

February 22, 2023 at 3 p.m.
Via Videoconference and PBS North Carolina Livestream
UNC System Office
223 S. West Street, Room 1809 (18th Floor)
Raleigh, North Carolina

AGENDA

OPEN SESSION

- A-1. Approval of the Open Session Minutes of November 16, 2022..... Terry Hutchens
- A-2. University of North Carolina System Office Internal Audit Plan Revision Michael Ptasienski
 - a. Revised Fiscal Year 2022-2023 Internal Audit Plan
- A-3. Audit Reports Issued by the Office of the State Auditor Michael Ptasienski
 - a. Financial Statement Audits for FY2022
- A-4. Summary Report of Major Associated Entities Michael Ptasienski
 - a. Summary of Major Associated Entity Audits FY2021
- A-5. Report on Strategic Pathways for Campus Law Enforcement Personnel Fred Sellers
 - a. EHRA LEO Implementation Status

CLOSED SESSION

- A-6. Approval of the Closed Session Minutes of November 16, 2022..... Terry Hutchens
- A-7. Cybersecurity Recommendations Update..... Keith Werner
 - a. Vendor Risk Management, Training, Incident Response and Systemwide Cyber Command Budget
- A-8. 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).



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

DRAFT MINUTES

November 16, 2022

Via Videoconference and PBS North Carolina Livestream

East Carolina University

501 E 10th Street, Room 249

Greenville, North Carolina

This meeting of the Committee on Audit, Risk Management, and Compliance was presided over by Chair Terry Hutchens. The following committee members, constituting a quorum, were also present in person or by phone: Jimmy D. Clark, Lee Roberts, Kirk Bradley, Art Pope, and Pearl Burris-Floyd.

Chancellors participating were Sharon L. Gaber and Darrell T. Allison.

Staff members present included Fred Sellers, Anne Phillips, and others from the University of North Carolina System Office.

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

The chair called the meeting to order at 10:31 a.m. on Wednesday, November 16, 2022, and called for a motion to approve the open session minutes of September 21, 2022.

MOTION: Resolved, that the Committee on Audit, Risk Management, and Compliance approve the open session minutes of September 21, 2022, as distributed.

Motion: Art Pope

Motion carried

2. HMSI Enterprise Risk Management Roundtable Summary (Item A-2)

Shun Robertson briefed the committee on HMSI Risk Register Overview. The HMSI Chancellors participated in a roundtable discussion in October 2022, and shared data and additional details on their enterprise risks.

This item was for informational only.

3. Summary of UNC Systemwide Internal Audit Activities (Item A-3)

Michael Ptasienski briefed the committee on the Systemwide Internal Audit Activities of the FY22 Report listing and FY22 Internal Audit Findings. Between July 1, 2021, and June 30, 2022, internal audit departments across the

University of North Carolina System completed risk assessments, audits, advisory services, audit finding follow-ups and investigations resulting in 240 reports. Those internal audit activities produced 356 recommendations for improvements to internal controls. Corresponding management corrective actions were identified.

This item was for informational only.

4. Approval of UNC Systemwide Audit Plans (Item A-4)

Mr. Ptasienski further briefed that each constituent institution submitted their internal audit plan that was approved by the institution's board of trustees.

MOTION: Resolved, that the Committee on Audit, Risk Management, and Compliance approve Approval of UNC Systemwide Audit Plans and recommend it to the full University of North Carolina Board of Governors for a vote through the consent agenda.

Motion: Art Pope

Motion carried

5. Update of Safety & Security Operations (Item A-5)

Fred Sellers briefed an update on the Safety and Security Operations at the Samarcand Training Academy. The UNC System's joint training program for our campus law enforcement at the Samarcand Training Academy has proven to be highly effective, collaborative, and cost effective. Over the past two years, the Samarcand Training Academy has established thirty-six training opportunities.

This item was for informational only.

6. Joint Cybersecurity Task Force Presentation (Item A-6)

Keith Werner coordinated with the Joint Cybersecurity Task Force (JCTF) to hold a briefing on cybersecurity. Specifically, the JCTF provides security incident response and coordination, forensics, resource support, technical assistance, and proactive services to educational entities like schools and universities, state and local government agencies that have been the target of significant cybersecurity incidents.

This item was for informational only.

7. 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

Motion: Lee Roberts

Motion carried

THE MEETING MOVED INTO CLOSED SESSION AT 11:27 a.m.
(The complete minutes of the closed session are recorded separately.)

THE MEETING RESUMED IN OPEN SESSION AT 11:35 a.m.

There being no further business and without objection, the meeting adjourned at 11:36 a.m.

Lee Roberts, Secretary

AGENDA ITEM

A-2. University of North Carolina System Office Internal Audit Plan Revision.....Michael Ptasienski

Situation: Modifications are being made to the 2022-23 internal audit plan.

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 System Office's internal audit activities. This allows the committee to assess internal audit's performance relative to the approved annual audit plan. The Internal Audit Charter states that we will adjust the plan, as necessary, in response to changes in the System Office's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved audit plan will be communicated to the president and the committee.

Assessment: The attached document identifies changes to the 2022-23 internal audit plan necessitated by current staffing and changes to the internship program.

Action: This item is for information only.



Proposed revisions to the
approved audit plan.

