



Compliance, Audit, Risk Management and Legal Affairs Committee
September 25, 2018
MINUTES

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

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; 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 May 1, 2018 were approved with no additions or corrections.

Discussion Items:

I. Proposed 2018-19 CARL Committee Work Plan (CARL-1)

Chair Russell invited Jerry Blakemore to present the CARL Committee Proposed 2018-19 Plan. As was the case last year, Mr. Blakemore reminded the Committee that the proposed work plan is a working document and is not designed to prohibit the addition of other agenda items to come before the Committee during the year. He also commended the Committee for completing 100 percent of their proposed work plan last year. Chair Russell thanked the Committee for their work last year in achieving this goal.

II. Audit Review (CARL-2)

Chair Russell invited Don Skeen to present the Summary of Internal Audits. Auditor Skeen provided the following summary:

Weatherspoon Arts Foundation.

- Foundation assets consist of the art collection of the Weatherspoon Art Museum (about \$23,600,000 book value). In accordance with generally accepted accounting principles, the art collection is blended within the University's financial statements at book value.
- Objective: review internal control over the art collection inventory.
- Scope: art items recorded in the inventory system as of June 30, 2017.
 - *Art collection items were selected for physical observation, with emphasis on those of significant market value.*
 - *Located physical items and compared to inventory records (2% of items, but 38% of book value).*
 - *Art items were also examined without regard to value, via random sampling.*
 - *In addition, documentation of current year acquisition values was reviewed and any deaccessions (meaning disposals).*
- No audit findings.

Student Health Center Pharmacy.

- Internal audit assignment was included on the internal audit plan for last fiscal year (completed subsequent to year-end).
- Objective: evaluate operational controls for (1) compliance with University policies and external licensing regulations, (2) conformity with professional and ethical standards, and (3) adequate safeguards over the pharmaceutical inventory.
- Scope: examination was confined to transactions that occurred during the fiscal year ended June 30, 2018, related internal guidelines, and external professional requirements.
- No exceptions were identified.

Board of Governors Requirements adopted in November of 2005 require the University to prepare and forward to the Board of Governors an annual summary of the work performed by the audit committee (Compliance, Audit, Risk Management, and Legal) including a summary of the annual internal audit plan for the campus and a report of the work of the campus internal auditor. Documents provided to the UNC System Office:

- Internal audit plan for fiscal year 2019
- Internal audit summary for fiscal year 2018
- Board of Trustees Committee on Audit, Risk Management, and Compliance certification letter
- Director of Internal Audit certification letter

Chancellor Gilliam asked if UNCG should be looking at our disaster recovery plan and financial controls in place considering recent hurricane-related damage in eastern North Carolina. In addition to dealing with the obvious losses to the campus facilities and property, UNC

Wilmington will be dealing with tuition revenue losses from students who do not return and replacement costs for students' personal items. Vice Chancellor Maimone commented that our Emergency Management team and police officers were currently in Wilmington, assisting with efforts to assess the safety of the buildings before they reopen.

After each event that our campus experiences, our Emergency Management team prepares an after-action report making sure we have contingencies for all possible activities. It is mutually beneficial having our team on the UNCW campus because they are gaining experience to draw from if we were to have similar storm damage here. UNCG's Emergency personnel also actively participated in the tornado recovery effort in the Greensboro community recently as well.

III. Information Technology Report (CARL-3)

Chair Russell invited Vice Chancellor Maimone to introduce the Information Technology Report discussion item. Mr. Maimone referenced a February 2018 policy established by President Spellings through the BOG requiring each Chancellor to identify an information technology leader for the campus that reports directly to him/her. Part of that policy requirement is an annual review of IT security and a report/update to the Board of Trustees on that matter. He introduced Donna Heath, Vice Chancellor for Information Technology and the Chancellor's designated chief information officer. Vice Chancellor Heath was pleased to welcome Bryce Porter, who was recently hired as our University Information Security Officer following a national search. The University was fortunate to recruit Mr. Porter, who comes to the UNCG with a wealth of expertise from the corporate sector.

Mr. Porter outlined the role of Information Security at UNCG for the Committee:

- supporting student success,
- protecting the University's reputation,
- mitigating risk,
- preserving the capability to function in key areas, and
- protecting our research environments and providing local solutions to global challenges.

He pointed to several recent headlines reporting university data breaches that illustrate the fact that university data is under attack on a global level. UNCG does not want to be one of those headlines, but wants to get ahead of these attacks. We have the opportunity to be a leader among our sister institutions and other organizations who have this same global challenge. Trustee Edwards asked if there was a compliance hierarchy in the level of a breach that requires notification. Mr. Porter explained that a HIPAA breach has specific requirements that must be followed, depending on the level of the breach.

