

University of North Carolina School of the Arts
Zoom Virtual Meeting

COMMITTEE MEMBERS:

John Wigodsky, Chair
David Neill
Ches McDowell
Graydon Pleasants
Peter Juran, ex officio

COMMITTEE STAFF:

Rod Isom, Chief Audit Officer
David Harrison, Vice Chancellor for Institutional Integrity and General Counsel
Jim DeCristo, Vice Chancellor for Economic Development and Chief of Staff
Wendy Emerson, Vice Chancellor for Finance and Administration
Amanda Balwah, Associate Vice Chancellor for Institutional Integrity and Secretary of the University
Liza Vest, Staff Council Representative
Faculty Council Representative

AGENDA

OPEN SESSION

1. Call to Order and Confirm Quorum.....Chairman Wigodsky
2. Approval of Minutes from the March Meeting.....Chairman Wigodsky
3. Matters of Governance, Risk and ComplianceRod Isom & UNCOSA Management
 - a) Enterprise Risk Management**Jim DeCristo
4. Discussion of External Audits and Reviews (if any).....Rod Isom & UNCOSA Management
 - a) OSA Financial Aid Review.....Melanie Nuckols, AVC for Finance
5. Discussion of Internal Audit's Activity.....Rod Isom & Internal Audit Staff
 - a) Audit Plan Project Status and Updates
 - b) Other Activities and Matters
 - c) Results of IA Risk Assessment and Audit Plan Update for FY25**

❖ *Note: Information related to any internal audits or reviews released prior to the meeting will be provided at the meeting.*

** *Action Item*

CLOSED SESSION

- 6. Approval of Minutes from the March Meeting, (if any).....Chairman Wigodsky
- 7. Discussion of Special Items, Reviews, and Investigations (if any)..... IA and David Harrison

OPEN SESSION

- 8. Other Business.....Committee Members & Staff
- 9. Adjourn.....Chairman Wigodsky

OPEN SESSION MINUTES

March 7, 2024

University of North Carolina School of the Arts
SAAB 306

TRUSTEES PRESENT

***Denotes voting committee members**

John Wigodsky (Chair)*, Graydon Pleasants*, David Neill*, Ches McDowell, Peter Juran* (ex officio)

ADMINISTRATION AND STAFF PRESENT

Rod Isom (Chief Audit Officer); David Harrison (Vice Chancellor for Institutional Integrity and General Counsel); Brian Cole (Chancellor); Jim DeCristo (Vice Chancellor for Economic Development and Chief of Staff); Tamar Pandi (Interim Chief Information Officer); Cory Billings (Audit Manager); Wendy Emerson (Vice Chancellor for Finance and Administration); Patrick Sims (Executive Vice Chancellor and Provost); Lissy Garrison (Vice Chancellor for Advancement); Jeff George (Faculty Council Representative); Jarrett Bailey (Staff Council Representative); Patrice Goldmon (Associate General Counsel); Amanda Balwah (AVC and Secretary of the University); Travis Andrews (IT Support); Liza Vest (Staff Council Representative); Melanie Nuckols (AVC for Finance and Administration); Dave LaVack (Staff Council Chair); Liza Vest (Staff Council Representative); Kevin Bitterman (Ex. Director of the Kenan Institute for the Arts); Kory Kelly (Vice Chancellor for Strategic Communications)

CONVENE OPEN SESSION AND CONFIRM QUORUM

Committee Chair John Wigodsky convened the March 7, 2024 meeting of the University of North Carolina School of the Arts Audit, Risk, and Compliance Committee at 3:20 p.m. A quorum was confirmed.

APPROVAL OF MINUTES

MOTION: Peter Juran moved to approve the December 2023 Open Session Minutes as presented. Graydon Pleasants seconded and the minutes were unanimously approved.

ENTERPRISE RISK MANAGEMENT (ERM)

Jim DeCristo, Vice Chancellor and Chief of Staff reported that the UNC System Office requests all campuses to update their list of top risk priorities every two to three years. The updated risk registers must be presented to each campus' Board of Trustees by June

2024. UNCSA is in the process of surveying stakeholders across campus, including the Board of Trustees, to gather data to determine the top risk priorities going forward. The final revised list of priorities will be presented to the BOT for approval at the May 2024 meeting.

INFORMATION GOVERNANCE & SECURITY

Tamar Pandi, Interim Chief Information Officer, introduced himself to the committee and reported that UNCSA has developed a written information security plan and an IT risk register to assist UNCSA with mitigating risks. The IT division also recently carried out the second annual security awareness training and phishing awareness campaign. Out of 688 participants, 80% completed the training compared to 480 participants and a 58% completion rate last year.