Revised Fiscal Year 2022-2023 Internal Audit Plan

February 2023

UNC System | Office of Compliance & Audit Services

Michael Ptasienski, Chief Audit Officer

UNC System Office Internal Audit Plan
Fiscal Year 2023

Engagements	Planned Hours
Prior Year Carry Over	
No carryover audits	
Annual Risk Assessment - FY2023 Audit Plan Development	240
Assurance Engagements	
Operational: Audit of Organizational Continuity	560
Financial: Audit of Financial Business Processes	560
Information Systems: Audit of Information Systems Policies and Procedures	1040
Compliance: Audit of Compliance with Requirements for the use of Governor's Emergency Education Relief (GEER) Funds and American Rescue Plan Act (ARPA) Funds	560
Consultation Engagements	
Information Systems: Interpret National Guard Assessment of Cybersecurity Results	360
Data Analytics Dashboard: Government Affairs: Data Analytics to capture all reports due to General Assembly with Due Dates	360
Data Analytics Dashboard: Chief Operating Officer: Data Sharing Contracts: Information Security Impact in Contracts	520
Technical Assistance to UNC System Office Management	140
Follow-up on Management Corrective Actions	
SYS OFC: Operational: University Advancement: Shared Services and Gift Planning	80
SYS OFC: Compliance: Budget and Finance: Subrecipient Monitoring of COVID funds	40
SYS OFC: Information Systems: Configuration and Vulnerability Management of IT assets	40
SYS OFC: Information Systems: Change Management	40
SYS OFC: Performance: Budget and Finance: Performance Metrics and Goals for COVID funds	10
PBS NC: Operational: Workflow Analysis	10
Follow-up on years prior to 2022	40
Investigations	
Unplanned/Various as occurs: Investigations of internal/external hotline reports and similar types of investigations.	100
Special Projects	
PowerPoint of the Perils of Email	340
Internal Audit Internship Program Recruitment <u>PARTIAL YEAR</u>	<u>20 10</u>
Internal Audit Internship Program Management <u>PARTIAL YEAR</u>	<u>340 170</u>

UNC System Office Internal Audit Plan
Fiscal Year 2023

Engagements	Planned Hours
Other Hours	
<i>Board Meetings, Unit Oversight, Staff Hiring, MOUs, and Marketing Other Services/Committees: Other routine advisory services to PBS NC and the System Office; assist external auditors; charter updates; annual certifications; CAO/OIA committee meetings; QAIP work; and other projects to be determined.</i>	1364
Professional Development	120
Other Admin Hours	120
Total Direct Hours to UNC System Office	7004 4484
MOU (Internal Audit Shared Services)	
Internal Audit Services to NCSSM	860
Internal Audit Services to NCSEAA	720
Internal Audit Services to Universities through the Internship Program <u>PARTIAL YEAR</u>	1920 960
Internal Audit Services to State Agencies through the Internship Program <u>PARTIAL YEAR</u>	3,840 1920
Total Other Hours	7340 4460
Total Hours	14334 8944
Less (Permanent Resource Hours 2088 x 2 , 1560 x 1) <u>ADJUSTED</u>	5736 4144
Difference (Increased Hours Due <u>Addressed with to 20-10 Interns * 480 hrs.</u>) <u>PARTIAL YEAR</u>	9,600 4800

Peter Hans, President

Date

Terry Hutchens, Committee Chair

Date

UNC System Office Internal Audit Plan

Fiscal Year 2023

Summary of the Planned Services

This document represents the initial internal audit plan; however, it is a dynamic document that may change during the year as circumstances warrant. Requests from management or the Board of Governors, unexpected allegations, or other investigations, and/or significant changes to the organization or its operations can alter the needs and priorities. Thus, if necessary, the audit plan may be adjusted to meet the evolving needs. The planned hours and projects for this annual plan cover work from July 2022 to June 2023. The estimated hours include an allocation of time for one Internal Audit Director, one team lead, one staff auditor, and up to ten internal audit interns.

Prior Year Carry Over: Prior Year Carry Over includes the following internal audit projects from the prior year audit plan that have final reports to be released and/or processes to be completed before the start of fiscal year 2023 activities:

There were no carry-over audits this year.

Annual Risk Assessment Development: As part of the annual process to prepare an audit plan for fiscal year 2023, internal audit conducted a risk assessment. This entails identifying and rating risks based on feedback from management, current trends, previous audit results, and other criteria. The result is this risk-based audit plan, as required by the Internal Audit Charter and The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (Standards).

Assurance Engagements:

FY23 Operational: Audit of Organizational Continuity: The UNC System Office executes the Board of Governors' objectives and provides System-wide leadership in academic affairs, business and financial management, long-range planning, student affairs, research, legal affairs, and government relations. The internal audit team will review the existing controls in these crucial units to improve organizational continuity by identifying key personnel whose absence increases the likelihood that the UNC System Office will not achieve its strategic plan. Additionally, the internal audit team will determine if current departmental policies and procedures exist, and if business process documentation is in place to allow employees to perform their duties should essential personnel depart. Finally, the internal audit team will identify the units that have not begun a business continuity strategy to recommend solutions to reduce future business operation disruptions. THIS HAS BEEN IDENTIFIED AS A LOWER PRIORITY ITEM. WILL BE ASSESSED AS PART OF THE 2024 AUDIT PLAN

FY23 Financial: Audit of Budget and Finance Processes: Budget and Finance is responsible for processing accounts payable, accounts receivable, travel, and other administrative activities in support of the UNC System Office's business objectives. The internal audit team will conduct a review of the controls over the financial business process to provide reasonable assurance that processes are optimized for maximum operational efficiency and effectiveness.

