



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

April 16, 2020 at 3:45 p.m.  
Via Videoconference and UNC-TV Live Stream

**AGENDA**

- A-1. Conflict of Interest Statement ..... James L. Holmes, Jr.
- A-2. Approval of the Minutes of February 20, 2020 ..... James L. Holmes, Jr.
- A-3. UNC System Office Internal Audit Update..... Joyce Boni
- A-4. Enterprise Risk Management Update..... Lynne Sanders
- A-5. Information Technology Update.....Keith Werner
- A-6. Review of the Policy on Insurance Coverage..... Mark Holton
- A-7. Adjourn



## DRAFT MINUTES

February 20, 2020  
University of North Carolina System Office  
Center for School Leadership Development, Board Room  
Chapel Hill, North Carolina

This meeting of the Committee on Audit, Risk Management, and Compliance was presided over by Chair James L. Holmes, Jr. The following committee members, constituting a quorum, were also present: Carolyn Coward, Mark Holton, and Robert A. Rucho. The following committee member was absent: Thomas H. Fetzer.

Chancellors participating were Sheri Everts and Interim Chancellor Brian Cole.

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

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

The chair called the meeting to order at 2:31 p.m., on Thursday, February 20, 2020, and called for a motion to approve the open session minutes of January 16, 2020.

**MOTION:** Resolved, that the Committee on Audit, Risk Management, and Compliance approve the open session minutes of January 16, 2020, as distributed.

**Motion:** Robert A. Rucho

**Motion carried**

### 2. University Advancement Discussion (Item A-2)

The chair called on Timothy Minor to present item A-2. Mr. Minor presented to the committee an overview of University Advancement's role and responsibilities in advancement and the importance of retaining fundraising opportunities within the UNC System. Mr. Minor called on Blake McIver to give the committee and overview of the fundraising efforts at each of the constituent institutions.

**This item was for information only.**

### **3. UNC System Insurance Review Update (Item A-3)**

The chair called on Mark Holton to present item A-3. Mr. Holton provided an update to the committee on the practices of insurance coverage within the UNC System. Mr. Holton reported that each institution is dealing with risk and there is a need for consistency. He recommends a gap analysis for each institution and a development of System-wide guiding principles and programs.

**This item was for information only.**

### **4. Adjourn**

There being no further business, the meeting adjourned at 3:17 p.m.

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Carolyn L. Coward, Secretary



## AGENDA ITEM

A-3. System Office Internal Audit Update .....Joyce Boni

**Situation:** The chief audit officer is to provide periodic updates on the UNC System Office’s internal audit activities.

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

**Assessment:** The attached document identifies the current status of the 2019-2020 internal audit projects, as well as any significant changes since the last update.

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

**UNC System Office Internal Audit Plan Update**  
Fiscal Year 2019-2020

<b>Description</b>	<b>Status</b> as of 4/3/20
<b>Prior Year Carry Over</b>	
Annual Risk Assessment/2020 Audit Plan Development	Completed (Sept 2019)
Follow-up of OSA 2017 IT Audit of Banner Hosted Services	Completed (issued 8/8/19)
Follow-up of 2018 Internal Audit of End User Data Storage and Security Awareness	Completed (issued 8/29/19)
Security Review of the Data Mart Database (assisted by external audit firm)	Completed (issued 9/23/19)
Investigation of Noncompliance and Misuse of Federal Funds	Completed (issued 12/10/19)
<b>Assurance Engagements</b>	
UNC-TV: Review of Compliance with Payment Card Industry Data Security Standards (for security of donor card data)	<b>Completed</b> (issued 4/1/20)
UNC System Office: Review of the Contracting Process	In Progress
<b>Follow-up Engagements</b>	
Develop a new Follow-up Tracking, Monitoring, and Reporting Process	<b>Completed</b>
Conduct Various Follow-up Monitoring (added)	<b>Completed</b> (issued 4/1/20)
<b>Investigations</b>	
FY2020 Unplanned/Variations as occurs: Investigations of Fiscal 2020 Internal/External Hotline Reports and Similar Investigations.	Not Started
<b>Special Projects/Consultations</b>	
Consult: Design of UNC-TV Procurement/Purchasing Process	<b>Deferred</b>
Assist a Quality Assurance Review Team (assisting NC Office of Internal Audit)	Completed (Nov 2019)
Annual Risk Assessment/FY2021 Audit Plan Development	<b>In Progress</b>
<b>Technical Assistance/Other Audit Services</b>	
Advisory Services to Information Technology: Policy and Procedure Updates	In Progress
Advisory Services to Human Resources: Onboarding Procedures Updates, Learning Management Implementation, and <b>Employment Forms Updates (added)</b>	<b>In Progress</b>
Advisory Services to Strategy and Policy: Innovation Lab Internal Procedures	<b>Completed</b>
Advisory Services to UNC-TV: Repair and Renovation Budgeting Process	Not Started
Board Meetings, Unit Oversight, Staff Hiring, MOU updates, and Marketing	In Progress
Other Services/Committees: Other Routine Advisory Services; Re-Design Hotline Site (added); Assist External Auditors; Charter Updates; Annual Certifications; CAO/OIA Committee Meetings; QAIP Work; and Other Projects to be determined.	In Progress
MOU/Audit Services to NCSSM and NCSEAA	In Progress

