



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

October 9, 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 July 26, 2018, August 13, 2018, and September 12, 2018](#) Jim Holmes
 - a. July 26, 2018
 - b. August 13, 2018
 - c. September 12, 2018
- A-2. [NC Area Health Education Centers and UNC Air Operations Presentation](#) Dr. Bill Roper
- A-3. [Annual Report of CARMC for 2017-18](#) Lynne Sanders
- A-4. [UNC System Office Internal Audit 2017-18 Year-end Report](#) Joyce Boni
- A-5. [Update to CARMC Charter](#) Lynne Sanders

CLOSED SESSION

- A-6. Approval of the Closed Session Minutes of July 26, 2018 and August 13, 2018 Jim Holmes
- A-7. Legal and Audit Update Tom Shanahan and Lynne Sanders

OPEN SESSION

- A-8. Discussion of 2018 – 2019 Plan of Work Jim Holmes
- A-9. Other Business Jim Holmes
- A-10. Adjourn

DRAFT MINUTES

July 26, 2018

University of North Carolina System Office
Center for School Leadership Development, Room 128
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: Thomas Fetzer, Thomas Goolsby, Robert Rucho, and William Webb.

Chancellors participating were Lindsay Bierman and Sheri Everts.

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 10:30 a.m., on Thursday, July 26, 2018, and called for a motion to approve the open session minutes of May 21, 2018 and May 24, 2018.

MOTION: Resolved, that the Committee on Audit, Risk Management, and Compliance approve the open session minutes of May 21, 2018 and May 24, 2018, as distributed.

Motion: Thomas Goolsby

Motion carried

2. UNC System Foundations Discussion (Item A-2)

Tom Shanahan, senior vice president and general counsel, presented to the committee a briefing on the governance of University foundations, the UNC Policy (600.2.5.2[R]) and regulations that cover Associated Entities, and their relationship to the University. After the completion of the presentation, Mr. Shanahan answered questions from the committee and members of the Board of Governors who were present at the meeting.

3. Update from the IT Security Working Group (Item A-3)

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 recent approval of the Information Technology Governance (1400.1) and the User Identity and Access Control (1400.3) policies by the Board, the development of the IT governance core set of principles, and the eight recommendations for security controls at each constituent institution.

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 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: Thomas Goolsby

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: Thomas Goolsby

Motion carried

THE MEETING RESUMED IN OPEN SESSION.

5. Discussion of 2018-2019 Plan of Work (Item A-6)

In the interest of time, the Committee on Audit, Risk Management, and Compliance will discuss the 2018-19 Plan of Work at the next meeting.

6. Other Business (Item A-7)

The chair asked committee members to submit a list of topics for discussion in the coming weeks.

There being no further business, the meeting adjourned at 12:02 p.m.

Thomas Goolsby, Secretary

DRAFT MINUTES

August 13, 2018
University of North Carolina System Office
Spangler Center, Conference Room A
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: Thomas Fetzer and Robert Rucho. The following committee members were absent: Thomas Goolsby and William Webb.

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

1. Call to Order

Chair Holmes called the meeting to order at 2:02 p.m., on Monday, August 13, 2018.

2. Discussion of 2018-2019 Plan of Work (Item A-1)

Chair Holmes discussed the following 2018-2019 Plan of Work topics: (1) there will be an audit conducted at East Carolina University. Chair Holmes will scope the parameters of the audit and ask the committee for any additional items, and (2) there will be a presentation in respect to the NC Area Health Education Centers' (NC AHEC) UNC Air Operations. Mr. Fetzer has asked to take the lead on this topic and will work with Tom Shanahan, senior vice president and general counsel, and Lynne Sanders, vice president for compliance and audit services on this matter.

3. 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 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; and consider the qualifications, competence, performance, or condition of appointment of a public officer or employee or prospective public officer or employee, pursuant to Chapter 143-318.11(a)(1), (3) and (6) of the North Carolina General Statutes.

Motion: Thomas Fetzer

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: Thomas Fetzer

Motion carried

THE MEETING RESUMED IN OPEN SESSION.

4. Other Business (Item A-3)

No further business matters were discussed in open session.

There being no further business, the meeting adjourned at 2:10 p.m.

Thomas Goolsby, Secretary



Joint Meeting of the Committees on
Audit, Risk Management, and Compliance
Educational Planning, Policies, and Programs
Personnel and Tenure
University Governance

DRAFT MINUTES

September 12, 2018
University of North Carolina System Office
Center for School Leadership Development, Board Room
Chapel Hill, North Carolina

Call to Order

The joint meeting of the Committee on Audit, Risk Management, and Compliance; Committee on Educational Planning, Policies, and Programs; Committee on Personnel and Tenure; and the Committee on University Governance was presided over by Chair Harry Smith. The following committee members, constituting a quorum of each committee were also present in person or by phone:

Committee on Audit, Risk Management, and Compliance: Jim Holmes, Chair; Tom Fetzer, Thomas Goolsby; Bob Rucho; Bill Webb

Committee on Educational Planning, Policies, and Programs: Anna Nelson, Chair; Rob Bryan; Walter Davenport; Joe Knott; Steve Long; Bettylenah Njaramba. Ann Maxwell was absent.

Committee on Personnel and Tenure: Wendy Murphy, Chair; Lou Bisette, Kellie Hunt Blue, Leo Daughtry, Thomas Goolsby, Frank Grainger, Doyle Parrish

Committee on University Governance: David Powers, Chair; Pearl Burris-Floyd; Phil Byers; Alex Mitchell; Randy Ramsey; Bill Webb; Michael Williford

1. Call to Order

Chair Smith called the meeting to order at 4:00 p.m. on Wednesday, September 12, 2018.

2. Authorization to Establish the following UNC Degree Programs – ECSU, UNC Greensboro, N.C.A&T, NCCU (Item 1)

The Committee on Educational Planning, Policies, and Programs reviewed and discussed degree program establishment for the following:

Elizabeth City State University

- Bachelor of Science in Unmanned Aircraft Systems

MOTION: Resolved, that the Committee on Educational Planning, Policies, and Programs approve the above request and recommend approval to the Board of Governors.

Motion: Walter Davenport

Motion carried

University of North Carolina at Greensboro

- Master of Science in Informatics and Analytics

MOTION: Resolved, that the Committee on Educational Planning, Policies, and Programs approve the above request and recommend approval to the Board of Governors.

Motion: Rob Bryan

Motion carried

North Carolina A&T State University

- Master of Accountancy

MOTION: Resolved, that the Committee on Educational Planning, Policies, and Programs approve the above request and recommend approval to the Board of Governors for a vote through the consent agenda.

Motion: Walter Davenport

Motion carried

North Carolina Central University

- Master of Science in Higher Education Administration
- Bachelor of Science in Biomedical Sciences

MOTION: Resolved, that the Committee on Educational Planning, Policies, and Programs approve the above requests and recommend approval to the Board of Governors.

Motion: Steven Long

Motion carried

3. Authorization for the President to Purchase Commercial Insurance Related to Employee Benefits Plan Administration (Item 2)

The Committee on Personnel and Tenure considered a resolution to grant the president the authority to purchase fiduciary liability insurance for employee benefits plans, including UNC-Chapel Hill supplemental retire plan.

MOTION: Resolved, that the Committee on Personnel and Tenure, approve the Resolution for Authorization to Purchase Commercial Insurance Related to the Management, Direction, Administration, and Investment of University Employee Benefit Plans and recommend approval to the Board of Governors for a vote through the consent agenda.

Motion: Leo Daughtry

Motion carried

4. Addition of One-Time Bonus Option to 2018-2019 Annual Raise Process (Item 3)

The Committee on Personnel and Tenure also considered a resolution authorizing the president to issue instructions permitting one-time bonus payments in lieu of or in addition to permanent base salary increases for 2018 annual raise process.

MOTION: Resolved, that the Committee on Personnel and Tenure, approve the Resolution for Authorization for One-Time Bonus Option in the 2018-2019 Annual Raise Process and recommend approval to the Board of Governors.

Motion: Frank Grainger

Motion carried

5. Report on Free Speech and Free Expression Within the UNC System (Item 4)

The Committee on University Governance, acting in its capacity as the Committee on Free Speech and Free Expression, considered the draft 2017-2018 Report on Free Speech and Free Expression Within the University of North Carolina.

MOTION: Resolved, that the Board approve the 2017-2018 Report on Free Speech and Free Expression Within the University and recommend approval to the Board of Governors.

Motion: Pearl Burris-Floyd

Motion carried

6. UNC System Office 2018-19 Internal Audit Plan (Item 5)

The Committee on Audit, Risk Management, and Compliance considered the Fiscal Year 2018-2019 Internal Audit Plan.

MOTION: Resolved, that the Committee on Audit, Risk Management, and Compliance approve the University's Fiscal Year 2018-2019 Internal Audit Plan and recommend approval to the Board of Governors.

Motion: Bill Webb

Motion carried

THE MEETING MOVED INTO CLOSED SESSION

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

MOTION: Resolved, that the joint committees return to open session.

