



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

July 26, 2018 at 10:30 a.m.
University of North Carolina System Office
Center for School Leadership Development, Room 128
Chapel Hill, North Carolina

AGENDA

OPEN SESSION

- A-1. [Approval of the Minutes of May 21, 2018 and May 24, 2018](#).....Jim Holmes
- A-2. [UNC System Foundations Discussion](#)..... Tom Shanahan
- A-3. [Update from the IT Security Working Group](#).....Keith Werner

CLOSED SESSION

- A-4. Approval of the Closed Session Minutes of May 21, 2018Jim Holmes
- A-5. Legal and Audit Update Tom Shanahan and Lynne Sanders

OPEN SESSION

- A-6. Discussion of 2018 – 2019 Plan of WorkJim Holmes
- A-7. Other BusinessJim Holmes
- A-8. Adjourn



DRAFT MINUTES

May 21, 2018
University of North Carolina System Office
Spangler Center, Conference Room C
Chapel Hill, North Carolina

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

Chancellors participating were Jose Sartarelli and Interim Chancellor Joseph Urgo.

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

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

Chair Holmes called the meeting to order at 2:00 p.m., on Monday, May 21, 2018, and called for a motion to approve the open session minutes of March 8, 2018 and March 20, 2018.

MOTION: Resolved, that the Committee on Audit, Risk Management, and Compliance approve the open session minutes of March 8, 2018 and March 20, 2018, as distributed.

Motion: Kellie Hunt Blue

Motion carried

2. Internal Audit Update (Item A-2)

Joyce Boni, chief audit officer, presented to the committee a status update of the 2017-18 internal audit projects that were approved by the committee in September 2017.

3. Approval of Charters (Item A-3)

Ms. Boni presented to the committee the updated Charter for the Committee on Audit, Risk Management, and Compliance and the Internal Audit Charter for the UNC System Office for approval. Following the presentation, Chair Holmes called for a motion to approve the charters.

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

Motion: Kellie Hunt Blue

Motion carried

4. Overview of Enterprise Risk Management (Item A-4)

Lynne Sanders, vice president for compliance and audit services, presented to the committee an overview of the UNC System-wide and institution-based enterprise risk management and compliance processes.

5. Update from the IT Security Working Group (ITSWG) (Item A-5)

Keith Werner, vice president for information technology and chief information officer, presented to the committee a summary of activities completed by the IT Security Working Group (ITSWG), including the drafting of the Information Technology Governance (1400.1) and the User Identity and Access Control (1400.3) policies, the development of the IT governance core set of principles, and the eight recommendations for security controls at each constituent institution. Chair Holmes thanked the members of the ITSWG for all of their hard work and accomplishments within the 90-day time period.

Mr. Werner then introduced Jean Davis, president and CEO, and Chris Beal, CIO, of MCNC Security, who presented to the committee an overview of MCNC Security's security service portfolio.

6. Closed Session (Item A-6)

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 G.S. 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: Kellie Hunt Blue

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: Carolyn Coward

Motion carried

THE MEETING RESUMED IN OPEN SESSION.

7. Other Business (Item A-8)

No further business matters were discussed in open session.

There being no further business, the meeting adjourned at 2:50 p.m.

Thomas Goolsby, Secretary



DRAFT MINUTES

May 24, 2018
University of North Carolina System Office
Center for School Leadership Development, Room 279
Chapel Hill, North Carolina

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

Chancellors participating were Jose Sartarelli and Interim Chancellor Joseph Urgo.

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

1. Presentation of Audit Reports from the Office of the State Auditor (Item B-1)

Chair Holmes called the meeting to order at 8:33 a.m., on Thursday, May 24, 2018, and welcomed State Auditor Beth Wood. Mr. Holmes gave Auditor Wood an update on the work that has been completed by the IT Security Working Group (ITSWG) led by Keith Werner, vice president for information technology and chief information officer. Mr. Holmes then called upon Mr. Werner to give a brief update on the ITSWG's activities. Mr. Werner reported that the group spent 90 days focused on (1) governance, (2) security awareness and training, and (3) security access and controls, which resulted in the creation of two polices and a set of eight recommendations.

Auditor Wood then provided the committee with an overview of the work her office executed at the System's 16 universities, the System Office, and the North Carolina School of Science and Mathematics during the fiscal year 2018. The overview included comments on the universities' financial statements, federal compliance, and IT general controls audits her staff performed during the past year. After answering questions from the Committee, the members thanked Auditor Wood for the work her office does and for the update she provided.

There being no further business, the meeting adjourned at 8:48 a.m.

Thomas Goolsby, Secretary



AGENDA ITEM

A-2. UNC System Foundations Discussion Tom Shanahan

Situation: The committee would like to receive a briefing concerning the governance of foundations in the UNC System, which have been established to support and benefit constituent institutions and University entities.

Background: The UNC System and the constituent institutions may establish foundations and other associated entities as profit, nonprofit corporations for the benefit of the University. Recognized University foundations may be established with the approval of an institution's chancellor or the president, and must be operated in accordance with UNC policy. Existing University policy requires that approving institutions maintain written operating agreements with their foundations and other associated entities, that at least one member of the associated entity's governing board must be a senior administrative officer of the approving institution, that each associated entity must maintain ethics and conflict of interest policies, and that each major associated entity must prepare and submit an annual audit to the Board of Governors. Associated entities, including foundations, are also subject to certain financial oversight, including the requirement to consult with the approving institution and the UNC System Office when acquiring debt in excess of \$500,000.

Assessment: While the Board of Governors does not directly oversee the operations of foundations and other associated entities, the Board has jurisdiction and authority to establish policies within which foundations must operate.

Action: This item is for discussion only.





UNIVERSITY FOUNDATIONS

Board of Governors
Committee on Audit, Risk Management, and Compliance

Overview

- University Foundations
 - A type of “Associated Entity”
 - Authorized by statute and regulated by University policy
 - Purpose - to benefit UNC System institutions
 - Types of entities, including foundations
 - Powers and duties; management of assets, oversight, etc.
 - Comparison to Endowment Funds
 - Management of assets, oversight, etc.

Associated Entities and Foundations by the Numbers

- Total number of Associated Entities in UNC System: 109
- Number of foundations in UNC System: 58
- Number of Athletically Related Associated Entities: 7
- Top 10 foundations by net asset value (2017):
 1. NC State University Foundation, Inc. \$382,787,913
 2. UNC Chapel Hill Foundation, Inc. \$350,577,506
 3. Medical Foundation of North Carolina, Inc. \$315,568,931
 4. UNC Chapel Hill Arts & Sciences Foundation, Inc. \$295,911,989
 5. The North Carolina Agricultural Foundation, Inc. \$161,599,203
 6. The Foundation of UNC Charlotte, Inc. \$161,479,472
 7. Appalachian State University Foundation, Inc. \$130,208,882
 8. East Carolina University Foundation, Inc. \$128,146,061
 9. The UNCG Excellence Foundation, Inc. \$121,731,288
 10. The Kenan-Flagler Business School Foundation, Inc. \$117,643,548