**Red** font denotes changes since the January 2020 audit update.



## AGENDA ITEM

A-4. Enterprise Risk Management Update ..... Lynne Sanders

**Situation:** The purpose of this item is to provide the Committee on Audit, Risk Management, and Compliance an update on enterprise risk management (ERM) and compliance processes.

**Background:** In adopting the policy on University Enterprise Risk Management and Compliance, the Board of Governors provided for the establishment of UNC System-wide and institution-based enterprise risk management and compliance processes. The policy aims to address risks related to compliance with laws and ethical standards at the system level, and to complement and support the risk management and compliance processes and activities of the constituent institutions.

**Assessment:** The committee will receive an update on the UNC System risk register as of December 31, 2019. The risk register is an easily understandable listing and map of the major enterprise risks and issues. It was prepared with the strategic plan goals of the organization in mind and intended to inform the thinking, goal setting, and strategy of UNC System leaders and the Board.

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





# ENTERPRISE RISK MANAGEMENT UPDATE

*Lynne Sanders, CPA*

*Vice President for Compliance and Audit Services*



# UNC System 2019 ERM Topics

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- IT Governance/Data Security/Cybersecurity
- Human Resources – Recruitment, Retention, Compensation
- Financial Stability/Funding Model Issues/Deferred Maintenance
- Enrollment
- Campus Safety and Security
- Compliance Requirements

# IT Governance/Data Security/Cybersecurity

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- Data security and privacy protection
- Unauthorized access
- Hacking, phishing, ransomware, and cyber threats
- Reliability of current systems
  - Condition of IT physical assets
  - Service interruption to support business functions and/or delivery of academic instruction
- Response to breaches/preparedness/response
- Access through mobile devices
- Use of third-party systems

# Human Resources

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- State rules and processes for hiring
- Compensation and benefits
- Succession planning and career paths
- Training and workload of faculty and staff
- Executive and staff level turnover

# Financial Stability

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- Threats to/uncertainty of state or federal funding
- Enrollment trends that impact tuition and fee revenue
- Lack of discretionary/reserve funds
- Unanticipated lawsuits
- Financial impact of natural disasters
- Funding model issues
- Deferred maintenance
- Advancement and fundraising
- Rapid growth and the ability to meet the legitimate needs of students, faculty, and staff

# Enrollment

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- Competitive national enrollment market
- Lack of financial aid to recruit the best students
- Decreasing student population (ages 18-25)
- Decline in out-of-state/international enrollment
- Diversity of programs to attract future students
- Uncertainty of the future of NC Promise
- Branding and marketing to communicate value
- Engage non-traditional students

# Campus Safety and Security

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- Emergency preparedness
- Crisis management in response to disruptive civic engagement
- Condition of facilities from a safety perspective
- Mental health
- Substance abuse
- Disruptive behavior
- Minors on campus
- Sexual misconduct and interpersonal violence
- Hosting of large events
- Open, public campus environment

# Compliance Requirements

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- Numerous federal regulations, state laws, and UNC System policies
- Decentralized governance and management of functions/projects
- Lack of trained staff
- Policy development and updates needed to address updated requirements
- Monitoring student athletes' academic eligibility
- Cost of compliance in a complex regulatory environment
- Changing laws, statutes, and administrative regulations

THANK YOU

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## AGENDA ITEM

A-5. Information Technology Update ..... Keith Werner

**Situation:** The purpose of this item is to provide the Committee on Audit, Risk Management, and Compliance (CARMC) an update on institutional status of implementation of policies relating to information governance, information security, as well as user identity and access control.

**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 (1400.2) in January 2018. In response to recommendations from the IT Security Working Group (ITSWG) and CARMC, the Board adopted two additional policies in May 2018: (1) the policy on Information Technology Governance (1400.1), and (2) policy on User Identity and Access Control (1400.3). Providing an update on the status of implementation of these policies fulfills a request from CARMC, and satisfies the reporting requirement outlined in the policies.

**Assessment:** The ITSWG detailed the foundational pieces of information security and IT governance. Notably, these include the Information Security policy (1400.2) and the ISO 27002 best practice Standard and Guidelines. Information security is a complex issue and highlights the need for sound IT governance at each institution and the UNC System Office, as well as general security and system access controls. This status update is intended to fulfill reporting requirements detailed in the policies.