FY23 Information Systems: Audit of Information Systems Policies and Procedures: Information Systems is responsible for managing the information systems and cybersecurity activities to protect the confidentiality, availability, and integrity of information assets. The internal audit team will conduct a gap analysis on all applicable information systems policies and procedures and make policy recommendations based on internationally recognized industry standards.

UNC System Office Internal Audit Plan

Fiscal Year 2023

FY23 Compliance: Audit of Compliance with Requirements for use of Governor's Emergency Education Relief (GEER) Fund and American Rescue Plan Act (ARPA) Funds: In response to the pandemic, the North Carolina Governor and General Assembly granted the UNC Board of Governors federal financial assistance to support the UNC System Office and its constituent universities with the necessary funding to continue providing educational services to their students, social and emotional support for both students and faculty, and additional funding to safeguard education-related jobs. The internal audit team will examine the UNC System Office and its constituent institutions' compliance with the Department of Education, the US Treasury, and/or the North Carolina Pandemic Recovery Office's requirements for the use of GEER and ARPA funds. THIS IS VIEWED AS LOWER PRIORITY AS SUBRECIPIENT MONITORING WAS EXAMINED IN 2022

Consulting Engagements:

FY23 Consultation Engagements: As needed, internal audit is available to provide technical advice and other services to management and staff as they consider operational changes, re-evaluate current practices and/or develop new processes and procedures. The objective is to provide proactive feedback, as needed, to help ensure effective controls and operating procedures are designed and, where applicable, promote compliance with state, federal, and UNC System policies. In addition to technical advice, internal audit performs consulting services to provide feedback on the UNC System operations. Some specific advisory services that were requested by management for the FY23 fiscal years includes the following:

- **FY23 Consultation Engagements - FY23 Information Systems:** Consult on Information Systems Policies and Procedures: Internal audit will provide advisory services to information systems by interpreting the National Guard Cybersecurity Assessment (JTF) results to assist with strengthening cybersecurity controls in the UNC System Office.
- **FY23 Special Project - Data Analytic Dashboards:** The internal audit team will develop at least two Data Analytic Dashboards to aid government affairs and the chief operating officer in answering two primary questions: is the UNC System Office compliant with respect to timely submission of reports to the General Assembly, and does the UNC System Office overshare information by engaging into contracts without chief information security officer approval? By capturing all reports due to the General Assembly with due dates, and by compiling all contracts to review for provisions pertaining to information sharing, these dashboards will provide visibility into these operational processes to answer these two primary questions and determine the UNC System Office's compliance with state law and obligations to share information due to contractual terms. THE GOVERNMENT AFFAIRS DASHBOARD WAS DEVELOPED BY A SYSTEM OFFICE FELLOW INSTEAD OF INTERNAL AUDIT. THE CONTRACT DASHBOARD NEED WILL BE CONSIDERED WHEN DEVELOPING THE 2024 AUDIT PLAN.

Technical Assistance:

- **FY23 Information Systems:** Internal audit will provide advisory services to information systems by embedding with the National Guard Cybersecurity Assessment (JTF) team to observe them conduct the cybersecurity assessment of the UNC System Office Information Technology infrastructure, identify gaps in the assessments, and consider employing new techniques for future IT audit engagements.

UNC System Office Internal Audit Plan

Fiscal Year 2023

- **FY23 System Office Divisions:** Internal audit will provide advisory services to various System Office departments and units as needed. Finance, Information Systems, Human Resources, Academic Affairs, Strategy and Policy, Government Affairs, University Communications, Office of the Secretary, University Advancement, Safety & Emergency Operations, and UNC Affiliates (PBS NC, UNC Press, etc.) are among the UNC System units that receive technical advice from Internal Audit.

Follow-up on Management's Corrective Actions:

FY23 Monitoring and Reporting of Management's Corrective Actions: The internal audit team will obtain regular updates from management regarding the status of corrective actions taken to mitigate risks identified in prior audits (from both internal and external audits). The internal audit team will review and assess what audit tests are necessary to verify the status of actions taken. A summary report will be shared with senior management and the Committee on Audit, Risk Management and Compliance to keep them apprised of the progress of management's corrective actions.

Special Projects:

FY23 Special Project-The Perils of Email Overuse: The internal audit team will create a presentation for legal affairs to convey to UNC System Office employees the dangers of excessive use of email. The purpose of the presentation is to educate employees on the top three risks associated with excessive email usage, the five best practices for email use, and to reiterate rules such as the Newspaper rule, Confidentiality Rules, Phishing, and Business Email Compromise. Once approved by legal affairs, this presentation will be included in the training delivered to personnel annually. THIS WILL BE DEVELOPED BY LEGAL AFFAIRS.

FY23 Special Project - Internal Audit Internship Program: The internal audit team has established a program to provide students with the opportunity to conduct assurance and consulting engagements for the UNC System Office, Universities, and State agencies. This internship program provides entities with extra auditing resources and students gain invaluable hand-on experience in internal auditing. The director of internal audit is responsible for supervising engagements, recruiting students to participate in the program, coordinating with chief audit officers on assignment selection, as well as promoting and managing the program. PROGRAM HAS SHIFTED BACK THE STATE OFFICE OF BUDGET AND MANAGEMENT EFFECTIVE 12/2022.

Internal Audit Shared Services:

FY23 Internal Audit Shared Services: Under the Internal Audit Director's supervision, up to twenty interns will conduct assurance and consulting engagements with the System Office, universities, and state agencies per year. The partnership with these organizations will begin in September 2022. UNC System Office of Internal Audit also serves as the chief audit officer for NCSSM and NCSEAA. Internal audit shall complete engagements in accordance with the memorandum of understanding for these entities.

