MINUTES
The University of North Carolina at Greensboro
Board of Trustees
Compliance, Audit, Risk Management and Legal Affairs Committee
September 12, 2017

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

OTHERS PRESENT: Chancellor Franklin D. Gilliam, Jr.; Jerry Blakemore, General Counsel, Liaison; Kelly Harris, Associate Chief of Staff and Executive Assistant to the Chancellor; Julia Jackson-Newsom, Associate Vice Chancellor for Strategy and Policy, Liaison; Michael Jung, Associate General Counsel; Charles Maimone, Vice Chancellor for Business Affairs, Liaison; Mark McKinney, Director of Institutional Risk Management; Kathy Qualls, Auditor; Steve Rhew, Associate Vice Chancellor for Finance; Don Skeen, Internal Auditor, Liaison; Waiyi Tse, Chief of Staff and Interim Assistant Secretary to the Board of Trustees; and other members of the administration and staff.

PROCEEDINGS:
Chair Russell called the meeting to order at 9:32 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 9, 2017, were approved with no additions or corrections.

Discussion Items:
I. Proposed 2017-18 CARL Committee Work Plan (CARL-1)

Chair Russell requested that General Counsel Blakemore provide the Committee the highlights of the Proposed 2017-18 CARL Committee Work Plan. Mr. Blakemore explained that the purpose of the Plan, developed in collaboration with the Committee liaisons, is to establish plans and priorities for the 2017-18 academic year. The focus will be on enhanced University effort and oversight of compliance, a long overdue review of BOT by-laws and a review of delegation of authority with a goal of clarifying and streamlining BOT policies and procedures. Audit requirements will continue as part of the Work Plan which expands the past work of the CARL Committee (formerly ARMC). He referred the Committee to the memo and the worksheet provided with the posted materials.
Questions were raised about some of the same items listed as discussion as well as action items and then listed again at subsequent meetings. Mr. Blakemore explained that best practices allow for discussion at one meeting followed by discussion and voting at subsequent meetings providing notice to the public when action will be forthcoming. Board Chair Hayes asked whether there would be a legal update at each meeting. Mr. Blakemore responded that only as needed and provided, as an example, reporting on ethics requirements which occur a couple of times each year.

Chair Russell questioned item B.5. in the Charter regarding litigation. Is it the responsibility of the Committee to make inquiries regarding litigation as part of their regular dialogue? What is the best forum to do so and would it require going into closed session? Any area in the purview of the Committee is appropriate. Mr. Blakemore advised that if there is pending litigation involving this Board as opposed to the BOG, the Chancellor and the Board will be advised and that such advice would most likely take place in closed session. Typically, litigation involves the system and is handled by the Attorney General’s Office. As a general rule, it is best done as a full board as opposed to committee.

Susan Safran recommended that legal be specifically addressed in the Charter’s Policy Statement. Although addressed under Purpose and Goals, it is not specifically mentioned in the Policy Statement. Mr. Blakemore agreed to expand language in that section to specifically address legal (pg3 A).

Chancellor Gilliam raised several questions relative to affiliated entities: What is CARL’s oversight of affiliated entities? What if members of those entities are also officers of the University and those entities are involved in litigation? Do we have an obligation to report any of that to CARL? He cited Gateway and the Research Park as an entity where he is on the Board and where risks and litigation issues sometimes arise. Does CARL have oversight and do University officials have obligations to inform CARL? Charlie Maimone explained that affiliated entities have their own burden of responsibility and accountability. Mr. Blakemore added that the University has a major interest in what our affiliated entities do. There are officers of the University who are on a number of those boards, so to suggest that we don’t have involvement is a mistake. Affiliated entities are not clients of the General Counsel’s office. Outside of operational issues, our involvement would be limited and therefore not included in the purview of this Committee. Mr. Maimone added that each entity seeks legal counsel related to the issue for that particular entity. If the intersection between the two entities is contractual (such as a lease), then the Board has an obligation.

Dr. Julia Jackson-Newsom commented that although we do not have a legal obligation, from a global risk perspective and because our name and staff are engaged, there is a perceived link between us and the entity when challenges arise. Mr. Maimone explained that Gateway is not an affiliated entity, but a separate entity with its own Board. CARL has no legal oversight over Gateway. Gateway has their own lawyer with whom we communicate and sometimes recommend actions on issues of concern. As the Chancellor’s legal counsel, Mr. Blakemore can advise the Chancellor in his capacity as a Gateway Board member with responsibility and authority to take action. Short of a lawsuit, there is no legal obligation to bring issues related to affiliated entities to this Committee. However, there is a distinction between good practice
(communication) versus a legal obligation. If there is an issue of particular concern to the Board or the Chancellor, technical legal issue or not, Mr. Blakemore advised informal disclosure and highly recommends bringing to the attention of the Committee. The Chancellor added that as we move to millennial districts and enter into partnerships with various other entities, he will make certain that the Board is informed through the appropriate channels.

