

February 28, 2024 at 3:15 p.m.  
Via Videoconference and PBS North Carolina Livestream  
UNC System Office  
223 S. West Street, Room 1809  
Raleigh, North Carolina

## **AGENDA**

### **OPEN SESSION**

- A-1. Approval of the Open Session Minutes of November 15, 2023 .....Terry Hutchens
- A-2. Update on Research Security Activity ..... Mary Milsaps and Quinton Johnson
- A-3. UNC System Office Internal Audit Update ..... Michael Ptasienski
- A-4. Audit Reports Issued by the Office of the State Audit ..... Michael Ptasienski
- A-5. Appalachian State University Campus Safety Update ..... Andy Stephenson

### **CLOSED SESSION**

- A-6. Approval of the Closed Session Minutes of November 15, 2023 .....Terry Hutchens
- A-7. Cybersecurity Initiatives Updates.....Keith Werner
- A-8. Cyber Incident ..... Kim Smodic
- A-9. 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), (3), and (6).

## **DRAFT MINUTES**

November 15, 2023 at 3 p.m.

Via Videoconference and PBS North Carolina Livestream

University of North Carolina at Greensboro

Nursing and Instructional Building, Room 510

Greensboro, 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, Art Pope, Kirk Bradley, and Pearl Burris-Floyd.

Chancellors participating were Johnson Akinleye and Todd Roberts.

Staff members present included Fred Sellers, Brad Trahan, and others from the UNC System Office.

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

The chair called the meeting to order at 3 p.m. on Wednesday, November 15, 2023, and called for a motion to approve the open session minutes of October 19, 2023.

**MOTION:** Resolved, that the Committee on Audit, Risk Management, and Compliance approve the open session minutes of October 19, 2023, as distributed.

**Motion:** Kirk Bradley

**Motion carried**

### **2. Campus Safety – Behavioral Threat Assessment Readiness (Item A-2)**

Fred Sellers, VP Safety & Enterprise Risk Management, gave an update on an ongoing campus training initiative for strengthening campus safety. The UNC System's behavioral threat assessment training (BTAT) for our universities and constituent institutions started with a virtual platform and included a mixture of lectures and practical/prompted exercises. The training focused on skill-building, developing competence, developing confidence, and building trust and relationships among multidisciplinary team members. Over the past 12 months, all campuses at all constituent institutions have participated in the behavioral threat assessment readiness training.

This item was for informational only.

### **3. Review of UNC Systemwide Internal Audit Plans and for 2023-24 (Item A-3)**

Michael Ptasienski, chief auditor, presented a review of the Systemwide Internal Audit Plans for 2023-23, which included a summary and the individual audit plans for each university.

This item was for informational only.

**4. Summary of UNC Systemwide Internal Audit Activities (Item A-4)**

Mr. Ptasienski then presented a summary of UNC Systemwide Internal Audit Activities, including a summary of constituent institution Summary of Reports as well as its Audit Finding for Fiscal Year 2023. Activities included a listing of all FY 2023 Reports and FY 2023 Internal Audit Findings.

This item was for informational only.

**5. Summary of UNC Major Associated Entities (Item A-5)**

Mr. Ptasienski presented information related to the UNC Major Associated Entities.

This item was for informational only.

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

Special Agent Jessica Nye, supervisor of the FBI's Cyber Squad in Raleigh and a partner of the NC Joint Cybersecurity Task Force (NCJCTF), described the Cyber Squad and NCJCTF role in providing security assistance, incident response and coordination, forensics, resource support technical assistance, and proactive services to schools, universities, state and local government agencies that have been the targets of significant cybersecurity incidents.

This item was for informational only.

**7. Closed Session**

The chair asked for a motion to move into 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 pursuant to Chapter 143-318.11(a)(1), (3), and (6) of the North Carolina General Statutes.

**Motion:** Lee Roberts

**Motion carried**

**THE MEETING MOVED INTO CLOSED SESSION AT 3:47 p.m.**  
(The complete minutes of the closed session are recorded separately.)

**THE MEETING RESUMED IN OPEN SESSION AT 3:58 p.m.**

There being no further business and without objection, the meeting adjourned at 3:59 p.m.