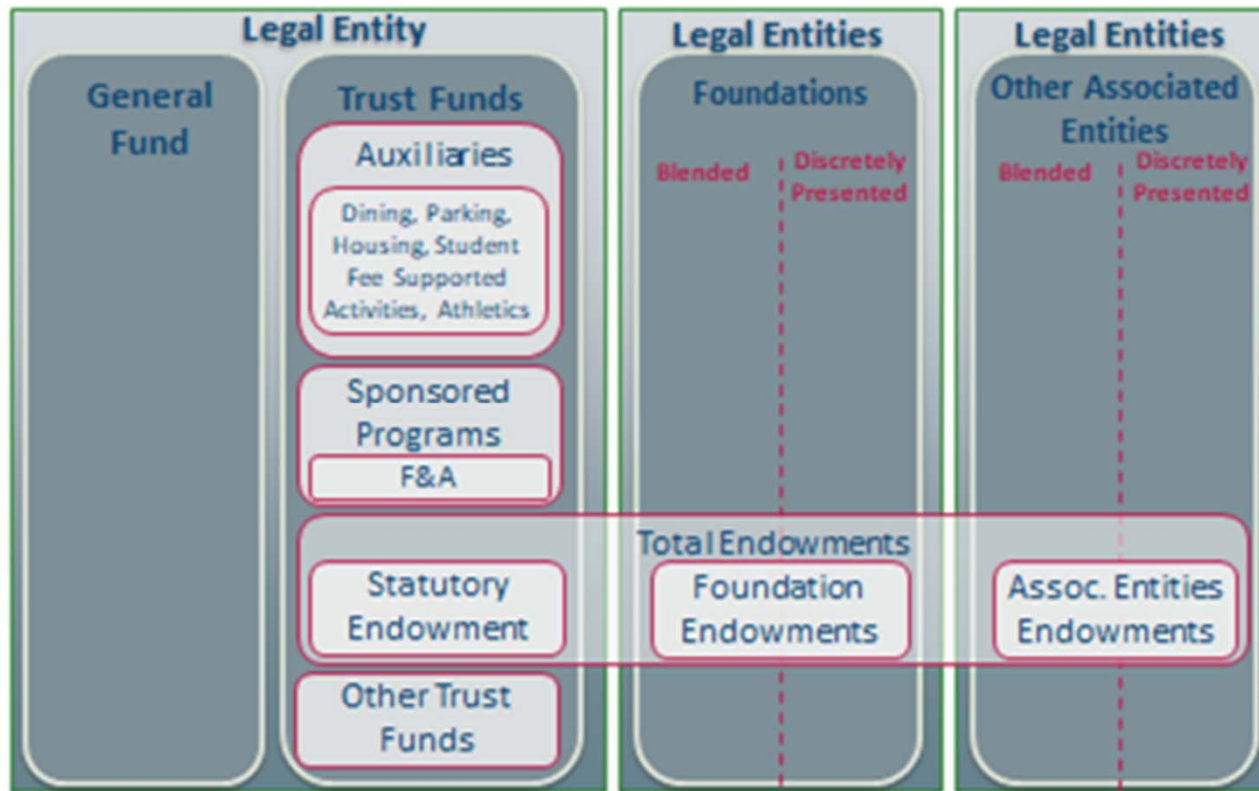
Associated Entities, Foundations, Endowment Funds

- Foundations are a *type* of Associated Entity and are distinct legal entities
 - Separate from the University and authorized by statute
 - Private nonprofit corporations
 - Managed and overseen by their own boards like any nonprofit
- Endowment Funds are not Associated Entities; not the same as Foundations
- Assets of foundations and endowments are often managed together in investment funds that are themselves Associated Entities
- Most assets of the foundations and endowments in the UNC System are invested in the UNC Investment Fund
 - Nearly \$6 billion in assets as of December 31, 2017
- UNC Investment Fund managed by the UNC Management Company

UNC Management Company, Inc. (UNCMC)

- Nonprofit organization; Associated Entity of UNC-Chapel Hill
- Provides investment management services to UNC System institutions, endowments and foundations
- Long term assets managed through the UNC Investment Fund
- UNC Investment Fund has 29 members, including:
 - NC State Investment Fund, Inc.
 - UNC Chapel Hill Foundation Investment Fund, Inc.
 - UNC Charlotte Investment Fund
 - ECU Endowment Fund
 - ECU Foundation, Inc.
- UNC Investment Fund and UNC Chapel Hill Investment Fund Reports:
 - <https://uncmc.unc.edu/the-fund/>

UNC Financial Structure



Associated Entities – Purpose and Statutory Framework

- Establishment of private, nonprofit corporations encouraged
The Board of Governors...shall encourage the establishment of private, nonprofit corporations to support the constituent institutions of The University of North Carolina and The University System. G.S. 116-30.20
- Authorized and established for the support of the University
- Use of University employees and resources authorized
 - Employees may be assigned to establish and operate the corporations
 - Entities may use institutional resources, including office space, equipment, supplies
- Each Associated Entity's board shall:
 - Secure and pay for annual audits as needed
 - Transmit to BOG an annual financial audit report of the corporation, which is reported to CARMC

Associated Entities – UNC Regulatory Requirements

- Associated Entities established per UNC Policy 600.2.5.2[R]:
 - By a constituent institution, with written approval of chancellor, or
 - By the UNC System, with written approval of the president
- Each Associated Entity must:
 - Enter into an operating agreement with the approving institution
 - Abide by the policies of the approving institution and the UNC System
 - Be organized to support the University or constituent institution
- Associated Entities are:
 - Legally separate from the approving institution
 - Private – not subject to public records law

Associated Entities – UNC Regulatory Requirements

- Oversight of Associated Entities by approving institutions
 - Responsibility of the chancellor/president of approving institution
 - Approving institution and entity board must ensure alignment with approving institution's mission and goals
- Associated entity activities
 - Subject to the direction of the Associated Entity's board
 - May represent they are affiliated with the University, subject to written agreement(s) with approving institution
 - Typical activities include fundraising, research support, providing services to students and campus organizations, and collaborating with the approving institution's development activities.

Governance of Foundations

Is BOG approval required to establish a foundation or other Associated Entity?

Answer: No. University foundations are private, North Carolina nonprofit corporations. The chancellor or president of the approving institution may approve the foundation as an Associated Entity, as long as it meets requirements of University policy. UNC Policy 600.2.5.2[R], Section B(1).

How is the board for a foundation or other Associated Entity established?

Answer: The boards for foundations are established in the same manner as any other nonprofit corporation. There is no statutory requirement for approval by the board of trustees or the Board of Governors. However, University policy requires that at least one senior administrative officer (or chancellor's designee) of the approving institution must serve on the board. UNC Policy 600.2.5.2, Section C(5).

Governance of Foundations

Does the chancellor/president of the approving institution have the authority to direct the operations of a foundation or other Associated Entity?

Answer: The operations of a foundation are typically overseen and directed by its board. However, the chancellor of the approving institution is responsible for ensuring that the foundation meets its responsibilities to the institution. UNC Policy 600.2.5.2[R], Section B(4). In addition, the chancellor may remove a foundation's status as an approved Associated Entity, with appropriate notice. UNC Policy 600.2.5.2[R], Section B(3).

Who owns the assets of a foundation or other Associated Entity?

Answer: The foundation is a separate legal entity, so its assets are owned by the foundation. However, upon dissolution, assets must revert to the approving institution or another Associated Entity, consistent with donor intent.

Governance of Foundations

What requirements must a foundation or other Associated Entity meet in order to issue debt?

Answer: A foundation that is a major Associated Entity may not acquire debt in excess of \$500,000 that is not to be publicly traded without first notifying the president or the chancellor or designee of the approving institution and consulting with the vice president for finance of the UNC System.