Motion: Kellie Blue

Motion carried

There being no further business, the joint meeting of the committees adjourned at 5:12 p.m.

Thomas C. Goolsby, Secretary

AGENDA ITEM

A-2. NC Area Health Education Centers and UNC Air Operations Presentation Dr. Bill Roper

Situation: The committee has requested a presentation for information and background concerning the NC Area Health Education Centers (NC AHEC) Program and UNC Air Operations.

Background: The Area Health Education Centers (AHEC) Program is a federally funded program established in 1972 to improve the supply, distribution, retention, and quality of primary care and other health practitioners in medically underserved areas. AHECs are nonprofit organizations strategically located within designated regions. More than 300 AHEC program offices and centers comprise the national AHEC network. The NC AHEC system began under a federal contract with the University of North Carolina at Chapel Hill School of Medicine. The program receives both state and federal funding. The nine (9) North Carolina AHEC Regions are: Area L (Rocky Mount), Charlotte, South East (Wilmington), Eastern (Greenville), Greensboro, Mountain (Asheville), Northwest (Winston-Salem), Southern (Fayetteville), and Wake (Raleigh).

Since 1968, UNC Air Operations has provided air transportation to university physicians, faculty, and administrators in accomplishing the goals of the NC AHEC Program. The service allows personnel to reach remote areas of North Carolina on a daily basis while maintaining a full slate of professional activities.

Assessment: The Board of Governors receives a report each year on AHEC activities. UNC Air Operations is overseen by UNC-Chapel Hill.

Action: This item is for discussion only.



UNC AIR OPERATIONS

ABOUT NC AHEC

NC AHEC's **mission** is to meet the state's health and health workforce needs and to provide education programs and services that bridge academic institutions and communities to improve the health of the people of North Carolina, with a focus on underserved populations. Our **vision** is to lead the transformation of health care education and services in North Carolina.



NC AHEC PROGRAM – ORIGINATION

The NC AHEC Program evolved from national and state concerns with the supply, distribution, retention, and quality of health professionals.

A national focus on the health care workforce coincided with a growing effort in NC to establish statewide community training for health professionals and to reverse a trend toward shortages and uneven distribution of primary care physicians in the state's rural areas.

1970s

The NC AHEC Program began in 1972 with three AHEC regions under a federal AHEC contract with the UNC Chapel Hill School of Medicine.

1972

The NC General Assembly approved and funded a plan to create a statewide network of nine AHEC regions.

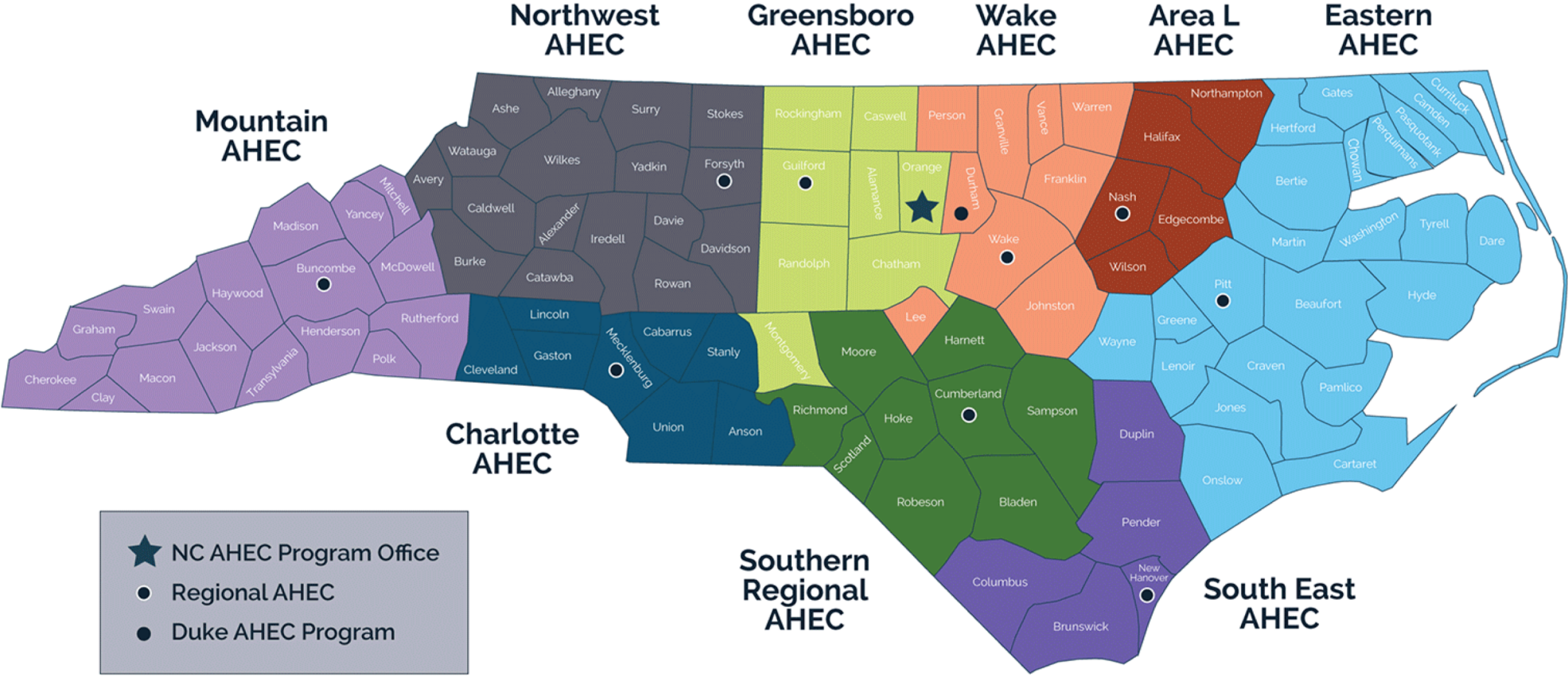
1974

By 1975, all nine AHECs were operational.

