

April 27, 2021

University of North Carolina School of the Arts
Zoom Teleconference

COMMITTEE MEMBERS:

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

COMMITTEE STAFF:

Rod Isom, Interim 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
Martha Golden, Faculty Council Representative
Mike Wakeford, Faculty Council Representative
Heather Lathrop, Staff Council Representative
Kathryn Rowe, Staff Council Representative

AGENDA

OPEN SESSION

1. Call to Order and Confirm Quorum Chairman Berlin
2. Approval of Minutes from the February 23, 2021 Meeting..... Chairman Berlin
3. Matters of Governance, Risk and Compliance Rod Isom
& UNCSA Management
 - a) Enterprise Risk Management... Jim DeCristo
 - b) Information Governance & Security..... Greg Gleghorn,
Director of Information Security
4. Discussion of Internal Audit's Activity..... Rod Isom
 - a) IA Operations Update
 - b) Recent Reports and Other Communications
 - c) Internal Audit Activity Update
 - d) Summary of Findings and Recommendations for Fiscal Year 2021
 - e) Results of Fiscal Year 2022 Internal Audit Risk Assessment and Audit Plan

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

CLOSED SESSION

- 5. Approval of Minutes from the February 23, 2021 meeting (if any)Chairman Berlin
- 6. Discussion of Special Items, Reviews and Investigations (if any).....Rod Isom, Valerie Thelen, and David Harrison

OPEN SESSION

- 7. Other BusinessCommittee Members & Staff
- 8. Adjourn.....Chairman Berlin

OPEN SESSION MINUTES

February 23, 2021

University of North Carolina School of the Arts

Zoom Video Conference

TRUSTEES PRESENT

***denotes voting committee members**

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

ADMINISTRATION & STAFF PRESENT

Rod Isom (Interim Chief Audit, Risk, and Compliance Officer), David Harrison (VC and General Counsel), Jim DeCristo (VC and Chief of Staff), Michael Smith (VC for Finance & Administration), Amanda Balwah (AVC and Secretary of the University), Greg Gleghorn (Director of Information Security), Wendy Emerson (AVC and Controller), Martha Golden (Faculty Council Representative), Cory Billings (Internal Auditor), Valerie Thelen (Chief Compliance Officer and Director of Title IX), Marla Carpenter (Senior Communications Manager)

CONVENE OPEN SESSION AND CONFIRM QUORUM

Committee Chair Steve Berlin convened the February 23, 2021 Meeting of the University of North Carolina School of the Arts Audit, Risk, and Compliance Committee at 4:02 p.m. A quorum was present.

APPROVAL OF MINUTES

MOTION: Ralph Womble moved to approve the December 1, 2020 Open Session Minutes as presented. Anna Folwell seconded and the minutes were unanimously approved.

ENTERPRISE RISK MANAGEMENT (ERM)

Jim DeCristo, Vice Chancellor for Economic Development and Chief of Staff, reported that a majority of ERM efforts have focused on Covid-19 since March of last year. UNCOSA is also beginning the process to re-evaluate the School's risk priorities with a survey to go out to various constituent groups this spring. The goal of the survey is to determine UNCOSA's top five risks going forward. Those risks are due to the UNC System Office by April 30th.

INFORMATION GOVERNANCE & SECURITY

Greg Gleghorn, Director of Information Governance and Security, provided the following update:

- Security awareness training, specifically related to phishing campaigns, is underway. During the final quarter of 2020, UNCOSA conducted a baseline phishing campaign

against all faculty and staff. Plans and recommendations have been developed to advance IT's security awareness training program.

- The Board of Governors recently approved updated IT governance to support Policy 1400.0, Information Technology Governance. UNCSA IT is already performing many aspects of Policy 1400.0 and plan to engage an outside consultant to accelerate maturity.