What remedies are available to the University (constituent institution) if a foundation or other Associated Entity is not acting in the institution's best interests?

Answer: If the foundation is not acting in accordance with its written agreement with the approving institution, or is otherwise not acting in the best interests of the University, the foundation's approved status as an Associated Entity may be removed by the chancellor, with appropriate notice.

Associated Entities – UNC Regulatory Requirements

- Rules for all Associated Entities -- See summary
 - Written operating agreement with institution required
 - Assets revert to approving institution on dissolution
 - Consult with CFO of approving institution and UNC System Office before taking on non-publicly traded debt of \$500,000 or more
 - Operate as NC nonprofit organization; maintain tax-exempt status
 - Maintain a standing audit committee; file annual audits with BOG
 - Allow access to information by designees of chancellor/president
 - Have at least one senior officer of approving institution on governing board
 - Create annual operations and capital budgets for chancellor review
 - Document all monetary transfers between entity and approving institution
 - Conduct fundraising/development activities according to University policy
 - Maintain conflict of interest and ethics policies; fidelity bonds; insurance

THANK YOU

QUESTIONS?

Required Elements of University-Associated Entity Relationship

The University of North Carolina encourages the establishment of private organizations, known for purposes of these regulations as Associated Entities, to support the constituent institutions and other units of the University, consistent with G.S. 116-30.20. Associated Entities engage in activities that are critical to and aligned with the mission, goals, and objectives of the constituent institutions and institutional units with which they are associated. Activities undertaken by Associated Entities include fundraising, provision of services to students and campus organizations, research support, and collaborating with organizations outside the University to promote and support initiatives and activities that are related to the University's mission of teaching, research, and service. Associated Entities and the constituent institutions and units of the University with which they are associated rely on the dedicated guidance, support, and leadership of Associated Entity directors, officers, donors, and volunteers to pursue shared goals and objectives.

Each Associated Entity becomes affiliated with either a constituent institution or General Administration pursuant to the written approval of the chancellor (in the case of an entity associated with a constituent institution) or the president (in the case of an entity associated with General Administration). Associated Entities are in turn, subject to the direction of the applicable Associated Entity's governing body and provide funding and other support to the Approving Institution. In recognition of and to facilitate such support, Associated Entities are permitted in accordance with these regulations and pursuant to written agreements with Approving institutions, to represent that they are affiliated with the University or a constituent institution. In addition, many Associated Entities benefit from resources of the constituent institution in carrying out their activities.

These regulations establish a framework of cooperation and coordination within which the chancellor or the president of the Approving Institution are expected to structure the Approving Institution's engagement with its Associated Entities. The authority and responsibility for establishing and maintaining cooperative and mutually beneficial relationships between the Approving Institution and its Associated Entities rests with the chancellor or, as the case may be, the president, of the applicable Approving Institution. These regulations recognize the independence of each Associated Entity as an organization that is separate from the Approving Institution, while ensuring the Approving Institution maintains essential oversight and control over the Approving Institution's name, marks, resources, and activities that could impact accreditation standards, and compliance responsibilities applicable to the Approving Institution. Further, these regulations recognize that funds raised by Associated Entities are to be used to support the Approving Institution consistent with donor intent and applicable law. Accordingly, these regulations articulate standards for governance and operations of Associated Entities in their support of and interaction with their Approving Institutions, and create pathways of communication to ensure that the University and its constituent institutions are informed about the activities of its Associated Entities so that those activities remain aligned with the mission, goals, and objectives of the Approving Institution. The president adopts these regulations to apply to any University Associated Entity.

A. Definitions. As used in these regulations:

1. An "Associated Entity" means any foundation, association, corporation, limited liability company (LLC), partnership, or other nonprofit entity that was: (a) established by officers of the University; or (b) that is controlled by the University; or (c) that raises funds in the name of the University; or (d) that has a primary purpose of providing services or conducting activities in furtherance of the University's mission pursuant to an agreement with the University; or (e) that has a tax-exempt status that is based on being a support organization for the University.
2. An "Athletically Related Associated Entity" means an Associated Entity that supports or conducts activities in furtherance of an Approving Institution's intercollegiate athletics program, as determined by the chancellor of the Approving Institution.

3. "Approving Institution" means (a) a constituent institution of the University of North Carolina that approves an Associated Entity, or (b) the General Administration for an Associated Entity approved by the president.
4. "General Administration" means the Office of the President and the affiliated programs of the University associated with General Administration that are not centers or institutes of a constituent institution.
5. "Major Associated Entity" means an Associated Entity which has annual expenditures of \$100,000 or more.
6. "Minor Associated Entity" means an Associated Entity which has annual expenditures of less than \$100,000.
7. "Special Purpose Entity" means an Associated Entity (including any approved subsidiary or affiliate of an Associated Entity) that is: (a) established by an Approving Institution or is controlled by an Approving Institution; (b) undertakes a specified activity for the Approving Institution as its sole purpose (e.g., constructing or managing facilities, research development, or intellectual property management); and (c) does not engage in fundraising activities.
8. "State" means the State of North Carolina.
9. "University" means the University of North Carolina, including its constituent institutions.
10. When "president or chancellor" is used in these regulations, it means the chancellor if the Approving Institution is a constituent institution and it means the president if the Approving Institution is the General Administration.

B. Creation and Approved Status of Associated Entities

1. Associated Entity Must be Approved. An Associated Entity (including any subsidiary or affiliate of an existing Associated Entity) must be approved in writing by the president, the chancellor, or the president's or chancellor's designee. An Associated Entity must be approved in order to receive University-provided services or to be able to use any University names, logos, or marks.
2. Abide by Relevant University Policies; Alignment with Mission and Goals. In order to obtain approved status, the Associated Entity must agree, pursuant to a written agreement also described in subpart F.1., to abide by the policies or regulations established by the University and by the Approving Institution, including the requirements of these regulations, and to assure that the activities of the Associated Entity align with the mission, goals, and standards of or applicable to the Approving Institution, including accreditation standards applicable to institution-related entities, and athletics conference standards applicable to intercollegiate athletics programs. Approving Institutions should make reasonable efforts to notify Associated Entities of the accreditation standards, athletic conference standards, and/or the institutional policies that may affect Associated Entities' operations.
3. Removal of Approved Status. The head of the Approving Institution may adopt policies or provide in written agreements with any Associated Entity that an Associated Entity's approved status shall be removed only upon advance written notice specifying material noncompliance with or breach of: (a) these regulations; (b) the applicable policies of the University and the Approving Institution; or (c) the written agreement required by sections B.2., or F.1. The advance written-notice period, if any, required by a written agreement or policy shall not exceed sixty (60) days, during which time the Approving Institution may consider and accept or reject a corrective action plan submitted by the Associated Entity. In the absence of any such authorized provision in the Approving Institution's written agreement with the Associated Entity and/or the Approving Institution's policies, the head of the Approving Institution may remove the approved status of an Associated Entity of that Approving Institution.
4. Compliance with Policies, Regulations, and Agreements. The head of the Approving Institution (chancellor or president) shall be responsible for taking reasonable steps to ensure that the Approving Institution and its Associated Entities operate in accordance with all requirements of these regulations, the applicable policies of the University and the Approving

Institution, and the written approvals and agreements between the Approving Institution and each Associated Entity.