1975

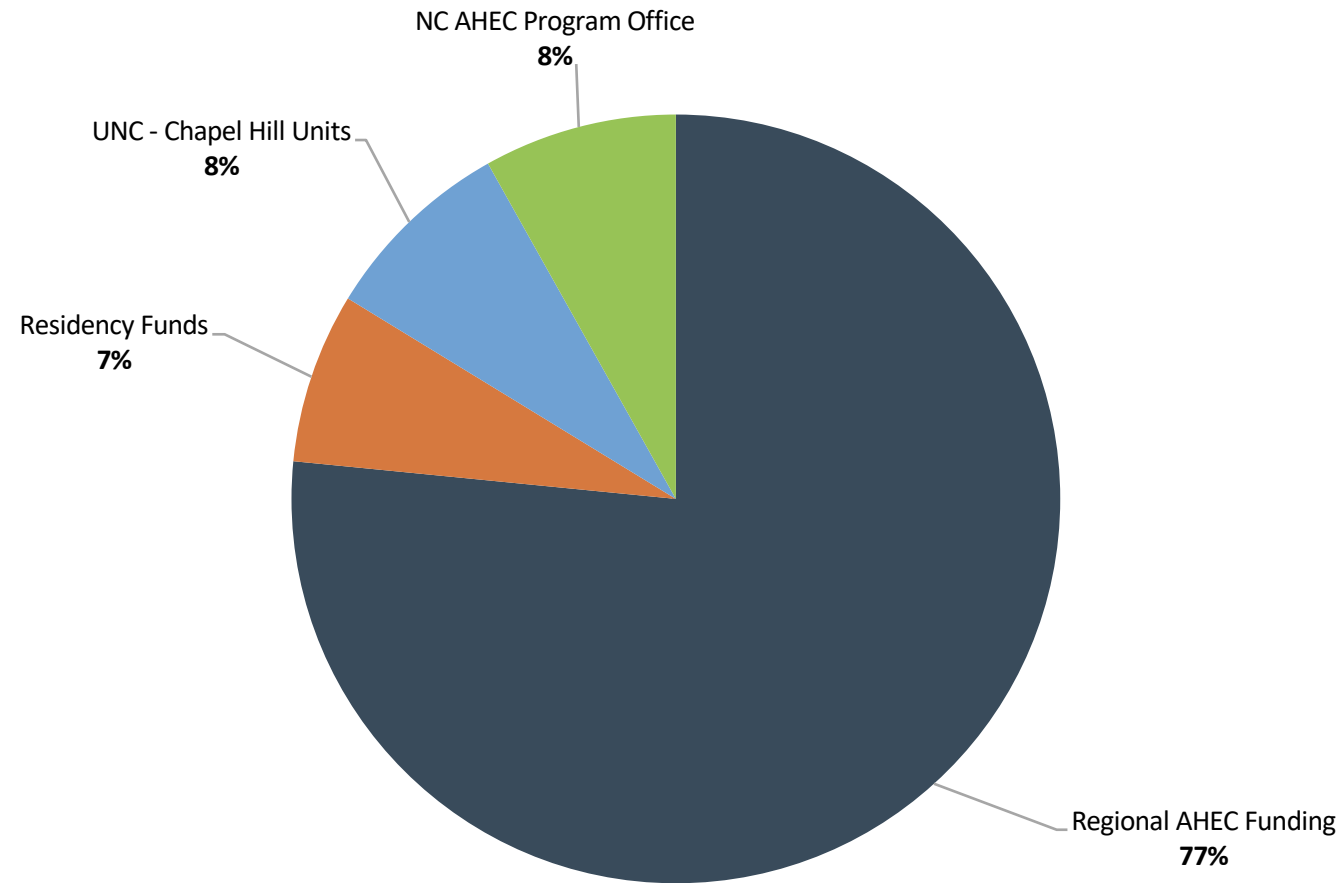


NC AHEC PROGRAM - NINE REGIONS



NC AHEC PROGRAM – STATE FUNDING EXPENSES, FY18

Total NC AHEC Expenditure = \$48,730,103



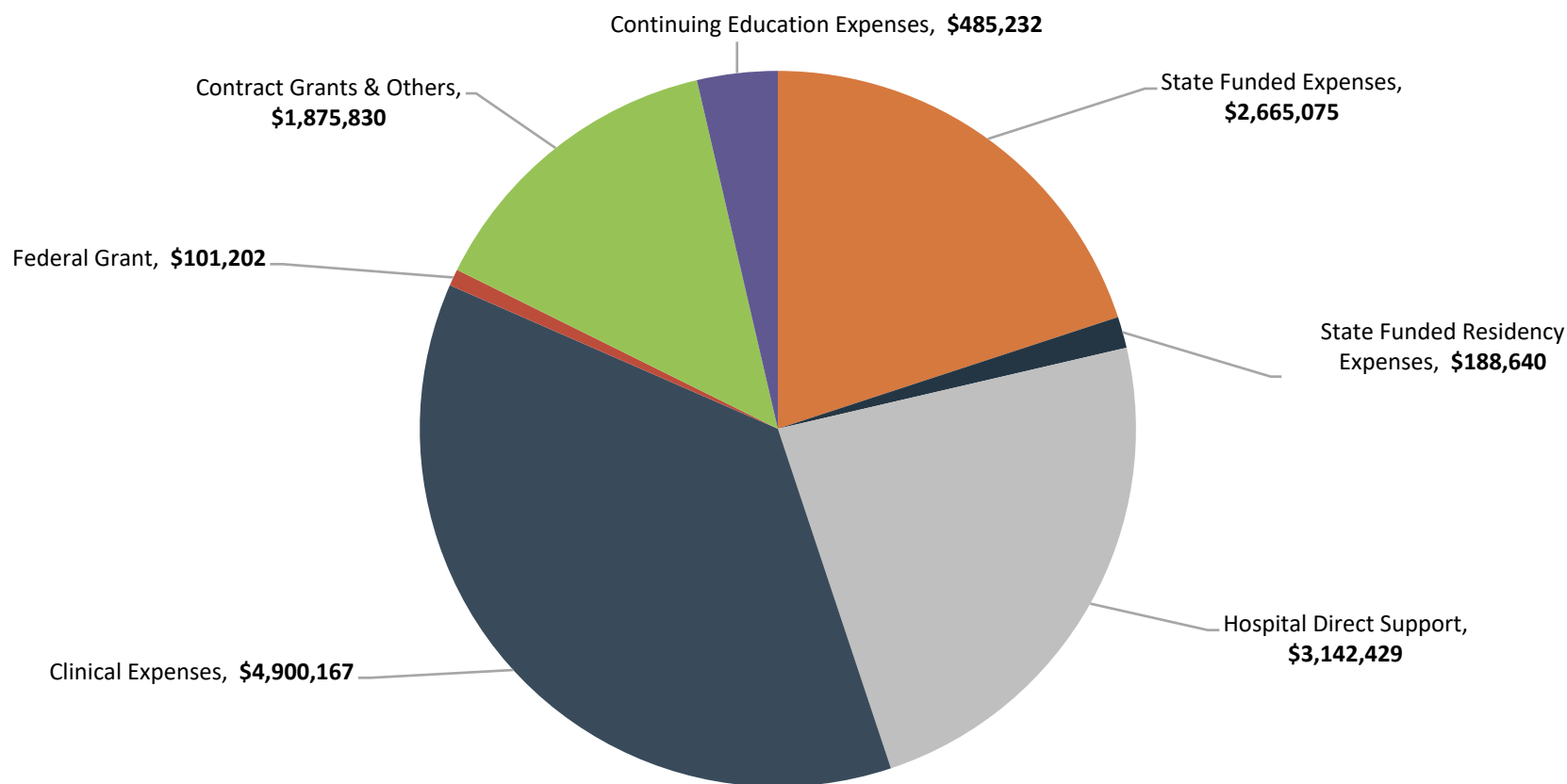
REGIONAL AHECS – GOVERNANCE & EXPENDITURES, FY17

AHEC	501(c)(3) or Contractual Agreement	FY17 Total Expenditure	FY17 State Funded Expenditure
Area L	501(c)(3)	\$3,984,248	\$1,450,790 (36%)
Charlotte	Atrium Health	\$18,065,575	\$3,605,576 (20%)
Eastern	501(c)(3)	\$21,340,874	\$4,550,239 (21%)
Greensboro	Moses H. Cone Memorial Hospital	\$14,918,556	\$3,568,842 (24%)
Mountain	501(c)(3)	\$52,933,397	\$12,238,968 (23%)
Northwest	Wake Forest University Health Sciences	\$12,185,550	\$4,268,140 (35%)
South East	New Hanover Regional Medical Center	\$9,795,391	\$3,442,571 (35%)
Southern Regional	501(c)(3)	\$13,358,575	\$2,853,715 (21%)
Wake	WakeMed	\$10,459,124	\$3,031,216 (29%)
Duke AHEC Program Office	(Supports Southern Regional AHEC)	\$2,411,395	\$1,486,399 (62%)

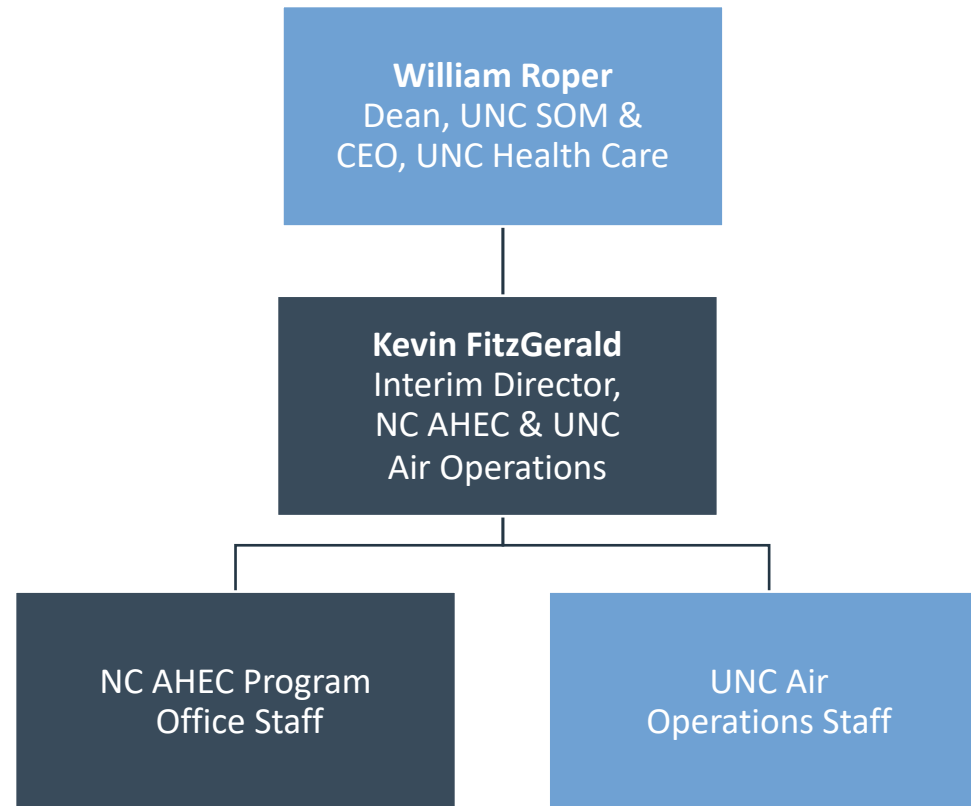


REGIONAL AHEC EXAMPLE OF EXPENDITURE BREAKDOWN, FY17

Total Expenditure = \$13,358,575



NC AHEC PROGRAM & UNC AIR ORGANIZATION



NC AHEC – CORE SERVICES

NC AHEC weaves through all sectors of health care education and workforce.

**Health Careers &
Workforce Diversity**

**Continuing Professional
Development**

Student & Preceptor Services

Practice Support

**Graduate Medical
Education Support**

Library Services



Medical training starts early with NC AHEC.