DISCUSSION OF EXTERNAL AUDITS AND REVIEWS

Wendy Emerson, Vice Chancellor for Finance and Administration, reported that the FY23 Financial Statement Audit, which is conducted by the Office of the State Auditor (OSA), was completed in December. The result of the audit was an unqualified opinion with no findings or issues to report. This was the 15th consecutive year of a clean financial audit. Ms. Emerson thanked Melanie Nuckols, Associate Vice Chancellor for Finance and Administration, and Jarrett Bailey, Controller for their hard work and the hard work of their respective teams.

Rod Isom, Chief Audit Officer, reported that a compliance review of six financial aid programs administered by the North Carolina State Education Assistance Authority is scheduled for June 3, 2024. The review will cover academic years 2021, 2022, and 2023.

DISCUSSION OF INTERNAL AUDIT (IA) ACTIVITY

Rod Isom, Chief Audit Officer, and Cory Billings, Audit Manager, reported that the division has two student interns. They also provided an update on the current internal audit work plan, noting that Title IX programming and training will begin soon.

Internal Audit has received notification that its External Quality Assessment Review will be due in February 2025. This review takes place every five years to ensure compliance with audit standards. The new IIA standards have been released and will become effective in January 2025. An overview of the new standards were provided, with an emphasis on Domain III, Governing the Internal Audit Function.

Internal Audit will commence its annual risk assessment process this quarter, which allows the unit to assess the current risk landscape and update the audit plan. Current top risks within higher education include cyber security, talent management, as well as regulatory and economic constraints. The proposed plan will be presented to the ARCC for review and approval next quarter.

MOTION TO GO INTO CLOSED SESSION

MOTION: Peter Juran moved that the committee go into closed session to prevent the disclosure of information that is privileged or confidential pursuant to Section 116-40.7 of the North Carolina General Statutes, regarding Internal Auditor's work papers. Graydon Pleasants seconded and the motion was unanimously approved.

RETURN TO OPEN SESSION

Chair Wigodsky reported that the committee went into closed session to hear a report from Internal Audit.

ADJOURNMENT

With no further business to discuss, Chair Wigodsky adjourned the meeting at 4:05 p.m.

Respectfully submitted by:
Amanda Balwah
Secretary of the University

AGENDA ITEM

Review and approve UNCOSA's 2025 – 2027 top 5 ERM risks.....presented by Jim DeCristo

Summary: Every 2 or 3 years the UNC System Office asks all campuses to update their ERM risk register and submit it to the System with BOT approval. Registers are due June 1, 2024. Together, we will review the results of the ERM survey, and the draft top 5 risks forwarded from the Chancellor and his executive leadership team for BOT consideration.

Action: This item needs committee approval.

UNIVERSITY OF NORTH CAROLINA
SCHOOL OF THE ARTS

Enterprise Risk Management (ERM)
Draft Risk Priorities for 2024-2026

Scholarships

Scholarship and financial aid packages offered by UNCSCA may not be sufficiently competitive to attract top student talent making it increasingly difficult to maintain the School's national reputation.

Employee Compensation

Compensation packages offered by UNCSCA may make it increasingly difficult to attract and retain the nationally known, top-tier faculty and staff needed to maintain the School's national reputation.

Performance Funding

In a no growth or slow growth environment, failure to perform at a high level as defined by our performance metrics could decrease our state appropriation or at least prevent us from generating new funds to support programming and address inflation.

Student Health and Wellness

The rigorous workload, external cultural upheaval, mental health trends, and economic uncertainty experienced by students may have a significant negative effect on their success at UNCSCA. UNCSCA may have difficulty achieving the right balance of rigor necessary to maintain a campus culture that promotes excellence, innovation, and well-being.

Cyber Security

In the current environment of rapidly expanding and increasingly sophisticated cyber security threats, UNCSCA's efforts to secure our information and platforms may not be adequate to avoid potentially serious loss of data and systems availability. A serious breach would also result in a loss of trust and negatively affect UNCSCA's reputation.

AGENDA ITEM

Federal Compliance Audit Update.....presented by Melanie Nuckols

Summary:

The NC Office of the State Auditor conducted the University’s Federal Compliance Audit for FY 2023. The results of the audit disclosed no instances of noncompliance.

Action: This item is for informational purposes only.

University of North Carolina School of the Arts

Winston-Salem, North Carolina

Statewide Federal Compliance Audit Procedures For the Year Ended June 30, 2023

UNBIASED. IMPACTFUL. IRREFUTABLE.