C. Organizational Requirements of an Associated Entity

1. Purpose to Benefit University. The Associated Entity must be organized for the primary purpose of (a) supporting the University or one or more of its constituent institutions or programs, and/or (b) conducting activities that are in furtherance of the mission of the University or of one or more of its constituent institutions or programs.

2. State Nonprofit Entity. The Associated Entity must be organized on a nonprofit basis as a separate legal entity recognized under and in compliance with North Carolina law. If a constituent institution proposes to establish or approve an Associated Entity on a for-profit basis, it must receive prior approval from the Board of Governors.

3. Tax-Exempt Status. Except as provided in paragraph C.2. (concerning Associated Entities established on a for-profit basis), an Associated Entity must either (a) apply for, receive, and maintain both federal and State tax-exempt status, or (b) be eligible to utilize the tax-exempt status of one or more constituent institutions or tax-exempt Associated Entities.

4. Dissolution of Associated Entity. The Associated Entity's governing documents including but not limited to the articles of incorporation or by-laws if a corporation, and the articles of organization or operating agreement if a limited liability company, must address dissolution and provide that upon dissolution of the Associated Entity, unless otherwise designated by the donor of an asset, all of its assets will revert to (a) the Associated Entity's Approving Institution, (b) another Associated Entity named in the governing documents of the dissolving Associated Entity, which Associated Entity shall be approved by the same Approving Institution as the dissolving Associated Entity, and/or (c) some combination of the above.

5. Requirements for Members of Associated Entity Governing Body; Board Members for Athletically Related Associated Entities

a. All Associated Entities. At least one senior academic or administrative officer (SAAO) of the Approving Institution or a designee of the president or the chancellor of the Approving Institution must sit as an ex-officio (either voting or nonvoting) or regular member of the Associated Entity's governing body.

b. Athletically Related Associated Entities. Prior to appointing members to serve on the governing body of an Athletically Related Associated Entity, the president or chair of the Athletically Related Associated Entity's governing body shall consult with the chancellor of the Approving Institution concerning such appointment.

6. Audit Committee Required

a. A Major Associated Entity's by-laws must provide for a standing audit committee or other committee with an audit function. The audit committee must receive the report of the individual or firm that conducts the Associated Entity's annual audit and relevant tax forms to be submitted by the Associated Entity.

b. A Minor Associated Entity's by-laws must provide for a committee which has these audit functions.

c. No employee of the Associated Entity may serve on an audit committee or a committee with an audit function. If practical, each audit committee or committee with an audit function should have a financial expert as a member.

d. A Special Purpose Entity is not required to have an audit committee provided that it is subject to independent audit at the request of one or more designated trustees, sureties, insurers, certificate holders or bondholders, or is audited during the Approving Institution's audit.

e. A single member LLC is not required to have an audit committee provided its operations are audited in connection with the audit of the member.

D. Financial and Accounting Controls

1. Sound Accounting and Business Principles. An Associated Entity must use sound fiscal and business principles, ensure that a sound internal control structure is in place, and follow generally accepted accounting procedures.

2. Annual CPA Audit. A Major Associated Entity and its single member subsidiaries (LLC or corporations) must be audited on an annual basis by an independent CPA firm in good standing with the North Carolina Board of CPA Examiners and with substantial experience in performing audits for organizations of similar scope and complexity to the Major Associated Entity. A Minor Associated Entity must have an annual audit conducted either by the Approving Institution's internal auditor, another University internal auditor, or an independent CPA firm. A Special Purpose Entity must be audited every two years. A Special Purpose Entity which has annual expenditures of \$100,000 or more must be audited by an independent CPA firm. A CPA firm providing an audit for a Major Associated Entity may not provide nonauditing services to the Associated Entity other than tax preparation services that are preapproved by the audit committee.

a. An Associated Entity of a constituent institution must provide copies of the audit report, management letters, and responses to management letters to the chancellor of the Approving Institution, through the chancellor to the governing board of the Approving Institution and the president, and through the president to the Board of Governors.

b. An Associated Entity of the General Administration must provide copies of the audit report, management letters, and responses to management letters to the president, and through the president to the Board of Governors.

3. Annual Budgets. Each Associated Entity must create an annual operations and capital budget. If requested to do so, an Associated Entity shall meet with the head of the Approving Institution (or designee) to review the Associated Entity's proposed annual operations and capital budget, and any subsequent proposed material changes to such annual operations and capital budget. Each Associated Entity in setting its budget shall consider in good faith all suggestions offered by the head of the Approving Institution (or designee) regarding the proposed budget of the Associated Entity and how the budget might be better aligned with the mission, goals, and objectives of the Approving Institution.

4. Officer and Employee Compensation. All salary and nonsalary compensation provided by the Associated Entity to its officers or employees must be approved by the Associated Entity's governing board. The Associated Entity must comply with Board of Governors Policy Section 300.1.1 concerning the prohibition of payments to specified University employees. This requirement does not prohibit the Associated Entity from reimbursing its officers or employees for expenditures made on behalf of the Associated Entity. Each Athletically Related Associated Entity shall, if requested, make available for inspection information detailing the salary and nonsalary compensation and reimbursements provided to each officer and each employee of the Associated Entity and each employee of the University assigned to the Associated Entity for the prior year.

5. Indemnification of University. The Approving Institution may require an Associated Entity to indemnify and hold the Approving Institution and the University harmless from any damages or liabilities that the Approving Institution or the University incurs as a result of the Associated Entity's actions.

6. University-Associated Entity Monetary Transfers. All transfers of funds from the Associated Entity to the University or to the Approving Institution must be documented in writing or electronically in a form that has a retrievable transaction trail. Each Athletically Related Associated Entity shall, if requested by the chancellor of the Approving Institution, submit an annual report summarizing transfers of funds from the Associated Entity to the Approving Institution or to third parties for the benefit of the Approving Institution for the prior year.

7. Whistleblower Protection. An Associated Entity must have a confidential and anonymous mechanism to encourage individuals to report any inappropriateness within the entity's financial management and must prohibit punishment of or retaliation against any employee for reporting problems.

8. Chief Executive Officer. The chief financial officer of the Approving Institution may not be the chief executive officer of an Associated Entity.

9. Acquisition of Debt. A Minor Associated Entity may not acquire debt in excess of \$100,000 that is not to be publicly traded without first notifying the president or the chancellor or designee of the Approving Institution and consulting with the vice president for finance of the University. A Major Associated Entity may not acquire debt in excess of \$500,000 that is not to be publicly traded without first notifying the president or the chancellor or designee of the Approving Institution and consulting with the vice president for finance of the University. In determining the level of scrutiny to give to the proposed transaction, the vice president shall take into account the amount of the debt in relationship to the Associated Entity's assets and income and the extent of experience of the Associated Entity in entering into similar debt transactions. A Special Purpose Entity that issues debt to construct facilities for the University must provide a financial or construction audit to the vice president for finance of the University at the vice president's request or to the governing board of the Approving Institution at the request of the chair of the governing board.

10. Audit Findings. Within 90 days of the issuance of an audit report with audit findings, the Associated Entity must demonstrate to the president or the chancellor of the Approving Institution and to the vice president for finance that satisfactory progress has been made to implement a corrective action plan. Failure of an Associated Entity to receive an unqualified audit opinion, to comply with the reporting requirements of this regulation, or to satisfactorily implement a corrective action plan in response to an audit finding may result in the Associated Entity's losing its approved status.

