



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

January 20, 2021 at 2:15 p.m.
Via Videoconference and UNC-TV Live Stream
University of North Carolina System Office
Center for School Leadership Development, Room 128
Chapel Hill, North Carolina

AGENDA

- A-1. Approval of the Minutes of November 18, 2020..... Mark Holton
- A-2. Risk Review Board.....Jonathan Pruitt
- A-3. OSA IT Audit Finding Resolution Update Keith Werner and Kevin Lanning
- A-4. UNC System Office Internal Audit Update..... Joyce Boni
- A-5. Campus Safety and Security – Recruitment and Retention.....Frederick Sellers and Matthew Brody
- A-6. Insurance Update..... Lynne Sanders
- A-7. Adjourn



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

DRAFT MINUTES

November 18, 2020
Via Videoconference and UNC-TV Live Stream
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 Mark Holton. The following committee members, constituting a quorum, were also present: Pearl Burris-Floyd, James L. Holmes, Jr., Terry Hutchens, Wendy Floyd Murphy, and Art Pope.

Chancellors participating were Nancy Cable and Sharon Gaber.

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

1. Call to Order and Approval of the Minutes of October 21, 2020 (Item A-1)

The chair called the meeting to order at 3:15 p.m., on Wednesday, November 18, 2020.

Chair Holton reminded all members of the committee that the meeting would be conducted pursuant to new amendments to the Open Meetings Act, which establish that all votes be taken by roll-call vote. The chair also reminded committee members of their duty under the State Government Ethics Act to avoid conflicts of interest and appearances of conflict of interest. The chair asked if there were any conflicts or appearances of a conflict with respect to any matter coming before the committee. No members identified any conflicts at the time.

The chair next called for a motion to approve the open session minutes of October 21, 2020.

MOTION: Resolved, that the Committee on Audit, Risk Management, and Compliance approve the open session minutes of October 21, 2020, as distributed.

Motion: Art Pope

Motion carried

Roll Call Vote	
Holton	Yes
Burris-Floyd	Yes
Holmes	Yes
Hutchens	Yes
Murphy	Yes
Pope	Yes

2. Internal Audit in the UNC System (Item A-2)

Chair Holton called on Lynne Sanders to present to the committee an overview of internal audit in the UNC System and to provide a summary of the UNC System internal audit activities for the 2019-20 fiscal year.

Ms. Sanders also presented to the committee the UNC System Internal Audit Plans for 2020-21 for approval. Following the presentation, the chair called for a motion to approve the plans.

MOTION: Resolved, that the Committee on Audit, Risk Management, and Compliance approve the UNC System Internal Audit Plans for 2020-21 and recommend it to the full Board of Governors for a vote through the consent agenda.

Motion: James L. Holmes, Jr.

Motion carried

Roll Call Vote	
Holton	Yes
Burris-Floyd	Yes
Holmes	Yes
Hutchens	Yes
Murphy	Yes
Pope	Yes

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

Chair Holton called on Joyce Boni to present to the committee a status update of the 2020-2021 internal audit projects approved by the committee in July 2020.

This item was for information only.

4. Adjourn

There being no further business, the meeting adjourned at 3:49 p.m.

Terry Hutchens, Secretary

AGENDA ITEM

A-2. Risk Review Board Jonathan Pruitt

Situation: The purpose of this item is to provide the Committee on Audit, Risk Management, and Compliance (CARMC) an update on the institutional implementation of the Risk Review Board (RRB).

Background: In its policy around the establishment of enterprise risk management and compliance processes, the Board of Governors directs the UNC System Office to establish and oversee University-wide processes and address enterprise risk management. These risks include those related to compliance with laws and ethical standards at the System level. The UNC System Office's oversight will complement and support the risk management and compliance processes of the constituent institutions. System-wide processes include gathering information about top risks from the constituent institutions and reporting those risks to the president. With the president's guidance, those risks will also be reported to the Board of Governors. The System will then develop, implement, evaluate, and monitor a University system-wide enterprise risk management process.