**Action:** This item is for information and possible feedback only.



THE UNIVERSITY OF  
NORTH CAROLINA SYSTEM

# 1400.1, 1400.2 & 1400.3 Policy Implementation Update



**Keith Werner**

UNC System Office CIO

**Kevin Lanning**

UNC System Office CISO

2020

# Contents

(1400.1, 1400.2 & 1400.3)



## Background & Summary

### BACKGROUND

The Chief Information Officers Council was established in 2008, **bringing together information technology leaders from each of the 17 UNC System institutions** to involve all parties in governance and strategic planning. The CIO Council and its associated subcommittees, with facilitation from the UNC System Office, have continued to serve as the main coordination point for UNC information technology governance.

1400.1, 1400.2 & 1400.3

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1400.1 Update

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1400.2 Update

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1400.3 Update

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Closing and Q&A

# Executive Summary

(1400.1, 1400.2 & 1400.3)

90%

AVG SYSTEM-  
WIDE YES / IN  
PROCESS

1400.1

Focus Areas for this upcoming year include: Business and IT Synergy and Accounting for Distributed IT

98%

1400.2 POLICY  
COMPLIANCE

1400.2

Self-assessment and peer review needs to be supplemented by 3<sup>rd</sup> party assessment

17

ALL 17 Notified  
of Published  
Standard

1400.3

Clear path forward with high level milestones and dates for deliverables

# 1400.1

## (Information Governance Program)

### PURPOSE

Foster the development and maintenance of strategically aligned technology resources; consistent governance and management of IT; encourage collaboration; and, in alignment with “Guiding Principles”

### OVERSIGHT

- Assign responsibility to standing committee with audit responsibility
- Annual Audit Plans
- Audits
- Reporting



## Background & Summary

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1400.1 Update

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1400.2 Update

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1400.3 Update

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Closing and Q&A

# 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

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## Implement Policies & Procedures

- Awareness and training
- Gaps and associated action plans
- Policies, guidelines, and standards
- Process to verify compliance

## Governance Framework

- Oversight
- Systems of accountability
- Training & awareness

## Transparency

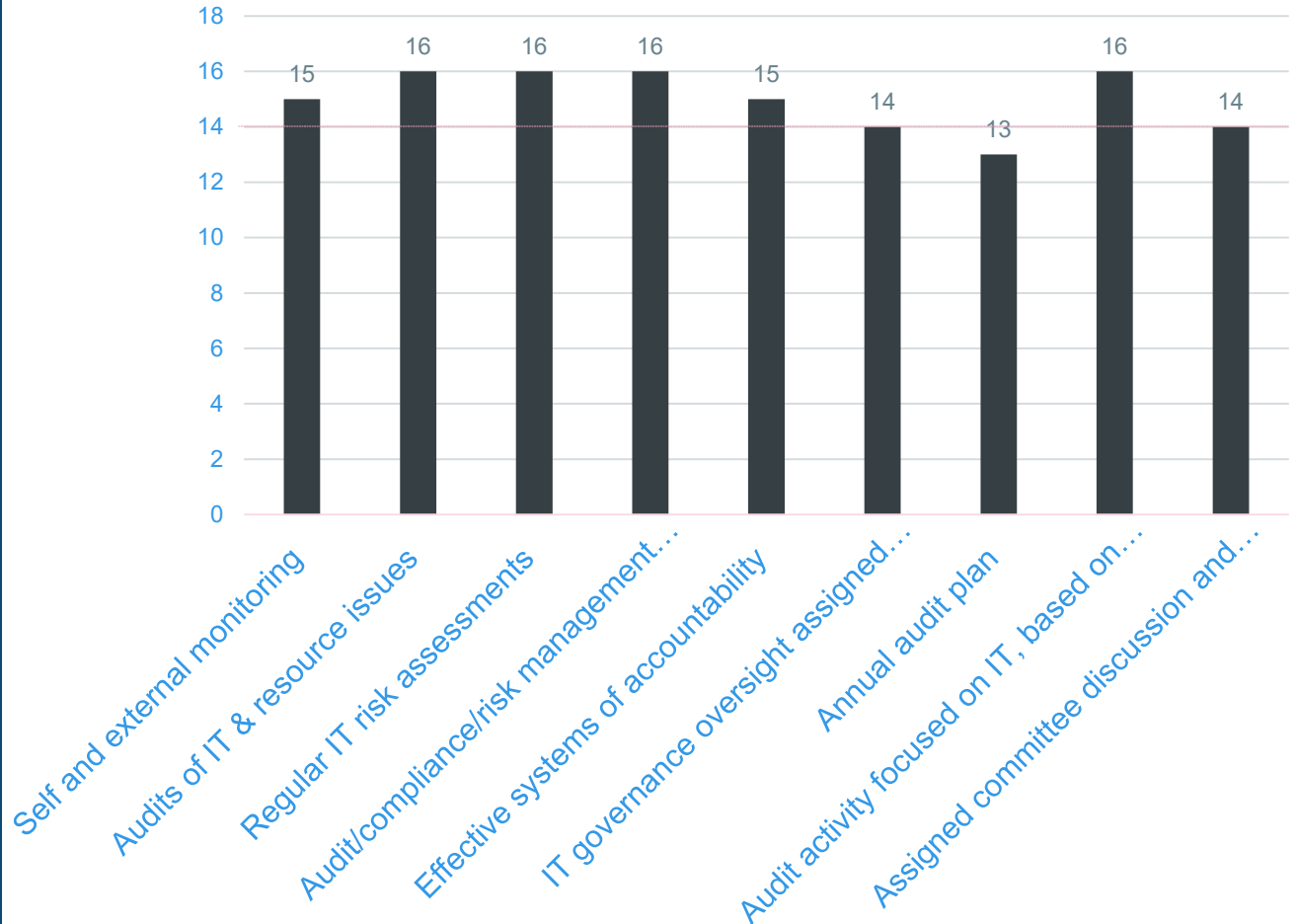
- Reporting requirements set forth by president or Board of Governors
- Timely collaboration with UNC System on gaps, needs, or shared service opportunities



