



**Compliance, Audit, Risk Management and Legal Affairs Committee
April 9, 2019**

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; 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 November 27, 2018 were approved with no additions or corrections.

Discussion Items:

Audit Review (CARL-1)

Chair Russell invited Auditor Don Skeen to present the summary of recent audits.

Summary of Internal Audits Performed.

- UNCG Intercollegiate Athletics Program - NCAA Agreed-Upon Procedures.
 - NCAA member institutions have two basic NCAA requirements for reporting financial data.
 - *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).*
 - *Required online reporting of financial data to the NCAA.*
 - 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.)

- 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, 2018.
 - 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.*
 - Information provided the Chancellor and the NCAA is required to be completed by January 15th following the end of the fiscal year.
 - Primary purpose of the agreed-upon procedures report is to ensure that the Chancellor is aware of athletics financial activity.
 - Agreed-upon procedures report is not filed with the NCAA, but related financial data (revenues, expenses, etc.) is submitted.
 - No exceptions were reported.
- Conflicts of Interest.
 - Objective: perform an evaluation of the internal controls process established for disclosing, identifying, evaluating, and managing conflicts of commitment and financial conflicts of interest.
 - Scope: limited to disclosures that should have been completed for the most recently completed reporting period (2018) by faculty/researchers and employees exempt from the NC Human Resources Act (EHRA classification). Reviewed a sampling of documentation consisting of annual conflicts of interest statements completed in the Activities, Interests, and Relationships Management System. Also verified that statements of economic interest of Board members were provided the NC State Ethics Commission.
 - No exceptions were reported.
 - Student Accounts Receivable.
 - Objective: perform an evaluation of internal controls relative to student accounts receivable by following individual transactions through the accounting process.
 - Scope: limited to the student accounts receivable activities as recorded in the fall semester of the 2018/2019 academic year. Examined supporting documentation for a random sample of students to verify student account transactions. Items reviewed included tuition and fees; charges for housing, meals, parking, insurance; as well as account payments, financial aid, waivers, and refunds.
 - No exceptions were noted.

Summary of External Audits Performed. --- Financial statement audits of entities excluded from the University's basic financial statement for the fiscal year ended June 30, 2018 – 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.

In response to Ms. Edwards' question regarding what determines the frequency of audits, Mr. Skeen explained that emphasis is placed on the contracts and grants areas relative to the higher risk.

Compliance Update and Work Plan (CARL-2)

Chair Russell invited Dr. Julia Jackson-Newsom to provide an update on Compliance and the work plan for the remainder of the fiscal year. Dr. Jackson-Newsom introduced Kristen Meeks, who joined UNCG as Director of Compliance in January 2019. Kristen shared her educational background and legal experience, most recently working with the National Association of College and University Attorneys (NACUA) in DC. NACUA is the preeminent resource for higher education law resources. In that role, she had significant responsibility, in partnership with other higher education associations, for organizing, maintaining, and updating the Higher Education Compliance Alliance website, a publicly available repository of information on compliance for higher education institutions. Kristen's responsibilities at UNCG include the development and oversight of the University's compliance program and oversight of the University's policy portfolio.

The first two and a half months since Kristen arrived have been focused on building relationships with UNCG colleagues, leveraging her NACUA relationships, focusing on understanding the current state of affairs relative to compliance at UNCG, and developing an outline and building structure for a coordinated compliance program. Meetings with client partners who have specific operational responsibilities for compliance issues have been a priority. The goal of these meetings has been to assess priorities, needs, and improvements. It is clear these individuals have been working to the best of their ability to manage compliance in their respective areas, and Kristen is eager to partner with and assist them.

Clearly there is a broad universe of compliance obligations. Partnering with Mark McKinney, Director of Institutional Risk Management, and reviewing the Institution's Risk Register have helped shape Kristen's perspective of the institution's concerns. She and Mark have worked collaboratively to address any concerns in the different compliance areas. In her role as University policy administrator, Kristen has reviewed the Chancellor-approved policy inventory Julia developed to understand and improve the efficiency of the University policy development process aided by emerging technologies. Kristen recently previewed her vision for the structure of UNCG's compliance program with the Chancellor's Council. Creating a space for the compliance partners network to work together toward developing UNCG's compliance program, to hear one another's concerns, and to develop more organization around efforts to mitigate concerns and make improvements is the goal. Developing tools such as the compliance website (located within the Chancellor's website pages), a compliance matrix, and a calendar of obligations, deadlines, and responsible persons contact information has been part of her process. Kristen is working with the General Counsel's office to develop additional tools. Facilitating communication across all levels of the University by working with the compliance partners network and reporting concerns and needs back to the Chancellor's Council and other senior leadership is the goal.