Assessment: The RRB provides leadership with risk tolerance and risk treatment options centered on topics like information technology and information security, human resources, campus safety and security, financial stability, enrollment, and emerging risks in higher education. Fundamentally, the RRB will make UNC System Office leadership aware of risks, provide options for risk treatment, and offer guidance on acceptable risk treatments. The RRB will ensure proper consideration and guidance is provided related to mitigation efforts around shared risks between the UNC System Office and constituent institutions. The RRB will ensure governance is clear while also taking the risk environment into consideration. Significant risks, as defined by the RRB, are reported to the president and, with the president's guidance, to the Board of Governors.

Action: This item is for information only.

Enterprise Risk Management Risk Review Board



Jonathan Pruitt
UNC System Office

2021

Risk Review Board

Risk Analysis and Treatment Decisions

Staffed by System Office Leadership

- **Voting Membership**
 - Chief Operating Officer, Chair**
 - Chief of Staff**
 - Chief Financial Officer**
 - General Counsel**
- **Several permanent non-voting members**

Risk Review Board Functions

- Analysis of enterprise risk related matters
- Leads and guides on risk tolerance
- Assesses risk treatment options
- Risk-based decision evaluation and action
- Govern the implementation of Board of Governors' policies relevant to risk
- Leads risk alignment across the UNC System