# 1400.1

## IT Governance Questionnaire - Latest Reporting Statistics

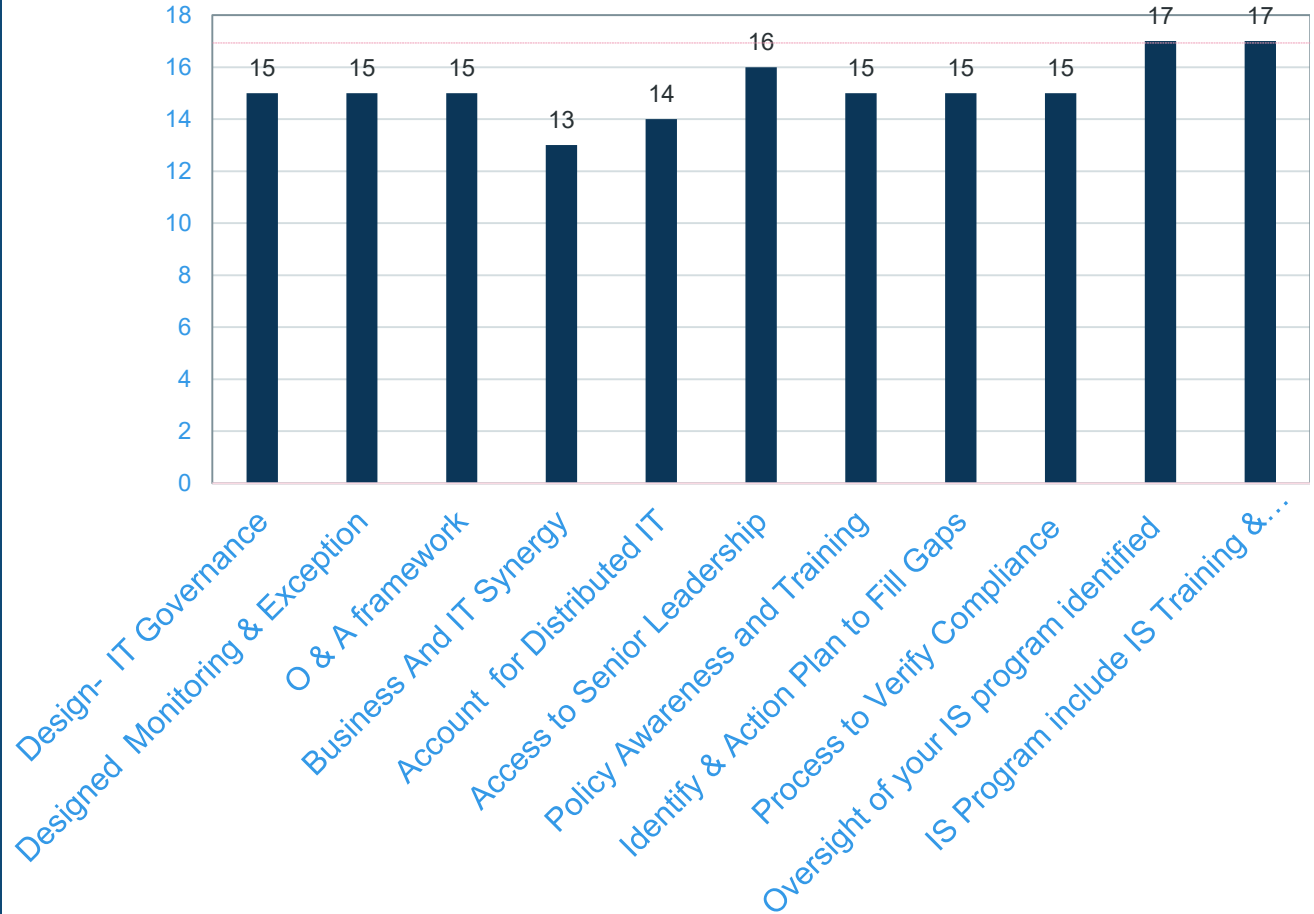
Chart A. System-wide Alignment to 1400.1