The current state of information security at UNCG is strong, but needs to continue to change, adapt and improve. The University is reactive to leveraging our capabilities and investing in proactive capabilities. We need to work toward the proactive capabilities, assessing new and emerging threats prior to an event. Our ITS team has done a fantastic job of ensuring our technologies are as secure as they know how to make them. However, we don't have a regular program of assessment to help prove the strength of our defenses. We are waiting for the results of our first audit in 10 years, but once every 10 years is not enough. A multi-layer regular assessment of our security controls is needed. A question was raised concerning the security controls for systems such as Banner XE and how we are mitigating risks associated with those systems. Mr. Porter explained that ITS partners with Risk Management to understand how we

are assessing security risks associated with our vendors. Tools are available online to measure a vendor's risk behavior whereby they receive a score based on that behavior. We already perform a posture assessment of vendors before we bring them online. Vendor and third party risk management is an area where we plan to focus a lot of our assessment and solution abilities. Phishing attacks are on the comprehensive list of security assessment priorities along with a comprehensive assessment and training program for the campus.

Vice Chancellor Heath has charged Mr. Porter with delivering a transformative plan to shape the future of Information Security at UNCG which includes:

- assessment,
- leveraging resources,
- providing ITS and University leadership with strategic plans for improvements,
- translating assessed needs into outcomes aligned with strategic goals,
- pursuing alignment with UNC system guidelines, industry standards and best practices, and regulatory requirements.

Mr. Porter's plan to meet this challenge encompasses an assessment of assets and systems, existing Information Security programs and critical gaps that need immediate attention. Leveraging the combined resources of the UNC System, pursuing strategic partnerships, developing a multi-year strategic plan, and transforming the ITS organization and Information Security team are all integral parts of the plan. He concluded by pointing to the intended outcomes of changes to the processes, assessments, IT organizational structure, and the development of key partnerships to sustain new modes of operation related to Information Security.

Discussion then centered around the possibility of focusing too much on security and associated costs. Mr. Porter explained that over-insuring and spending too much on people/processes can happen. Programs should be designed to assess the likelihood of risks, what the potential impacts are, and to determine whether we are over or under the line. This can be difficult to identify and changes continuously. Reassessments need to be done as new risks develop. Vice Chancellor Heath added that there was a time at UNCG when the security controls limited what users were able to do. There needs to be a balance between protecting data and not limiting the capability of our devices and systems. In response to Trustee Priddy's inquiry about whether other UNC campuses will be sharing security costs, staffing assessments, etc., Mr. Porter acknowledged that leveraging information from the UNC Information Security Council and communications with his peers had been helpful. He noted that UNCG's information security team is half the size of our sister institutions at ECU and UNC Charlotte.

Action Item

IV. Adoption of 2018-19 CARL Committee Work Plan (CARL-4)

Chair Russell directed the Committee's attention to the Work Plan previously discussed and asked if there were questions or further discussion before moving for approval. With no further questions, Chair Russell invited a motion to approve the CARL Committee Work Plan for 2018-19. Ms. Safran moved to approve and Ms. Edwards seconded. The Plan was unanimously approved.

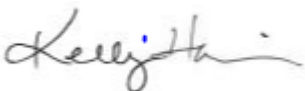
Information Item

V. Compliance Update (CARL-5)

Chair Russell invited Dr. Julia Jackson-Newsom to address the update on the search for Director of Compliance. As discussed in a previous meeting, the University has been searching for a person to serve in this facilitating/coordinating function across campus. UNCG currently has a decentralized compliance model with staff such as Mr. Porter working across campus on compliance efforts in a variety of areas. However, it is essential to have one point of contact and monitoring for the campus to have a handle on the various compliance issues. The person in this role will be monitoring outside regulatory changes, keeping up to date on best practices, working on updating policies, and ensuring the policies reflect our practice. Training and the development of strategies behind the training is another area of focus for the compliance director. The successful candidate will be someone who has a broad understanding of the issues and who has the personality, skill set, and experience to meet these challenges. Dr. Jackson- Newsom acknowledged the expertise of the search committee and recognized two of the search committee members assisting her in this effort - Mark McKinney and Kristen Bonatz. Three candidates have been brought to campus to meet with a variety of people with compliance responsibilities. The search committee meets September 27 to determine next steps. Dr. Jackson- Newsom hopes to have an update at the November Committee meeting to announce the name of the successful candidate and the timeline for their arrival on campus. The Director of Compliance will be joining the CARL Committee meetings.

With no further action or discussion to come before the Committee, the meeting was adjourned at 10:30 a.m.

Respectfully submitted,



Kelly Harris
Associate Chief of Staff