An Example

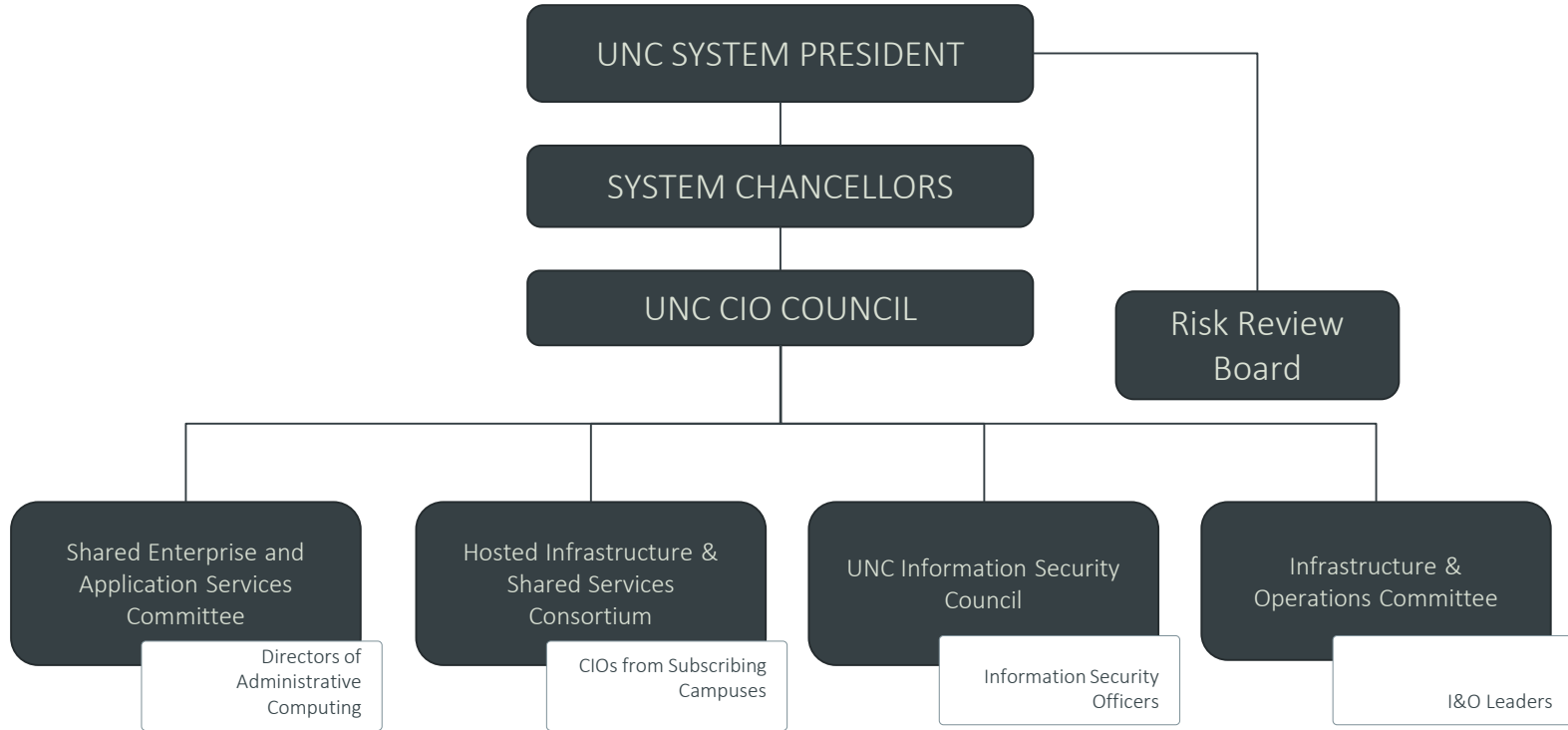
Information Technology Governance

Board of Governors' Policy 1400.1

- **Requires information technology governance across the UNC System**
- **Requires specific actions annually**
- **Benefits from System-level coordination and alignment**

IT Governance Overview

(UNC System Governance Reporting to Board of Governors)



Risk Review Board

Closing and Q&A

2021

Jonathan Pruitt
Chief Operating Officer



Risk

Tolerance

Treatment Options

Risk Decisions

Alignment

AGENDA ITEM

A-3. OSA IT Audit Finding Resolution Update..... Keith Werner

Situation: The purpose of this item is to provide the Committee on Audit, Risk Management, and Compliance an update on the Office of State Auditor (OSA) guiding principles of Section 1400.1 of the UNC Policy Manual – IT Governance finding.

Background: NC OSA stated that the UNC System Office has not fully developed and issued guidance for IT governance programs. Further, OSA recommended that the UNC System Office chief information officer (CIO), in consultation with the UNC Chief Information Officer Council, should establish a plan and timeline to complete the development and issuance of the required guidance for IT governance in accordance with the UNC Policy Manual. The UNC System Office president should ensure the plan is followed and the required guidance for IT governance is issued in accordance with the UNC Policy Manual.

Assessment: The UNC System Office CIO — in consultation with the Chief Information Officer Council, Information Security Council, Internal Audit, and Risk Review Board — has successfully addressed the finding. An IT governance program charter was developed with the associated guiding principles. The charter was shared with appropriate senior leadership at the UNC System Office. The program charter offers high-level guidance and principles related to areas specified in the UNC IT governance policy. Those areas include disaster recovery, risk assessment, and risk management. An implementation cycle to support continuous review and improvement is also included in the document. The approved program charter was issued by the president to the constituent institutions.

Action: This item is for information only.



AGENDA ITEM

A-4. UNC System Office Internal Audit UpdateJoyce 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 2020-21 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
Fiscal Year 2020-2021

Description	Status as of 1/15/21
Prior Year Carry Over	
Annual Risk Assessment/2021 Audit Plan Development	Completed (July 2020)
Advisory Services Related to Covid-19 Federal Funding	In Progress
Assurance Engagements	
UNC-TV: Purchase Card Review	In Progress
UNC System Office: North Carolina Gift Planning, LLC	Not Started
To Be Determined	Not Started
Monitoring and Reporting on Status of Management Corrective Actions	
Assess Status of Prior IT Audit Recommendations by Internal Audit	In Progress
Assess Status of Prior OSA IS Audit Recommendations	Completed (Issued 1/15/21)
Investigations	
Various as occurs: Investigations of internal/external hotline reports and similar types of investigations.	Not Started
Special Projects/Consultations	
Consult: Finance Detective Controls Project	Deferred
Annual Risk Assessment/FY2022 Audit Plan Development	Not Started
Technical Assistance/Other Audit Services	
Advisory Services to Finance: Finance DataMart; COVID-19 Relief Funding; Policy and Procedures Updates	In Progress
Advisory Services to Information Technology: Remote Management Services; Business Continuity/Disaster Recovery Plan; IT Risk Register; Policy and Procedures Updates	In Progress
Advisory Services to Human Resources: Updates to Onboarding Procedures and Learning Management Implementation; FFCA Leave Review; I-9 Documentation; Policy and Procedures Updates	In Progress
Advisory Services to Academic Affairs: Digital Learning Enhancements; Policy and Procedures Updates	In Progress
Advisory Services to Strategy and Policy: NCPFP/TP3; Policy and Procedures Updates	Not Started
Advisory Services to System Office Departments: Continuation of Operations Plan Updates	Not Started
Advisory Services to UNC-TV: R&R Planning; Purchasing Processes; Business Continuity; Policy and Procedures Updates	Not Started
Board Meetings, Unit Oversight, Staff Hiring, MOUs, and Marketing	In Progress
Other Services/Committees: Other routine advisory services to UNC-TV and the System Office; assist external auditors; charter updates; annual certifications; CAO/OIA committee meetings; QAIP work; and other projects to be determined.	In Progress
Professional Development	In Progress
Internal Audit Services to NCSSM and NCSEAA	In Progress