Other Hours:

FY23 Other/Unplanned: - Internal audit has reserved time for potential investigations, consults, special projects, technical advisory services, and/or other needs that are anticipated to arise throughout the year. Specifically, under the assurance engagements, some unscheduled time has been left for needs that may

UNC System Office Internal Audit Plan

Fiscal Year 2023

develop because of unforeseen circumstances or special requests from the president. Internal audit will incorporate an evaluation of how the organization communicates, directs, reinforces, and monitors adherence to its standards and policies. This will be used to evaluate the culture and structure of governance and, if necessary, to make recommendations for enhancing the governance process.

AGENDA ITEM

A-3. Audit Reports Issued by the Office of the State Auditor..... Michael Ptasienski

- Situation:** The committee will receive an update on the financial statement audit reports issued to date by the Office of the State Auditor for the 2022 fiscal year.
- Background:** All constituent institutions and the University of North Carolina 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 technology general controls audits at select institutions.
- Assessment:** The Office of the State Auditor has released 16 financial statement audit reports on the University of North Carolina System for the 2022 fiscal year. The audit results have been summarized in the attachment.
- Action:** This item is for information only.

Financial Statement Audits for FY2022

Institution Name	Report Link	Release Date	# of Findings
Appalachian State University	FIN-2022-6080	12/8/2022	0
East Carolina University	FIN-2022-6065	11/16/2022	0
Elizabeth City State University	FIN-2022-6086	12/9/2022	0
Fayetteville State University	FIN-2022-6088	12/2/2022	0
North Carolina Agricultural and Technical State University	FIN-2022-6070	12/9/2022	0
North Carolina Central University	FIN-2022-6090	1/13/2023	0
North Carolina State University	FIN-2022-6030	11/15/2022	0
University of North Carolina at Asheville	FIN-2022-6055	10/28/2022	0
University of North Carolina at Chapel Hill	FIN-2022-6020	11/29/2022	0
University of North Carolina at Charlotte	FIN-2022-6050	11/16/2022	0
The University of North Carolina at Greensboro	FIN-2022-6040	11/9/2022	0
The University of North Carolina at Pembroke	FIN-2002-6082	12/14/2022	0
University of North Carolina School of the Arts	FIN-2022-6092	11/30/2022	0
University of North Carolina Wilmington	FIN-2022-6060	11/10/2022	0
Western Carolina University	FIN-2022-6075	11/14/2022	0
Winston-Salem State University	FIN-2022-6084	12/15/2022	0

AGENDA ITEM

A-4. Summary Report of Major Associated Entities Michael Ptasienski

- Situation:** Annually, the Committee on Audit, Risk Management, and Compliance reviews a summary of the University's associated entities.
- Background:** Under Section 600.2.5.2[R] of the UNC Policy Manual, *Regulation on Required Elements of University-Associated Entity Relationship*, associated entities of the UNC System and its constituent institutions must provide copies of the audit report management letters, and responses to management letters to the chancellor of the approving institution. The chancellor then distributes these materials to the governing board of the approving institution and the president of the University of North Carolina System, who in turn distributes the materials to the University of North Carolina Board of Governors. One of the responsibilities of the Committee on Audit, Risk Management, and Compliance is to review a summary of the annual financial audit reports of the University's major associated entities.
- Assessment:** As of June 30, 2021, there were 92 major Associated Entities subject to the reporting requirements in Section 600.2.5.2[R]. All associated entities received opinions from audit firms that were in good standing with the NC State Board of CPA Examiners. All had unmodified opinions except one entity which had a modified opinion. Two associated entities had one or more audit findings.
- Action:** This item is for information only.