As part of our mission to improve the geographic distribution, retention, and quality of health care providers throughout the state, NC AHEC develops initiatives that introduce pre-college youth to the vast array of health care professions. We identify gaps in the educational pipeline and work to foster interest in health care careers.



Student & Preceptor Services

NC AHEC supports students, clinical instructors (preceptors), and health science schools.

We provide medical, physicians assistants, nurse practitioners, and other health professions students with affordable housing while they're off-campus on rotations, and we ensure that qualified instructors – preceptors – are in place to teach the next generation of health care professionals.



Graduate Medical Education (Residency) Support

NC AHEC improves the distribution and retention of primary care physicians.

We provide stipends to each of the teaching hospitals across the state, and we help support – and in rural and underserved areas of the state, operate – the residency programs necessary for primary and community care, with a strong emphasis on family medicine, pediatrics, internal medicine, general surgery, and obstetrics and gynecology.



Continuing Professional Development

NC AHEC meets the ever-evolving education and training needs of health professionals.

Our continuing professional development programs are important resources that provide health care professionals with the training and continuing education they need to meet state licensure and specialty certification and to stay abreast of new research, emerging technologies, and the latest innovations and advancements in their fields.



Practice Support

NC AHEC works with medical practices to transform delivery of care.

Our practice support teams ensure that medical practices, especially those in rural locations, have the help they need to evolve with the ever-changing health care system – from electronic health records to Medicaid transformation – ultimately reducing costs and improving quality of care.



Library Services

NC AHEC librarians support the clinical, educational, and research activities of medical professionals and students across the state.

Each of the nine AHEC locations has its own library, complete with a librarian staff prepared to meet the unique needs of the health care providers in their counties. In addition to this support, the **AHEC Digital Library** ensures that all providers in the state have high-quality health information at their fingertips.



NC AHEC – STATISTICS

Pipeline programs
reached **4,392**
students IN 2017-18

215,000 health care
professionals participated in
9,000 continuing education
programs in 2017-18

57% of AHEC-trained
primary care residents stay
in NC to practice

1,400 practices and **6,000**
providers have received
practice support consultation,
to-date

Student rotations at
1,429 community
precepting sites in 2017-18

400,000
library service
interactions in 2017-18



UNC AIR OPERATIONS

A Crucial Part of What We Do at NC AHEC

ABOUT UNC AIR OPERATIONS

UNC Air Operations, based at RDU General Aviation, provides the option of air transportation to university faculty, staff, and administrators in their efforts to accomplish the goals of the NC AHEC Program or other missions of the broader university. Destinations include North Carolina's nine AHEC centers, community hospitals, health departments, and universities.

This public service mission provided by the university brings the greater university to all areas of the state, making it possible for faculty to reach remote sites on a daily basis while maintaining a full slate of professional activities.



UNC Air - Origination

Since its early beginnings in 1968, UNC Air Operations (previously known as Medical Air or Med Air), has transported health science faculty, medical residents, and university officials to all areas of the state for educational activities. The concept of medical air mobility at UNC originated under the leadership of Dr. Reece Berryhill, dean of the UNC Chapel Hill School of Medicine (1941-64), as a method to broaden the teaching base of the school and to share the expertise of the school throughout all areas of North Carolina.

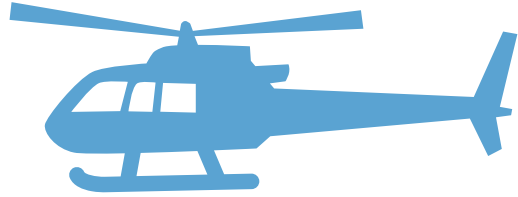


UNC AIR - GOVERNANCE

- UNC Chapel Hill operates a flight program, UNC Air Operations, under FAA's regulations for small, non-commercial aircraft (14 CFR Part 91).
 - UNC Air Operations is administratively housed in the NC AHEC Program and governed by a committee of UNC representatives.
 - Aircraft operated by UNC Air Operations and its UNC-employed pilots are owned by Medical Air, Inc., and leased to UNC.
- Under Part 91, UNC is able to provide its officials and employees flights and recover the costs of providing such flights that are within the scope of UNC business.



UNC AIR – COMMON MISPERCEPTIONS



We don't have helicopters.



We don't have jets.



Everyone pays to fly.

Barons = \$450/hr | TBMs = \$800/hr



**We don't
fly patients.**



**We are not a commercial
charter organization.**

UNC AIR FLEET

213CH - 2004 Baron 58

219CH - 2001 Baron 58

221CH - 2005 Baron 58

227CH - 2005 TBM700

228CH - 2006 TBM850



UNC AIR – FY 17-18 STATISTICS

599

Trips Flown

259

Flying Days

236,114

Statute Miles Flown

1,536

Landings

1,110

Flight Hours

2,369

Passenger
Movements

462

Distinct Passengers

110

Distinct Airports
Visited



UNC AIR – SAFETY FIRST!



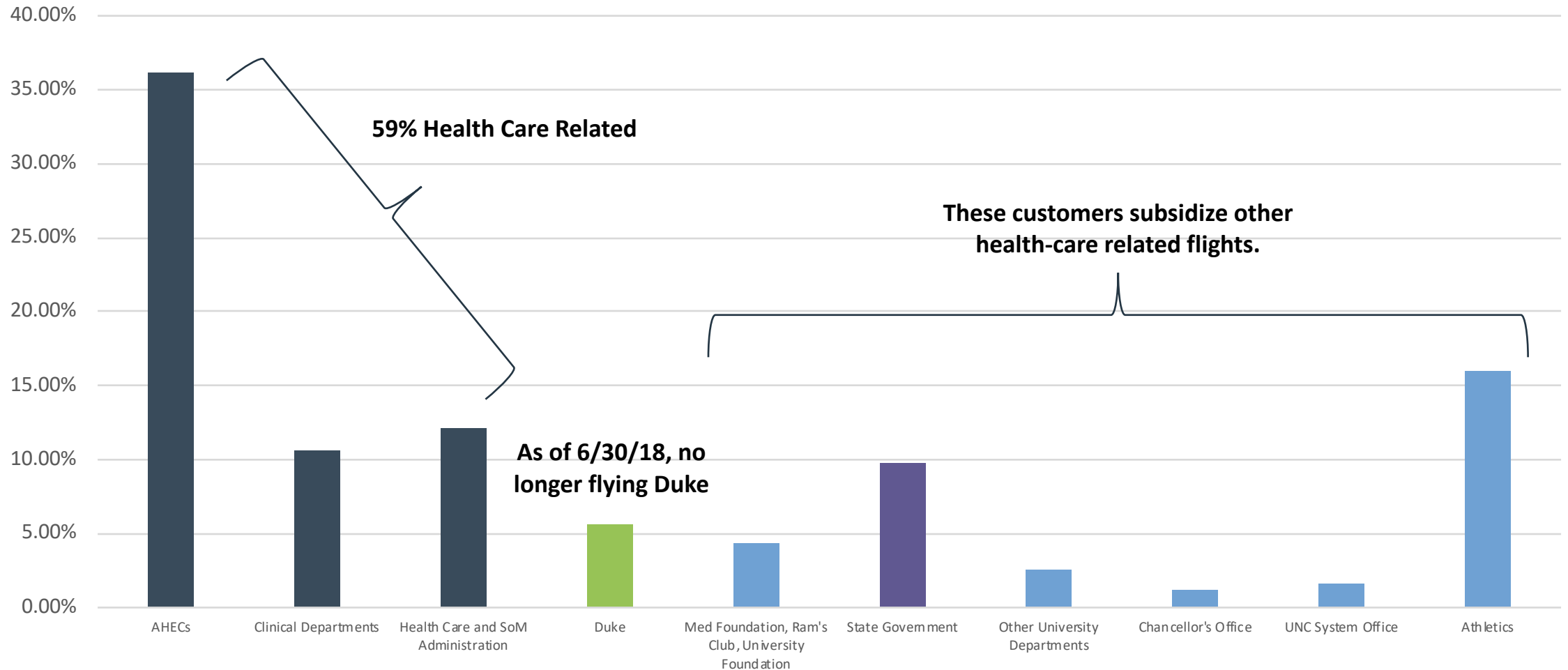
In 2018, UNC Air received a safety award from the National Business Aircraft Association. UNC Air has been without incident or accident causing damage to property or injury to person in 50 years of flying - 82,000 flight hours!

The National Business Aircraft Association has given this award to only 157 of the thousands of flight departments across the United States.