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Kirk Bradley, Secretary

## AGENDA ITEM

A-2. Update on Research Security Activity.....Quinton Johnson and Mary Millsaps

**Situation:** The purpose of this item is to provide the Committee on Audit, Risk Management, and Compliance an update on Research Security activity

**Background:** Since the issuance of National Security Presidential Memorandum 33 (NSPM 33) in January 2020, federal agencies have issued new and updated regulations targeting the security of federally funded research. These regulations impact several compliance areas, including export controls, international travel, standard disclosure requirements, and cybersecurity. While the final Research Security Program standards have not yet been released, they are expected to be materially similar to the draft standards released in February 2023. Constituent universities within the University of North Carolina System who receive at least \$50 million in annual federal science and engineering support will be required to implement a formal research security program, but all universities within the system can benefit from implementing elements of a research security program that are applicable to their research portfolio and the associated risks.

**Assessment:** Research Security Program standards consist of broadly applicable existing laws and regulations, as well as new requirements. These standards will address existing research security risks but come with a cost. While each of our System constituent institutions can benefit, there is an opportunity to control cost and burden by understanding their unique risk profiles and building a program that fits those research security needs. One such opportunity is the upcoming export controls conference hosted by NC State University and University of North Carolina at Chapel Hill in Raleigh on May 6-9, 2024. This conference focuses on a risk-based approach to increasing security around controlled technology and valuable intellectual property. The UNC System Office is sponsoring attendees from each of the system institutions.

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



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NORTH CAROLINA SYSTEM**



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NORTH CAROLINA SYSTEM

# RESEARCH SECURITY UPDATE

Mary Millsaps

*Director of Research Compliance*

NC State

Quinton Johnson

*AVC for Research Compliance*

UNC-Chapel Hill



# Benefits/Risks of Int. Collaboration

## NC State - FY23

- 200+ startups based on NC State research, attracting a total of \$1.7 billion in venture capital
- 1,500 patents awarded to NC State
- Global teaching and research programs

## UNC-Chapel Hill - FY23

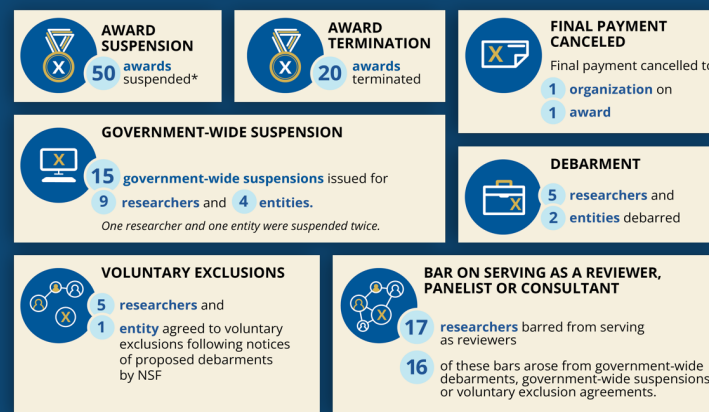
- 2.6 billion in annual economic impact from funding and startups
- 1,061 patents awarded to UNC
- Global teaching and research programs



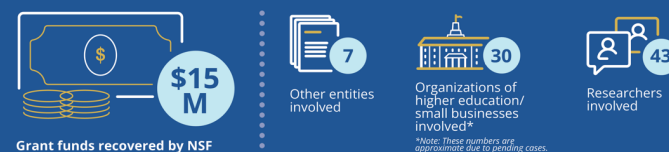
### ADMINISTRATIVE ACTIONS

Figures as of February 2023

NSF has taken a range of actions against individuals and entities associated with foreign talent programs or organizations receiving foreign funding, based on recommendations by the OIG. In many cases, actions were taken based on grant fraud or other wrongful conduct (or allegations thereof) before any foreign affiliation was surfaced to NSF.



Collectively, collaborations with the OIG to date have resulted in:



\*Note: These numbers are approximate due to pending cases.