Summary of Major Associated Entity Audits FY2021

Campus	Fiscal Year End	Unqualified Audit Opinion	Audit Performed By	Management Letter/Report Issues	Operating Expenditures	Total Net Assets / Net Position	Reporting Status
Appalachian State University 2							
Appalachian State University Foundation, Inc.	6/30/21	Yes	Elliott Davis, PLLC	No	\$27,567,412	\$189,482,552	Blended
Appalachian Student Housing Corporation	6/30/21	Yes	Apple, Kocaja & Associates, PA	No	\$3,754,080	\$22,705,311	Blended
East Carolina University 4							
East Carolina University Alumni Association, Inc.	6/30/21	Yes	Bernard Robinson & Company, L.L.P.	No	\$1,132,849	\$4,629,843	Discretely Presented
East Carolina University Educational Foundation, Inc.	6/30/21	Yes	Bernard Robinson & Company, L.L.P.	No	\$11,474,849	\$32,546,723	Discretely Presented
East Carolina University Foundation, Inc. and Consolidated Affiliates	6/30/21	Yes	Bernard Robinson & Company, L.L.P.	No	\$10,259,720	\$203,705,599	Discretely Presented
East Carolina University Medical & Health Sciences Foundation, Inc.	6/30/21	Yes	Bernard Robinson & Company, L.L.P.	No	\$5,364,991	\$74,049,128	Discretely Presented
Elizabeth City State University 2							
The Elizabeth City State University Foundation	6/30/21	Yes	Cherry Bekaert, LLP	No	\$1,256,116	\$1,240,249	Blended
Elizabeth City State University National Alumni Association, Inc.	12/31/21	Yes	Murphy and Company PC	No	\$105,501	\$242,865	Discretely Presented
Fayetteville State University 3							
Fayetteville State University Foundation, Inc., and Subsidiary	6/30/21	Yes	Sharpe Patel PLLC	No	\$1,190,347	\$14,989,784	Blended
Fayetteville State University Housing Foundation, LLC	6/30/21	Yes	Sharpe Patel PLLC	No	\$1,137,913	\$2,871,512	Blended
Fayetteville State University Student Housing Corporation and Subsidiary	6/30/21	Yes	Sharpe Patel PLLC	No	\$273,176	\$717,768	Blended
North Carolina A&T State University 3							
North Carolina A&T Real Estate Foundation, Inc.	6/30/21	Yes	Thomas & Gibbs, CPAs, PLLC	No	\$22,050,905	\$44,455,728	Discretely Presented
The Foundation for North Carolina A&T State University Inc	6/30/21	Yes	Thomas & Gibbs, CPAs, PLLC	No	\$286,131	\$3,989,807	NEW
The Aggie Athletic Foundation of North Carolina A&T State University, Inc.	6/30/21	Yes	Thomas & Gibbs, CPAs, PLLC	No	\$1,084,490	\$1,898,361	Discretely Presented
North Carolina Central University 4							
North Carolina Central University Alumni Association, Inc.	6/30/21	Yes	Thomas & Gibbs, CPAs, PLLC	No	\$258,918	\$977,968	Discretely Presented
The North Carolina Central University Educational Advancement Foundation, Inc.	6/30/21	Yes	Thomas & Gibbs, CPAs, PLLC	No	\$135,671	\$82,434	Discretely Presented
The North Carolina Central University Foundation, Inc.	6/30/21	Yes	Blackman & Sloop, CPAs, P.A.	No	\$6,174,650	\$37,756,631	Discretely Presented
NCCU Real Estate Foundation, Inc.	6/30/21	Yes	Blackman & Sloop, CPAs, P.A.	No	\$1,919,669	\$2,045,339	Blended
North Carolina School of Science and Mathematics 1							
North Carolina School of Science and Mathematics Foundation and Subsidiary	6/30/21	Yes	Williams Overman Pierce, LLP	No	\$4,187,694	\$38,550,892	Discretely Presented
North Carolina State University 13							
The North Carolina Agricultural Foundation, Inc.	6/30/21	Yes	Williams Overman Pierce, LLP	No	\$36,524,284	\$223,990,701	Discretely Presented
NC State Engineering Foundation, Inc.	6/30/21	Yes	Williams Overman Pierce, LLP	No	\$23,694,966	\$161,572,715	Discretely Presented
NC State Investment Fund, Inc.	6/30/21	Yes	Williams Overman Pierce, LLP	No	\$6,119,736	\$1,829,305,242	Blended
NC State Natural Resources Foundation, Inc.	6/30/21	Yes	Williams Overman Pierce, LLP	No	\$3,255,535	\$54,134,718	Discretely Presented
North Carolina State University Alumni Association, Inc.	6/30/21	Yes	Williams Overman Pierce, LLP	No	\$5,249,490	\$60,845,137	Discretely Presented
North Carolina State University College of Sciences Foundation, Inc.	6/30/21	Yes	Williams Overman Pierce, LLP	No	\$2,972,116	\$38,150,510	Discretely Presented
North Carolina State University Foundation, Inc.	6/30/21	Yes	Williams Overman Pierce, LLP	No	\$29,620,884	\$666,174,276	Discretely Presented
North Carolina State University Club	12/31/21	Yes	Batchelor, Tillery & Roberts, LLP	No	\$3,502,806	\$13,791,470	Discretely Presented
NC State University Partnership Corporation and Affiliates	6/30/21	Yes	Williams Overman Pierce, LLP	No	\$8,805,690	\$21,375,655	Blended
North Carolina Textile Foundation, Inc.	6/30/21	Yes	Williams Overman Pierce, LLP	No	\$3,078,926	\$89,299,038	Discretely Presented
North Carolina Tobacco Foundation, Inc.	6/30/21	Yes	Williams Overman Pierce, LLP	No	\$1,203,073	\$14,047,851	Discretely Presented
North Carolina Veterinary Medical Foundation, Inc.	6/30/21	Yes	Williams Overman Pierce, LLP	No	\$6,456,902	\$119,280,936	Discretely Presented