Red font denotes changes since the last status update.

AGENDA ITEM

A-5. Campus Safety and Security – Recruitment and Retention Frederick Sellers and Matthew Brody

Situation: Campus Safety and Security is a top enterprise risk category for the UNC System. Our institutions are open, public environments. In addition to our campus community of students, faculty, and staff, it is common to have visitors, minors, and large-scale events to support University and community activities.

Background: Each university in the UNC System maintains a police department staffed by sworn officers and headed by a police chief. In addition to performing traditional law enforcement functions, University police require special training and skills to work in and meet the unique public safety needs of academic communities. Recruiting and retaining the best qualified personnel is a challenge for campuses due to pay and benefit discrepancies with local municipalities. This is exacerbated by the negative sentiments directed at law enforcement officers by many in the communities they serve.

Adequate staffing, resources, training, and organization of operations are needed to preserve public safety at our universities. UNC System institutions continually seek ways to work together and leverage the benefits of the UNC System in these areas. The UNC System Office, with consultation from CARMC, is reviewing initiatives designed to recruit and retain qualified candidates.

Assessment: Competent and well-trained law enforcement personnel are essential in crisis management. Officers must respond to disruptive activities. They must also support students through mental health challenges, substance abuse, and risks associated with sexual misconduct and interpersonal violence. The UNC System Office and campus law enforcement believe a higher quality pool of candidates — compensated, trained, equipped, and provided educational benefits — will better serve their institutions.

Action: This item is for information only.