Kristen has also been focused on new and emerging issues such as the General Protection Data Regulation enacted by the European Union that went into effect in 2018. This regulation impacts organizations in the U.S. including institutions of higher education. She is working with OGC to examine how GDPR affects UNCG and how we will respond. UNCG is in the same position as a lot of higher education institutions on this issue. Attention to existing issues such as improving upon safeguards for minors on campus, use of drones, animals on campus, use of AED's and web accessibility has also been a priority. UNCG's compliance program is a decentralized model with central coordination, a model that Kristen believes is the right one for the University. UNCG is fortunate to have people with a lot of experience and expertise and she will provide support and additional layers of participation in a coordinated compliance program. Specific activities are still being ironed out, but the first step is to identify any gaps in ownership, assign ownership and accountability where those gaps may exist, and to develop/update any policies as needed. The plan is to develop a process for assessing the maturity of UNCG's compliance program, to identify a target for where we want to go, and to work towards those goals. Kristen views her role as being a compliance concierge helping people do what they do better.

Mr. Hayes referenced recent issues at A&T and wanted to know what UNCG is doing to prevent something similar from happening here. Part of Kristen's process and approach involves communication with area compliance partners regarding what training they provide, to assess the effectiveness of their training and how well their audience understands the information being presented, and to determine what additional safeguards are in place to test and update that training. Julia added that any time there is a major compliance related report in the media, staff who deal with these matters circulate the information and take an opportunity to assess whether UNCG is prepared to deal with similar issues. When this incident occurred, a group from A&T came to UNCG to meet with Julia and UNCG's Title IX Coordinator Murphie Chappell to learn about our process.

Mr. Russell wondered if there was a peer group of compliance directors within the UNC System to discuss issues and share ideas. While there is no system compliance officers/directors group, Kristen has developed relationships with and asked questions of a number of people in other institutions performing functions similar to hers and continues to rely on her NACUA colleagues as a resource. Mark McKinney commented that the System Institutional Risk Managers group includes a lot of compliance personnel as well. There has always been a vision for the integration of the compliance, audit, risk and legal pillars, and that vision is starting to come together. Jerry Blakemore added that UNCG is participating in a group organized by Senior Vice President and General Counsel Tom Shanahan at the System Office. The group includes compliance and risk management individuals at the System Office and a select group of general counsels that have been tasked with developing the role of the GC's office related to these functions. In addition to Jerry's involvement, Kelly Harris has also been involved. Ultimately, the training developed at the System Office can be used at the constituent campuses as well as for the Board of Governors, BOTs, new Presidents, etc. Reporting relationships, best practices, and successful models are being reviewed.

Chancellor Gilliam commented on how pleased he is that UNCG is ahead of most other campuses by having someone with Kristen's expertise and talent to oversee compliance and policy development.

Ms. Edwards asked how we plan to prioritize the broad scope of compliance issues to focus on specific areas. Kristen's collaboration with Risk Management, Internal Audit, and Office of General Counsel will be integral in setting priorities, as will relying on the Risk Register top five concerns and communicating priorities to the compliance partners and leadership to get feedback.

Action Item

Approval of 2019-2020 Internal Audit Plan (CARL-3)

- Recommended action: That the CARL Committee of the Board of Trustees of UNCG approve the fiscal year 2020 Internal Audit Plan.
- 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.
 - Effectiveness and efficiency of operations.
- Risk assessment provides a planning framework for the evaluation of internal controls, and 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 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).

A motion was made and seconded to approve the 2019-2020 Internal Audit Plan as presented.

With no further business to consider, the meeting was adjourned at 10:30 AM.

Respectfully submitted,

Kelly Harris

Kelly Harris
Assistant Secretary to the Board of Trustees