

April 23, 2019

University of North Carolina School of the Arts
Kilpatrick Townsend & Stockton, LLP
1001 West Fourth Street
Winston-Salem, NC 27101

COMMITTEE MEMBERS:

Stephen Berlin, Chair
Pete Brunstetter
Anna Folwell
Rob King
Ralph Womble, ex officio

COMMITTEE STAFF:

Shannon B. Henry, Chief Audit, Risk, and Compliance Officer
David Harrison, Vice Chancellor for Institutional Integrity and General Counsel
Jim DeCristo, Vice Chancellor for Economic Development and Chief of Staff
Michael Smith, Vice Chancellor for Finance and Administration
Amanda Balwah, Secretary of the University
Michael Dodds, Faculty Council Representative
Martha Golden, Faculty Council Representative
Sharon Fogarty, Staff Council Representative
Cindy Liberty, Foundation Liaison

AGENDA

OPEN SESSION

1. Call to Order and Confirm Quorum.....Chairman Berlin
2. Approval of Minutes from the February 5, 2019 Meeting.....Chairman Berlin
3. Enterprise Risk Management:.....Jim DeCristo, Amanda Balwah
& Shannon Henry
4. Matters of Governance and Compliance.....Shannon Henry
 - a. Information Governance and Security.....Greg Gleghorn, Director of Information
Security
5. Discussion of External Audits & Reviews (if any).....S. Henry & University Management

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

- 6. Internal Audit Update.....Internal Audit Staff & University Management (*where necessary*)

Noted: Additional information related to any internal audits or reviews released prior to the meeting will be provided at the meeting.

CLOSED SESSION

- 7. Approval of Minutes from the February 5, 2019 Meeting.....Chairman Berlin
- 8. Discussion of Special Reviews and Investigations (*if any*).....Internal Audit Staff & Institutional Integrity Staff

OPEN SESSION

- 9. Other Business.....Committee Members & Staff
- 10. Adjourn.....Chairman Berlin

DRAFT OPEN MINUTES

February 5, 2019

University of North Carolina School of the Arts
Law Office of Kilpatrick Townsend & Stockton LLP
Winston-Salem, North Carolina

TRUSTEES PRESENT

Steve Berlin (Chair)*, Anna Folwell (phone)*, Rob King*, Ralph Womble (ex officio)*

*denotes voting member

TRUSTEE ABSENT

Pete Brunstetter*

COMMITTEE STAFF PRESENT

Shannon Henry (Chief Audit, Risk, and Compliance Officer), David Harrison (General Counsel), Jim DeCristo (Chief of Staff), Michael Smith (VC for Finance and Administration), Amanda Balwah (Secretary of the University), Martha Golden (Faculty Council Representative), Sharon Fogarty (Staff Counsel Representative)

OTHERS PRESENT

Rod Isom (Audit Manager), Devin Doss (Internal Auditor), Greg Gleghorn, (Director of Information Security), Lisa McClinton (Associate Vice Chancellor for Finance and Controller), Valerie Thelen (Chief Compliance Officer and Director of Title IX)

CONVENE MEETING AND CONFIRM QUORUM

Committee Chair Steve Berlin convened the Open Session of the University of North Carolina School of the Arts' Audit, Risk, and Compliance Committee at 4:01 p.m. A quorum was confirmed.

APPROVAL OF MINUTES

MOTION: Rob King moved to approve the minutes from the December 4, 2018 meeting. Ralph Womble seconded and the minutes were unanimously approved.

ENTERPRISE RISK MANAGEMENT (ERM) AND COMPLIANCE

Jim DeCristo, Chief of Staff, reported that the ERM Steering Committee met once since the last BOT meeting to review the top four risks and the University's mitigation plans. More substantive information will be provided to the committee in April. David Harrison and Amanda Balwah presented UNCOSA's risk priorities to the Provost's Council in January to help facilitate campus-wide understanding of ERM.

MATTERS OF GOVERNANCE AND COMPLIANCE

Greg Gleghorn, Director of Information Security, gave an information governance and security update. Seventeen critical departments at UNCSA are currently undergoing a Business Impact Analysis (BIA) to establish disaster recovery metrics, response, and a business continuity program with procedures as they pertain to information security. The departments will be interviewed and asked to complete a questionnaire. The goal of the BIA is to develop an outline that identifies technologies and processes that are considered mission critical to the daily operations of UNCSA. This information will help ensure current controls are sufficient to address mission critical areas.