**THE UNIVERSITY OF
NORTH CAROLINA SYSTEM**

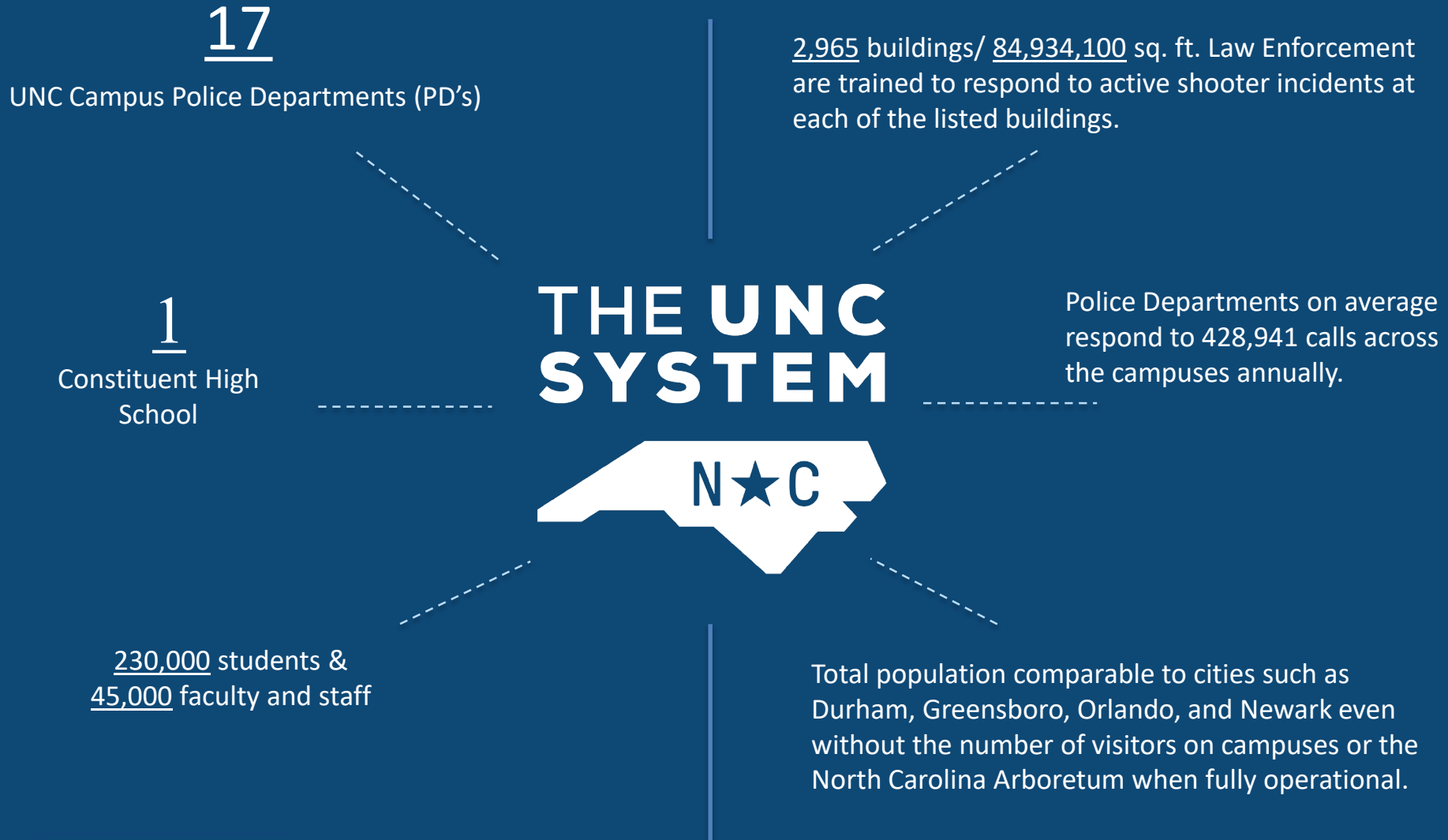


Campus Safety and Security – Recruitment & Retention

Frederick E. Sellers

Senior Associate Vice President for Safety
and Emergency Operations

Campus Safety and Security – Recruitment & Retention



Campus Safety and Security – Recruitment & Retention

Total Authorized Sworn LE for the 17 UNC System Campus PD's:

540

Sworn Officer Positions



5 Sworn Officer Positions for
~500,000 annual visitors

Vacant Sworn LE positions across UNC System Campus PD's:

82

Current LE Vacancies
(January 2021)

