

**MINUTES**  
**UNC Greensboro**  
**Board of Trustees**  
**Compliance, Audit, Risk Management and Legal Affairs Committee**  
**May 1, 2018**

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

**OTHERS PRESENT:** Chancellor Franklin Gilliam, Jerry Blakemore, General Counsel, Liaison; Dr. Julia Jackson-Newsom, Associate Vice Chancellor for Strategy and Policy, Liaison; Charles Maimone, Vice Chancellor for Business Affairs, Liaison; Kathy Qualls, Auditor; Don Skeen, Internal Auditor, Liaison; Waiyi Tse, Chief of Staff; Kelly Harris, Associate Chief of Staff and Assistant Secretary to the Board of Trustees, 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 February 20, 2018 were approved with no additions or corrections.

**Discussion Items:**

I. Audit Review (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: Purchasing Card Program.**

- Objective: assess compliance with the established internal control policies and procedures of the University's purchasing card program, including transactions and cardholder access.
- Scope: limited to purchasing card transactions included in the monthly bankcard statement of October 2017. All expenditure transactions for that period were scanned to identify possible instances of noncompliance. The scope also included a review of cardholder access of February 7, 2018.

### Processing of Gifts of Financial Securities.

- Objective: evaluate internal control relative to receiving gifts of financial securities. Documentation was examined to verify gifts were recorded at the correct valuation and in accordance with donor intent.
- Scope: restricted to gifts of securities, primarily common stock, received by Advancement Operations during the three-month period beginning November 1, 2017 and ending January 31, 2018. These gifts were donated to UNCG or the associated entities established for the purpose of benefiting the University.
- Minor Concern: No exceptions were identified regarding the gift processing of securities and the controls were operating effectively. However, it is Internal Audit's opinion that a formal reconciliation to monthly brokerage statements, approved and dated by the Director, would strengthen controls. The Director of Advancement Operations agreed to the recommendation.

### Summary of External Audits Performed.

The Office of the State Auditor conducted Statewide Federal Compliance Audit Procedures for the fiscal year ended June 30, 2017. The procedures included the Student Financial Assistance program of UNCG. The Independent Auditor's Report stated:

- ...our opinion on compliance for each of the State of North Carolina's major federal programs is included in the State's Single Audit Report...
- ...The results of our audit procedures at The University of North Carolina at Greensboro disclosed no instances of noncompliance that are required to be reported in accordance with Uniform Guidance. ...
- ...We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses...

### Action Items

#### II. BOT Conflict of Interest Policy and Procedures (CARL-2)

Chair Russell invited Jerry Blakemore to present the action item related to BOT Conflict of Interest Policy and Procedures. Before addressing the topic, Mr. Blakemore announced to the group that the University had achieved 100% compliance by Board members and designated University staff in completing their required training and timely submitting annual Statements of Economic Interest. He expressed his appreciation for everyone's diligence in complying with those obligations. Chancellor Gilliam noted a recent whistleblower case that occurred while he was completing his ethics refresher training. It involved a Chancellor and some BOG members relative to the award of a multimillion dollar contract. That incident highlighted the importance of the training and the obligations of covered individuals to be aware of avoiding even the perception of impropriety. Mr. Blakemore added that OGC staff are also obligated to comply with and report on potential conflicts, but under a slightly different Conflict of Interest Policy. He also referenced discussions at an earlier CARL Committee meeting about upcoming revisions to the University's Institutional Conflict of Interest Policy.

Mr. Blakemore directed the Committee's attention to the revised Memorandum regarding Proposed Procedures for Reviewing Potential Conflicts of Interest distributed to the group. The major points of emphasis: (1) the policy affects every member of the Board, the Chancellor and

the Vice Chancellor for Business Affairs; 2) the procedures also provide definitions – who is and is not covered, what is a conflict, and more importantly provides criteria for the Executive Committee of the Board to determine what is and is not a conflict. That decision is final and not appealable. The policy outlines what is required by the Board of Governors policy and adds the General Counsel as an additional person to whom one can disclose potential conflicts. If the General Counsel provides a legal opinion on a disclosed conflict, it is a privileged and confidential document and can be relied upon in good faith. If challenged, it provides some defenses related to the issue. The Vice Chancellor for Business Affairs and the General Counsel will share information provided to each of them except in instances where it does not impact some privileged or confidential matters.