# 1400.1

## IT Governance Guiding Principles - Latest Reporting Statistics

Chart B. System-wide Alignment to Guiding Principles (1400.1)



# 1400.2

## (Information Security)

### PURPOSE

Commit to an information security strategy, confirm core program and designate a responsible senior officer, accountable to chancellor/president

### OVERSIGHT

- Standing Committee with Audit Responsibility
- Audit Plan & Risk Assessments
- Agenda Item at Regular Meetings
- Annual Report



## Background & Summary

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1400.1 Update

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1400.2 Update

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1400.3 Update

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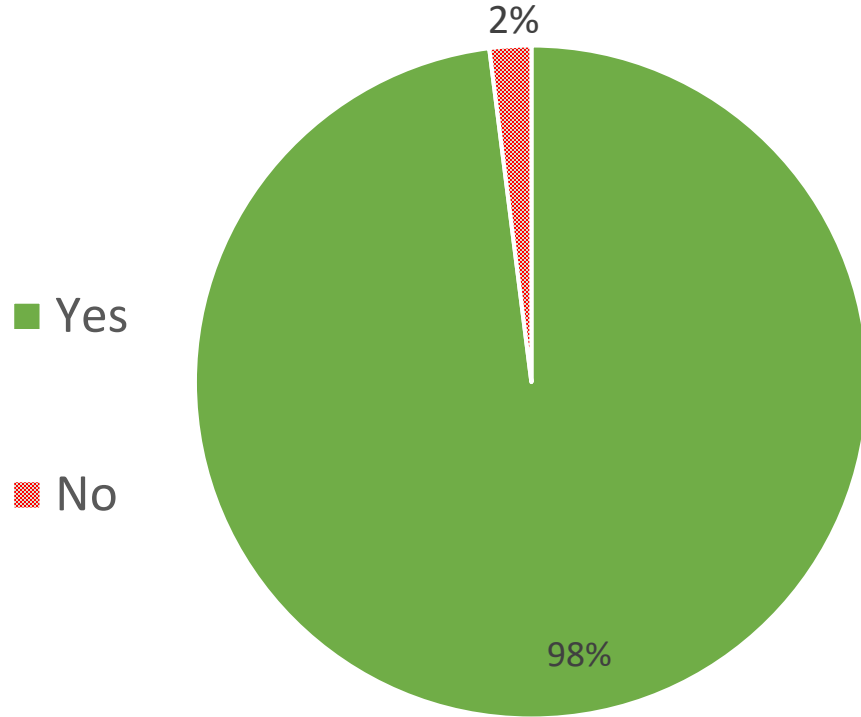
Closing and Q&A

# 1400.2

(Information Security)

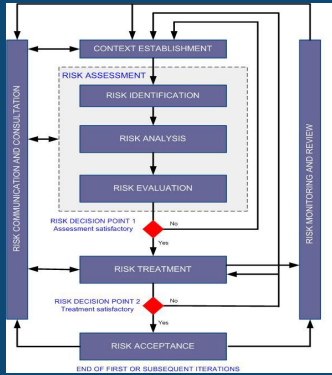
## System-wide 1400.2 Compliance Responses