\*Note: Suspensions were lifted for a small subset of these awards based on OIG recommendations or responsive actions taken by the organization (e.g., removal of PI under OIG investigation). Photo Credit: Sarah Kachovich, IODP/RSO

# Research Security Program Requirements

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## Export Controls



- Technology Controls
- Trade Sanctions

## Disclosures



- External Affiliations
- Foreign Gov Talent Programs

## Travel Security



- Training
- Tracking

## Cybersecurity



- Basic Cybersecurity Hygiene
- Enhanced Safeguarding for Controlled Research

# Research Security Risk Matrix

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## LOW RISK

- Fundamental Research
- Majority Internal Sources of Research Funding
- Minimal Foreign Institutional Engagement
- Faculty with Minimal Foreign External Professional Activities

- Basic Compliance Framework
- Clear Conflicts of Interest and Conflicts of Commitment Policy
- PI Awareness
- Basic Cybersecurity Hygiene

## MEDIUM RISK

- Proprietary/Industry Research & Applied Research
- Increasing External Sources of Research Funding
- Increasing Foreign Institutional Engagement
- Trailing Compliance Framework

- Strengthened Compliance Framework
- Increased Oversight of Disclosures
- Broad Awareness Training

## HIGH RISK

- Defense and Emerging Technology Related Research
- Controlled Research (Classified and Controlled Unclassified)
- Significant Foreign Institutional Engagement
- Faculty with Significant Foreign External Professional Activities
- Significant Federal Funding

- Robust Compliance Framework
- Streamlined and Automated Disclosure Review Processes
- Coordinated Oversight
- Enhanced Cybersecurity Controls

# Institutional Risk Picture

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## High Risk

- In excess of \$50 million in annual Federal Research Funding (Covered Institution)
- Controlled Unclassified Research
- Significant federal and industry research leading to robust IP generation
- Significant Foreign Engagement (both institutional and individual)
- Significant Defense, Intelligence and Industry Research
- Emerging Technology Research
  - Example - ME Commons Hub (CLAWS)
- Emerging Technology Research
  - Biomedical, Computer, and Data Science

# Current and Suggested System Office Actions

## *Support Research Security*

### Visual Compliance Software Systemwide License

- Screening tool used to identify Entities of Concern

### Revised System Conflict of Interest and Conflict of Commitment Policy (300.2.2)

- Recently (1/25/24) revised to align disclosure requirements with federal requirements

### System Office Sponsorship of Export Control Conference

- Sponsorship provides registration fees for compliance administrators at constituent institutions, other than UNC-Chapel Hill and NC State, to attend the upcoming Association of University Export Control Officers (AUECO) Conference in Raleigh

### Coordination of Baseline Cybersecurity Standards across UNC System

- To assist all constituent universities in achieving the basic cybersecurity standards for federally funded research



## Association of University Export Control Officers Conference

**May 6-9, 2024**

### **Sheraton Raleigh Hotel – Raleigh, NC**

The Association of University Export Control Officers ("AUECO") was formed in 2008 and has grown to 457 export control professionals with compliance responsibilities at 253 institutions of higher education within the United States.

- The marquee event of AUECO is the annual AUECO conference that is planned to be held in 2024 from May 6th through May 9th at the Sheraton Raleigh Hotel in Raleigh, North Carolina.
- On average, total attendance has been 250+ participants from academic, industry, and government.
- Each annual AUECO conference follows the same or similar three to four day schedule, filled with workshops, presentations, roundtables, and other sponsored exhibitions or networking events.
- Regular U.S. Federal Government involvement from the following U.S. agencies and departments:
  - Bureau of Industry and Security, U.S. Department of Commerce
  - Office of Export Enforcement, U.S. Department of Commerce
  - Directorate of Defense Trade Controls, U.S. Department of State
  - Office of Foreign Assets Control, U.S. Department of Treasury
  - Office of International Programs, U.S. Nuclear Regulatory Commission
  - Federal Bureau of Investigation, U.S. Department of Justice
  - Office of International Science & Engineering, National Science Foundation

The attendance and participation in the annual AUECO conference provides an excellent opportunity for interested stakeholders, such as industry, government, and academia, to learn and engage with each other.

We hope to see you there!

**Jointly hosted by NC State University and The University of North Carolina at Chapel Hill.**

**NC STATE**  
UNIVERSITY



THE UNIVERSITY  
of NORTH CAROLINA  
at CHAPEL HILL



THANK YOU

# QUESTIONS?



**AGENDA ITEM**

A-3. University of North Carolina System Internal Audit Update.....Michael Ptasienski

<b>Situation:</b>	The chief audit officer provides periodic updates on the University of North Carolina System Office's internal audit activities.
<b>Background:</b>	In accordance with the committee charter and International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, the committee is to receive periodic updates on the University of North Carolina System Office's internal audit activities. This allows the committee to assess internal audit's performance relative to the approved annual audit plan.
<b>Assessment:</b>	The attached document identifies the current status of the 2023-24 internal audit projects.
<b>Action:</b>	This item is for information only.