TITLE IX OFFICE UPDATE

Valerie Thelen, Chief Compliance Officer and Director of Title IX, provided the following update:

- The annual Security and Fire Safety Report was released in December. Due to the COVID-19 pandemic, the reporting was extended to December 31, 2020 from the usual October 1st deadline. The annual reporting is required by federal law known as the Clery Act and contains a summary of crime statistics for the three previous calendar years of reported UNCSA crimes and information regarding safety and awareness. The 2019 numbers reflected no major deviations from previous years.
- The Department of Education's Office for Civil Rights has indicated there will be updated guidance regarding Title IX and Clery compliance. There is currently no timeframe for when it will be issued.
- The Title IX Office will be sponsoring and conducting the National College Health Assessment (NCHA), which is a student survey that will gather data on many topics related to health and wellness including:
 - Data on sexual assault
 - Dating violence
 - Stalking
 - Sexual health
 - Mental health

The Office will partner with other departments across campus to increase participation.

- The Title IX Office is working with campus partners to develop a specialized program designed to work on addressing inappropriate/concerning behavior through a preventative/restorative approach focusing on developing health communication, self-reflection/evaluation, professionalism, conflict resolution, and bystander intervention. This is being designed in response to an increase of reports involving behaviors that do not necessarily fall under Title IX or other policies, but could lead to more serious issues in the future if not addressed.

DISCUSSION OF INTERNAL AUDIT ACTIVITY

Rod Isom, Interim Chief Audit, Risk, and Compliance Officer, provided the following updates:

- Internal Audit currently has three vacancies within the unit. The IT Auditor search has identified two finalists and an offer is expected to be made soon.
- Medical Wig Investigative Review

- Management received a complaint related to questionable business practices within the Medical Wig Class.
 - The review resulted in three reportable observations and eleven recommendations. The review observed inadequate conflict management, not following hiring protocols, and purchasing card violations.
 - Notification of Risk Memo was issued related to Students who work for the faculty member's personal business are not paid in a timely manner and the class lacks overall organization. Two recommendations were provided for improvements.
- Fieldwork is underway for the COVID-19 Spending and Response Plan. Internal Audit is on track for the report to be issued and discussed for the next ARCC meeting.
 - Four projects have been completed thus far with one project currently in progress.
 - To date, for FY21, Internal Audit has completed audits resulting in reports that produced nine observations and twenty-three written recommendations for the following University departments: Office of the Provost, Community & Summer Programs, Community Engagement & ArtistCorp, Human Resources, Design & Production, Foundation, and Legal Affairs.
 - The Council of Internal Auditing has established a work group in developing a maturity model for internal audit departments. The model will be used to help audit departments conform with IIA Standards and will be used as a roadmap for continuous improvements. The expectation thus far is for the assessment to be completed on an annual basis with an attestation to be signed by the Chief Audit Officer and their boss.
 - Internal Audit will be conducting their annual risk assessment earlier than usual to allow for the upcoming audit plan to be approved for the start of the fiscal year.

MOTION: Ralph Womble made a motion for the committee to go into closed session to consult with the University attorney in order to preserve attorney-client privilege. Rob King seconded and the motion was unanimously approved.

RETURN TO OPEN SESSION

ADJOURNMENT

With no further business to discuss, Chairman Berlin adjourned the meeting at 4:45 p.m.

Respectfully submitted by:

Amanda G. Balwah

Associate Vice Chancellor and Secretary of the University

AGENDA ITEM

Enterprise Risk Management (ERM) Update.....presented by Jim DeCristo

Summary: A majority of ERM efforts have been focused on Covid-19 since March of last year. Risk priorities have continued to make progress over the past several months, including the new residence hall project, faculty and student support through the comprehensive campaign, and implementation of new Title IX regulations.

At the meeting, the results of UNCOSA’s 2021 Risk Priorities Survey will be discussed and the top-rated priorities will be identified. The new top five risks will be submitted to the UNC System Office by April 30, 2021.

Action: No action needed; this report is for informational purposes only.

AGENDA ITEM

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

Summary:

We conducted UNCSA’s first cybersecurity tabletop exercise. The exercise was a simulated ransomware attack and how UNCSA would respond. Cabinet-level members attended the activity and were both informed of our current cybersecurity incident response plans, posture, and status, as well as our weaknesses and strategies for improving.

We are in the process of hiring an Information Security Specialist. This person will operate all our security dashboards which is the beginning phase of building our Security Operations Center (SOC).