1400.2  
April, 2020

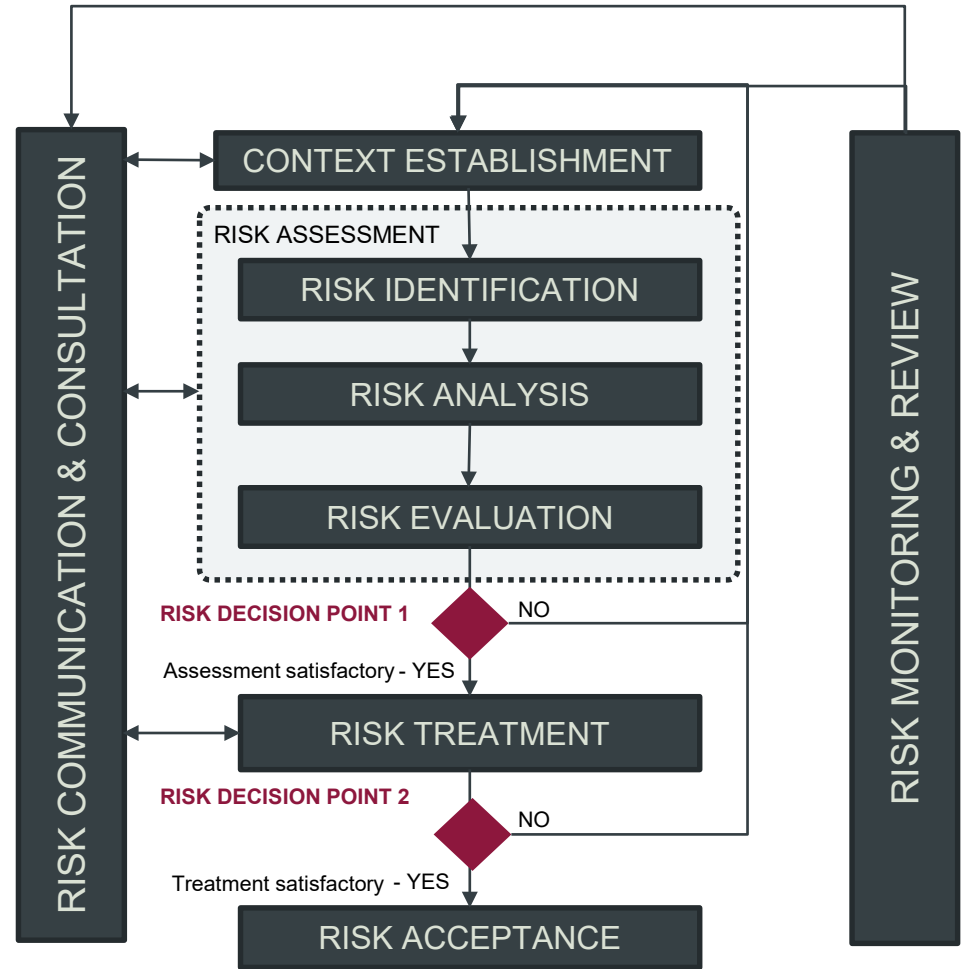


# 1400.2

## System Office IS Risk Program Design



Reference: ISO 27005 - risk management techniques



END OF 1<sup>st</sup> OR SUSEQUENT ITERATIONS

# 1400.3

## (User Identity and Access Control Policy)

### PURPOSE

Risk-based implementation of identity confirmation and access control techniques, such as multi-factor authentication, to control access to sensitive University information

### OVERSIGHT

- Chancellor/System President assign responsibility
- Standard Issued by UNC System CIO
- Rollup reporting via System CIO



## Background & Summary

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1400.1 Update

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1400.2 Update

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1400.3 Update

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Closing and Q&A

# 1400.3

## (User Identity and Access Control)

### Standard Published

- Wide collaboration on development
- 50 reviewers across 18 institutions
- Complete standard published in March, 20

### Effective Date

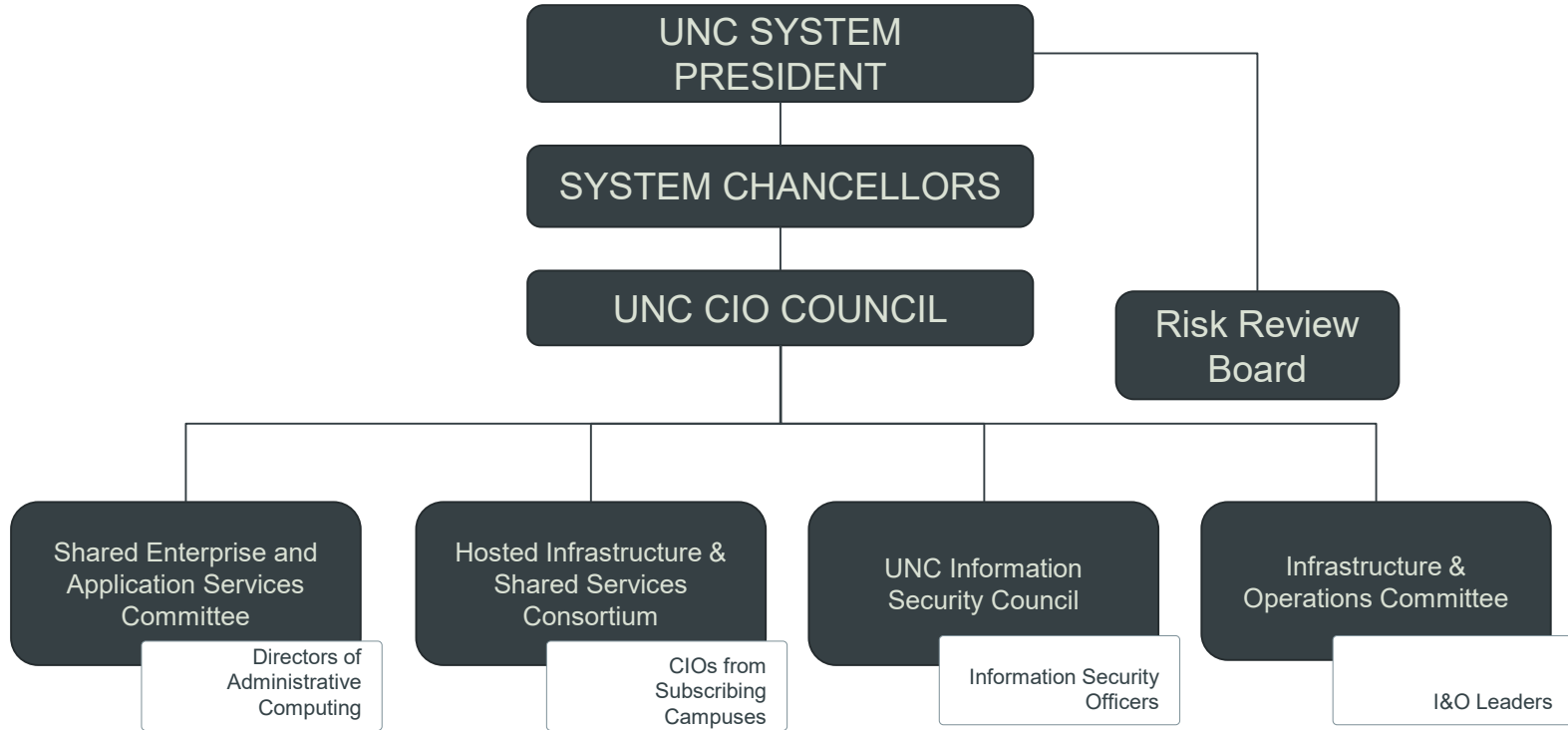
- Standard becomes fully effective July, 20

