

**MINUTES**  
**The University of North Carolina at Greensboro**  
**Board of Trustees**  
**Compliance, Audit, Risk Management and Legal Affairs Committee**  
**December 6, 2017**

---

**MEMBERS PRESENT:** Ward Russell (Chair), Mona Edwards, Brad Hayes, Dean Priddy, Susan Safran

**OTHERS PRESENT:** Jerry Blakemore, General Counsel, Liaison; Kristen Bonatz, Associate General Counsel; Lisa Goble, Director, Office of Research Integrity; Kelly Harris, Associate Chief of Staff and Assistant Secretary to the Board of Trustees; Julia Jackson-Newsom, Associate Vice Chancellor for Strategy and Policy, Liaison; Charles Maimone, Vice Chancellor for Business Affairs, Liaison; Mark McKinney, Director of Institutional Risk Management; Kathy Qualls, Auditor; Priscilla Siddle, N.C. Office of the State Auditor; Don Skeen, Internal Auditor, Liaison; Waiyi Tse, Chief of Staff; and other members of the administration and staff.

**PROCEEDINGS:**

Chair Russell called the meeting to order at 9:30 A.M.

Chair Russell reminded the Committee members of their duty under the State Government Ethics Act to avoid conflicts of interest and advised that any conflict of interest or appearance thereof with respect to any matter before the Board or the Committee needed to be raised at that time. None were identified.

Quorum was confirmed through roll call.

The Minutes of September 12, 2017 were approved with no additions or corrections.

**Discussion Items:**

I. Audit Review for Board of Trustees (CARL-1)

Chair Russell invited Don Skeen to present the Summary of Internal and External Audits.

**Summary of Internal Audits Performed**

- Misuse or Theft of State Property.
  - Objective: Determine compliance with North Carolina statutory requirements for reporting allegations of misuse or theft of state property to the State Bureau of Investigation.
  - Scope: Police incident reports submitted to the UNCG Department of Public Safety & Police from January 1, 2017 through September 30, 2017.
  - Findings: No exceptions.

- Travel Expenditures.
  - Objective: Perform an evaluation of compliance with the travel policies and procedures of UNCG, as established within the *Travel Manual*.
  - Scope: Review comprised the travel itineraries, expenditures and reimbursements of authorized personnel and other individuals traveling on University business; sample travel transactions were selected from those incurred during the period beginning January 1, 2017 and ending June 30, 2017.
  - No exceptions were identified from the audit sample of travel transactions relative to proper purpose and authorization, documentation, and accuracy. Four expense reports were not submitted to Accounts Payable within the timeliness guidelines (30 days from travel dates) allowed by the University travel policies.

### Summary of External Audits Performed

- Financial statement audits of the University’s Endowment & the separate legal entities (e.g., foundations) affiliated with the University are communicated to the Boards and Audit Committees of those entities.
  - Responsibilities of the Compliance, Audit, Risk Management and Legal Committee (CARL) include the review of all audits and management letters of University-Associated Entities as defined by the Board of Governors.
  - UNC Policy Manual: An “Associated Entity” means any foundation, association, corporation, LLC, partnership or other non-profit that was established by officers of the University, that is controlled by the University, that raises funds in the name of the University, that has a primary purpose of providing services or conducting activities in furtherance of the University’s mission pursuant to an agreement with the University, or that has a tax exempt status that is based on being a support organization for the University.
- Financial statement audits of the entities included in the University’s basic financial statements (University’s Endowment & the University’s Affiliated Entities) for the fiscal year ending June 30, 2017.
  - The financial statements of these entities are blended in the University’s financial statements because their directors are appointed by the UNCG Board of Trustees and their sole purpose is to benefit UNCG.
    - The Endowment Fund of UNCG
    - The UNCG Investment Fund, Inc.
    - The UNCG Excellence Foundation, Inc.
    - The UNCG Human Environmental Sciences Foundation, Inc.
    - Capital Facilities Foundation, Inc.
  - Independent auditor’s (Bernard Robinson & Co., LLP) reports for each of these entities, issued in September & October 2017, expressed the opinion that the financial statements were presented fairly, in all material respects.