We are adding two additional cyber technologies, which will give further insight into our local area on-premises transactions and traffic flows. Secondly, our endpoints, both local and remote, will benefit from these technologies as we are gaining tighter control of potential malware attacks to include ransomware.

Action: For informational purposes only.

AGENDA ITEM

Internal Audit Activity Update Rod Isom

Summary:

- a) IA Operations Update**
 - Staffing Update:
 - The IT Auditor search has concluded, and finalist has accepted offer and will start in May. Selected candidate is a CPA and CISA and brings a wealth of experience.
- b) Recent Reports and Other Communications****
 - COVID Spending and Response Plan Review
 - Draft Report has been issued.
- c) Internal Audit Activity Update****
 - 4 projects have been completed so far this year that resulted in 4 reports been issued.
- d) Summary of Findings and Recommendations for Fiscal Year 2021****
 - Internal Audit has completed audits and advisory services resulting in reports with observations that produced 23 written recommendations for the following university departments: Office of the Provost, Community & Summer Programs, Community Engagement & Artist Corps, Human Resources, Design & Productions, Foundation, and Legal Affairs.
- e) Results of Fiscal Year 2022 Internal Audit Annual Risk Assessment and Audit Plan****

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

Action: These items are for informational purposes only.

IA Operations Update

Office Staffing

- The IT Auditor search has concluded, and finalist has accepted offer and will start in May. Selected candidate is a CPA and CISA and brings a wealth of experience.

Fiscal Year 21 Plan Component Project Status

Plan Component	Last Milestone*	Progress Status^
FY2021 Risk Assessment Process/Audit Plan	FR	N/A
Planned - Minors on Campus - 9/9/20	FR	N/A
Investigation - UNC System Office - School of Filmmaking Salary Increase – 11/18/20	FR	N/A
Investigation - Medical Wig Program – 2/10/21	FR	N/A
Risk Monitoring Memo – Medical Wig Class Structure & Student Employment – 2/10/21	FR	N/A

^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

Fiscal Year 21 Plan Component Project Status

Plan Component	Last Milestone*	Progress Status^
Planned – COVID Spending & Response Plan	DR	On Track

^Progress Status

Red - Major Delays

Orange - Some Delays

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*Milestones

- (PC) Planning Complete
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UNCSA FY21 Summary of Findings and Recommendations

	Project Name	Finding(s)/Observation(s)	Recommendation(s)	Report Type	Subject to Disclosure	Office or Department	Report Date	Follow-up Required (Y/N)
1	Minors on Campus	No Overarching Minors Policy for Governance	<p>1) The university should develop an overarching policy for minors to align with UNC System Policy 1300.10 which adequately addresses risks posed by minors on campus and includes at a minimum:</p> <ul style="list-style-type: none"> • Registration and approval requirements for activities and programs primarily serving or including minors; • Background checks for employees, contractors, and volunteers who interact with minors; • Mandatory reporting of suspected abuse and neglect; and • Additional training expectations. <p>2) The policy should be effectively communicated to all individuals who work closely with, supervise, instruct, or otherwise come into direct, non-incident contact with minors.</p>	Audit Report	Yes	* Provost * Community & Summer Programs	9/9/2020	Y
2	Minors on Campus	No Comprehensive List of Youth Programs	<p>Management should strengthen oversight by formally defining and assigning compliance responsibilities to a single department or individual. Once this role is defined, the assigned personnel should maintain an inventory of programs including, at a minimum:</p> <ul style="list-style-type: none"> • A description of the proposed Covered Program; • A responsible party or sponsor for the proposed Covered Program(Sponsor); • The designated university administrator or officer supporting the program; • The period of time for which the Covered Program will operate; • The expected number of employees and/or volunteers involved and minors served; • An acknowledgment of relevant institutional policies, including requirements for background checks, training, insurance, parking access, and facilities use; • An acknowledgment of state mandatory reporting requirements related to suspected abuse or neglect of a minor; • For third party vendors, a statement acknowledging that the constituent institution may monitor compliance with requirements for operating a Covered Program; and • The name or position and department of the university administrator or officer with responsibility for approving the proposed program. 	Audit Report	Yes	* Provost * Community & Summer Programs	9/9/2020	Y
3	Minors on Campus	No Formalized Training Program	<p>1) Management should develop a formalized training program for all Covered Individuals. Training curriculum should include all the necessary requirements and industry best practices to minimize risks to minors and liability to the university.</p> <p>2) Monitoring procedures should be put in place to track satisfactory completion of the training curriculum by all applicable individuals.</p>	Audit Report	Yes	* Provost * Community & Summer Programs	9/9/2020	Y
4	Minors on Campus	Insufficient Risk Management	<p>Management should conduct a formalized risk assessment of the programs designed for minors at least annually to include the identification, prioritization, and measurement of risks that could potentially affect units offering programs and activities involving minors. Once risks are identified, appropriate controls should be implemented and monitored to ensure that the risks are being mitigated.</p>	Audit Report	Yes	* Provost * Community & Summer Programs	9/9/2020	Y
5	Minors on Campus	Incomplete Screening Process	<p>1) Management should implement controls and procedures to ensure all programs and activities are obtaining background checks for all individuals working with minors at regular intervals. Management should also ensure controls and procedures comply with UNC System Policy 1300.10.</p> <p>2) The university should establish and communicate standards for working with minors as these may differ from general hiring requirements.</p> <p>3) All background checks for employees and independent contractors should be conducted by HR.</p> <p>4) ArtistCorps program management should develop procedures to track completion of volunteer background checks.</p>	Audit Report	Yes	* Provost * Community & Summer Programs * Community Engagement & ArtistCorp * Human Resources	9/9/2020	Y