### Evaluation

- Self reporting on program adequacy due to System CIO January, 21
- Evaluation requires CIOs to periodically identify deficits, compensating controls, risk governance decisions and any needed additional resources
- UNC System CIO rolls up reporting on status and deficits

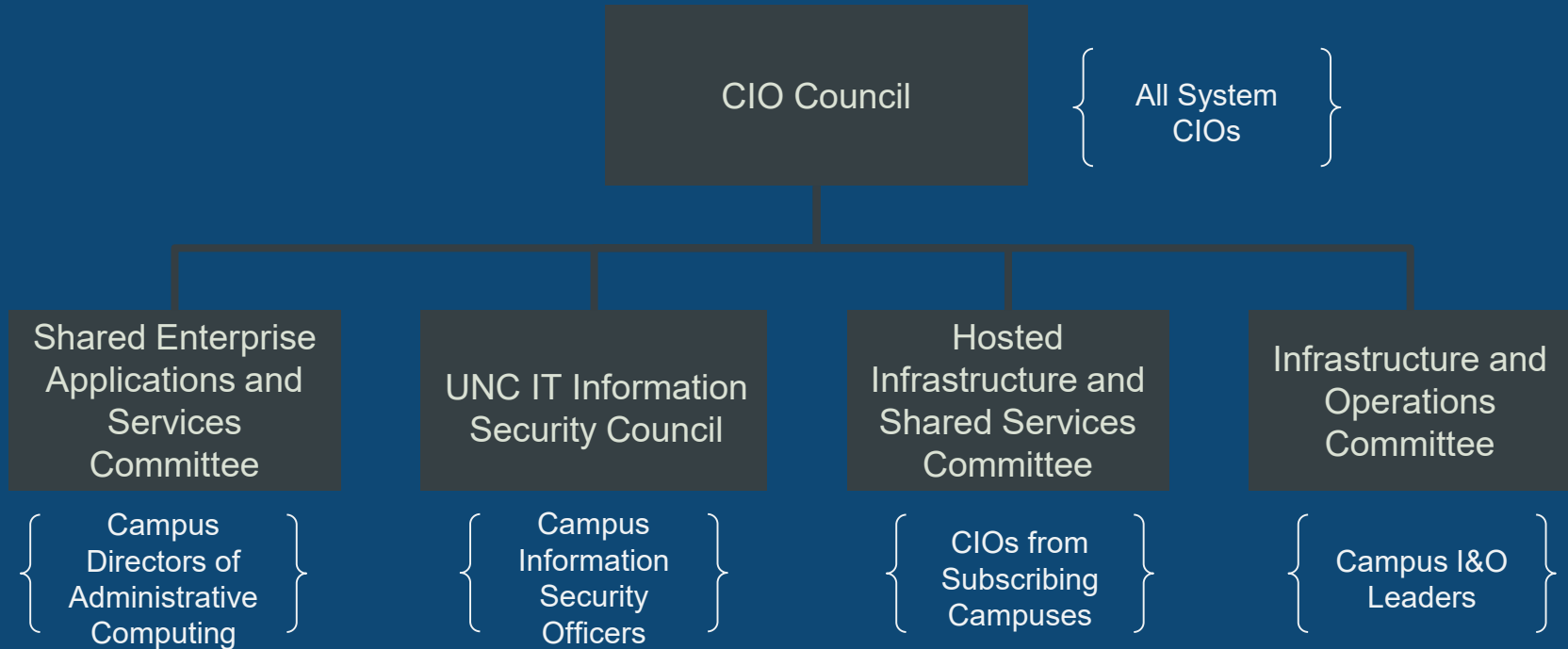
# IT Governance Overview

## (UNC System Governance)





# CIO Governance



# Policy Implementation Updates (1400.1, 1400.2 & 1400.3)

Closing and Q&A

2020

**Keith Werner**

UNC System Office CIO

**Kevin Lanning**

UNC System Office CISO



Background & Summary

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1400.1 Update

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1400.2 Update

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1400.3 Update

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Closing and Q&A



## AGENDA ITEM

A-1. Review of the Policy on Insurance Coverage ..... Mark Holton

**Situation:** The UNC System and the constituent institutions require property insurance and other special coverages needed to mitigate against risk of loss.

**Background:** The University of North Carolina System (UNC System) and its constituent institutions participate in insurance programs administered or overseen by the North Carolina Department of Insurance. The University covers its major property risks, like any state agency, through the state's self-insurance fund. Currently, each of the universities decides what properties will be covered and the extent of coverage. The decentralized approach leaves the UNC System vulnerable to gaps in coverage.

**Assessment:** In order to provide for sufficient minimum insurance coverage consistent with institutional operations and industry standards and to protect the investment the State has made in each constituent institution, this UNC policy will require institutions to have property coverage that shall consist of "all risk special form" or its equivalent. In addition, the policy will require minimum standards for other special coverages be established by the president based on the needs of the UNC System and the constituent institutions. Finally, the policy provides the president discretion to grant limited exceptions to the minimum standards according to guidelines to be established. The new policy will have a delayed effective date to give institutions sufficient time to make appropriate plans for implementation.

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

### **Policy on Insurance Coverage**

I. Insurance Programs. The University of North Carolina System (UNC System) and its constituent institutions participate in insurance programs administered or overseen by the North Carolina Department of Insurance.

A. Minimum Insurance Coverage. In order to mitigate against the risks associated with damage to or loss of University property, the president shall establish and ensure that the constituent institutions maintain sufficient minimum insurance coverage consistent with institutional operations and industry standards and to protect the investment the state has made in each constituent institution.