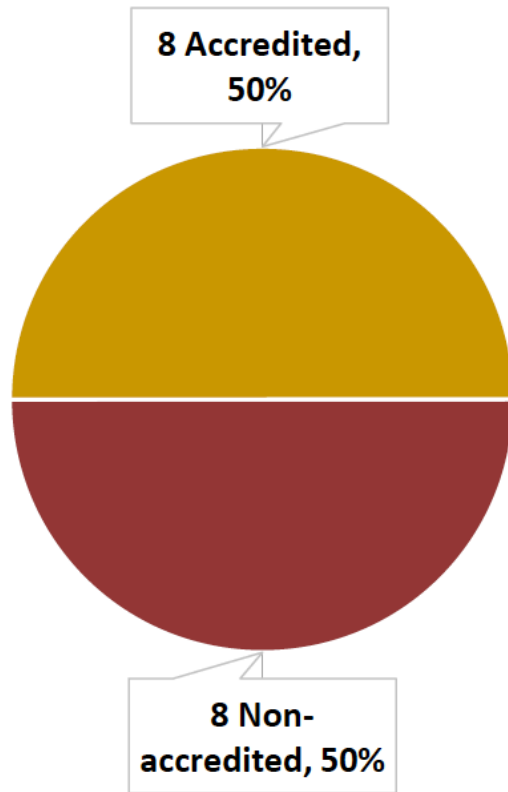
16%

of LE Workforce

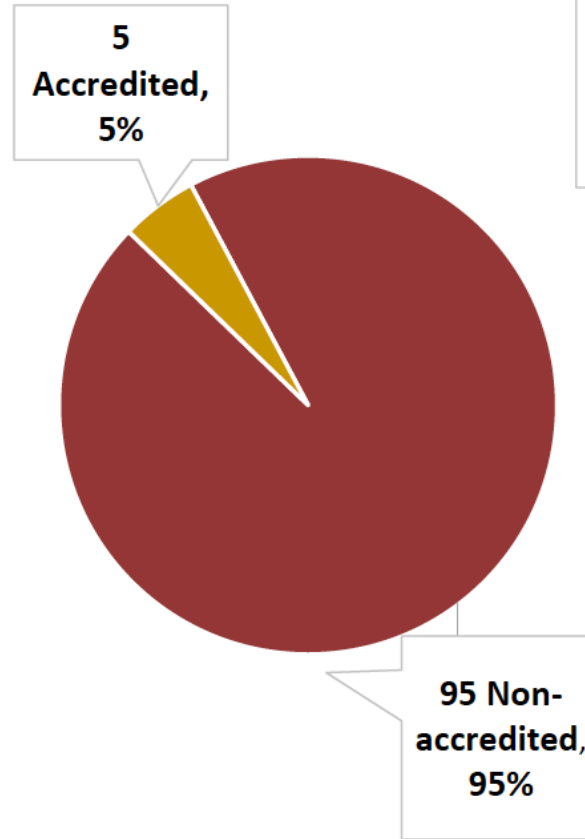
Campus Safety and Security – Recruitment & Retention

UNC Police Departments have Higher Accreditation Rates compared to other LE entities in NC

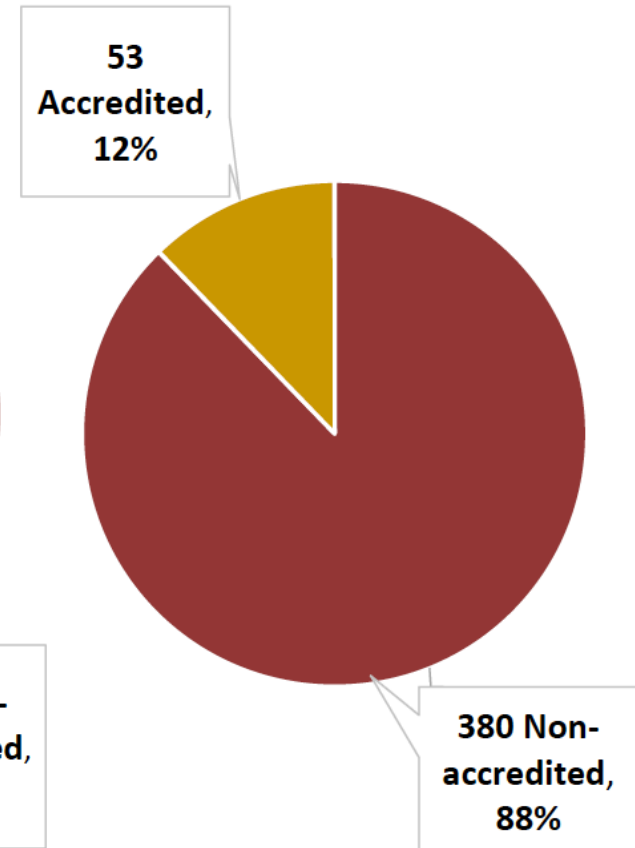
16 UNC System Law
Enforcement
Departments



100 North Carolina
County Sheriff's Offices



433 North Carolina
Municipal Police
Departments



Campus Safety and Security – Recruitment & Retention

Overview of Negative Sentiment:

- Policing and perceptions of the 750,000 police officers in the country have become national stories. Many times the negative portrayal of police have followed a police incident.
- In light of some of the scrutiny following an incident, there has been powerful resistance toward the law enforcement community.
- Social media platforms, news applications, 24-hour news, and other news outlets reporting on community charged incidents have further exacerbated the image of law enforcement and produced a negative narrative.
- This negative narrative has led to confrontations with police and further advocacy to “defund” police departments. Law enforcement officers have been attacked, ambushed, injured, and killed. Many police departments have been seized.
- The negative sentiment directed at the law enforcement community can be traced to the outrage by communities in Baltimore, MD, and Ferguson, MO that occurred in 2014.