Valerie Thelen, UNCSA's newly hired Chief Compliance Officer and Director of Title IX, was introduced to the committee. Ms. Thelen comes to UNCSA from the UNC System Office and completed a Title IX Fellowship through Duke University. During her time at the System Office, Ms. Thelen worked on many Title IX investigations for UNCSA. Her familiarity with UNCSA has allowed her to hit the ground running.

INTERNAL AUDIT UPDATE

Human Resources (HR) Control Environment Review

The HR Control Environment Review report has been released. The review identified 7 findings and 15 recommendations. The findings include:

- Inconsistent and noncompliant hiring and selection processes;
- Inappropriate system access and changes;
- An irregular termination process;
- Deficiencies with protocols to control confidentiality;
- Insufficient plans for effective operational management;
- An ineffective training and development program; and
- Issues related to the campus community's perception of HR.

Michael Smith, Vice Chancellor for Finance and Administration, responded to Internal Audit's findings and concurred in all material aspects. UNCSA is initiating corrective action to alleviate deficiencies and mitigate risks. UNCSA's HR Department is undergoing a significant managerial and operational transition with the retirement of its Director. Leadership is capitalizing on this opportunity, with input from the UNC System HR Office, to effect positive change.

Summary of Observations and Recommendations FY2019-YTD

So far for Fiscal Year 2019, Internal Audit completed audits and advisory services resulting in reports with findings that produced 23 written recommendations and 1 verbal recommendation for the following University departments:

- Finance and Administration;
- Human Resources;
- Purchasing;
- Information Technology;
- Chief of Staff;

- Legal;
- Provost's Office; and
- Center for Design Innovation (CDI).

Status of Projects and In-Progress Internal Audit Reviews

- 3 projects have been completed this year
- A follow-up review of vendor contracts is underway

NEXT PLANNED REVIEW

Ms. Henry stated that the next planned review will be Environmental Health and Safety. This review has not yet commenced.

OTHER BUSINESS

Mr. Harrison and Ms. Henry announced that a new Division of Institutional Integrity has been created by UNCISA to create a more integrated and coordinated approach to the legal, ethical, and compliance requirements that challenge the university. The division includes the following functions:

- Legal Affairs;
- Secretary of the University/Board of Trustees;
- Title IX Compliance;
- Clery Compliance;
- Ombuds;
- Internal Audit;
- State Ethics Liaison; and
- Enterprise Risk Management.

UNCISA is awaiting final UNC System Approval. A formal notification will be sent to campus in the coming days.

CLOSED SESSION

MOTION: Rob King moved to go into closed session to prevent the disclosure of privileged Internal Auditor's work papers, under Section 116-40.7 of the North Carolina General Statutes. Ralph Womble seconded and the motion was unanimously approved.

ADJOURNMENT

After returning to Open Session, there was no further business to discuss. Chairman Berlin adjourned the meeting at 4:40 p.m.

Respectfully submitted by:
Amanda G. Balwah
Assistant Secretary to the Board of Trustees

AGENDA ITEM

Enterprise Risk Management (ERM) Report.....presented by Jim DeCristo, Chief of Staff

Summary: The following report summarizes the work performed in FY19 by the ERM Steering Committee and the ERM Risk Owners. Five risks were identified as priorities for the 2018-19 academic year:

- UNCSA may struggle to attract and retain the faculty talent needed to support excellence in its offerings.
- A potential decline in financial and other incentives to attend UNCSA may make it more difficult to effectively attract qualified students.
- The condition of facilities and residence halls may decline to the point that it significantly deters students from attending UNCSA.
- The School may have difficulty attracting diverse faculty, students, and staff to advance its brand and reputation.
- UNCSA may have difficulty achieving the right balance of rigor, intimacy, transparency, and diversity necessary to maintain a balanced campus culture that promotes excellence, open-mindedness, and well-being alike.

The report examines each of these risks and focuses on preventative mitigations that are already in place, ways we react to minimize consequences, what mitigations we plan to put in place in the future, and the key risk indicators that allow us to monitor the risk.

Action: This report is for informational purposes only.

Enterprise Risk Management Report FY19

The Enterprise Risk Management Steering Committee identified four risk priorities for FY19. The Committee and Risk Owners examined and evaluated these risks throughout the year. A fifth risk was added during mid-year and is included in this report.

This report examines each of the five risk priorities, focusing on both preventative and reactive mitigations, as well as key risk indicators that allow us to monitor the risk in the future.