Dean Priddy noted that CARL has several high level officers of the University who work in conjunction with the Chancellor and asked if this Committee would have a liaison. Mr. Blakemore has assumed responsibility for convening and coordinating agenda items in conjunction with the other liaisons and the Chancellor’s office and would serve as primary liaison.

II. Audit Review for Board of Trustees (CARL-2)

Don Skeen presented the following information to the Committee.

Internal Audits Performed

- Weatherspoon Arts Foundation. The Foundation assets consist of the art collection of the Weatherspoon Art Museum (about $23,500,000 book value, market value several times that). In accordance with generally accepted accounting principles, the art collection is blended within the University’s financial statements at book value. The objective is to review internal control over the art collection inventory. The scope was restricted to 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 as in previous years.

Chair Russell asked how we know that we are inventorying the correct piece of art. Mr. Skeen explained that their process has been to verify the numbered inventory item with the written description and confirm that it matches the tagged items and locations. Insurance is purchased for the collections and evaluated periodically to insure adequate coverage.

- Departmental Deposits. The internal audit assignment was included on the internal audit plan for last fiscal year (completed subsequent to year-end). The objective was to perform a review of departmental deposits relative to (1) the adequacy of documentation and (2) the timeliness of deposits. The scope was limited to the departmental deposits of checks and cash received by the Cashier’s Office from January through June of the fiscal year ended June 30, 2017. There was a minor audit finding – a check (one item) was not
deposited by the next business day following receipt. The items were properly documented.

Summary of External Audits Performed – SERVE, Inc. (affiliated entity excluded from the University’s basic financial statements). The audit was conducted by Bernard Robinson & Company, LLP (report of May 3, 2017) for fiscal year ended November 30, 2016.

- SERVE, Inc. was created in 1991 to promote precollege education in connection with the SERVE Center (affiliated with UNCG and supported by contracts and grants).
- SERVE, Inc. has net assets of approximately $350,000 and annual revenue of approximately $600,000.

The independent auditor’s report that came out May 3, 2017 for FY ending November 3, 2016 expressed opinion that the financial statements were presented fairly and no audit exceptions.

The independent auditor’s letter to board of directors communicated no significant audit findings.

In compliance with Board of Governors requirements adopted in November of 2005 (prepare and forward to the Board of Governors an annual summary of the work performed by the Audit Committee (Audit, Risk Management, and Compliance) including a summary of the annual internal audit plan for the campus and a report of the work of the campus internal auditor).

- Internal audit plan for fiscal year 2018.
- Internal audit summary for fiscal year 2017.
- Board of Trustees Committee on Audit, Risk Management, and Compliance certification letter listing basic responsibilities.
- Director of Internal Audit certification letter.

III. Risk Update (CARL-3)

Vice Chancellor Maimone introduced Mark McKinney, University Risk Officer, hired in June 2017. Mr. McKinney comes to UNCG from AIG Mortgage Insurance Company where he was a risk officer for 16 years. Mr. McKinney added that he is also a two time graduate of UNCG, class of 1991 and 1996 and happy to be return to the University at such an exciting time. Mr. McKinney acknowledged the work done by Charlie Maimone and Tammy Downs prior to his arrival to position the University to succeed with the risk management initiative. He spoke about the Institutional Risk Management Committee and his perspective as an outsider of UNCG’s risk management initiative. The policy approved a year and a half ago provides great guidance. One of the key tenets of the policy was the establishment of the Institutional Risk Management Committee. The members of this committee are smart, thoughtful people who provide a diverse perspective on risk management across the University.
Mr. McKinney spoke about the IRMC Risk Register in its current form, what is needed to refine it to put the University in a position to resolve issues more effectively and efficiently and to provide a better framework for future risk assessments. He acknowledged that the Register is categorically correct with no gaps in types of issues, but needs some refinement. Some risks will need to be reconstructed with more detail, while others will need to be deconstructed into more specific, actionable items. Current areas of focus for the IRMC are minors on campus, overall compliance obligations that present a risk to the University and collaborative partnerships - relationships with the community (JSNN, Millennial Campus, joint venture with Alamance and Guilford Tech, NCAA Sports Science initiative and the Rockingham County Lab Schools). While these are great opportunities for the University and we are in good shape with legal contracts, there are risks associated with these ventures that need to be studied.

IRM will need to be aware of broader issues going forward. One of the key tenets of good risk management is alignment of the University’s risk tolerance with its strategies. Having that alignment helps us manage risks much better, focuses our assessments and gets us to the heart of the things we need to deal with. Another initiative is the development of reporting standards and protocols (dashboards, key performance indicators, qualitative issues). We want to move towards establishing a risk culture at all levels of the institution, expanding beyond the traditional Business Affairs stakeholder list at the same time promoting the fact that risk management mitigates adverse issues but allows for opportunities. Collaboration with his peers at other UNC system schools has afforded Mr. McKinney the opportunity to gain perspective about some of the issues ahead. Front end risk management is always easier than back end risk management.