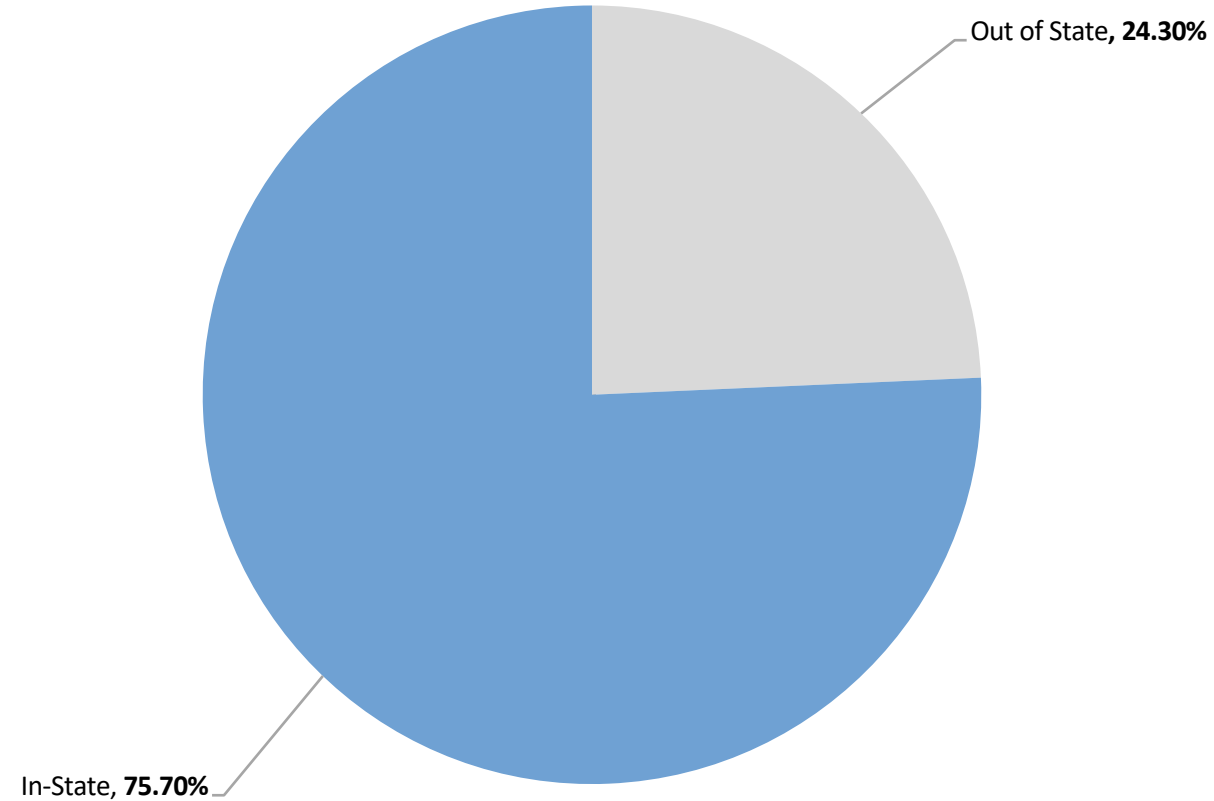


CUSTOMER FLIGHT HOURS, FY18

Total Customer Hours = 894.42

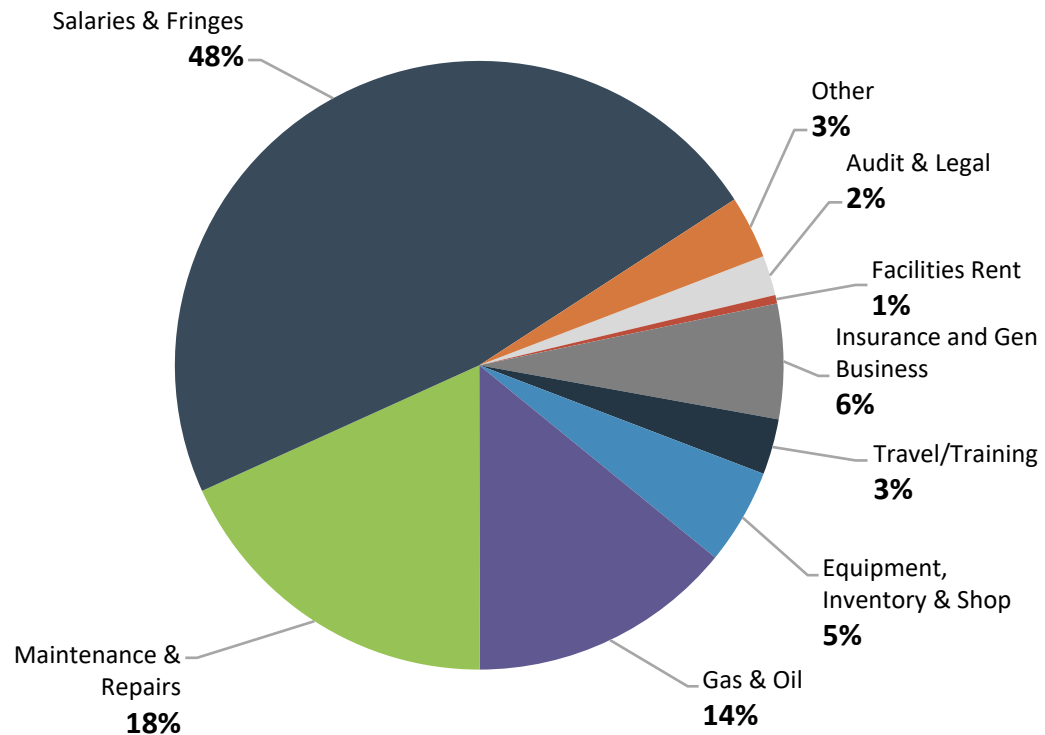


IN-STATE AND OUT-OF-STATE FLIGHT HOURS, FY18

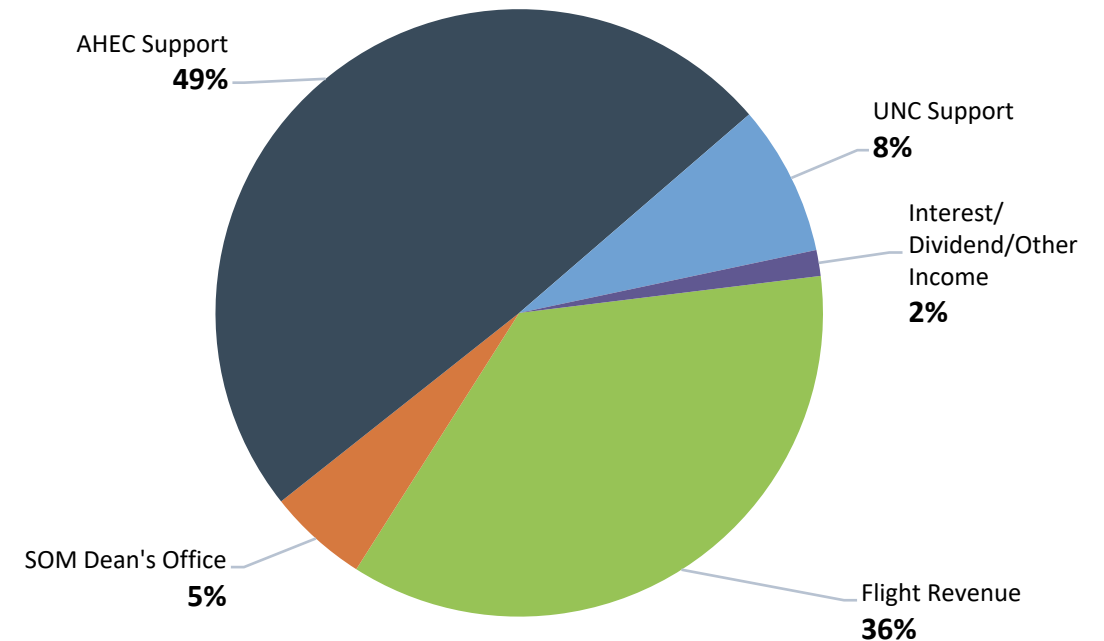


UNC AIR EXPENSES & FUNDING, FY18

Total Expenses = \$1,869,481



Total Funding = \$1,883,431



DETAIL - SALARIES & FRINGES

Total FTE = 9.5

Pilots = 4

Administrative Staff = 2

Mechanics = 3

Finance = 0.4

IT = 0.1

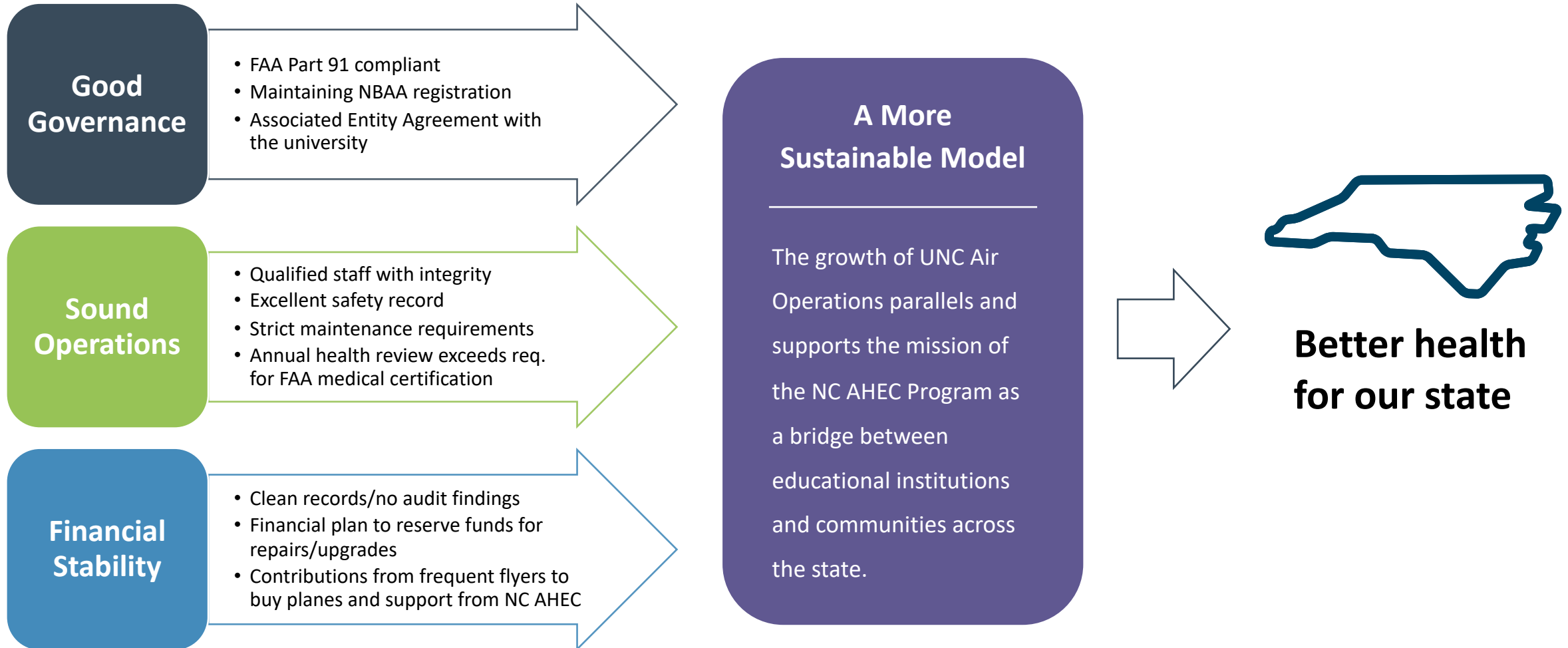
UNC AIR - RESERVE ACCOUNT

\$1,627,008

Money is moved into
reserves for repairs per
hours flown (6/1 – 5/31)
\$100 per TBM hour flown
\$25 per Baron hour flown



UNC AIR OPERATIONS TODAY



FOR MORE INFORMATION

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AGENDA ITEM

A-3. Annual Report of the Committee on Audit, Risk Management, and Compliance Lynne Sanders

Situation:	Each standing committee submits an annual report of its activities to the Board of Governors.
Background:	Under the UNC Policy Manual, Section 302 E of <i>The Code</i> , "Each standing committee shall make a written report to the Board of Governors at least annually, reviewing the work of the committee during the preceding year."
Assessment:	The annual report on the activities of the Committee on Audit, Risk Management, and Compliance for fiscal year 2017-18 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 2017 through June 2018.

The committee was composed of the following Board members: Ms. Kellie Hunt Blue, Ms. Carolyn Coward, Mr. Walter Davenport, Mr. James Holmes, Mr. Harry Smith, and Mr. William A. Webb. Mr. Smith served as chair, Mr. Holmes served as chair (beginning November 2017), Ms. Blue served as vice-chair, and Mr. Webb served as secretary.

Chancellor Mary Grant (UNCA), Chancellor Jose Sartarelli (UNCW), and Interim Chancellor Joseph Urgo (UNCA) also served on the Committee.

ACTIONS

The Committee on Audit, Risk Management, and Compliance met in nine regular meetings between July 1, 2017 and June 30, 2018. The major actions of the committee are summarized as follows:

Summary of Approval Actions	Month Approved
Approval of the UNC System Office Internal Audit Plan for fiscal year 2017-18	September 2017
Approval of the Annual Report of the Committee on Audit, Risk Management, and Compliance	September 2017
Approval of the Information Security Policy, 1400.2	December 2017
Approval of the Information Technology Governance Policy, 1400.1	March 2018
Approval of the Identity and Access Control Policy, 1400.3	March 2018
Approval of the Updates to the Committee on Audit, Risk Management, and Compliance Charter and the UNC System Office Internal Audit Charter	May 2018

AGENDA ITEM

A-4. UNC System Office Internal Audit 2017-18 Year-end ReportJoyce Boni

Situation: The chief audit officer is to provide an update on the UNC System Office internal audit activities.

Background: The Committee on Audit, Risk Management, and Compliance serves as the audit committee, and thus the oversight authority, for the UNC System Office's internal audit function. In this capacity and as directed by both the committee charter and the internal audit charter, the chief audit officer is to provide the committee with a year-end update on the planned versus actual internal audit activities.

Assessment: Attachment A lists the projects on the fiscal 2018 audit plan that were approved by the committee in September 2017 and identifies the status of those projects at the end of the 2017-18 fiscal year.

Attachment B is a summary of the fiscal 2018 planned and actual audit hours by major service category. It is important to note that this summary presents all of the hours the internal audit team provided to the following three entities that the unit serves: the UNC System Office, the North Carolina School of Science and Mathematics, and the North Carolina State Education Assistance Authority.

Action: This item is for information only.

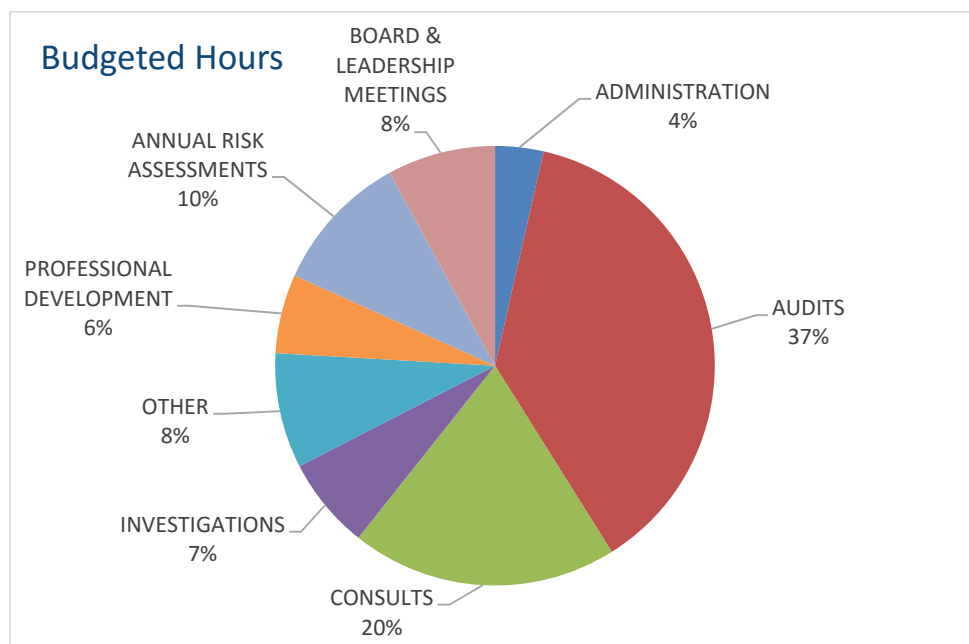
University of North Carolina System Office Internal Audit Plan