Risk One: Compensation packages offered by UNCSA may make it increasingly difficult to attract nationally known, top-tier faculty who are needed to maintain the School's national reputation.

Key Mitigations

- Prioritization of faculty salaries, including the allocation of tuition revenues for this purpose.
- Distinguished Professorships endowed match and other private support.
- Five-year budget planning that allows for a strategic use of funds.
- Emphasis on faculty and staff satisfaction through the use of employee engagement surveys and the work of the Quality Workplace Committee.
- Annual increases to faculty salaries have been consistent over the past four years.
- Prioritization of faculty salaries as one of the five pillars of Powering Creativity: The Campaign for UNCSA.
- Steele Reese Salary Support – the UNCSA Foundation approved the use of funds held in the Steele Reese endowment to support the recruitment and retention of faculty.

Key Risk Indicators (KRIs)

- Comparative faculty data from the American Association of University Professors (AAUP) annual survey published by Inside Higher Ed

Risk Two: Scholarships and financial aid packages offered by UNCSA may not be sufficiently competitive to attract top student talent, particularly from outside NC.

Key Mitigations

- UNCSA's Office of Student Financial Aid provides a high level of individualized service and explanation to assist students and families with financial planning.
- UNCSA has a rich history of allocating Campus-Initiated Tuition Increase (CITI) funds toward need-based aid.
- Student scholarships are a focus of UNCSA's Comprehensive Campaign.
- Regular review of peer institutions' in-state posted price, out-of-state posted price, and actual average "discount" rates with the stated price and average scholarship award.
- Regular review of institutional numbers related to recruitment initiatives, including in-state applicants from Tier 1/Tier 2 counties within NC.

Key Risk Indicators (KRIs):

- A statistical cross-reference of accepted students not enrolling because of stated “financial reasons” allowing for an assessment of demonstrated need, unmet need, and receipt of merit scholarships

Risk Four: The condition of facilities and residence halls may decline to the point that it significantly deters students from attending UNCSCA.

Key Mitigations

- Completed and refined the Campus Master Plan with a focus on campus student housing. Detailed proposals have been completed by firms offering subject matter expertise and financial feasibility studies.
- Institution of the Space Allocation Committee to facilitate strategic decision-making surrounding growing needs, renovation projects, and prioritization of space across campus
- Implementation of a 5-Year Financial Model to address facilities challenges and opportunities
- Ongoing assessment of campus-wide facilities assists in identifying and prioritizing the most critical requirements.
- An approved residence hall rate increase to better position Residence Life to pursue the design and construction of a new residence hall.
- UNCSCA Facilities and Residence Life continue to analyze and execute reconfiguration of housing budgets and reserves to prioritize repair and renovation funds (R&R), scheduled maintenance, and replacements.
- UNCSCA continues to work with the UNC System to lobby for increased annual R&R appropriations.
- UNCSCA’s capital requests are focused on larger, comprehensive renovation projects such as the Stevens Center, Gray Building and Workplace over new buildings.

Key Risk Indicators (KRIs):

- State Construction Office Facilities Condition Assessment Program (SCO FCAP) information (quantitative)
- Internal facilities assessments (quantitative)
- Surveys and feedback from students, applicants, and families (qualitative)

Risk Seven: UNCSCA may be unable to attract a sufficiently diverse faculty and student body needed to advance its brand and reputation.

Key Mitigations

- This risk is already present on UNCSCA’s campus and is currently affecting faculty, staff, and student recruitment. Larger demographic issues in the arts industries have affected the representation of people of color and women, thus limiting the number of individuals to recruit into faculty positions.
- Holding campus diversity and inclusivity forums.
- Student Affairs/Residence Life programmatic calendars highlight diversity and inclusivity.

- Equity in Mental Health (EMH) framework in collaboration with the JED Foundation to support the emotional well-being and mental health of students of color.
- Provost/Faculty Council Task Force on Diversity Initiatives to work on the Faculty Diversity Advocate Program and Diversity Statement.
- Establishment of the Faculty Learning Community on Diversity and Inclusion.
- Use of Steele Reese Recruitment and Retention Funds to aid in recruiting faculty.
- Faculty In-Service Days to focus on Diversity and Inclusion Resources for Teaching at UNCSA.
- Human Resources/Student Affairs are planning to implement Everfi online modules to address issues such as diversity and inclusion, sexual assault prevention, and alcohol abuse. Modules would be used for student orientations and faculty/staff onboarding.
- Two-day training and strategic planning session with Artistic Logistics/Equity Quotient to address equity, diversity and inclusion.
- Five faculty and staff representatives are attending NCORE, the national conference on race and ethnicity in higher education to learn and share best practices.
- Human Resources is currently researching best practices to heighten the ability to recruit a strong and diverse applicant pool.

