire	Fire & Extended Coverage	Broad Form	"All Risk" Special Form	"All Risk" Computer/Misc Equip
Fire	Fire	Fire	Fire	Fire
Lightning	Lightning	Lightning	Lightning	Lightning
	Windstorm	Windstorm	Windstorm	Windstorm
	Hail	Hail	Hail	Hail
	Explosion	Explosion	Explosion	Explosion
	Aircraft or Vehicles	Aircraft or Vehicles	Aircraft or Vehicles	Aircraft or Vehicles
	Riot	Riot	Riot	Riot
	Civil Commotion	Civil Commotion	Civil Commotion	Civil Commotion
	Smoke	Smoke	Smoke	Smoke
		Vandalism	Vandalism	Vandalism
		Sprinkler Leakage	Sprinkler Leakage	Sprinkler Leakage
		Sinkhole Collapse	Sinkhole Collapse	Sinkhole Collapse
		Volcanic Action	Volcanic Action	Volcanic Action
		Falling Objects	Falling Objects	Falling Objects
		Weight of Snow, Ice or Sleet	Weight of Snow, Ice or Sleet	Weight of Snow, Ice or Sleet
		Water Damage	Water Damage	Water Damage
			Theft	Theft
			Any Other Loss Not Specifically Excluded	Power Surge
			No Flood Coverage	Flood
				Any Other Loss Not Specifically Excluded



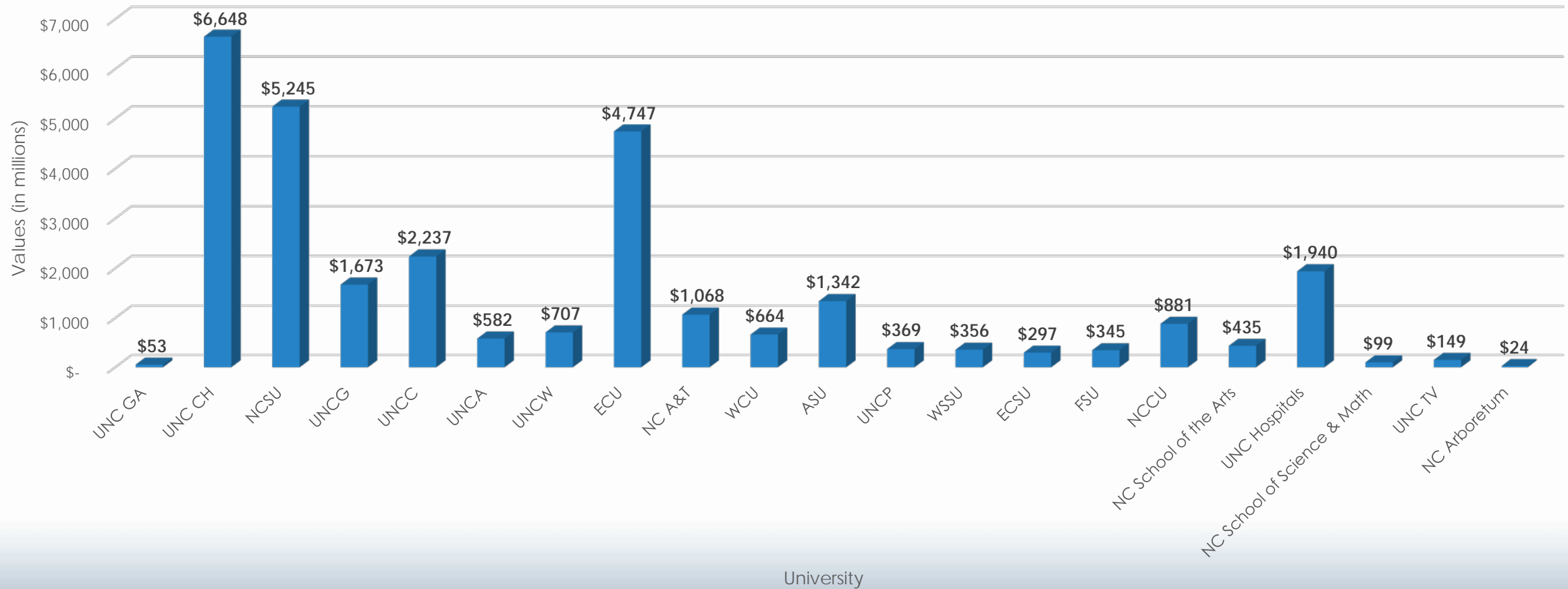
NC DEPARTMENT OF

INSURANCE

10/21

MIKE CAUSEY • COMMISSIONER

Values Insured – By University



Insuring Property

Private Insurance Companies

- Some State-Owned Property
- Fine Arts
- Musical Instruments
- Oceanographic Equipment
- Automobiles
- Aircraft
- Boats

Leased Property

- Computerized Business Equipment
- Modular Buildings

Insuring Property – University Associated Entities

- Master Program providing coverage through a private insurance carrier – Travelers.
 - “All Risk” cause of loss including flood, earth movement and equipment breakdown
 - \$500,000,000 policy limit
 - \$82,101,257 Business Income limit
 - \$100,000,000 Boiler & Machinery limit
- Participants: ASU, ECSU, FSU, NCCU, NC A&T, UNCC, UNCCH, UNCP, UNCW, UNC School of the Arts, WCU, WSSU, WUNC Radio
- The program insures University facilities owned by private sector (University Foundations) companies on State University owned land primarily student housing.