A supplemental memorandum was developed and shared with the Committee in direct response to Chair Russell seeking further clarification and making certain that there was not a gap in coverage of the policy. A statement in section III., C. from the BOG contained language which indicated that if the Vice Chancellor for Business Affairs was potentially in conflict because of a substantial interest in a contract of \$10,000 or more, he/she would be required to advise the Chancellor. The gap under that reading would still allow the VC to make a determination of whether it would be in the best interest of the University. It is Vice Chancellor Maimone's preference not to be in that position. The revised (highlighted) language clearly indicated that the VC would be prohibited from making that determination; rather, it would be made by the Chancellor or the Executive Committee would take up the issue. The language clearly outlined the action that should be taken as opposed to preventing a problem that had occurred in the past. The Chancellor's decision would be final as would the Executive Committee's decision. Circumstances could be such that it would be more appropriate for the Board to make the determination. This Committee and the full Board has delegated to the Executive Committee the responsibilities related to Conflict of Interest. With the Executive Committee and the Conflict of Interest Policy and Procedures in place, the Board would be in the position of best practice related to determining and administering COIs.

Chair Russell asked whether the proceedings would be in a public forum or a closed session. Mr. Blakemore explained that proceedings are generally not done in closed session unless there is an exemption under the Open Meetings Act. He did not recall any specific area that would be applicable except for a personnel and performance exemption. Dr. Jackson-Newsom commented that part of the principle of COI related to faculty encourages acknowledgement and disclosure to mitigate COI.

Ms. Edwards asked for clarification on when the Executive Committee's decision is final and not appealable and when the Executive Committee's recommendation/decision needs to be ratified or approved by the BOT. Mr. Blakemore explained that the Executive Committee makes a decision and reports to the BOT. At that point the decision is final and formal action by the BOT is more ratification of the Executive Committee's decision and any sanction, rather than another discussion of the issue.

With no further questions, Chair Russell requested a motion to approve the resolution to adopt the Procedures for Reviewing Potential Conflicts of Interest. The motion was made, seconded and unanimously approved.

### III. Approval of the 2018-19 Internal Audit Plan (CARL-3)

#### Internal Audit Plan – Fiscal Year 2019.

The primary function of internal audit is the evaluation of internal controls, which helps to ensure objectives such as reliability of financial reporting, compliance with applicable laws and regulations, and effectiveness and efficiency of operations. Risk assessment provides a planning framework for the evaluation of internal controls. Internal audit obtained risk information from two sources:

- UNCG’s Institutional Risk Management Initiative (broad perspective).
- UNCG’s annual Assessment of Internal Controls (financial reporting perspective).

Institutional Risk Management enlists the executive staff to identify significant risks and internal audit reviewed the current risk register. Broad risk areas considered are:

- *Strategic (mission & planning affect ability to achieve goals)*
- *Reputational (affect resources needed to achieve goals)*
- *Hazard (environmental safety)*
- *Compliance (ethics, laws, regulations, policies & procedures)*
- *Operational (efficiency & effectiveness of processes, people, systems)*
- *Financial (processes & internal controls governing fiscal integrity)*

Internal audit emphasis is on financial and compliance (although all areas are linked). An example of a specific item on the risk register is loss of financial resources (such as state budget revenue); however, this risk is not a practical use of the internal audit function.

The Assessment of Internal Controls over Financial Reporting provides internal audit an overview of finance-related controls. Assessment is provided annually to the Office of the State Controller. Five interrelated components are addressed:

- *Control environment (tone at the top)*
- *Risk assessment (identify and analyze financial reporting risks)*
- *Control activities (policies and procedures that reduce risks)*
- *Information and communication (enables employees to carry out their responsibilities)*
- *Monitoring (assessment by management, external auditors, internal auditors)*

Examples of annual reviews included in the internal audit plan:

- Weatherspoon Arts Foundation – observation of art collection inventory at fiscal year-end (based on agreement between UNCG and the foundation).
- Intercollegiate Athletics – NCAA agreed-upon procedures report (assist external auditors).

Chair Russell commented that he would like to see every item that is a candidate for audit and how frequently those audits have been done over a three or four year period. The Committee could then assess whether an audit might be in order for a particular area not audited in several years. He suggested this checklist as a starting point for the Committee’s next meeting.

Recommended action: That the Audit Committee of the Board of Trustees of UNC Greensboro approve the fiscal year 2019 Internal Audit Plan. Chair Russell requested a motion to approve the 2019 Internal Audit Plan. The motion was made, seconded and unanimously approved.

**Information Items**

IV. Federal Compliance Audit Letter Dated April 10, 2018

Chair Russell referred the Committee to the State Auditor's Letter included in the materials. No deficiencies in internal control were noted and the University received another clean audit from the outside.

With no further action or discussion to come before the Committee, the meeting was adjourned at 10:15 a.m.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Kelly Harris".

Kelly Harris  
Associate Chief of Staff