E. Insurance and Bonding

1. Bonding Required. Officers and employees of Major Associated Entities who have check-signing authority or who handle cash or negotiable instruments must be bonded in an amount determined to be reasonable by the Associated Entity's governing body, in collaboration with the Approving Institution. The governing body of a Minor Associated Entity should consider requiring bonding of appropriate employees.

2. Insurance. The governing body of an Associated Entity, working in collaboration with the Approving Institution's insurance and risk management personnel, should evaluate the potential risks arising from the operation of the Associated Entity and obtain commercially reasonable amounts of general liability and directors'/officers' insurance.

F. Provision of Administrative and Other Services by University for Associated Entity

1. Written Agreement Required. The Associated Entity must enter into a written agreement with the Approving Institution in which the Associated Entity agrees to abide by the policies and regulations established by the University and by the Approving Institution. An Associated Entity may only use University or constituent institution assets, facilities, and personnel pursuant to the terms of the written agreement.

2. Reimbursement of Costs. Any reimbursement to the Approving Institution or the University for services the Approving Institution or the University provides to the Associated Entity must be made pursuant to a written agreement between the University or the Approving Institution and the Associated Entity entered into before the service is provided.

3. Control of University Personnel. When University personnel provide services for the Associated Entity and there arises a conflict between the University and the Associated Entity, the University's employee must comply with the policies, regulations, and directives of the University.

G. Acceptance of Gifts by Associated Entity

1. Direction and Control of Fundraising and Development Activities. The fundraising and development activities of the Associated Entity shall be conducted subject to the policies and regulations of the Approving Institution and the University and coordinated with the Approving Institution's development office. Absent prior approval from the Approving Institution, the Associated Entity may not engage in fundraising or development activities that impose obligations on the Approving Institution, or receive gifts that impose obligations on the Approving Institution.

2. Restricted or Conditional Gifts that Require University Approval. An Associated Entity may not accept any restricted or conditional gifts that impose an obligation on the University or the Approving Institution or the State to expend resources in addition to the gift or that impose an obligation on the University's or the Approving Institution's operations without the Approving Institution's prior approval. In addition, an Associated Entity may not accept a gift which has any restriction that is unlawful.

3. Notification to Donors of Restricted Gift Policies. An Associated Entity must advise prospective donors of all restricted or conditional gifts to the Associated Entity if acceptance of the gift is conditioned upon the Approving Institution's approval.

H. Conflict of Interest and Ethics Policies

1. Policies Required. The Associated Entity must have in place conflict of interest and ethics policies, as approved by the Approving Institution, pertaining to relationships between the Approving Institution, the Associated Entity, members of the governing body of the Associated Entity and persons doing business with the Associated Entity, and establishing required ethical standards for the members of the governing body and employees of the Associated Entity.

2. Transactions Between Associated Entity and its Employees. All transactions (other than reimbursements as provided in section D.4.) between the Associated Entity and an individual member, manager, officer, director, or employee of the Associated Entity must be approved by the Associated Entity's governing body. For the avoidance of doubt, only an individual designated as a member pursuant to state law shall be considered a "member" for purposes of this section.

3. Recusal from Business Decisions. No Associated Entity individual member, manager, officer, director, or employee having a private business interest in an Associated Entity business transaction may be involved in the decision with respect to whether the Associated Entity should enter into such transaction.

4. Associated Entity Scholarships. No Associated Entity scholarship or fellowship award may be made to an individual member, manager, officer, director, or employee of the Associated Entity or to a family member of such person unless the recipient of the award is determined by an independent awards committee or is overseen by the Approving Institution's Financial Aid and Scholarship Office. For the avoidance of doubt, only an individual designated as a member pursuant to state law shall be considered a "member" for purposes of this section.

I. Reports Required to be Submitted by Associated Entity to University

1. The Associated Entity must file annual reports with the president or chancellor of Approving Institution covering the following items:

a. A list of all members of the Associated Entity's governing body;

b. A copy of the publicly disclosed portion of the Associated Entity's Form 990, or other series 990 form or other similar information return; and

c. A copy of the Associated Entity's CPA audit report and related management letters and responses to management letters.

2. At the request of the chancellor, president, or the chair of governing body of the Approving Institution, the Associated Entity must meet with the requesting person, his or her designee, or the internal auditor of the Approving Institution and allow that person to inspect any information requested.

J. Miscellaneous Requirements

1. Associated Entity Communications. An Associated Entity must conduct business in its own name and all correspondence, advertisements, and other communications by the Associated Entity must clearly indicate that the communication is from the Associated Entity, and not from the Approving Institution or the University.
2. Lobbying and Political Activities. An Associated Entity must comply with all provisions of the Internal Revenue Code and all State laws regarding lobbying and political activity.
3. Associated Entity Courses and Seminars. An Associated Entity may not offer any course or seminar in which the University's name is used without first obtaining the permission of the institution(s) whose name(s) will be used.
4. Record Retention Schedule. An Associated Entity must have a policy governing retention and destruction of documents including electronic files and which prohibits destruction of documents if an audit other than in the ordinary course, investigation into wrongdoing, or litigation is anticipated or underway.

K. Waiver

If the application of any of the requirements of these regulations to a particular Associated Entity in specific circumstances is of limited benefit and is unduly burdensome, the president may waive that requirement as to that specific Associated Entity under circumstances that are set out in writing and supported by the Approving Institution.

L. Effective Date

Every Associated Entity shall be in compliance with these regulations no later than July 1, 2015.

WHAT IS A UNIVERSITY ASSOCIATED ENTITY?

The Board of Governors has the statutory authority to promote the establishment of private organizations - known as “Associated Entities” - to support the constituent institutions and other units of the University. Associated entities are subject to extensive regulation and oversight under Section 600.2.5.2[R] of the UNC Policy Manual. They may be established either by a constituent institution or General Administration, with the written approval of the chancellor or the president. Each associated entity must enter into a written agreement with the approving institution in which the associated entity agrees to abide by the policies and regulations established by the University and the approving institutions.

State law and UNC Policy require that associated entities must be organized for the purpose of supporting the University or one of its constituent institutions, or conducting activities that are in furtherance of the University’s mission. Consequently, associated entities engage in activities that are critical to and aligned with the mission, goals, and objectives of the constituent institutions and institutional units with which they are associated. Activities undertaken by Associated Entities include fundraising, provision of services to students and campus organizations, research support, and collaborating with organizations outside the University to promote and support initiatives and activities that are related to the University’s mission of teaching, research, and service.

Each Associated Entity becomes affiliated with either a constituent institution or General Administration pursuant to the written approval of the chancellor (in the case of an entity associated with a constituent institution) or the president (in the case of an entity associated with General Administration). Associated Entities are in turn, subject to the direction of the applicable Associated Entity’s governing body and provide funding and other support to the Approving Institution. In recognition of and to facilitate such support, Associated Entities are permitted in accordance with University policy and written agreements with Approving institutions, to represent that they are affiliated with the University or a constituent institution.

UNC policy establishes a framework of cooperation and coordination within which the chancellor or the president of the Approving Institution are expected to structure the Approving Institution’s engagement with its Associated Entities. The responsibility for establishing and maintaining cooperative and mutually beneficial relationships between the Approving Institution and its Associated Entities rests with the chancellor or, as the case may be, the president, of the applicable Approving Institution. Although each Associated Entity is an organization that is legally separate from the Approving Institution, UNC policy imposes requirements of oversight and control that associated entities must follow to ensure that the associated entity always operates for the benefit of the approving institutions.