Insuring Property

Boiler & Machinery

Inland Marine

- Fine Arts
- Musical Instruments
- Leased Computerized Business Equipment
- Leased Modular Units
- Oceanographic Equipment
- Boats

Insuring Liability

- Provide excess liability insurance in conjunction with Defense of State Employees Act
- Automobile Liability
- Provide Medical Professional Liability for physicians and nurses at Student Health Centers
- Student Blanket Professional Liability
- Intern Liability
- Cyber Liability

Other Coverage

- Student Health Insurance
- Athletic Accident Insurance
- Study Abroad Insurance
- International Traveler Insurance
- Event Cancellation
- Workers' Compensation – on an as needed basis per state requirement

Division of State Risk Management

- Jurisdiction over 13,000 state owned buildings with a combined value of 38 billion dollars.
- Provides staff, administration, and research services to Public Officers and Employee Liability Insurance Commission.
- Makes available professional liability coverage for law enforcement officers, and public employees/officials
- Procures from private insurance carriers other needed insurance such as auto, marine, aircraft, boiler, workers compensation, accident and health, crime, general/professional liability, and bonds.

Division of State Risk Management

- Investigates and adjusts claims and pays losses.
- Administers self-insurance fund for state-owned property and vehicles.
- Statutorily appointed as the AHJ for all State-Owned Properties – we inspect them all large and small.

AGENDA ITEM

A-3. Information Technology..... Steven Hopper

Situation: The University faces numerous challenges in the domain of information technology (IT) and cybersecurity. There are risks associated with technology changes, regulatory requirements, IT service delivery, and academic service delivery. Proper management of these risks requires clearly defined IT authority as well as clearly defined responsibilities, accountability, and monitoring.

Background: Institutional data is a strategic asset of the University. As such, it is important that it be managed according to sound data governance procedures. Roles and responsibilities that support proper oversight and accountability for all components of the information system environment should be defined at each institution and UNC General Administration.

Assessment: Given the committee's system-wide oversight responsibilities in the area of risk management, it is appropriate for the committee to be briefed on: 1) how the University understands its cybersecurity risks, 2) the steps it takes to mitigate those risks, and 3) its efforts to continually identify and close cybersecurity gaps.

Action: This item is for information only.

AGENDA ITEM

A-4. UNC General Administration Internal Audit Update..... Joyce Boni

Situation: The chief audit officer is to provide periodic updates on UNC General Administration's internal audit activities.

Background: In accordance with the committee charter and *the International Standards for the Professional Practice of Internal Auditing (Standards)* issued by The Institute of Internal Auditors, the committee is to receive periodic updates on UNC General Administration's internal audit activities. Such updates help the committee to assess internal audit's performance relative to the annual audit plan.

Assessment: The attached document identifies the current status of the 2017-2018 internal audit projects that were initially approved by the committee in September 2017, as well as any additions to the plan.

Action: This item is for information only.

UNC-GA Internal Audit Plan

Fiscal Year 2017-2018

Description	Status
Prior Year Carry Over	
Compliance Audit: End User Data Storage & Security Awareness	Issued January 2018
Risk Assessment/2018 Audit Plan Development	Completed
Internal Control/Operational Procedures Review	
Go Global Expenditure Process & Procedures	Not Started
Design of the Vendor Payment Process at UNC-TV	Not Started
Design of Independent Contractor Evaluation Process	Not Started
Design of the Employee On-boarding/Off-boarding Process	Not Started
Compliance Reviews	
NC New Teacher Support Program	In Process
Follow-up Reviews	
UNC-GA Internal 2016 Travel & Purchase Card Follow-up, plus Travel Review	In Process
OSA 2017 IT General Controls Audit Follow-up	Issued October 2017
UNC-GA Internal 2017 GEAR-UP	Not Started
Investigations	
Unplanned/Various as occurs: Investigations of internal/external hotline reports and similar types of investigations	Not Started
Petty Cash Investigation	Issued August 2017
Special Projects/Consultations/Other	
Annual Risk Assessment/FY2019 Audit Plan Development	Not Started
Finance & Budget Consults: Data Modernization, Cybersecurity, Enrollment Growth, Electronic Forms	In Process
Academic Affairs Consult: Licensure Procedures Consult	Not Started
Strategy & Policy Consults: Program Development & Process Consult	Not Started
Academic & Student Affairs Consult: NC Pathways Agreements & Procedure Updates	Not Started
UNC-TV Consults: New CRM System, FCC Tower Project, Cost Methodology, other	Not Started
Quality Assurance Review Preparation	Not Started
Special Project: IA assistance at ECSU (added)	Not Started
Board Meetings/Unit Oversight & Marketing	In Process
Other Consults/Committees: Routine consults for UNC-TV and UNC-GA such as: Cheatham White Scholars, Annual Self-Assessment of Controls, and other unplanned consults; Documentation Training for Clery Staff; Hiring/Interview Panel; Charter updates; Annual Certifications; CAO/OIA committee meetings; and other unknown projects	In Process

Red denotes changes since the approval in September 2017.

This status update does not include audit projects for NCSSM or SEAA.