A Department of the
State of North Carolina



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Chapter 147, Article 5A of the North Carolina General Statutes gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.



North Carolina Office of the State Auditor

Jessica N. Holmes, J.D., State Auditor

Auditor's Transmittal

The Honorable Roy Cooper, Governor
The General Assembly of North Carolina
Brian Cole, Chancellor
University of North Carolina School of the Arts

As part of our audit of the State of North Carolina's compliance with the types of requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs, we have completed certain audit procedures at the University of North Carolina School of the Arts (University) for the year ended June 30, 2023.

We conducted our audit of federal compliance in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our audit objective was to express an opinion on the State of North Carolina's compliance for each of its major federal programs. However, the audit results described below are in relation to our audit scope at the University and not to the State of North Carolina as a whole. The State Auditor expresses an opinion on the State of North Carolina's compliance with requirements applicable to its major federal programs in the State's *Single Audit Report*.

Our federal compliance audit scope at the University included the Student Financial Assistance Cluster.

Our audit was performed by authority of Chapter 147, Article 5A of the North Carolina General Statutes.

Compliance

The results of our audit procedures at the University of North Carolina School of the Arts disclosed no instances of noncompliance that are required to be reported in accordance with the Uniform Guidance.

Internal Control Over Compliance

In planning and performing our audit of federal compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on

the effectiveness of the University's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Transmittal

The purpose of this transmittal is solely to describe the scope of our testing of internal control over compliance and testing of compliance and the results of that testing at the University based on the requirements of the Uniform Guidance. Accordingly, this transmittal is not suitable for any other purpose.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this transmittal.



Jessica N. Holmes, J.D.
State Auditor

Raleigh, North Carolina

March 18, 2024

Ordering Information

Copies of this report may be obtained by contacting:

Office of the State Auditor
State of North Carolina
20601 Mail Service Center
Raleigh, North Carolina 27699

Telephone: 919-807-7500
Fax: 919-807-7647
Internet: www.auditor.nc.gov



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Telephone: 1-800-730-8477

Internet: www.auditor.nc.gov/about-us/state-auditors-tipline

For additional information contact the North Carolina Office of the State Auditor at:

919-807-7666



AGENDA ITEM

Internal Audit Activity UpdateRod Isom & IA Staff

Summary*:

a) Audit Plan Project Status and Update

The status of projects or any updates to Internal Audit's audit plan will be discussed.

b) Other Activities and Matters

Other relevant matters or significant activities related to Internal Audit, the profession, or risk in general will be discussed.

c) Results of IA Risk Assessment and Audit Plan Update for FY25**

Results of IA's annual risk assessment process, the current risk landscape, and update to the audit plan which will be discussed. The audit plan update will require approval from the ARCC.

**Additional information related to these items or any internal audits or reviews released prior to the meeting will be provided at the meeting.*

**** Action Item**

Action: These items are for informational purposes only.

Fiscal Year 24 Plan Component Project Status

Plan Component	Last Milestone*	Progress Status^
FY2023 Self Assessment Maturity Model	FR	Complete
Investigation: Wig Inventory – 9/15/23	FR	Complete
Planned: Student Mental Health Services – 11/20/23	FR	Complete
Planned: Student Mental Health Services – Management Letter – Counseling Workload – 11/20/23	FR	Complete
Investigation: UNC SO Campus Police (ADDED) – 2/29/24	FR	Complete
Annual Risk Assessment & Audit Plan Update	FR	Complete
QAR Peer Review – NC A&T (ADDED)	IP	On Track

^Progress Status

Red - Major Delays

Orange - Some Delays

Green - On Track

Blue - Not Started

*Milestones

- (PC) Planning Complete
- (EC) Entrance Conference
- (FC) Fieldwork Commenced
- (FCP) Fieldwork Complete
- (EXC) Exit Conference
- (DR) Draft Report Issued
- (FR) Final Report Issued
- (OG) Ongoing
- (IP) In Progress

Fiscal Year 24 Plan Component Project Status

Plan Component	Last Milestone*	Progress Status^
Follow-up Project – Historical Observations	OG	On Track
Title IX – Programming and Training (Staff)	EC	On Track
New IIA Standards & Implementation Project	IP	On Track

^Progress Status

Red - Major Delays

Orange - Some Delays

Green - On Track

Blue - Not Started

*Milestones

- (PC) Planning Complete
- (EC) Entrance Conference
- (FC) Fieldwork Commenced
- (FCP) Fieldwork Complete
- (EXC) Exit Conference
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