Under UNC policy, an associated entity must:

- Be approved in writing by the chancellor of the constituent institution and function at all times for the benefit of the constituent institution;

- In its corporate documents provide that upon dissolution, all of its assets will revert to the constituent institution that approved its establishment, or another associated entity of the constituent institution, unless otherwise designated by the donor of the asset;
- Generally be a North Carolina non-profit organization, and apply for, receive, and maintain federal and state tax-exempt status;
- Operate pursuant to a written agreement or agreements with the approving institution;
- File annual reports with the chancellor;
- At the request of the chancellor, the president, or the Board of Governors, meet with the institution and allow designees of the institution to inspect any information requested;
- Abide by University policies and align its activities with the institution's mission/goals;
- Have at least one senior officer of the constituent institution or a designee of the president or the chancellor on the governing board;
- Provide for a standing audit committee in its by-laws;
- Use sound fiscal and business principles and ensure that a sound internal control structure is in place;
- Be audited on annual basis by an independent CPA firm, and provide copies of the audit report, management letters, and responses to management letters to the chancellor, the president, and the Board of Governors;
- Create annual operations and capital budgets and, if asked, meet with the chancellor or chancellor's designee to review the proposed annual budget and consider in good faith all suggestions offered by the chancellor regarding the budget;
- Ensure that all salary and nonsalary compensation provided to associated entity employees is approved by the entity's governing board, and comply with certain University policies in this regard;
- If provided in the Operating Agreement, indemnify the constituent institution and the University for any damages and liabilities that the institution or the University incurs as a result of the associated entity's actions;
- Document all monetary transfers between the constituent institution and the associated entity in writing, and if requested, provide a report of all monetary transfers with the institution or third parties; and
- Consult with the constituent institution's CFO before taking on debt of \$500,000 or more.

University of North Carolina Associated Entities

Campus	Total Net Assets / Net Position*
Appalachian State University	
Appalachian State University Foundation, Inc.	\$130,208,882
Appalachian Student Housing Corporation	\$22,806,311
Appalachian Real Estate Holdings, Inc.	
East Carolina University	
East Carolina University Alumni Association, Inc.	\$3,266,526
East Carolina University Educational Foundation, Inc.	\$22,368,499
East Carolina University Foundation, Inc. and Consolidated Affiliates	\$128,146,061
East Carolina University Medical & Health Sciences Foundation, Inc.	\$44,281,019
Elizabeth City State University	
The Elizabeth City State University Foundation	\$8,586,451
Elizabeth City State University Housing Foundation, LLC (Blended with ECSU Foundation)	
Elizabeth City State University National Alumni Association, Inc. ¹	\$167,625
Fayetteville State University	
Fayetteville State University Foundation, Inc., and Subsidiary	\$9,803,694
Fayetteville State University Housing Foundation, LLC	\$1,607,088
Fayetteville State University Student Housing Corporation and Subsidiary	\$900,268
Fayetteville State University Athletic Club, Inc. (Currently Disassociated)	
Fayetteville State University Research Corporation (No transactions for 2017)	
Fayetteville State University Development Corporation	
Fayetteville State University National Alumni Association, Inc.	
North Carolina A&T State University	
North Carolina A&T State University Alumni Association, Inc.	\$2,678,075
North Carolina A&T Real Estate Foundation, Inc.	\$23,476,570
The Aggie Athletic Foundation of North Carolina A&T State University, Inc.	\$1,048,963
North Carolina Central University	
North Carolina Central University Alumni Association, Inc. ²	\$860,414
The North Carolina Central University Educational Advancement Foundation, Inc.	\$99,140
The North Carolina Central University Foundation, Inc.	\$19,442,199
NCCU Real Estate Foundation, Inc.	(\$594,416)
North Carolina School of Science and Mathematics	
North Carolina School of Science and Mathematics Foundation and Subsidiary	\$12,939,447
NCSSM Student and Constituent Support Services, Inc.	\$66,696
North Carolina State University	
The North Carolina Agricultural Foundation, Inc.	\$161,599,203
NC State Alumni Club, Inc. ¹	\$171,037
NC State Engineering Foundation, Inc.	\$113,036,975
NC State Investment Fund, Inc. ³	\$1,059,431,278
NC State Natural Resources Foundation, Inc.	\$34,929,561
North Carolina State University Alumni Association, Inc.	\$37,834,141
North Carolina State University College of Sciences Foundation, Inc.	\$23,207,177
North Carolina State University Foundation, Inc.	\$382,787,913
North Carolina State University Club ¹	\$7,429,658
NC State University Partnership Corporation and Affiliates	\$23,058,887
North Carolina Textile Foundation, Inc.	\$45,428,703
North Carolina Tobacco Foundation, Inc.	\$9,756,972
North Carolina Veterinary Medical Foundation, Inc.	\$75,982,204
NC State Student Aid Association, Inc.	\$81,136,114

University of North Carolina Associated Entities

Campus	Total Net Assets / Net Position*
The University of North Carolina at Asheville	
University of North Carolina Asheville Foundation, Inc.	\$35,696,413
The University of North Carolina at Chapel Hill	
The Botanical Garden Foundation, Inc.	\$5,723,213
Carolina Angel Network, LLC	(\$137,136)
Carolina for Kibera, Inc.	\$2,805,355
Carolina Research Ventures, LLC and Carolina Research Venture Investment Fund, LLC	\$2,665,871
Chapel Hill Foundation Real Estate Holdings, Inc.	\$5,291,978
Dental Foundation of North Carolina, Inc.	\$42,068,786
HVPV Holdings, LLC (No/minimal activity. New Entity June 2016)	
The Educational Foundation, Inc.	\$51,369,258
The Kenan-Flagler Business School Foundation	\$117,643,548
The Medical Foundation of North Carolina, Inc. and Subsidiary	\$315,568,931
Morehead-Cain Scholarship Fund	\$30,569,482
The School of Government Foundation, Inc.	\$26,091,653
The School of Media and Journalism Foundation of North Carolina, Inc.	\$23,194,844
The School of Social Work Foundation, Inc.	\$12,184,140
Spirovention Inc. ⁴	\$33,094
University of North Carolina at Chapel Hill Arts and Sciences Foundation, Inc.	\$295,911,989
UNC Eshelman School of Pharmacy Foundation	\$51,243,397
UNC Investment Fund, LLC ^{3,5}	\$5,456,504,148
UNC Intermediate Pool, LLC ⁵	\$579,824,992
The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc. ⁵	\$3,044,191,227
The University of North Carolina at Chapel Hill Foundation, Inc.	\$350,577,506
The University of North Carolina at Chapel Hill School of Education Foundation, Inc.	\$4,173,183
The University of North Carolina at Chapel Hill School of Nursing Foundation, Inc.	\$12,059,359
UNC Global Projects, LLC	\$0
UNC Law Foundation, Inc.	\$54,057,747
UNC Management Company, Inc.	\$14,079,309
The University of North Carolina at Chapel Hill Public Health Foundation, Inc.	\$72,163,873
WUNC Public Radio, LLC	\$18,496,422
The University of North Carolina at Charlotte	
The Athletic Foundation of the University of North Carolina at Charlotte	\$32,367,209
Ventureprise, Inc.	\$217,148
The Foundation of The University of North Carolina at Charlotte, Inc.	\$161,479,472
The University of North Carolina at Charlotte Facilities Development Corporation, Inc.	\$3,554,852
The University of North Carolina at Charlotte Investment Fund, Inc. ³	\$192,499,099
University of North Carolina at Greensboro	
Capital Facilities Foundation, Inc.	\$1,602,546
Serve, Inc.	\$330,857
The Alumni Association of the University of North Carolina at Greensboro, Inc.	\$3,533,904
The UNCG Excellence Foundation	\$121,731,288
The University of North Carolina at Greensboro Human Environmental Sciences Foundation, Inc.	\$9,628,836
Weatherspoon Arts Foundation	\$23,507,990
Weatherspoon Art Museum Association	\$291,004
The University of North Carolina at Greensboro Investment Fund, Inc. ³	\$276,120,937