Summary of Major Associated Entity Audits FY2021

Campus	Fiscal Year End	Unqualified Audit Opinion	Audit Performed By	Management Letter/Report Issues	Operating Expenditures	Total Net Assets / Net Position	Reporting Status
NC State Student Aid Association, Inc.	6/30/21	Yes	James Moore & Assoc. P.L.	No	\$47,878,836	\$68,592,511	Discretely Presented
The University of North Carolina at Asheville 1							
University of North Carolina Asheville Foundation, Inc.	6/30/21	Yes	Burleson & Earley, P.A.	No	\$4,773,200	\$57,531,096	Discretely Presented
The University of North Carolina at Chapel Hill 29							
Carolina Angel Network, LLC	6/30/21	No	Williams Overman Pierce, LLP	Yes	\$473,888	\$136,504	Discretely Presented
Carolina for Kibera, Inc.	12/31/21	Yes	Maddison & Caison, LLP	No	\$505,690	\$5,553,946	Discretely Presented
Carolina Research Ventures, LLC	6/30/21	Yes	Blackman & Sloop, CPAs, P.A.	No	\$301,839	\$539,575	Blended
* Chapel Hill Foundation Real Estate Holdings, Inc.	6/30/21	Yes	KPMG LLP	No	\$11,156,726	\$5,834,000	Blended
Dental Foundation of North Carolina, Inc.	6/30/21	Yes	Blackman & Sloop, CPAs, P.A.	Yes	\$2,690,503	\$100,356,245	Discretely Presented
HVPV Holdings, LLC	6/30/21	Yes	Blackman & Sloop, CPAs, P.A.	No	\$265,487	\$5,943,674	Blended
The Educational Foundation, Inc.	6/30/21	Yes	Batchelor, Tillery, & Roberts, LLP	No	\$36,667,497	\$57,071,863	Discretely Presented
* The Kenan-Flagler Business School Foundation	6/30/21	Yes	Bernard Robinson & Company, L.L.P.	No	\$5,577,087	\$238,737,975	Blended
Medical Air, Inc.	6/30/21	Yes	Blackman & Sloop, CPAs, P.A.	No	\$960,043	\$3,881,421	Discretely Presented
Morehead-Cain Scholarship Fund	6/30/21	Yes	Batchelor, Tillery, & Roberts, LLP	No	\$3,370,663	\$54,585,049	Discretely Presented
North Carolina Botanical Garden Foundation, Inc.	6/30/21	Yes	Blackman & Sloop, CPAs, P.A.	No	\$1,765,902	\$11,119,746	Discretely Presented
The School of Government Foundation, Inc. and SOG DFI, LLC	6/30/21	Yes	Blackman & Sloop, CPAs, P.A.	No	\$881,219	\$44,051,028	Discretely Presented
School of Government Services	6/30/21	Yes	Blackman & Sloop, CPAs, P.A.	No	\$225,129	\$314,761	Discretely Presented
The School of Media and Journalism Foundation of North Carolina, Inc.	6/30/21	Yes	Blackman & Sloop, CPAs, P.A.	No	\$1,480,303	\$49,990,735	Discretely Presented
** Spirova Inc. Audit was not completed							
University of North Carolina at Chapel Hill Arts and Sciences Foundation, Inc.	6/30/21	Yes	Blackman & Sloop, CPAs, P.A.	No	\$20,309,668	\$485,799,928	Discretely Presented
UNC Eshelman School of Pharmacy Foundation	6/30/21	Yes	Koonce, Wooten & Haywood, LLP	No	\$3,259,500	\$75,467,680	Discretely Presented
UNC Investment Fund, LLC	6/30/21	Yes	KPMG LLP	No	\$2,402,902	\$10,329,060,835	Blended
UNC Intermediate Pool, LLC	6/30/21	Yes	KPMG LLP	No	\$161,199	\$1,264,180,804	Blended
The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc.	6/30/21	Yes	KPMG LLP	No	\$42,267,951	\$5,097,632,520	Blended
The University of North Carolina at Chapel Hill Foundation, Inc.	6/30/21	Yes	KPMG LLP	No	\$30,252,000	\$601,736	Blended
UNC Global Projects, LLC	6/30/21	Yes	Blackman & Sloop, CPAs, P.A.	No	\$1,318,579	\$0	Discretely Presented
UNC Health Foundation	6/30/21	Yes	KPMG LLP	No	\$33,911,961	\$538,126,734	Discretely Presented
UNC Law Foundation, Inc.	6/30/21	Yes	Blackman & Sloop, CPAs, P.A.	No	\$3,653,471	\$96,363,557	Discretely Presented
UNC Management Company, Inc.	6/30/21	Yes	KPMG LLP	No	\$21,164,734	\$29,794,215	Blended
The University of North Carolina at Chapel Hill Public Health Foundation, Inc.	6/30/21	Yes	Blackman & Sloop, CPAs, P.A.	No	\$5,798,970	\$88,706,354	Discretely Presented
The General Alumni Association of the University of North Carolina at Chapel Hill	6/30/21	Yes	Bernard Robinson & Company, L.L.P.	No	\$5,966,139	\$135,099,335	NEW
READDI Inc	6/30/21						NEW April 2021
WUNC Public Radio, LLC	6/30/21	Yes	Blackman & Sloop, CPAs, P.A.	No	\$11,729,396	\$29,367,841	Blended
* Contains consolidated financials for subsidiary AEs							
** The audit for Spirova was not completed for FYE December 31, 2020 or 2021. AE status with the University may change.							
The University of North Carolina at Charlotte 4							
The Athletic Foundation of the University of North Carolina at Charlotte	6/30/21	Yes	RSM US LLP	No	\$3,800,400	\$37,984,861	Discretely Presented
The Foundation of The University of North Carolina at Charlotte, Inc.	6/30/21	Yes	RSM US LLP	No	\$15,054,150	\$239,927,905	Discretely Presented