Mona Edwards was interested in knowing what else Mr. McKinney was contemplating in terms of establishing the risk culture beyond expanding participation and engagement. Risk management has been part of UNCG officially for several years, but has been managed by staff as part of their already full time jobs. Mr. McKinney’s challenge is to explain what risk management means and doesn’t mean – to be a facilitator not an impediment. Unlike in the corporate setting, there is some hesitancy to embrace this in the academic setting. The model in place at UNCG is a mature model that has been implemented at other universities in the system, but our implementation is in the formative stages. By reaching out and meeting with as many people as possible, he is attempting to spread that message. Relying on what others have done is going to be very helpful as well.

Mr. Maimone added that there is a connection between compliance and risk in that many departments have compliance obligations. From a risk perspective, this allows us to introduce risk mitigation and accountability strategies that look at risk mitigation in conjunction with compliance. The opportunity to work with departments to demonstrate that risk is part of their compliance responsibility is something they look forward to.

IV. Compliance Update (CARL-4)

Julia Jackson-Newsom provided a broad overview of the compliance landscape in higher education. She pointed out that higher education is subject to rules, regulations and policies of a large number of governance organizations ranging from federal to state and local levels. We are also subject to a variety of accreditation agencies to whom we must answer and many disciplines have their own accrediting bodies they must comply with as well. General Administration and the BOG have their own regulations and campus specific policies. Many policies are informed by umbrella level governing regulations that come down to us, some put in place at the campus
local level. The reporting requirements vary widely as do the consequences for being out of compliance ranging from minor to significant. The National Association of College and University Attorneys and Higher Educational Compliance Alliance maintain a matrix of federal rules and regulations that apply to higher education. If we receive federal dollars, we must adhere to these regulations. Many regulations have broad implications across multiple categories – Title IX and the Higher Education Act. Noncompliance is often not intentional, but happens when decisions are made in silos without thinking about the consequences across other areas.

The University policy process is one of the ways we insure compliance with all the various rules and regulations on our own campus. Betsy DeVos’ announcement of the reexamination of Title IX regulations is a good case study. Although the law comes from the Department of Education federal level, there are many other layers of regulation and law that are implemented when decisions are made about Title IX on our campus. The basic premise of Title IX is creating an environment that provides equal opportunity for education to everyone with emphasis based on sex. Originally implemented through Athletics, the bigger issue has become around sexual harassment and sexual violence on campuses. The language of the law is very broad in general and has been interpreted through Dear Colleague letters that provide guidance. Until now it has been interpreted as mandatory because of the fines associated with universities that have not followed the Dear Colleague guidance to the letter. It impacts faculty, staff and students. Every campus is expected to have its own Title IX policy detailing how we implement Title IX regulations on our campus.

A policy is never set in stone – we put it in place, implement it, get feedback, make revisions and repost and, in some cases, sunset policies. The general process for developing policies on our campus is regulated by a Policy on Policies which is currently under revision. We are moving away from having a policy on everything and instead having some guidelines and procedures. Policies are in place to hold people accountable. In the case of the Title IX policy, we had existing policies in fragments that are now subsumed in our current policy approved last year. Consultation and collaboration is critical in policy development – with legal and with other universities. The Title IX policy was drafted and sent out to all parties impacted (Academic Affairs, Student Affairs, Human Resources, Title IX Coordinator (charged with overseeing Title IX compliance), feedback was received and it was brought to the Chancellor’s Council for approval and recommendation for Chancellor’s approval. A policy has to be posted on the web, the campus must be made aware of it and they must understand it. New guidelines in the Policy on Policy requires every new policy to be reviewed a year after initial posting and every three years thereafter. A different group is currently in the process of finalizing the first revisions and vetting changes to the current Title IX policy to be brought back to the Chancellor’s Council for approval.

Any changes in federal law are incorporated into policies and timely posted. Mr. Hayes asked if there have been instances where this policy has been tested on our campus. Ms. Jackson-Newsom responded yes, as does every campus. The Clery Act regulates the public facing reporting that includes sexual assault as well as other campus crimes. These are two separate acts. Criteria for reporting means Title IX cases don’t always make it to the Clery report. If we are put on notice that there might be a problem, we have to look into it. This also overlaps with the student conduct process.
Mr. Priddy encouraged the management piece of the policy process. The fewer policies, the easier it is to manage those policies.

**Action Item:**

V. Adoption of CARL Committee Work Plan for 2017-18 (CARL-5)

Chair Russell invited Mr. Blakemore to present the Plan. The University recommended that the CARL Committee adopt the Work Plan that had been presented earlier in the meeting. The motion was made and seconded to adopt the plan with the corrections as noted (repetition of Delegation of Authority item). The motion was passed unanimously.

Meeting adjourned at 10:40 a.m.

Respectfully submitted,

[Signature]

Kelly Harris
Associate Chief of Staff
Assistant Secretary to the Board of Trustees