



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

May 26, 2021 at 12:00 p.m.
Via Videoconference and PBS North Carolina Live Stream
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 Open Session Minutes of April 21, 2021..... Mark Holton
- A-2. Presentation of Audit Reports from the Office of the State Auditor..... Beth Wood, State Auditor

CLOSED SESSION

- A-3. Approval of the Closed Session Minutes of April 21, 2021..... Mark Holton
- A-4. Information Systems Audit Issued by the Office of the State Auditor Beth Wood, State Auditor

OPEN SESSION

- A-5. Adjourn



Closed Session Motion

Motion to go into closed session to:

- Prevent the disclosure of information that is privileged or confidential under Article 7 of Chapter 126 and § 143-748 of the North Carolina General Statutes, or not considered a public record within the meaning of Chapter 132 of the General Statutes; and
- Consult with our attorney to protect attorney-client privilege.

Pursuant to: G.S. 143-318.11(a)(1) and (3).



DRAFT MINUTES

April 21, 2021

Via Videoconference and PBS North Carolina Live Stream
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 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 and others from the UNC System Office.

1. Call to Order and Approval of the Minutes of February 17, 2021 (Item A-1)

The chair called the meeting to order at 3:30 p.m., on Wednesday, April 21, 2021.

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 February 17, 2021.

MOTION: Resolved, that the Committee on Audit, Risk Management, and Compliance approve the open session minutes of February 17, 2021, as distributed.

Motion: Pearl Burris-Floyd

Motion carried

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

2. Organizational Structure of Internal Audit - UNC System Office (Item A-2)

Chair Holton called on UNC System Chief Operating Officer Jonathan Pruitt to provide the committee with an update on the organizational structure of Internal Audit at the UNC System Office. Mr. Pruitt outlined the changes to the internal audit roles and responsibilities, specifically the duties of the chief audit officer, which will be streamlined into the responsibilities of the vice president for compliance and audit services, the position currently held by Ms. Lynne Sanders. This organizational change will result in a clear, consistent, and efficient alignment of internal audit responsibilities for the UNC System.

Ms. Sanders will continue to serve as a liaison to the systemwide internal auditors as well as oversee the UNC System Office internal audit efforts which includes work for the North Carolina School of Science and Mathematics and North Carolina State Education Assistance Authority. There are also plans to recruit an internal audit manager and additional staff auditors to respond to specific needs and risks. Following the discussion, the chair called for a motion to approve the organizational structure of internal audit at the UNC System Office.

MOTION: Resolved, that the Committee on Audit, Risk Management, and Compliance approve the organizational structure of internal audit at the UNC System Office.

Motion: Terry Hutchens

Motion carried

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

3. Information Security Recommendations (Item A-3)

Chair Holton called on UNC System Chief Information Officer Keith Werner to present to the committee a set of information security recommendations to improve the information technology controls and information security risks at each institution. The seven recommendations, which have been approved by the CIO Council and UNC System Office Risk Review Board, are: (1) establish third-party validation of baseline controls, (2) improve the information security posture, (3) assure leadership is actively engaged in risk decision, (4) continuously monitor progress and exploit areas of improvement, (5) determine organizationally prioritized risks, (6) make targeted IT investments based on determined prioritization, and (7) ensure appropriate resource coverage. Following the presentation, the chair called for a motion to approve the seven recommendations.

MOTION: Resolved, that the Committee on Audit, Risk Management, and Compliance approve the seven information security recommendations.

Motion: Terry Hutchens
Motion carried

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

4. 2021 Annual Report on Implementation of UNC Information Technology Policies (Item A-4)

Chair Holton called on UNC System Chief Information Officer Keith Werner to present the annual report on the implementation of UNC information technology polices. Mr. Werner provided an update on institutional status of implementation of policies relating to information governance, information security, and data protection. The overall results reflect maturity in the long-term exercise of governance, excellent compliance with the information security policy, and rapidly improving maturity in access control. These results will provide a good baseline to measure commitment and progress with respect to these foundational policies each year.

This item was for information only.