Summary of Major Associated Entity Audits FY2021

Campus	Fiscal Year End	Unqualified Audit Opinion	Audit Performed By	Management Letter/Report Issues	Operating Expenditures	Total Net Assets / Net Position	Reporting Status
The University of North Carolina at Charlotte Facilities Development Corporation, Inc.	6/30/21	Yes	RSM US LLP	No	\$324,627	\$39,717	Blended
The University of North Carolina at Charlotte Investment Fund, Inc.	6/30/21	Yes	RSM US LLP	No	\$1,554,068	\$298,927,247	Blended
University of North Carolina at Greensboro 4							
Capital Facilities Foundation, Inc.	6/30/21	Yes	Bernard Robinson & Company, L.L.P.	No	\$568,251	\$4,766,019	Blended
Serve, Inc.	6/30/21	Yes	Bernard Robinson & Company, L.L.P.	No	\$464,944	\$347,818	Discretely Presented
The UNCG Excellence Foundation	6/30/21	Yes	Bernard Robinson & Company, L.L.P.	No	\$1,282,007	\$195,167,498	Blended
The University of North Carolina at Greensboro Investment Fund, Inc.	6/30/21	Yes	Bernard Robinson & Company, L.L.P.	No	\$1,837,822	\$392,609,634	Blended
The University of North Carolina at Pembroke 3							
The UNCP University Foundation, LLC	6/30/21	Yes	Thomas, Judy & Tucker, P.A.	No	\$1,577,868	\$2,341,028	Blended
The University of North Carolina at Pembroke Foundation, Inc.	6/30/21	Yes	Thomas, Judy & Tucker, P.A.	No	\$2,843,180	\$20,299,940	Blended
The UNCP Student Housing Foundation, LLC	6/30/21	Yes	Thomas, Judy & Tucker, P.A.	No	\$8,703	\$2,374,346	Blended
The University of North Carolina School of the Arts 5							
University of North Carolina School of the Arts Foundation, Inc.	6/30/21	Yes	Smith Leonard PLLC	No	\$4,933,620	\$99,936,751	Discretely Presented
University of North Carolina School of the Arts Housing Corporation	6/30/21	Yes	Bernard Robinson & Company, L.L.P.	No	\$525,974	\$2,153,709	Blended
University of North Carolina School of the Arts Program Support Corporation	6/30/21	Yes	Bernard Robinson & Company, L.L.P.	No	\$19,227	\$1,161,861	Blended
RiverRun International Film Festival	6/30/21	Yes	Butler & Burke, LLP	No	\$656,607	\$527,589	Discretely Presented
The Semans Art Fund, Inc.	6/30/21	Yes	Smith Leonard PLLC	No	\$136,089	\$5,320,501	Discretely Presented
The University of North Carolina at Wilmington 5							
The Alumni Association of The University of North Carolina at Wilmington	6/30/21	Yes	Bernard Robinson & Company, L.L.P.	No	\$127,071	\$1,048,345	Discretely Presented
The Foundation of the University of North Carolina at Wilmington, Inc.	6/30/21	Yes	Bernard Robinson & Company, L.L.P.	No	\$1,548,007	\$10,038,483	Discretely Presented
UNCW Student Aid Association, Inc.	6/30/21	Yes	Bernard Robinson & Company, L.L.P.	No	\$1,565,721	\$3,112,606	Discretely Presented
UNCW Corporation	6/30/21	Yes	Bernard Robinson & Company, L.L.P.	No	\$4,893,172	\$0	Blended
UNCW Research Foundation	6/30/21	Yes	Bernard Robinson & Company, L.L.P.	No	\$521,866	\$442,387	Blended
Western Carolina University 3							
The North Carolina Arboretum Society	6/30/21	Yes	Carter, P.C.	No	\$4,361,341	\$2,923,123	Discretely Presented
Western Carolina University Foundation	6/30/21	Yes	Sharpe Patel PLLC	No	\$1,839,782	\$72,518,416	Blended
Western Carolina University Research and Development Corporation	6/30/21	Yes	Sharpe Patel PLLC	No	\$225,924	\$4,078,080	Blended
Winston-Salem State University 4							
Simon Green Atkins Community Development Corporation	6/30/21	Yes	DMJPS PLLC	No	\$934,185	\$3,180,670	Discretely Presented
Winston-Salem State University Foundation, Inc. and Subsidiary	6/30/21	Yes	Butler & Burke, LLP	No	\$4,656,830	\$65,931,708	Discretely Presented
WSNC-FM, Winston-Salem State University	9/30/21	Yes	Thomas & Gibbs, CPAs, PLLC	No	\$519,777	\$46,868	Blended
Winston-Salem State University National Alumni Association, Inc.	6/30/21	Yes	Butler & Burke, LLP	No	\$43,473	\$239,678	Discretely Presented
The University of North Carolina System Office 2							
The North Carolina Public Television Foundation, Inc.	6/30/21	Yes	James Moore & Assoc. P.L.	No	\$1,606,455	\$5,878,171	Discretely Presented
The University of North Carolina Foundation, Inc.	6/30/21	Yes	Sharpe Patel PLLC	No	\$245,691	\$2,186,258	Blended