Fiscal Year 2017-2018

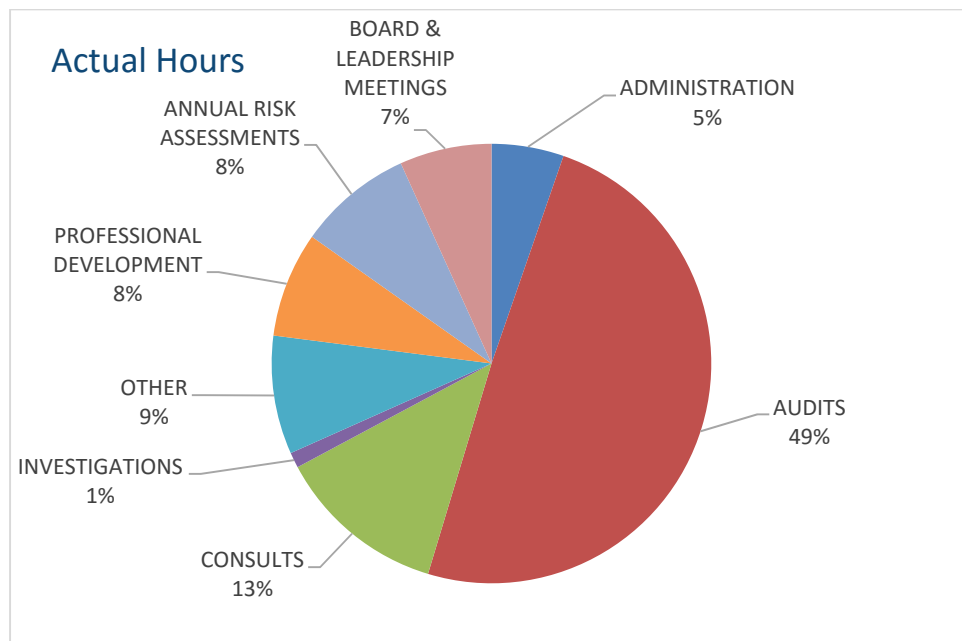
Description	Status
Prior Year Carry Over	
Compliance Audit: End User Data Storage & Security Awareness	Issued January 2018
Risk Assessment/2018 Audit Plan Development	Completed
Internal Control/Operational Procedures Review	
Go Global Expenditure Process & Procedures	Cancelled
Design of the Vendor Payment Process at UNC-TV	Cancelled
Design of Independent Contract Evaluation Process	Change to Consult
Design of the Employee On-boarding/Off-boarding Process	Change to Consult
Compliance Reviews	
NC New Teacher Support Program	Cancelled
Follow-up Reviews	
System Office Internal 2016 Travel & Purchase Card Follow-up, plus Travel Review	In Process
OSA 2017 IT General Controls Audit Follow-up	Issued October 2017
System Office Internal 2017 GEAR-UP	Deferred to FY2019
Investigations	
Unplanned/Various as occurs: Investigations of internal/external hotline reports and similar types of investigations	
Petty Cash Investigation	Issued August 2017
Special Projects/Consultations/Other	
Special Project: IA assistance at ECSU (added)	Completed
Annual Risk Assessment/FY2019 Audit Plan Development	In Process
Finance and IT Consults: Data Modernization, Enrollment Growth, Electronic Forms, Travel Procedures, Cybersecurity, IT policies	Completed
Academic Affairs Consult: Licensure Procedures Consult	Cancelled
Strategy & Policy Consults: Program Development & Process Consult	Cancelled
Academic & Student Affairs Consult: NC Pathways Agreements & Procedure Updates	Cancelled
UNC-TV Consults: New CRM System, FCC Tower Project, Cost Methodology, other	Deferred to FY2019
Quality Assurance Review Preparation	In Process
Board Meetings/Unit Oversight & Marketing	Completed
Other Consults/Committees: Routine consults for UNC-TV and System Office such as: Cheatham-White Scholars, Annual Self-Assessment of Controls, and other consults; Charter updates; Annual Certifications; CAO/OIA committee meetings; Clery Training Presenter (added); New Hire Interview Panel (added); and external audit assistance.	Completed
Professional Development	Completed
Audit Services through MOU with the NC School of Science & Mathematics and the NC State Education Assistance Authority	Completed

Summary of the 2017-18 Fiscal Year Internal Audit Hours

In September 2017, the UNC System Office internal audit plan was presented to CARMC for approval. The planned hours included two full-time audit staff members and 132 hours of other staff support. The planned projects covered the UNC System Office, as well as services to the North Carolina School of Science and Mathematics (NCSSM) and the North Carolina State Education Assistance Authority (NCSEAA). In accordance with the memorandum of understanding and the internal audit standards, the detailed audit plans for NCSSM and NCSEAA were reviewed and approved by their respective board. Across the three entities, the planned services included assurance and consulting projects that ranged from compliance and operational audits to assessments of internal control. To demonstrate a full picture of the UNC System Office's internal audit services, the chart below presents the 3,820 planned hours by category of audit services for all three organizations:



In contrast to the previous chart, which highlights planned audit services for the 2017-18 fiscal year, the chart below presents a breakdown of the 3,693 actual hours of work for the 2017-18 fiscal year at all three entities. Rarely will planned and actual be exactly the same, as audit plans should be dynamic and able to change based on current circumstances. Internal auditors must continuously respond to new and/or changing risk factors, and amend original plans when necessary.



AGENDA ITEM

A-5. Update to CARMC Charter Lynne Sanders

Situation: Proposed updates to the Charter for the Committee on Audit, Risk Management, and Compliance are being presented for review and approval.

Background: Based on guidance from the North Carolina Council of Internal Auditing and The Institute of Internal Auditors, the audit committee should have a charter to outline the committee's roles and responsibilities. The charter must be periodically reviewed to assess if updates are necessary.

The Charter for the Committee on Audit, Risk Management, and Compliance was last updated in May 2018. Since then, the committee established a work plan. The attached includes proposed charter updates to clarify corresponding roles and responsibilities.

Assessment: The proposed update to the committee charter is attached and includes clean and marked versions.

Action: This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.



Committee Charter for the Board of Governors
Committee on Audit, Risk Management, and Compliance

I. Background and Authority

The Committee on Audit, Risk Management, and Compliance (CARMC) is a standing committee of the Board of Governors of the University of North Carolina (the Board) and provides independent oversight of the University's governance, risk management, compliance, and internal control practices. This charter sets out the authority of the committee to carry out the responsibilities established by the Board. In discharging its responsibilities, the committee will have unrestricted access to members of management, employees, and relevant information across the UNC System it considers necessary to discharge its duties. Related authoritative legislation and policies include:

- A. All constituent institutions, affiliated entities, and the University of North Carolina System Office (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 (G.S.).
- B. Under the authority of G.S. 116-30.1, the Board of Governors may designate a special responsibility constituent institution, by expressly finding that each institution to be so designated has the management staff and internal financial controls that will enable it to administer competently and responsibly all additional management authority and discretion to be delegated to it. The Board, on recommendation of the president, shall adopt rules prescribing management staffing standards and internal financial controls and safeguards.
- C. A special responsibility constituent institution of the University of North Carolina is required by G.S. 116-30.8 to have an annual audit conducted by the North Carolina State Auditor.
- D. The University of North Carolina is required to establish a program of internal auditing pursuant to G.S. 143-746.
- E. Chapter 600 of the UNC Policy Manual establishes financial, reporting, and audit policies, regulations, and guidelines for the University of North Carolina, University-related private foundations, and associated entities.
- F. UNC Policy Manual 1400.2 assigns the responsibility for oversight of the UNC System Office's information security program to the standing committee with audit responsibility.

II. Purpose

The purpose of the Committee on Audit, Risk Management, and Compliance (CARMC) is to provide a structured, systematic oversight of the University of North Carolina System's governance, risk management, and internal control practices. The committee will assist the Board in performing its responsibilities and oversight related to:

- A. The integrity of financial statements.
- B. Governance, systems of internal control, values and ethics.
- C. The internal audit function, external auditors, firms, and other providers of assurance.
- D. Compliance with laws and policies.
- E. System-wide enterprise risk management and compliance processes.
- F. Designation of special responsibility constituent institutions.
- G. The required elements of University associated entities.

III. Organization

The chair of the Board of Governors will select the committee chair, members, and determine the number of voting members. Continuance of committee members and their overall, collective competencies and skills will be reviewed annually. A quorum for the committee will be a majority of the voting members.

The CARMC members:

- A. Must be independent of the UNC System or associated entity management and free of any relationship that would impair the members' independence.
- B. May not receive consulting, advisory, or other fees from any of the constituent institutions, affiliated entities, associated entities, the UNC System Office, or outside contractors hired to perform special engagements.
- C. Should collectively possess sufficient knowledge of audit, finance, higher education, information technology, law, governance, risk, and control in order to respond to regulatory, economic, reporting, and other emerging developments and needs.
- D. Should adhere to the UNC System's code of conduct and values and ethics established by the UNC System. It is the responsibility of the committee members to disclose any conflict of interest or appearance of conflict of interest to the CARMC chair.
- E. Are obligated to prepare for and participate in committee meetings.

IV. Meetings

The committee shall meet no fewer than four times a year. The committee will invite representatives of the constituent institutions, external and internal auditors, representatives of the Office of the State Auditor, legal counsel, and others to attend the meetings and provide pertinent information as required and requested. The committee will communicate its information requirements, including the nature, extent, and timing of information. The committee expects all communication with UNC management and staff as well as external assurance providers to be direct, open, and complete.

The committee chair will collaborate with senior management and the chief audit officer to establish a work plan that ensures the responsibilities of CARMC are properly scheduled and carried out. Meeting agendas and related materials will be prepared and provided in advance to members. Minutes will be prepared in accordance with applicable requirements.

V. Duties and Responsibilities

It is the responsibility of CARMC to provide the Board with independent, objective advice on the adequacy of the University's governance processes, values and ethics, risk management, prevention and detection of fraud, compliance monitoring, and internal control practices. The committee will also review observations and conclusions of the internal auditor, external auditor, firms, or other regulatory agencies. The committee will regularly report to the Board a summary of the committee's significant activities and recommendations.

The following shall be the principal oversight duties and responsibilities of this committee:

- A. External Audit
 - 1. Receive an annual overview from the State Auditor or a designated representative regarding the annual audits (financial and compliance) of the constituent institutions. Review the results of the UNC System Office's independent audit, including any difficulties encountered and reportable issues.
 - 2. Review other significant audit-related communications from the Office of the State Auditor or other external audit groups or firms. Meet separately with the external auditors or firms to discuss sensitive and any other matters that the committee or auditor believes should be discussed privately.
 - 3. Review reports on the progress of implementing approved management action plans and audit recommendations resulting from completed audit engagements.