# UNC System Office Internal Audit Plan Progress as of 12/31/2023

Fiscal Year 2024

Engagements	Budgeted Hours FY24	Actual Hours FY24	% Utilized
<b>Prior Year Carry Over</b>			
No Carry Over Audits for 2023	0	0	N/A
<b>Assurance Engagements</b>			
UNC System Office IT Contracting and Vendor Management	450	28	6%
Campus Data Quality	740	0	0%
PBS NC IT Contracting and Vendor Management	450	0	0%
<b>Consultation Engagements</b>			
Consult on Generative AI Policies	100	60	60%
<b>Follow-up on Management Corrective Actions</b>			
<ul style="list-style-type: none"> <li>IA End User Data Storage &amp; Security Awareness</li> <li>PBS NC PCI Compliance Review</li> <li>UNC System Office Information Systems Policy Audit</li> </ul>	150	0	0%
<b>Investigations</b>			
Unplanned/Various as occurs	100	334.5	335%
<b>Special Projects</b>			
System Office Peer Review	180	76	42%
Participation in OSBM Peer Review Process	120	0	0%
Annual Risk Assessment / FY24 Audit Plan Development	80	37.5	47%
Technical Assistance as Requested	80	6	8%
<b>Other Hours</b>			
Preparation for Board Meetings & Meeting Attendance	550	384.5	70%
Admin, Oversight, Hiring, MOUs, Procedure & Charter Updates	200	303.5	152%
NC Council on Internal Auditing Reporting Requirements	200	105	53%
Other Services - Routine Advisory Services	100	53.5	54%
Professional Development	120	103	86%
Outreach and Coordination	80	31	39%
Management of Internal Audit Hotline	40	15	38%
Holidays and Staff Leave	880	720	82%
<b>FY24 Total Hours to UNC System Office</b>	<b>4,620</b>	<b>2,257.5</b>	<b>49%</b>
<b>Internal Audit Shared Services</b>			
Internal Audit Services to NCSSM	860	422	49%
Internal Audit Services to NCSEAA	760	472.5	62%
<b>Total Hours Per MOUs</b>	<b>1,620</b>	<b>894.5</b>	<b>55%</b>
<b>Total Available Hours</b>	<b>6,240</b>	<b>3,152</b>	<b>51%</b>

## **UNC System Office Internal Audit Update**

### **Highlights**

#### **Risk Assessment and Internal Audit Plan Development**

The first part of fiscal year 2024 was spent performing risk assessments across the UNC System Office. This information was utilized to develop the FY2024 Internal Audit Plan that was approved by the CARMC in September.

#### **Generative Artificial Intelligence (AI) White Paper**

The Office of Internal Audit is working with the System Office Information Technology and Cybersecurity group to develop a white paper on the opportunities and risks that should be considered when utilizing these tools and technology.

#### **System Office Peer Review**

The Office of Internal Audit has kicked off a quality assessment review through the North Carolina Peer Review Program. This is required to be completed every five years under the Standards for the Professional Practice of Internal Auditing. The purpose of peer reviews is to assess efficiency and effectiveness of the function, identify opportunities and offer ideas for improving the performance of the internal audit function, and provide an opinion as to whether the internal audit function conforms to the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

#### **Performance of Internal Audit Services under Memorandums of Understanding (MOUs)**

The UNC System Office has Memorandums of Understanding (MOU) with both the North Carolina School of Science and Mathematics (NCSSM) and the North Carolina State Education Assistance Authority (NCSEAA) to provide internal audit services. This includes performing risk assessments, developing audit plans, and performing internal audit activities. Internal audit work done under the MOUs is included in the System Office Peer Review.

**AGENDA ITEM**

A-4. 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 2023 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 and 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 13 financial statement audit reports on the University of North Carolina System for the 2023 fiscal year. Several reports have yet to be issued. The audit results have been summarized in the attachment.