Campus Safety and Security – Recruitment & Retention

Impact of Negative Sentiment:

- The Police Executive Research Forum (PERF) previously reported that, nationally, some police departments have 40 – 50% drop in applications while others have plummeted to 70%. North Carolina State Highway Patrol has 100+ officer vacancies, CMPD has 170 vacancies, Greensboro, Durham, and Raleigh have all reported large vacancies.
 - UNC Police Departments are also struggling to recruit qualified applicants. Many reported previously they received 40-50 applications for a position. Currently, many are only receiving 8 applications per position (16% -20%) .
- PERF outlined 86% of police chiefs nationwide reported a shortage of police officers. This has been the trend for the past five years.
 - NC Community College BLET programs across the state of North Carolina are seeing dramatic drops in student enrollment.
- The Office of Community Oriented Policing Services (COPS) is a component of DOJ. It was created in 1994 to assist law enforcement agencies in enhancing public safety through the implementation of Community Policing Strategies. COPS reported since 2011 the budget for Police Departments nationwide have declined as much as 85%.

Campus Safety and Security – Recruitment & Retention

Impact of Negative Sentiment & Other Factors:

According to the Centers for Disease Control, police suicide rates run 40% higher than the general population due to several factors.

- Police officers are first on the scene of some of the most dangerous and demanding situations imaginable, providing immediate care and support. Although these heroic duties are essential to society, they can be very strenuous and emotionally draining to those in the profession.
- Police officers face a great deal of trauma on a day-to-day basis. This constant exposure to devastation, life-threatening situations, and the physical strain of working long hours can lead officers feeling hopeless and anxious.
- In addition to the threat of physical harm, officers are constantly witnessing devastating and disturbing events such as murder, suicide, and domestic violence.
- Police officers work in highly charged/emotional environments.
- Police officers work in all types of weather conditions.
- There are verbal and physical impacts.

Campus Safety and Security – Recruitment & Retention

Potential Measures to Limit the Enterprise Campus Safety & Security Risk:

- Campus Police Salary Gap Analysis Discussion & Re-classification of Police Officer Positions
 - This can be pursued via legislative efforts to advocate for Campus Police pay increases when the state approves new pay adjustments for state law enforcement officers
- Academic Assistance Program – A tool for workforce planning and development utilized by managers and employees to support academic activities that directly relate to the organization’s identified knowledge, skills, and behaviors (organizational competencies), and which support the mission, vision, and values of the organization.
 - The academic assistance program is not an employee benefit, right or entitlement; it is a management program for workforce development.
- Increase the Tuition and Fee Waiver for Law Enforcement Officers – An employee or volunteer of an employer who possesses the power of arrest, who has taken the law enforcement oath administered under the authority of the state as prescribed by the General Statutes.
 - Current law provides an opportunity for employees to have the tuition waived for courses (up to three per academic year) taken at any of the constituent institutions of the University of North Carolina System. An increase in tuition waivers for Law Enforcement Officers requires a change in state law.
- Professional Development Training - Secure recurring funds that can be utilized to support reimbursement of college tuition, certifications, and accreditations.

QUESTIONS?