- Independent auditor's (management) letter to the Boards of each entity reported no significant audit findings.
  - An independent auditor's report on internal control and compliance was provided to the Board of The Endowment Fund of UNCG (part of the University) as required by governmental auditing standards (no deficiencies were identified).
- Financial statement audits of entities excluded from the University's basic financial statement for the fiscal year ended June 30, 2017 – Weatherspoon Art Museum Association (approximately \$300,000 in assets primarily to support Weatherspoon Arts Foundation).
    - Independent auditor's report (Bernard Robinson & Co., LLP), issued in September 2017, expressed the opinion that the financial statements were presented fairly, in all material respects.
    - Independent auditor's letter to the Board reported no significant audit findings.
- Financial statement audit of the University for the fiscal year ended June 30, 2017 (recently completed report of the North Carolina Office of the State Auditor).
    - Exit conference to be held December 6, 2017; report released on State Auditor's web site on December 1, 2017 with no reportable findings.
    - Written communications from the Office of the State Auditor:
      - Independent Auditor's Report: expressed the opinion that the financial statements were presented fairly, in all material respects.
      - Independent Auditor's Report on Internal Control and Compliance: stated that the audit did not identify any deficiencies in internal control or instances of noncompliance.

Steve Rhew introduced Priscilla Siddle from the N.C. Office of the State Auditor in charge of the University's audit. Chair Russell questioned the timing of the notification he received on December 1 from the state in that the audit results were already posted prior to the exit conference. Ms. Siddle explained that it is not necessary to wait until the exit conference is held to release the Auditor's report if all representation and confirmation letters have been received to finalize the audit. This also allows the University to finalize the annual report.

Dean Priddy thanked the State Auditor and internal auditors and added that the positive report is a testament to the internal controls in place in the University. Charlie Maimone added his appreciation for the hard work and timeliness of the audited financial statements. Even the draft audit statements were useful in our refinancing efforts by presenting the most current information about the institution's financial position.

## II. Compliance Update (CARL-2)

Julia Jackson-Newsom introduced Dr. Lisa Goble, Director of Research Integrity in the Office of Research and Engagement. At the last CARL meeting, Dr. Jackson-Newsom presented a very broad overview of the compliance issues with which universities are presented. Dr. Goble's presentation - Financial Conflicts of Interest in Research - deals specifically with one of the many research compliance issues.

Dr. Goble introduced herself as a graduate of the UNCG Bryan School, a UNC Chapel Hill Ph.D. graduate and a policy wonk with a vested interest in assuring that the University is in compliance on research related issues. The Office of Research Integrity provides guidance and oversight to ensure compliance with federal regulations and they deal with misconduct cases. They also provide training in responsible conduct in research activities helping to convey the message to our community and campus that we are committed to maintaining compliance and high ethical standards in research and grants that come through the University.

Federal regulations were developed through the Public Health Service in 2011 and went into effect in 2012. Increased accountability and transparency and enhanced compliance with federal funds is the goal. The regulations specifically mention conflict of interest in the academic environment. Dr. Goble's office works with principle investigators and staff across campus to ensure that even the appearance of a potential conflict is addressed. She elaborated on some of the terms used to identify a financial conflict of interest and the thresholds used to determine when reporting is required. Her office encourages reporting even if under the thresholds. She cited examples of significant financial interests - the value of any remuneration received within a year over \$5,000. SFI exclusions include salary, royalties or other remuneration paid by the University. Investigators disclose SFIs at the time of application to participate in PHS/NIH-funded research (through the RAMSeS System), by submitting an updated yearly disclosure per institutional policy (reviewed by Dr. Goble) and within 30 days of discovering or acquiring a new SFI. Chair Russell asked whether there was an annual audit process that would reveal an undisclosed conflict of interest. Dr. Goble works closely with the Sponsored Programs Office and the Contracts and Grants Office on an ongoing basis and is often brought in on conversations that might raise red flags before they become an issue.

It is the University's responsibility to establish the Financial Conflict of Interest Policy and Procedures, maintain and certify the compliance of the records, manage and report financial conflicts of interest and appoint an institutional official (Dr. Goble under the direction of Vice Chancellor Terri Shelton) to provide information and training for investigators and help with disclosure of SFIs.