6	Medical Wig Investigation	Inadequate Conflict Management	<p>1) D&P should create a detailed conflict management plan and implement appropriate monitoring procedures to ensure accountability and to mitigate conflict management and noncompliance. Additionally, the arrangement of using the faculty's member personal company to sell hair products to the university should be discussed and approved by the newly appointed Provost.</p> <p>2) D&P should implement procedures to ensure annual forms are completed and approved in a timely manner to ensure compliance with Regulation 603 and 610.</p> <p>3) The university should update the annual reporting form to allow for the appropriate conflict category to be identified so the appropriate procedures according to Regulation 603 can be implemented to mitigate risk.</p> <p>4) D&P should ensure employees are trained on the appropriate use of university's resources.</p>	Audit Report	Yes	* Design and Production * Provost	2/10/2021	Y
7	Medical Wig Investigation	Not Following Hiring Protocols	<p>1) D&P should provide training on an annual basis to faculty that hire student employees.</p> <p>2) D&P should establish protocols to ensure paperwork is completed prior to graduate assistants beginning to work.</p> <p>3) D&P should work with Legal Affairs and the Foundation to determine the appropriate documentation needed to verify faculty member's payment to the student and reimburse the faculty member with the funds designated for the graduate assistant so that there is evidence that the student was paid by the university.</p>	Audit Report	Yes	* Design and Production * Foundation * Legal Affairs	2/10/2021	Y
8	Medical Wig Investigation	Purchasing Card Violations	<p>1) D&P should implement preventative controls and require personnel to obtain proper approval before purchases are made.</p> <p>2) Foundation and D&P should work together and create an annual training platform for personnel with Foundation P-Cards to ensure guidelines are understood.</p> <p>3) The Foundation should update its policies and guidelines as it relates to prohibited expenditures regarding services. The policies and guidelines should clearly articulate what types of services are not allowed to assist with increasing understanding and mitigating unallowable expenditures.</p> <p>4) D&P should ensure the faculty member receives additional training on university P-Cards to ensure guidelines are understood.</p>	Audit Report	Yes	* Design and Production * Foundation	2/10/2021	Y
9	Medical Wig Investigation	Medical Wig Class Structure and Student Employment	<p>1) The Provost should work with the Deans, the General Counsel, and Human Resources to create a policy that governs student employment as it relates to working for faculty members' personal businesses should such practices continue. Considerations should be given to the protection of academic integrity for students who choose to work for faculty members' personal businesses.</p> <p>2) D&P management should work with faculty to ensure there is structure and documented expectations for Medical Wig's graduate assistants, as well as ensuring that good business practices are in place and enforced.</p>	Risk Notification Memo	Yes	* Design and Production * Provost * Legal Affairs * Human Resources	2/10/2021	N