5. Summary of Audit Reports Issued by the Office of the State Auditor

Chair Holton called on UNC System Vice President for Compliance and Audit Services Lynne Sanders to provide the committee with a summary of the 2020 fiscal year financial statement and federal compliance audit reports issued by the Office of the State Auditor since our last meeting in February. The Office of the State Auditor released ten reports between March 30, 2021, and April 12, 2021, for the 2020 fiscal year. There were two financial audits presented, one for the NC School of Science and Mathematics and one for the UNC System Office; both with no audit findings. Of the eight federal compliance audit reports issued, three institutions had findings related to compliance with financial aid requirements. Management at the three institutions agreed with the auditor’s recommendations and corrective action has already been implemented or is in the process of being implemented at each of the institutions.

6. 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 § 143-748 of the North Carolina General Statutes, or not considered a public record within the meaning of Chapter 132 of the General Statutes; and to consult with our attorney to protect attorney-client privilege pursuant to Chapter 143-318.11(a)(1) and (3) of the North Carolina General Statutes.

Motion: Terry Hutchens

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: Terry Hutchens

Motion carried

THE MEETING RESUMED IN OPEN SESSION.

7. Adjourn

There being no further business and without objection, the meeting adjourned at 4:11 p.m.

Terry Hutchens, Secretary



AGENDA ITEM

A-2. Presentation of Audit Reports from the Office of the State Auditor Beth Wood, State Auditor

Situation: The committee receives an annual overview from the state auditor regarding the 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 investigations and other audits, such as information system audits, at select institutions.

Per the committee charter, the Committee on Audit, Risk Management, and Compliance receives 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 released 26 audit reports on the University for the 2020 fiscal year. In addition, they have also released two information systems audits. Links to audit reports are included in the attachment and results of those audits will be reflected in the presentation by the state auditor.

Action: This item is for information only.

Financial Statement Audit Reports			
Institution Name	Report Link	Release Date	# of Findings
Appalachian State University	FIN-2020-6080	12/11/2020	0
East Carolina University	FIN-2020-6065	11/2/2020	0
Elizabeth City State University	FIN-2020-6086	1/14/2021	0
Fayetteville State University	FIN-2020-6088	11/5/2020	0
North Carolina Agricultural and Technical State University	FIN-2020-6070	12/22/2020	0
North Carolina Central University	FIN-2020-6090	2/3/2021	0
North Carolina School of Science and Mathematics	FIN-2020-6094	3/31/2021	0
North Carolina State University	FIN-2020-6030	11/12/2020	0
The University of North Carolina at Greensboro	FIN-2020-6040	12/8/2020	0
The University of North Carolina at Pembroke	FIN-2020-6082	12/1/2020	0
University of North Carolina at Asheville	FIN-2020-6055	10/20/2020	0
University of North Carolina at Chapel Hill	FIN-2020-6020	12/9/2020	0
University of North Carolina at Charlotte	FIN-2020-6050	11/19/2020	0
University of North Carolina School of the Arts	FIN-2020-6092	10/30/2020	0
University of North Carolina System Office	FIN-2020-6010	3/30/2021	0
University of North Carolina Wilmington	FIN-2020-6060	12/4/2020	0
Western Carolina University	FIN-2020-6075	11/12/2020	0
Winston-Salem State University	FIN-2020-6084	12/15/2020	0

Statewide Federal Compliance Audit Reports			
Institution Name	Report Link	Release Date	# of Findings
Appalachian State University	FSA-2020-6080	4/9/2021	0
East Carolina University	FSA-2020-6065	4/7/2021	0
Elizabeth City State University	FSA-2020-6086	4/9/2021	2
Fayetteville State University	FSA-2020-6088	4/12/2021	2
North Carolina Agricultural and Technical State University	FSA-2020-6070	4/9/2021	1
North Carolina State University	FSA-2020-6030	4/6/2021	0
University of North Carolina at Chapel Hill	FSA-2020-6020	4/6/2021	0
University of North Carolina at Charlotte	FSA-2020-6050	4/8/2021	0

Information Systems Audits			
Institution Name	Report Link	Release Date	# of Findings
Western Carolina University	ISA-2020-6075	1/26/2021	Confidential
East Carolina University	ISA-2020-6065	4/30/2021	Confidential