University of North Carolina Associated Entities

Campus	Total Net Assets / Net Position*
The University of North Carolina at Pembroke	
The UNCP University Foundation, LLC	(\$396,736)
The University of North Carolina at Pembroke Foundation, Inc.	\$12,435,809
The UNCP Student Housing Foundation, LLC	\$1,661,862
The University of North Carolina School of the Arts	
University of North Carolina School of the Arts Foundation, Inc.	\$54,863,470
University of North Carolina School of the Arts Housing Corporation	\$701,437
University of North Carolina School of the Arts Program Support Corporation	\$1,197,880
RiverRun International Film Festival	\$259,690
The Semans Art Fund, Inc.	\$4,073,733
The University of North Carolina at Wilmington	
Donald R. Watson Foundation, Inc.	\$1,526,446
Alumni Association of The University of North Carolina at Wilmington	\$788,029
The Foundation of the University of North Carolina at Wilmington, Inc.	\$6,465,637
UNCW Student Aid Association, Inc.	\$2,769,355
UNCW Corporation	\$0
UNCW Corporation II	\$286,409
UNCW Research Foundation	\$357,357
Friends of UNCW, Inc.	\$14,583
Western Carolina University	
The North Carolina Arboretum Society	\$2,872,190
Western Carolina University Foundation	\$37,187,364
Western Carolina University Research and Development Corporation	\$2,198,489
The Highlands Biological Foundation, Inc.	\$3,088,511
Corporation for Entrepreneurship and Innovations LLC	
Forest Stewards, Inc.	
Winston-Salem State University	
Simon Green Atkins Community Development Corporation	\$3,396,000
Winston-Salem State University Foundation, Inc. and Subsidiary	\$18,757,345
Winston-Salem State University National Alumni Association, Inc.	\$168,867
The University of North Carolina System Office	
The North Carolina Public Television Foundation, Inc.	\$2,641,026
The University of North Carolina Foundation, Inc.	\$224,720

Footnotes

*As of fiscal year end date 6/30/17, except where noted.

¹ Fiscal year end date 12/31/17

² Fiscal year end date 6/30/17 (unaudited)

³ The investment funds hold investments for other associated entities at their respective institution.

⁴ Fiscal year end date 12/31/16

⁵ Government external investment pools

University of North Carolina Major Associated Entity Foundations

Campus	Total Net Assets / Net Position
Appalachian State University	
Appalachian State University Foundation, Inc.	\$130,208,882
East Carolina University	
East Carolina University Educational Foundation, Inc.	\$22,368,499
East Carolina University Foundation, Inc. and Consolidated Affiliates	\$128,146,061
East Carolina University Medical & Health Sciences Foundation, Inc.	\$44,281,019
Elizabeth City State University	
The Elizabeth City State University Foundation	\$8,586,451
Elizabeth City State University Housing Foundation, LLC (Blended with ECSU Foundation)	
Fayetteville State University	
Fayetteville State University Foundation, Inc., and Subsidiary	\$9,803,694
Fayetteville State University Housing Foundation, LLC	\$1,607,088
North Carolina A&T State University	
North Carolina A&T Real Estate Foundation, Inc.	\$23,476,570
The Aggie Athletic Foundation of North Carolina A&T State University, Inc.	\$1,048,963
North Carolina Central University	
The North Carolina Central University Educational Advancement Foundation, Inc.	\$99,140
The North Carolina Central University Foundation, Inc.	\$19,442,199
NCCU Real Estate Foundation, Inc.	(\$594,416)
North Carolina School of Science and Mathematics	
North Carolina School of Science and Mathematics Foundation and Subsidiary	\$12,939,447
North Carolina State University	
The North Carolina Agricultural Foundation, Inc.	\$161,599,203
NC State Engineering Foundation, Inc.	\$113,036,975
NC State Natural Resources Foundation, Inc.	\$34,929,561
North Carolina State University College of Sciences Foundation, Inc.	\$23,207,177
North Carolina State University Foundation, Inc.	\$382,787,913
North Carolina Textile Foundation, Inc.	\$45,428,703
North Carolina Tobacco Foundation, Inc.	\$9,756,972
North Carolina Veterinary Medical Foundation, Inc.	\$75,982,204
The University of North Carolina at Asheville	
University of North Carolina Asheville Foundation, Inc.	\$35,696,413
The University of North Carolina at Chapel Hill	
The Botanical Garden Foundation, Inc.	\$5,723,213
Chapel Hill Foundation Real Estate Holdings, Inc.	\$5,291,978
Dental Foundation of North Carolina, Inc.	\$42,068,786
The Educational Foundation, Inc.	\$51,369,258
The Kenan-Flagler Business School Foundation	\$117,643,548
The Medical Foundation of North Carolina, Inc. and Subsidiary	\$315,568,931
The School of Government Foundation, Inc.	\$26,091,653
The School of Media and Journalism Foundation of North Carolina, Inc.	\$23,194,844
The School of Social Work Foundation, Inc.	\$12,184,140
University of North Carolina at Chapel Hill Arts and Sciences Foundation, Inc.	\$295,911,989
UNC Eshelman School of Pharmacy Foundation	\$51,243,397
The University of North Carolina at Chapel Hill Foundation, Inc.	\$350,577,506

University of North Carolina Major Associated Entity Foundations

Campus	Total Net Assets / Net Position
The University of North Carolina at Chapel Hill (Continued)	
The University of North Carolina at Chapel Hill School of Education Foundation, Inc.	\$4,173,183
The University of North Carolina at Chapel Hill School of Nursing Foundation, Inc.	\$12,059,359
UNC Law Foundation, Inc.	\$54,057,747
The University of North Carolina at Chapel Hill Public Health Foundation, Inc.	\$72,163,873
The University of North Carolina at Charlotte	
The Athletic Foundation of the University of North Carolina at Charlotte	\$32,367,209
The Foundation of The University of North Carolina at Charlotte, Inc.	\$161,479,472
University of North Carolina at Greensboro	
Capital Facilities Foundation, Inc.	\$1,602,546
The UNCG Excellence Foundation	\$121,731,288
The University of North Carolina at Greensboro Human Environmental Sciences Foundation,	\$9,628,836
Weatherspoon Arts Foundation	\$23,507,990
The University of North Carolina at Pembroke	
The UNCP University Foundation, LLC	(\$396,736)
The University of North Carolina at Pembroke Foundation, Inc.	\$12,435,809
The UNCP Student Housing Foundation, LLC	\$1,661,862
The University of North Carolina School of the Arts	
University of North Carolina School of the Arts Foundation, Inc.	\$54,863,470
The University of North Carolina at Wilmington	
Donald R. Watson Foundation, Inc.	\$1,526,446
The Foundation of the University of North Carolina at Wilmington, Inc.	\$6,465,637
UNCW Student Aid Association, Inc.	\$2,769,355
Friends of UNCW, Inc.	\$14,583
Western Carolina University	
Western Carolina University Foundation	\$37,187,364
The Highlands Biological Foundation, Inc.	\$3,088,511
Winston-Salem State University	
Winston-Salem State University Foundation, Inc. and Subsidiary	\$18,757,345
The University of North Carolina System Office	
The North Carolina Public Television Foundation, Inc.	\$2,641,026
The University of North Carolina Foundation, Inc.	\$224,720

AGENDA ITEM

A-3. Update from the IT Security Working Group Keith Werner

Situation: The purpose of this item is to update the Committee on Audit, Risk Management, and Compliance on recent work by the committee relating to information governance, information security, and data protection.

