

MINUTES
The University of North Carolina at Greensboro
Board of Trustees
Compliance, Audit, Risk Management and Legal Affairs Committee
February 20, 2018

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

OTHERS PRESENT: Jerry Blakemore, General Counsel, Liaison; Provost Dana Dunn; Chancellor Franklin Gilliam, Dr. Lisa Goble, Director, Office of Research Integrity; Kelly Harris, Associate Chief of Staff and Assistant Secretary to the Board of Trustees; Dr. 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; 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 December 6, 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. Internal Auditor Skeen provided the following summary.

Summary of Internal Audits Performed – NCAA Agreed-Upon Procedures.

- NCAA member institutions have two basic NCAA requirements for reporting financial data.
 - One requires an agreed-upon procedures report regarding all revenues, expenses and capital expenditures for or on behalf of the intercollegiate athletics program be submitted to the chief executive officer (Chancellor).
 - The other requires online reporting of financial data to the NCAA.
- This is an annual requirement for Division I programs.

- NCAA guidelines provide for reporting in a manner similar to that required by the Department of Education for information related to (gender) equity in athletics. All coeducational institutions of higher education that participate in any federal student financial aid program and have intercollegiate athletic programs must provide information concerning their intercollegiate athletics programs under the Equity in Athletics Disclosures Act (EADA) of 1994.
- The agreed-upon procedures report must be prepared by a qualified independent accountant who is not a staff member of the institution.
- Objective: Assist the external auditor, RSM US, LLP, with completion of an agreed-upon procedures report in accordance with financial reporting legislation of the NCAA. (Internal Audit prepares the Statement of Revenues and Expenses of the athletics program and, if requested by the external auditor, assists with agreed-upon procedures.)
- Scope: Intercollegiate Athletics Program activities of fiscal year ended June 30, 2017.
- The agreed-upon procedures report is not a financial statement audit, but outlines specific audit procedures performed and the related audit findings based upon NCAA guidelines (e.g., review supporting documentation for revenues such as student fees and contributions, review expenses such as student financial aid).
 - The report serves as an independent review of the accuracy and completeness of the financial data prior to submission to the Chancellor.
 - The University certifies the financial data prior to submission to the NCAA.
- The information provided the Chancellor and the NCAA is required to be completed by January 15th following the end of the fiscal year (January 16th for FY2017 due to holiday).
- The primary purpose of the agreed-upon procedures report is to ensure that the Chancellor is aware of athletics financial activity.
- The agreed-upon procedures report is not filed with the NCAA, but the related financial data (revenues, expenses, etc.) is submitted.
- No exceptions were reported.

Financial statement audits of entities excluded from the University’s basic financial statement for the fiscal year ended June 30, 2017 – The Alumni Association of the University of North Carolina at Greensboro.

- Independent Auditor’s Report: expressed the opinion that the financial statements were presented fairly, in all material respects.
- Independent Auditor’s Letter to Board of Directors: communicated that there were no significant audit findings.
- Independent Auditor’s Letter on Internal Control Matters: stated the audit did not identify any deficiencies in internal control that are considered material weaknesses.

II. Institutional Risk Management Update (CARL-2)

Vice Chancellor Maimone invited Mark McKinney, Director of Institutional Risk Management, to present an update on the Institutional Risk Management (IRM) Program previously reported to the Committee at its September 12, 2017, meeting. The goal of the IRM is to align risk appetite

and strategy with strategic initiatives to mitigate any potential threats. Mr. McKinney reviewed the IRM mission and pointed out the reputational risk challenges, areas of concern and best practices for mitigation of those risks. IRM processes are holistic, flexible and under continuous refinement. Engaging with groups such as the IRM Committee, IRM Steering Committee, URMIA and networking with UNCG and UNC System colleagues is a valuable resource for risk identification. He pointed to the top tier risk areas with potential to affect the university's mission, strategies and goals – interaction with minors, overall regulatory compliance, and increased collaborative partnerships. Tier II and III risk areas are usually at the department and committee levels.

Mr. McKinney concluded by outlining an implementation plan for follow up and next steps and invited questions, comments or further discussion.

There was discussion about ways of communicating incidents to the campus community following a question posed by Ms. Edwards. Vice Chancellor Maimone commented that timely communication is an ongoing conversation and the University works diligently to delineate between warnings and emergency notifications. Our regulatory responsibility to notify (Clery Act) also compounds the complexity of providing timely and accurate communications. The Chancellor added that we are often dealing with incomplete information and conditions of uncertainty as well as how much information can be revealed. This was the case with a recent incident on campus. The key parties involved worked together as details were emerging to send available information out quickly. He commended Charlie and Mark for their efforts to minimize all the University's risks and to better position us in the future to handle risks such as this one.

