



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

May 19, 2020 at 4:00 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 April 16, 2020 James L. Holmes, Jr.
- A-3. Approval of Policy on Insurance Coverage Mark Holton and Thomas Shanahan
- A-4. Update on UNC System Public Safety Training Center Brent Herron
- A-5. Presentation of Audit Reports from the Office of the State Auditor.....Beth Wood, State Auditor
- A-6. Adjourn

DRAFT MINUTES

April 16, 2020

Via Videoconference and UNC-TV Live Stream

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.

1. Call to Order and Reading of Conflict of Interest Statement (Item A-1)

The chair called the meeting to order at 3:45 p.m., on Thursday, April 16, 2020, and read the Conflict of Interest Statement.

2. Approval of the Minutes of February 20, 2020 (Item A-2)

The chair called for a motion to approve the open session minutes of February 20, 2020.

MOTION: Resolved, that the Committee on Audit, Risk Management, and Compliance approve the open session minutes of February 20, 2020, as distributed.

Motion: Mark Holton

Motion carried

3. UNC System Office Internal Audit Update (Item A-3)

The chair called on Joyce Boni to present item A-3. Ms. Boni presented to the committee a status update of the 2019-20 internal audit projects that were approved by the committee in September 2019.

This item was for information only.

4. Enterprise Risk Management Update (Item A-4)

The chair called on Lynne Sanders to present item A-4. Ms. Sanders presented an update on the UNC System Enterprise Risk Management and compliance processes. The committee received an update on the UNC System risk register as of December 31, 2019.

This item was for information only.

5. Information Technology Update (Item A-5)

The chair called on Keith Werner to present item A-5. Mr. Werner presented an update on the status of the implementation of institutional policies relating to information governance, information security, as well as user identity and access control.

During this presentation, Mr. Werner summarized the survey results on the status and implementation progress of the policy on Information Technology Governance (1400.1) at the constituent institutions. Mr. Werner then called on Kevin Lanning to present the survey results and implementation progress of the policy on Information Security (1400.2) and the policy on User Identity and Access Control (1400.3).

This item was for information only.

6. Review of the Policy on Insurance Coverage (Item A-6)

The chair called on Mark Holton to present item A-6. Mr. Holton presented the policy on insurance coverage and discussed the implementation schedule. Mr. Holton called on Thomas Shanahan to discuss the insurance coverage at the constituent institutions and the minimum standard of coverage that will be required. A revised policy will be presented to the committee for approval at the next meeting and a vote by the full Board in July.

This item was for information only.

7. Adjourn

There being no further business, the meeting adjourned at 4:40 p.m.

Carolyn L. Coward, Secretary



AGENDA ITEM

A-3. Approval 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 to 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 the established guidelines. 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.

Insurance Coverage Policy – Implementation Steps

Policy Approval and Effective Date for UNC Policy 1300.7.1

- Full BOG approval in July 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.

System-wide 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.

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. This minimum standard of property coverage will be evaluated and approved by the Board on an annual basis. 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. In consultation with the Board committee responsible for overseeing this policy, the president shall have the discretion to grant limited exceptions where the constituent institution establishes 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.



AGENDA ITEM

A-4. Update on UNC System Public Safety Training Center Pilot Thomas Shanahan and Brent Herron

Situation: The UNC System, in partnership with the Department of Public Safety (DPS) Samarcand Training Academy, will offer a series of training courses and activities for public safety personnel from UNC System institutions.

Background: Each university in the UNC System maintains a public safety department staffed by sworn officers and headed by a police chief. In addition to performing traditional law enforcement functions, University law enforcement officers require specialized training and skills to work in and meet the unique public safety needs of the academic communities in which our students, faculty, and staff collaborate and interact. A UNC System study conducted during 2019 identified joint training programs as one area of potential collaboration between and among UNC System public safety departments. The DPS Samarcand Training Academy provides excellent facilities in a central location that would appear to be conducive to conducting joint training programs.

Assessment: Working in partnership with the DPS Samarcand Training Academy staff, the UNC System will hire a temporary training coordinator and take steps necessary to offer a series of three to five joint training courses or programs during 2020. At this time, five possible areas of instruction are being considered: civil disturbance training; advanced sexual assault investigation for law enforcement; community policing with focus on impartial policing and non-biased policing; firearms training/active assailant, specialized subject control and arrest techniques (SCAT); and crisis intervention and de-escalation techniques for law enforcement. The results of the pilot project will be evaluated and reported to the committee and to the Board of Governors.

Action: This item is for information only.



AGENDA ITEM

A-5. Presentation of Audit Reports from the Office of the State Auditor Beth Wood, State Auditor

Situation: The committee is to receive an annual overview from the state auditor or a designated representative regarding the annual audits of constituent institutions and the UNC System Office issued by the Office of the State Auditor.

Background: All constituent institutions and the UNC System Office are subject to audit by the North Carolina State Auditor under Article 5A of Chapter 147 of the North Carolina General Statutes. The state auditor conducts annual financial statement audits at each institution, annual federal compliance audits at select institutions, and periodically performs other audits, such as information system audits at select institutions.

Per the committee charter, the Committee on Audit, Risk Management, and Compliance is to receive an annual overview of audits which the state auditor has performed on the constituent institutions and the UNC System Office. The committee is to review and discuss the results, including any reportable issues.

Assessment: The Office of the State Auditor has released 22 audit reports on the University for the 2019 fiscal year. The audit results have been summarized for the committee in the attachment. The institutional audits, as well as the audit results for the UNC System Office, will be discussed by the state auditor during her annual presentation to the committee.

Action: This item is for information only.

Financial Statement Audit Reports			
Institution Name	Report Link	Release Date	# of Findings
Appalachian State University	FIN-2019-6080	12/5/2019	0
Elizabeth City State University	FIN-2019-6086	1/31/2020	0
East Carolina University	FIN-2019-6065	11/8/2019	0
Fayetteville State University	FIN-2019-6088	12/12/2019	0
North Carolina Agricultural and Technical State University	FIN-2019-6070	12/18/2019	0
North Carolina Central University	FIN-2019-6090	1/21/2020	0
North Carolina School of Science and Mathematics	FIN-2019-6094	3/5/2020	0
North Carolina State University	FIN-2019-6030	11/8/2019	0
University of North Carolina at Asheville	FIN-2019-6055	11/5/2019	0
University of North Carolina at Charlotte	FIN-2019-6050	11/21/2019	0
University of North Carolina at Chapel Hill	FIN-2019-6020	11/25/2019	0
The University of North Carolina at Greensboro	FIN-2019-6040	11/29/2019	0
The University of North Carolina at Pembroke	FIN-2019-6082	11/29/2019	0
University of North Carolina School of the Arts	FIN-2019-6092	11/14/2019	0
University of North Carolina Wilmington	FIN-2019-6060	11/13/2019	0
Western Carolina University	FIN-2019-6075	12/4/2019	0
Winston-Salem State University	FIN-2019-6084	11/25/2019	0
University of North Carolina System Office	FIN-2019-6010	2/25/2020	0

Federal Compliance Audit Reports			
Institution Name	Report Link	Release Date	# of Findings
Appalachian State University	FSA-2019-6080	5/1/2020	1
University of North Carolina at Chapel Hill	FSA-2019-6020	4/30/2020	1
University of North Carolina School of the Arts	FSA-2019-6092	4/30/2020	0
Winston-Salem State University	FSA-2019-6084	5/1/2020	4