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

# Financial Statement Audits for FY2022

Financial Statement Audits for FY2023 (as of 2/7/2024)				
Institution Name	Report Link	Report Number	Release Date	# of Findings
Appalachian State University	<a href="#">/2023-12/FIN-2023-6080.pdf?VersionId=...</a>	<a href="#">FIN-2023-6080</a>	12/8/23	0
East Carolina University	<a href="#">s/2023-11/FIN-2023-6065.pdf?VersionId=...</a>	<a href="#">FIN-2023-6065</a>	11/20/23	0
Elizabeth City State University	<a href="#">/2024-01/FIN-2023-6086_0.pdf?VersionId=...</a>	<a href="#">FIN-2023-6086</a>	1/26/24	0
Fayetteville State University			STILL PENDING	
North Carolina Agricultural and Technical State University	<a href="#">/2023-12/FIN-2023-6070.pdf?VersionId=...</a>	<a href="#">FIN-2023-6070</a>	12/14/23	0
North Carolina Central University			STILL PENDING	
North Carolina State University	<a href="#">/2023-11/FIN-2023-6030.pdf?VersionId=...</a>	<a href="#">FIN-2023-6030</a>	11/29/23	0
North Carolina School of Science and Mathematics			STILL PENDING	
University of North Carolina at Asheville	<a href="#">s/2023-10/FIN-2023-6055.pdf?VersionId=...</a>	<a href="#">FIN-2023-6055</a>	10/24/23	0
University of North Carolina at Chapel Hill	<a href="#">/2023-12/FIN-2023-6020.pdf?VersionId=...</a>	<a href="#">FIN-2023-6020</a>	12/1/23	0
University of North Carolina at Charlotte	<a href="#">ts/2023-11/FIN-2023-6050.pdf?VersionId=...</a>	<a href="#">FIN-2023-6050</a>	11/9/23	0
The University of North Carolina at Greensboro	<a href="#">/2023-11/FIN-2023-6040.pdf?VersionId=...</a>	<a href="#">FIN-2023-6040</a>	11/15/23	0
The University of North Carolina at Pembroke	<a href="#">ts/2023-11/FIN-2023-6082.pdf?VersionId=...</a>	<a href="#">FIN-2023-6082</a>	11/22/23	0
University of North Carolina School of the Arts	<a href="#">s/2023-12/FIN-2023-6092.pdf?VersionId=...</a>	<a href="#">FIN-2023-6092</a>	12/8/23	0
University of North Carolina System Office			STILL PENDING	
University of North Carolina Wilmington	<a href="#">ts/2023-11/FIN-2023-6060.pdf?VersionId=...</a>	<a href="#">FIN-2023-6060</a>	11/20/23	0
Western Carolina University	<a href="#">s/2023-11/FIN-2023-6075.pdf?VersionId=...</a>	<a href="#">FIN-2023-6075</a>	11/29/23	0
Winston-Salem State University			STILL PENDING	

## AGENDA ITEM

A-5. Appalachian State University Campus Update ..... Andy Stephenson

**Situation:** Appalachian State University Chief of Police and Director of Public Safety Andy Stephenson will provide an overview of App State's plan to begin receiving 911 calls placed from properties on the university's Boone campus.

**Background:** App State is exploring a contract with AT&T which would route 911 calls placed from university property to App State's Police Department (APD). The new, campus-based 911 service initiative will streamline the process, allowing for faster on-campus police response times for emergencies, and strengthening campus safety. Under the current arrangement, 911 calls placed on campus go to the Watauga County Public Safety Answering Point (PSAP). For example, if a student having a mental health crisis called 911 from their on-campus housing, or if someone called 911 about an armed individual spotted on any of the university's 35 properties in or around the Boone area, those calls would go to the county PSAP, which would then dispatch police and medical response. Under this current arrangement, inconsistencies occur on when and if the university and APD are notified and/or dispatched.

**Assessment:** While App State is among the largest schools in the University of North Carolina System in terms of student population, it is among a shrinking group that doesn't manage its own 911 calls. APD's one- to three-minute response time is significantly faster than the average total response time that unfolds, for example, during an active shooter situation. According to Alert-Lockdown-Inform-Counter-Evacuate (ALICE) Training, which provides schools with active shooter response training, it can take anywhere from 12 to 14 minutes for a 911 dispatcher to gather information from a caller and for officers to respond to the scene of the emergency and get in the door of the scene. An unfortunate aspect of App State's exploration of this project has been local response from local town council and county commissioners, in the form of a joint resolution and a public follow-up letter. These communications reveal significant confusion and misinformation about the call routing technology in the university's proposed plan, which local government officials are publicly sharing in many settings. Next steps include continuing conversations with Watauga County and Town of Boone administrators, mapping the 911 call system with the county, extensive testing of the system, and obtaining state certifications for dispatch staff. The service can become operational as soon as fall 2024.

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