North Carolina regulations also apply to Conflicts of Interest related to contracts entered into by state employees. Gifts or favors from suppliers, vendors or subcontractors to any employee in a position to award or administer a contract is prohibited and considered a Class I misdemeanor. This applies to any University employee whether they are a principle investigator/researcher or not.

### **Action Items:**

#### III. Board of Trustees By-Laws and Delegation of Authority (CARL-3 and CARL-4)

Chair Russell asked Jerry Blakemore to present the By-Laws and Delegation of Authority action items to the Committee. Mr. Blakemore thanked Kelly Harris from the Chancellor's Office, Kristen Bonatz, Associate General Counsel and Carolyn Coppedge from the General

Counsel's Office for their work on the documents presented to Committee.

As part of the annual work plan, the CARL Committee established as a priority the review of BOT By-Laws and Delegation of Authority. Notwithstanding the fact that a review has not been done since 2003, best practice advises a periodic review. Mr. Blakemore directed the Committee's attention to the Memorandum which outlines the goals and the recommended changes. He asked Kristen Bonatz to provide an overview of the reorganization and revisions.

#### Reorganization

- Primarily reorganized existing documents.
- Removed language that was redundant or better stated elsewhere.
- Substantive changes were due to updates in statutes or BOG policy.
- Delegations document replaces current "Other Powers and Duties:
  - Designed to maximize Board efficiency.
  - Full Board action left to the extent required by law or regulation.
  - Delegated from full Board to committees and/or the Chancellor.

#### Revisions

- Combined references to endowments and trust funds to include the creation of associated entities.
- Updated the membership section to be consistent with current statute and BOG requirements.
- Consolidated duties of the Assistant Board Secretary into one section.

#### Substantive Revisions

- The meetings portion was updated to allow for electronic participation, reduce notice times and remove mailing requirements.
- A provision was added for emergency meetings.
- Additional functions of the Executive Committee were added.
- Other standing committees were revised to reflect the current committees.
- Consistent references were provided in the delegations document.

#### Substantive Additions

- Updates were made to the committees' structure (Executive, Academic Affairs, Athletics, Advancement, Business Affairs, CARL and Grievance) and the committees' roles and responsibilities were clarified.
- As permitted by law and policy, full delegations to the Chancellor were authorized and clarified.

Board Chair Hayes asked how many of the actions delegated to the Committees also require full Board approval. The actions of Committees require full board approval with the exception of the Executive Committee. The Executive Committee can take action, but the Board Chair is required to report that action to the full Board.

Chair Russell read for the record the resolution to adopt the By-laws and asked for a motion to adopt. Dean Priddy commented that the summary of changes shared in the power point presentation would have been helpful in understanding the changes the Committee was being asked to vote on. With no further discussion, a motion was made and seconded that the CARL

Committee recommend that the Board of Trustees authorize and approve the adoption of these revised Bylaws.

Chair Russell referenced the resolution on the Delegation of Authority and asked for a motion. The motion was made and seconded that the CARL Committee recommend that the Board of Trustees authorize and approve the adoption of the proposed delegations.

Chair Russell asked for a copy of the power point and a summary sheet to use for presentation to the Board highlighting the changes that will be sent forward for adoption to the Full Board.

Board Chair Hayes asked whether this process was needed for all Boards on which the Board members sit. Mr. Blakemore explained that it is within the purview of those boards to determine the most prudent and best practice way of organizing themselves. He added that he and Charlie Maimone met on December 5 to discuss the review of affiliated entities that is underway. Some fundamental issues need to be addressed first - the number of boards, state registration compliance and whether there is duplication of the boards' duties, a more comprehensive review of their purposes, and whether they are appropriately organized or if they should even exist. This review is a first quarter 2018 project that will be brought to the Chancellor and ultimately to CARL. The Board's more clearly defined role with respect to affiliated entities may be required.

Meeting adjourned at 10:00 a.m.

Respectfully submitted,



Kelly Harris  
Associate Chief of Staff