Summary Report of Major Associated Entities

Campus / Associated Entity	Management Letter/Report Issues	CPA Firm's Audit Recommendations	Associated Entity's Response
University of North Carolina at Chapel Hill			
Carolina Angel Network	Qualified opinion due to two elements: 1. Exclude fixed assets from total assets 2.Exclude account payable from total liabilities.	Recommended that these be included to conform with GAAP in the USA.	Carolina Angel Network (CAN), LLC. Including Fixed Assets in the Financial Statement -Management indicated that they do not have any fixed assets within their organization – aside from computers which are captured under the greater UNC financial statements. In the event that CAN acquire a fixed asset then CAN will include them in the financial statements. Including Accounts Payable in the Financial Statements -CAN uses very few vendors and do not have any accounts payable at year end. In the event that they do have an account payable balance at year end, then they will include it in the financial statements.
Carolina Angel Network	1) General Ledger Reconciliation	The organization does not reconcile general ledger account balances. This resulted in audit adjustments to reconcile differences and to record the actual year-end balances for accounts receivable and deferred revenue.	Carolina Angel Network (CAN), LLC. Lack of Expertise in Financial Accounting and Reporting: A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures required by Generally Accepted Accounting Principles (GAAP). The organization does not prepare financial statements that include all the disclosures required by GAAP. Management Response: Since CAN operations began in 2017, the entity has reported financial performance on a cash basis rather than an accrual basis. The decision to use a cash basis was approved by the Vice Chancellor for Finance and Operations and the reports are provided to the board on a quarterly basis. With the help of the audit firm, the fiscal year-end financial statements are converted to an accrual basis. Disclosures required by GAAP accounting are included in the annual report. The auditors have noted this difference in reporting on every annual audit evaluation since CAN began its operations in 2017. Inadequate Segregation of Duties: There are four phases of an accounting process or operations: authorization, custody, record keeping and reconciliation. A well-designed system of internal controls contemplates the allocation of duties among personnel such that each of these four functions would be performed by a different person. The organization does not have such allocation of duties as it relates to the cash receipts process. Management Response: Because CAN has only three employees it is impossible to have the four functions performed by a different person. Again, this is an issue that CAN auditors have recognized in the past. Given that CAN may be moving to its own accounting system using outside resources, management may be able to rely on the outside firm to have an approval process for one of the four functions, but management will not know that until the new firm starts.
Dental Foundation of North Carolina, Inc.	(1) Reconciliation of Bank Accounts	The audit firm recommended that bank reconciliations should be performed monthly. Further, any outstanding checks which have not cleared within a reasonable time should be investigated and resolved promptly. In addition, consideration should be given to having an individual review, approve and documenting that the bank reconciliation has been performed.	Management acknowledged and has taken steps this year to ensure bank reconciliations are completed in a timely manner. Management implemented a monthly review by the Assistant Dean in the School of Dentistry as well as a review of the university ledger. Management is currently in the process of documenting internal controls and implementing additional internal controls, per discussion with the University Auditor. Management has moved many of the transactions to Connect Carolina to ensure tighter controls.

AGENDA ITEM

A-5. Report on Strategic Pathways for Campus Law Enforcement Personnel.....Fred Sellers

Situation: Each university in the University of North Carolina 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 departments require special 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.

Background: Preserving public safety on our university campuses requires adequate staffing, resources, training, and operational readiness for the daily rigors of law enforcement activities. UNC System institutions continually seek ways to work together and leverage the benefits of the UNC System in these areas. With support from the committee in February 2021, the University of North Carolina System Office implemented several initiatives and strategies as options to attract and preserve the necessary public safety resources needed for each university police department.

Assessment: The System Office and law enforcement leadership believe educational opportunities, properly compensated, well-trained police officers with enhanced career ladders and advancement opportunities will reduce the current department vacancy rates and better position each police department to better serve our campus communities. Over the past 18 months, the UNC System has worked strategically with all campus police departments and respective institutions to redesign the classification and compensation system for campus police officers. This is an initiative briefed to the University of North Carolina Board of Governors to minimize an enterprise risk of campus safety due to high law enforcement vacancy rates.

Action: This item is for information only.



*UPDATE ON IMPLEMENTATION OF NEW
CLASSIFICATION & COMPENSATION SYSTEM FOR
UNC CAMPUS POLICE OFFICERS*

Committee on Audit, Risk Management, and Compliance
February 22, 2023

Recap

- The UNC System has **558** sworn police officer positions in **17** campus police agencies
- There is unprecedented competition for talent among law enforcement agencies nationwide in response to severely elevated vacancy levels and premature retirements
- Turnover risk for all law enforcement agencies is heightened and the UNC System presently has **111** police officer vacancies although improvements have been recorded
 - Seven Campuses have **10%** or less vacancy rates
 - Others that had extreme vacancy rates at **35% to 50%** have reduced their rates between **19% to 25%**

Recap

- UNC System Campus Police Departments maintain rigorous recruitment standards for new police officer hires
 - Comprehensive background checks
 - Panel interviews with police department command staff and civilian representatives
 - Option to administer applicant polygraph exams
 - Detailed psychological assessments that exceed State of North Carolina requirements
 - Stringent integrity standards
 - Detailed performance monitoring and assessment following basic law enforcement training prior to completion of probationary period

Recap

- In February 2021, the committee was briefed by staff on a strategic initiative to develop an entirely new classification and compensation structure for UNC campus police officers
- This structure includes newly designed law enforcement career ladders, increased market competitive salary ranges, and salary supplements to recognize police officers who have college degrees
- As of July 1, 2023, all UNC police officers will become EHRA employees and no longer governed by the state agency personnel system which provides us with significantly enhanced HR flexibility

Status and Next Steps

- As of January 2023, **six** of the UNC campus police agencies have implemented the new classification and compensation program
- **Seven** others are projecting to implement the new compensation program by March 31, 2023
- The remaining campus police agencies will go live with this program by June 30, 2023
- As of June 2023, the *average* starting salary for entry-level officers will be **\$45.5K** prior to graduating the police academy and **\$51K** for those who have completed academy training and are state certified

New Police Officer Bonus Compensation Programs

- We have also implemented several new special bonus programs for campus police officers
- These include sign-on bonuses as an aid to recruitment and retention bonuses to help protect against turnover of our most experienced campus police officers
- We will soon be adding a recruitment referral bonus for existing officers who refer candidates who are successfully hired as new UNC campus police officers at their agencies

Next Steps

- Provide necessary implementation assistance to all our campus police agencies to bring the new EHRA compensation program fully live by June 30, 2023
- Re-survey the NC law enforcement labor market during calendar year 2023 to determine further adjustments to our salary structure
- Seek feedback from our police chiefs on what has worked well and what further refinements may be needed to help them be successful