Key Risk Indicators (KRIs):

- Review of trends related to enrollment data of underrepresented groups.
- Review of employment data for EHRA/SHRA staff and Faculty data related to underrepresented groups.
- Predictive modeling of upcoming retirements, natural attrition, and the opportunity to address any inequities.

Risk Eighteen: UNCSA, as an arts conservatory, faces unique challenges to ensuring compliance with Title IX regulations and institutional policies on harassment and discrimination due to the nature of the curriculum. As an arts conservatory, the level of physical and emotional intimacy inherent in the performing arts can create an environment that leads to difficulties in defining and upholding appropriate professional boundaries and ensuring student safety. As a result, violations of Title IX regulations or institutional policies may occur that severely damage the School's reputation.

Key Mitigations

- Meetings with campus stakeholders, including the Provost's Council, Board of Trustees, Student Government Association, Health and Wellness, and individual students regarding concerns and ideas for the Title IX Office.
- Title IX student training and education, beginning with orientation, mandating multiple trainings throughout each semester.
- Student orientation with an outside group that will present on consent and healthy relationships.
- Annual training for all faculty and staff.
- Hired a Chief Compliance Officer and Director of Title IX
- Immediately and appropriately responding to all reports.
- Conduct thorough and sufficient investigations when appropriate.
- Provide appropriate accommodations.

- Prepare communications response.
- Work with Human Resources to place individuals on investigatory leave.
- Work with the threat assessment team to remove students in high risk situations.
- Cooperating with student judicial conduct to successfully adjudicate cases.
- Respond to student concerns with transparency and willingness to actively address the issues with students participating and leading the process if possible/appropriate.
- Creation of the Division of Institutional Integrity and a reorganization of the Title IX Office to fall under this division instead of Human Resources.
- Collaborating with communications to create a campus-wide messaging/marketing message from the Title IX Office.
- Utilization of coordinated efforts with campus partners, Wake Forest University, Winston-Salem State University, community groups, and SART.

Key Risk Indicators (KRIs):

- Number of Faculty and Staff submitting reports.
- Departmental Climate Surveys.
- Direct Student Feedback.

ERM Next Steps

This first year of ERM work has been dedicated to identifying the risks to UNCOSA, determining risk priorities, assigning risk owners, establishing working groups, and doing the hard work of identifying current mitigations and KRIs. The information presented in this report, along with the data collected in the risk templates, gives us a baseline to begin our next phase of ERM work. Next year, the ERM Steering Committee and risk owners will delve deeper into the strategic analysis of these risks by implementing another analysis model, such as the bow-tie analysis, to take a closer look at potential causes and consequences of risks. This valuable tool will allow us to evaluate responses and communicate key risks, examine degrees of control over those risks, and assess UNCOSA response plans. It is also a great launching point for further development of KRIs that can provide us with early warning of potential risks to UNCOSA's overall strategic plan.

AGENDA ITEM

Information Security Update..... presented by Greg Gleghorn,
Director of Information Security

Summary:

1. Seven new information security regulations have been submitted for legal and chancellor approval.
2. Sixteen out of seventeen scheduled business impact analysis interviews have been completed.
3. Centralized endpoint protection project 60% complete.
4. Phishing and impersonation attempts have been reduced with constant monitoring, tweaking, and optimizing of Microsoft's advanced threat protection.

Action: For informational purposes only.

AGENDA ITEM

Internal Audit Activity Update.....*presented by the Internal Audit Staff*

Summary of Internal Audit Reviews:

1. Summary of New Reports*
2. Summary of Observations and Recommendations for FY2019 – YTD*
3. Status of In-Progress Internal Audit Reviews*

**Internal Audit review results and reports released prior to the meeting will be provided at the meeting. Additional information related to in-progress work may be shared in closed session to protect the confidentiality of Internal Audit's work papers.*

Action: This item is for informational purposes only.

AGENDA ITEM

Director of Human Resources – Posting Update.....Lisa McClinton,
Associate Vice Chancellor for Finance and Controller

Summary: We conducted on-campus interviews with eight candidates and have narrowed it down to the top two candidates. Our plans are to bring these individuals back for on-campus interviews with an expanded audience.

Action: This item is for informational purposes only.