B. Property and Other Special Coverages. Property coverage shall consist of “all risk special form” or its equivalent. Minimum standards for other special coverages shall be established by the president based on the needs of the UNC System and the constituent institutions.

II. Limited Exceptions. A constituent institution may petition the president for limited exceptions to the UNC System minimum coverage standards, which the president shall have the discretion to grant where the constituent institution can show that it can otherwise meet the purpose and intent of the minimum coverage standards through other risk control or mitigation strategies.

III. Other Matters

A. Effective Date. The requirements of this policy shall be effective on the date of adoption by the Board of Governors.

B. Relation to State Laws. The foregoing policies as adopted by the Board of Governors are meant to supplement, and do not purport to supplant or modify, those statutory enactments which may govern the activities of public officials.

C. Regulations and Guidelines. These policies shall be implemented and applied in accordance with such regulations and guidelines as may be adopted from time to time by the president.

## **Insurance Coverage Policy – Implementation Steps**

### **Policy Approval and Effective Date for UNC Policy 1300.7.1**

- Full BOG approval in May 2020.
- January 2021 effective date to allow for property assessment and process development.
- System-wide coverage review and exceptions procedures in place by October 1, 2020.

### **Property Inventory, Assessment, and DOI Rate Review**

- Partner with the NC Department of Insurance.
- Each institution confirms property inventory, valuation, and coverage with DOI.
- Each institution identifies needs for possible exceptions with DOI.
- After property inventory/valuation, DOI provides new coverage rates to institutions.
- Complete by October 2020.
- Annual updates of inventory by constituent institutions.
- Subsequent inventory, assessment, and review of property with DOI every 2 to 3 years.

### **Systemwide Coverage Review and Exceptions Procedures**

- UNC System Office Finance and Risk Management staff will develop coverage review system.
- Develop exceptions process in consultation with DOI and constituent institutions (CFOs):
  - Utilize UNC System risk management committee of staff subject matter efforts,
  - Institutions request exceptions after review of their property inventory with DOI,
  - Possible exception examples: raw land; obsolete property; imminent demolition; foundation owned/other coverage; other considerations to be determined,
  - Process to include consideration of other risk mitigation steps, and
  - Report to CARMC on process development in September 2020.
- Coverage review and exceptions will be the responsibility of the president.
- Annual insurance/risk/coverage report to CARMC - part of enterprise risk management function.

### **Other Insurance Coverages**

- Begin developing minimum standards/coverage in consultation with DOI in other areas.
- Tort Claims Act; Defense of State Employees Act; Professional Liability; D&O Coverage.
- Review and update on cyber insurance and related risk mitigation strategies.