Background: CARMC has identified information governance and information security as areas of enterprise risk. In response, the Board adopted a new policy on Information Security on CARMC’s recommendation in January 2018. Last spring, CARMC asked that the IT Security Working Group (ITSWG) be formed to address key risk areas and identify institutional needs relating to information security matters. The ITSWG completed its work and reported to CARMC in May 2018.

Assessment: In response to recommendations from the ITSWG and CARMC, the Board adopted two new policies in May 2018: (1) the policy on Information Technology Governance (1400.0), and (2) policy on User Identity and Access Control (1400.3).

In addition, CARMC accepted a set of recommendations from the ITSWG concerning the next steps that the UNC System should take to improve IT governance and data security, including the following: (1) adopt standard IT Governance Guiding Principles as contemplated by the IT Governance (1400.1) policy, (2) for all campuses, document resource and service needs, review existing vacancies and budget for immediate needs, and document gaps for budgetary requests in the long session, (3) identify the appropriate funding to meet the User Identity and Access Control Requirement, (4) identify the appropriate funding for each campus to maintain a minimum \$1 million coverage level in cybersecurity insurance, (5) identify the appropriate funding for the standardization and procurement of annual security awareness training, (6) broaden the existing partnership with MCNC to deliver security services to the campuses, (7) investigate risk assessment automation and the development of a security awareness toolkit, and (8) share the new policies and recommendations with all key stakeholders.

Action: This item is for information only.





Information Technology Security Working Group (ITSWG)

ITSWG Background

- Scope
- Membership
- Goals
- Workgroup Actions

Policies

- Information Technology Governance (1400.1)
- User Identity and Access Control (1400.3)

IT Governance Guiding Principles

UNC System Office will be responsible for the IT governance core set of principles; each campus will own the implementation of the IT governance program, which aligns to the following:

Actively Design IT Governance

- Review/redesign process and schedule

- Approval process requirement that includes broad campus support

- Continuous monitoring

- Exception handling

Governance Framework

- Ownership and accountability

- Business and IT synergy

- Account for all IT, including distributed IT

- CIO access to senior leadership

IT Governance Guiding Principles

Implement Policies and Procedures

- Awareness and training

- Gaps and associated action plans

- Policies, guidelines and standards

- Process to verify compliance

Information Security Program

- Oversight

- Training and awareness

Transparency

- Reporting requirements set forth by president or Board of Governors

- Timely collaboration with UNC System on gaps, needs, or shared service opportunities

ITSWG Recommendations

Campus Resource Needs Process

- Use new IT Governance Policy (1400.1)

- Broker communication between CIO and campus senior leadership

 - Document needs for resources and/or services

 - Review existing vacancies/budget for immediate needs

 - Document gaps, develop budget requests for long session

User Identity and Access Control Requirement (\$282,872 annual estimate)

Cyber Insurance (\$425,000 annual estimate)

- Each campus will maintain a minimum \$1 million coverage level for:
response services, legal & PR consult, notification, call center expenses

ITSWG Recommendations

Annual Security Awareness Training (\$100,000 annual estimate)

SCORM compliant awareness materials to be integrated into learning management systems or other delivery means at the campus level

Standardize/procure

Partner with MCNC for Security Services

Reporting and Oversight

Executive and Board briefing(s)

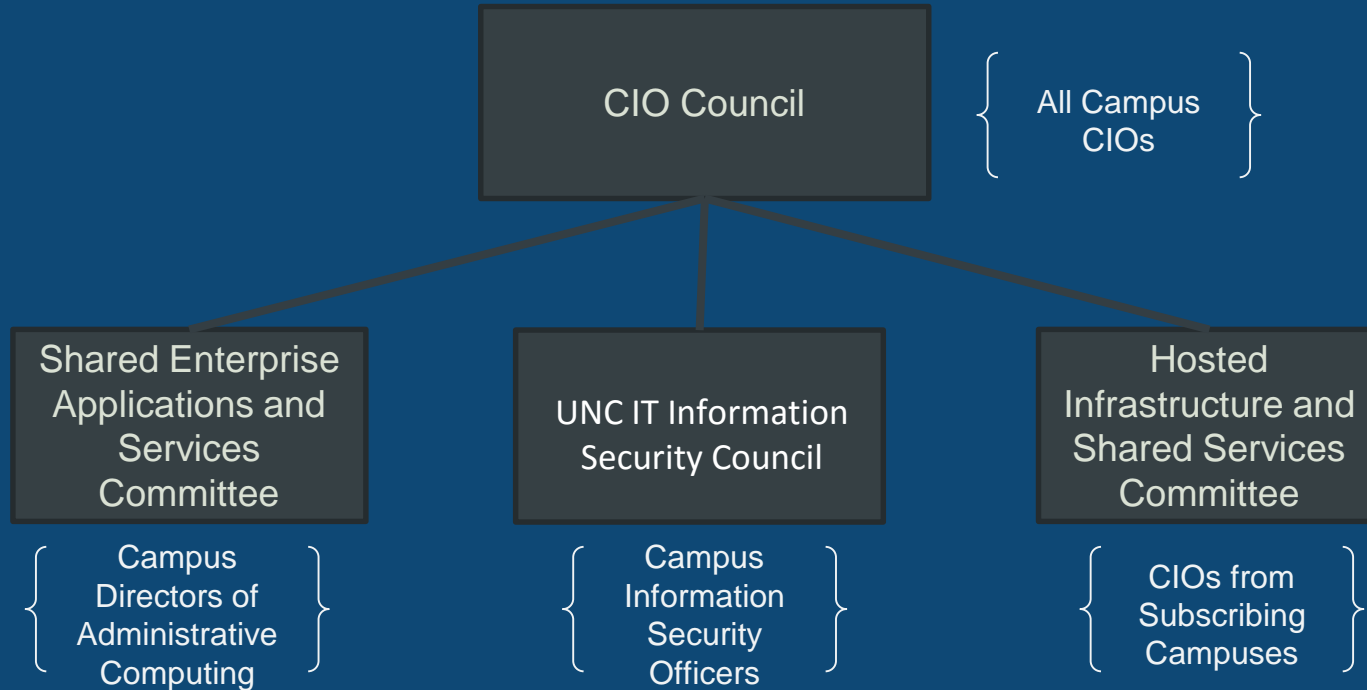
Utilize Existing IT Governance Structure – ISC, CIO Council

Charge ISC/CIOC with risk assessment automation review

Develop and implement a security awareness toolkit

Publish Recommendations from CARMC/ ITSWG

CIO Governance



QUESTIONS?

47/47

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