III. BOT Conflict of Interest Policy and Procedure (CARL-3)

Chair Russell invited General Counsel Blakemore to speak about the BOT Conflict of Interest Memorandum included in their materials. Mr. Blakemore explained that the purpose for bringing this policy and procedure to the Committee is to provide an overview of policies/statutes governing COI that pertain to members of the Board; advise Board members of their responsibilities; and to recommend establishing procedures for addressing potential Board member conflicts.

Of special note is the Board's responsibility related to accreditation. There are now seven criteria that accreditation agencies use to evaluate governance the most recent being a self-evaluation requirement. Going forward the University will be reporting Board activity to our accreditors.

Lisa Goble, Director of Research Integrity, Office of Research and Engagement, spoke about the history of the Conflict of Interest policy at UNCG. Federal changes in 2011 prompted a stronger focus in working with our entrepreneurial faculty and researchers. Those same principles are now being turned towards looking at Institutional COI and what is needed for UNCG towards building an institutional COI policy.

University Conflict of Interest and Commitment Policy and related procedures have been updated and are in the final stages to be presented to the Chancellor's Council on February 26,

2018. These changes are based on the Public Health Services Conflict of Interest Policy (42 CFR Part 50(f) and 45 CFR Part 94) and UNC Policy Manual § 300.2.2. The University policy and procedures apply to all University employees designated as Exempt from the State Human Resources Act, as well as external collaborators.

Mr. Blakemore referenced the BOG requirements (UNC Policy §200.1) that are of most significance to the Board. This Committee recommended to the BOT in a recent update to its Bylaws the establishment of a standing committee (Executive Committee) to address issues of COI. What remains to be done is the establishment of procedures to review potential COI of Board members or University Executives. Those procedural recommendations will be brought to the Committee for consideration at the next meeting.

Mr. Blakemore reviewed the relevant state and BOG policies governing Board members especially as they relate to ethics and conflicts of interest. He referenced the University Acceptable Use Policy pertaining to use of University systems and equipment and again encouraged Board members to obtain and use a UNCG email account for conducting University business.

Expectations related to the Board's legal, ethical and conduct (COI) related obligations are:

- Adhere to high standards of ethical conduct by complying with laws, regulations, and University policies.
- Avoid any personal or business interest that may conflict with the member's responsibilities to the University.
- Avoid the appearance of impropriety when conducting the University's business. This is the standard required by the BOG.

The UNC Policy has procedures in place that require that a Board member report a potential conflict of interest to the Vice Chancellor of Business Affairs. It is recommended that BOT members also seek the advice of the General Counsel and the Chancellor. The General Counsel will provide a legal opinion with respect to whether a COI exists and how to manage it. The Executive Committee of the Board has the ultimate and exclusive purview of determining whether a conflict exists. The proposed procedures will state that the Executive Committee's decision is not appealable to the full Board or the BOG.

Chair Russell questioned whether a charge could be brought if the Executive Committee found no conflict. Mr. Blakemore responded that a charge could be brought from external entities. The member is not obligated to follow the advice of Vice Chancellor of Business Affairs, Chancellor or the General Counsel. If, however, the BOT member accepts the recommendation of the VC for Business Affairs, the General Counsel or the State Ethics Commission, the questions and ultimate determination related to COI will not go to the Executive Committee.

Recommendations Proposed By the Office of General Counsel and Research Integrity: establish procedures to review potential BOT conflicts of interest; include an option for Board members to advise the Chancellor and General Counsel of potential COIs (who would advise the VC for Business Affairs); include a definition of what constitutes a Conflict of Interest; explicit details

Business Affairs); include a definition of what constitutes a Conflict of Interest; explicit details regarding appeals and a time table for those decisions to be made. These recommendations will be brought to the May CARL Committee for their approval and consideration by the full Board.

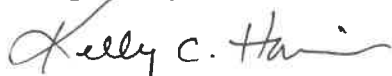
In addition to the individual COI policy updates, the University is considering the establishment of an "Institutional" COI Policy (considered best practice) under the purview of the Chancellor. Mr. Blakemore referenced and offered a copy of a NACUA white paper addressing COI issues at NCSU, Duke, Texas and Minnesota for anyone interested. Dr. Goble added that several institutions in the system are looking to us as we develop our institutional COI policy and procedures and hope to adapt them for use at their universities.

IV. State Auditor's Report – Year Ending June 30, 2017 (CARL-4)

Chair Russell directed the Committee's attention to the State Auditor's letter and financial statement audit report for FY ending 6/30/2017. He and BOT Chair Hayes, Charlie, Steve Rhew and Don Skeen met with state auditor Priscilla Siddle in December and were given a positive report. He and Chair Hayes also met with her separately and were given assurance that the University is being very well run - as they expected.

With no further action or discussion to come before the Committee, the meeting was adjourned at 10:40 a.m.

Respectfully submitted,



Kelly Harris
Associate Chief of Staff