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UNC SYSTEM CAMPUS POLICE OFFICER COMPENSATION

UNC System Human Resources
Matthew Brody
January 20, 2021

Current State: Police Officers Subject to the State Human Resources Act (SHRA)

- Upwards of 500 Campus Police Officers are currently covered by the University's current SHRA compensation program (called "career banding") which was developed by State Government Human Resources over 10 years ago
- Only three job classifications are available under career banding for Campus Police Officers -
 - Public Safety Officer
 - Public Safety Supervisor
 - Public Safety Manager

Current State: Limitations and Challenges with Current Compensation System

- Limited career ladders
- Does not recognize the full spectrum of campus police ranks or specialized roles
- Lacks more regular pay progressions based on a step-like system which is featured in some municipal law enforcement agencies
- Limited flexibility to respond to specialized needs or regional recruitment or retention challenges

Current State: Salary Gap in Career Banding System

- Current salary gap for each constituent institution to move its Campus Police Officers to the existing market rates

	Contrib. Market Rate	Journey Market Rate	Advanced Market Rate
Officer	\$ 44,070	\$ 49,103	\$ 57,557
Supervisor	\$ 58,941	\$ 65,758	\$ 77,209
Manager	\$ 69,266	\$ 77,321	\$ 90,855

	Base Salary Gap	Salary + Fringes
ECU	\$280,390	\$339,272
ASU	\$214,714	\$259,804
WCU	\$206,419	\$249,767
ECSU	\$200,249	\$242,301
UNCC	\$181,722	\$219,884
UNCW	\$141,000	\$170,610
UNCG	\$134,537	\$162,790
UNCP	\$98,415	\$119,082
FSU	\$77,001	\$93,171
UNCA	\$73,392	\$88,804
NCSU	\$67,861	\$82,112
NCCU	\$55,507	\$67,163
UNCSA	\$35,816	\$43,337
WSSU	\$12,939	\$15,656
UNC-CH	\$12,884	\$15,590
NCA&T	\$6,104	\$7,386
	\$1,798,950	\$ 2,176,730

Current State: Current Salaries as % of Career Banded Market Rates*

Number of employees...	Public Safety Officer	Public Safety Supervisor	Public Safety Manager
...below 90% of Career Banded Market Rate	73	39	5
...at 90%-99.99% of Career Banded Market Rate	138	65	2
...at or above 100% of Career Banded Market Rate	62	40	6

* -- Salaries are compared against each employee's competency level market rate and aggregated into a single headcount by classification.

Future State: Campus Police Officers Exempt from State HR Act (EHRA)

- New legislative authority grants the University authority to implement a new classification and compensation system for campus police officers and move them to EHRA non-faculty status
- Develop more market-driven salary ranges competitive with municipal agencies
- Create career ladders and rank structure more aligned with and responsive to campus police operations
- Explore more frequent and predictable pay progressions based on successful performance within current rank/role

Next Steps

- Have developed a preliminary design of a new Campus Police Officer classification structure
- Will be engaging with Campus Police Chiefs to obtain their input and further refine this design
- Based on Chiefs' feedback, we will finalize a new campus police classification and pay structure to better equip our campus agencies to compete with their municipal counterparts
- Expect phased implementation starting in 4th quarter of 2021 or early 2022

Estimated Salary Gap with Municipal Law Enforcement Based on Initial Market Sampling

	Career Banded Journey Market Rate	Average Municipal Market Rate*
Public Safety Officer	\$ 49,103	\$ 51,766
Public Safety Supervisor	\$ 65,758	\$ 84,321
Public Safety Manager	\$ 77,321	\$ 92,645

*Based on a limited sampling of municipal law enforcement agency salaries pending more in-depth labor market studies.

- Very preliminary estimates of System-wide salary gap to municipal law enforcement agencies: ~\$3-5 Million
- Estimated salary gap with fringe benefits: ~\$4-6 Million
- Continued market research will be undertaken to refine and enhance the precision of this data

QUESTIONS?

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AGENDA ITEM

A-6. UNC System Insurance Update Lynne Sanders

- Situation:** The Committee on Audit, Risk Management, and Compliance will receive an update on the status of implementing Section 1300.7.1 of the UNC Policy Manual, *Policy on Insurance Coverage*.
- Background:** In order to mitigate against risks associated with damage to or loss of University property, institutions must maintain sufficient minimum insurance coverage consistent with institutional operations and industry standards. This helps to protect the investment the state has made in each constituent institution.
- Assessment:** Effective January 1, 2021, all institutions have property insurance coverage at “all risk special form.” Additionally, a process for granting limited exceptions to minimum coverage standards has been developed.
- Action:** This item requires a vote by the committee.