4. Be available to meet during the year with external auditors (the State Auditor, engaged CPA firm, or audit staff) for consultation purposes or to discuss the auditor's judgment about the quality, not just the acceptability, of any accounting principles and underlying estimates in the preparation of a financial statement and other matters required to be communicated to the committee under generally accepted auditing standards.
5. Request, as needed, that the State Auditor rotate the audit manager or that the engaged CPA firm rotate the partner assigned to a constituent institution, affiliated entity, or the UNC System Office financial statement audit.
6. Provide a direct channel of communication to the full Board of Governors for the State Auditor and the results of external audits and reviews.
7. In matters where the Board of Governors or the president authorize or request an external audit or other independent review, CARMC will receive and review the resulting reports.

B. Internal Audit

1. Review and approve an annual summary of the internal audit plans submitted by each constituent institution and the UNC System Office.
2. Review an annual summary of the internal audit activities overseen by the audit committee of each constituent institution's boards of trustees. This report will incorporate a summary of audits, reviews, investigations, or special assignments completed by the internal audit department of each constituent institution and the UNC System Office and will note material reportable conditions and the status of their resolution.
3. Serve as the audit committee for the UNC System Office's internal audit function. In this oversight capacity, the committee will:
 - a. Review and approve the Internal Audit Charter, ensuring it accurately reflects internal audit's purpose, authority, and responsibility.
 - b. Review and approve the annual risk-based internal audit plan and all significant changes to the plan. If necessary, provide input and make recommendations concerning the planned audit projects and the resources necessary to achieve the plan.
 - c. Confirm that internal audit coordinates with external auditors, firms, and regulators to provide optimal audit coverage, reduce duplication of work, and use audit resources effectively.
 - d. Review internal audit reports to management and periodic summaries of external and internal audit activities, including internal audit's performance relative to its annual plan.
 - e. Consider the scope and results of the internal audit activity and evaluate the adequacy of internal audit resources to ensure there are no budgetary or scope limitations that impede internal audit from executing its responsibilities. If necessary, review and approve proposals to outsource internal audit activities.
 - f. Review the organizational structure of the internal audit function to assure its independence and that no unjustified restrictions or limitations are placed upon the internal audit function.
 - g. Review reports on significant findings and recommendations, along with management's responses. Review and resolve any significant disagreement between management, external auditors, firms, or internal audit over audit related matters.
 - h. Review reports regarding the progress of implementing approved management action plans and audit recommendations resulting from completed audit engagements.
 - i. Meet privately with the chief audit officer, as deemed necessary, to discuss sensitive or other matters that the committee or auditor believes should be discussed privately.
 - j. Monitor the effectiveness of the internal audit function, including adherence to The Institute of Internal Auditors' mandatory guidance, which includes the core principles for the profession, definition of internal auditing, code of ethics, and the *International Standards for the Professional Practice of Internal Auditing*. Ensure the chief audit officer complies with all reporting requirements of the NC Office of Internal Audit and UNC policies related to the internal audit function.

- k. Monitor to ensure the internal audit function has a quality assurance and improvement program and that the results of these periodic assessments are presented to the committee.
- l. Monitor to ensure the internal audit function has an independent external quality assurance review every five years. Review the results of this external quality assurance review and monitor the implementation of internal audit's action plans to address any recommendations. Advise the Board about any recommendations for continuous improvement of the internal audit function.
- m. Provide a direct channel of communication to the full Board of Governors regarding relevant internal audit activities. Report committee activities and forward with recommendations to the full Board significant management initiatives resulting from internal/external audit activities.
- n. In matters where the Board of Governors or the president authorize or request an internal audit or other independent review, CARMC will receive and review the resulting reports.

C. Enterprise Risk Management and Compliance

- 1. Support the efforts, establishment of, and collaboration among the risk management, ethics, and compliance programs at the constituent institutions, including recommending to the Board University-wide policies regarding internal audit, enterprise risk management, and compliance.
- 2. Monitor through regular reports from the UNC System Office's general counsel and senior officers the system-wide risk management and compliance processes.

D. Other Responsibilities

- 1. Monitor the internal control and audit finding resolution requirements for special responsibility constituent institutions.
- 2. Review a summary of the annual financial audit reports of the University's major associated entities.
- 3. Review the required elements of a University-associated entity relationship.
- 4. Participate, when necessary, in training sessions related to system-wide internal controls, enterprise risk management and compliance, and internal/external audit issues.
- 5. Oversee the UNC System Office's information security program, including but not limited to: obtaining confirmation from the chief audit officer that the annual audit planning and risk assessment process addresses information security; periodically including emerging information security matters on the committee's meeting agenda; and receiving a report, at least annually, from the senior officer responsible for information security regarding the UNC System Office's information security program and information technology security controls.
- 6. Review the results from auditors, firms, or regulatory agencies and/or information from management. This includes recommendations and planned actions in order to assess the adequacy and effectiveness of the organization's internal control systems in response to risks as well as updates on information technology security processes and controls and the systems for monitoring compliance with laws and policies.
- 7. Receive briefings from management or internal audit regarding any significant complaints, internal control deficiencies, noncompliance, fraud, abuse, or misuse of State property in order to oversee the University's mechanisms for receiving, resolving, and retaining records of complaints regarding accounting, internal control, and operating matters.
- 8. Oversee management's procedures for the prevention and detection of fraud to ensure appropriate antifraud programs and controls are in place to identify potential fraud and to take appropriate action if fraud is detected.
- 9. Consult with the UNC System Office's general counsel to review any legal matters that may have a significant impact on a financial statement, overall financial performance, enterprise risk management, or compliance with applicable state, local, or federal laws and regulations. Review and provide advice on systems, practices, policies and standards of ethical conduct. Identify and manage any legal or ethical violations.
- 10. Take other actions, as necessary, to ensure that risk exposures are identified and properly managed to assure the integrity of the finances, operations, and controls of the University. These actions include reviewing the established governance processes and advising on related policies and procedures that should be in place.

The committee may modify or supplement these duties and responsibilities as needed.

The committee shall have the authority to engage independent counsel or other advisors as necessary to carry out its duties in accordance with state rules and regulations. The committee may also request a supplemental review or other audit procedures by internal audit, the State Auditor, or other advisors when the circumstances dictate that further review is required. The UNC System Office shall provide appropriate funding, as determined by the committee, for payment to advisors employed by the committee.

The committee shall annually review and assess the adequacy of the committee charter, with the assistance of staff at the UNC System Office. The committee chair will confirm annually that the relevant responsibilities in this charter have been carried out.

Joyce D. Boni, Chief Audit Officer

Date

James Holmes, Jr., Chair of CARMC

Date

Harry Smith, Jr., Chair of the Board of Governors

Date

Last updated and approved May 2018



Committee Charter for the Board of Governors
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 - 4. Be available to meet during the year with external auditors (the State Auditor, engaged CPA firm, or audit staff) for consultation purposes or to discuss the auditor's judgment about the quality, not just

the acceptability, of any accounting principles and underlying estimates in the preparation of a financial statement and other matters required to be communicated to the committee under generally accepted auditing standards.

5. Request, as needed, that the State Auditor rotate the audit manager or that the engaged CPA firm rotate the partner assigned to a constituent institution, affiliated entity, or the UNC System Office financial statement audit.

6. Provide a direct channel of communication to the full Board of Governors for the State Auditor and the results of external audits and reviews.

- 6.7. In matters where the Board of Governors or the president authorize or request an external audit or other independent review, the CARMC will receive and review the resulting reports.

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 - d. Review internal audit reports to management and periodic summaries of external and internal audit activities, including internal audit's performance relative to its annual plan.
 - e. Consider the scope and results of the internal audit activity and - evaluate the adequacy of internal audit resources to ensure there are no budgetary or scope limitations that impede internal audit from executing its responsibilities. If necessary, review and approve proposals to outsource internal audit activities.
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 - j. Monitor the effectiveness of the internal audit function, including adherence to The Institute of Internal Auditors' mandatory guidance, which includes the core principles for the profession, definition of internal auditing, code of ethics, and the *International Standards for the Professional Practice of Internal Auditing*. Ensure the chief audit officer complies with all reporting requirements of the NC Office of Internal Audit and UNC policies related to the internal audit function.
 - k. Monitor to ensure the internal audit function has a quality assurance and improvement program and that the results of these periodic assessments are presented to the committee.
 - l. Monitor to ensure the internal audit function has an independent external quality assurance

review every five years. Review the results of this external quality assurance review and monitor

the implementation of internal audit's action plans to address any recommendations. Advise the Board about any recommendations for continuous improvement of the internal audit function.

m. Provide a direct channel of communication to the full Board of Governors regarding relevant internal audit activities. Report committee activities and forward with recommendations to the full Board significant management initiatives resulting from internal/external audit activities.

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Joyce D. Boni, Chief Audit Officer

Date

James Holmes, Jr., Chair of CARMC

Date

~~W. Louis Bissett~~ Harry Smith e, Jr., Chair of the Board of Governors

Date

Last updated and approved May 2018