

Board of Trustees Audit, ERM, Compliance, and Ethics Committee Meeting
 November 9, 2017
 Agenda

- I. Approval of September 14, 2017 Minutes Action
- II. Research Compliance - Dr. Mike Van Scott
 - A. Introduction of Contracts and Grants Director Information
 - B. Export Control Officer Update Information
- III. Internal Audit - Ms. Stacie Tronto
 - A. Dashboard Information
 - B. Audit Management System Software Information
- IV. Enterprise Risk Management - Mr. Tim Wiseman
 - A. ERM Update Information
- V. Other Business Information
- VI. Closed Session



Board of Trustees

Audit, ERM, Compliance, and Ethics Committee Meeting

November 9, 2017

Agenda Item:	I. Approval of September 24, 2017 Minutes
Responsible Person:	Kel Normann, Chair
Action Requested:	Approval
Notes:	N/A

*****DRAFT*****

**Minutes from ECU BOT Audit, Risk Management, Compliance, and Ethics Committee
September 14, 2017
Murphy Center**

The Audit, Risk Management, Compliance, and Ethics Committee of the ECU Board of Trustees met in regular session on September 14, 2017 at 3:00pm in the Murphy Center on the campus of ECU.

Committee members present included Kel Normann (Chair), Bob Plybon (Vice Chair), Mark Copeland, Jason Poole, Vince Smith, and LaQuon Rogers

Other board members present included Kieran Shanahan (Board Chair), Edwin Clark, Vern Davenport, Deborah Davis, Leigh Fanning, Fielding Miller

Others present included Chancellor Cecil Staton, James Hopf, Donna Payne, Nick Benson, Ken DeVille, Michelle Evans, Mike Van Scott, Norma Epley, Rick Niswander, Dee Bowling, Kim Walters, Michelle Brooks, Crystal Baity, Alton Daniels, Megan Ayers, Tim Wiseman, Stacie Tronto, and Wayne Poole.

Kel Normann, Chair of the Committee, convened the meeting at 3:00PM. Mr. Normann read the conflict of interest provisions as required by the State Government Ethics Act. Mr. Normann asked if anyone would like to declare or report an actual or perceived conflict of interest. None were reported.

Mr. Normann asked for the approval of the minutes of the July 27, 2017 audit committee meeting.

Action Item: The minutes of the July 27, 2017 audit committee meeting were approved with no changes.

Mr. Tim Wiseman presented the **Enterprise Risk Management Update**

Mr. Tim Wiseman presented an overview of the University-wide risk ranking exercise and the top ten risks that were identified through this process. Risk management plans are being developed for the top ten risks, and will be provided to the Chancellor, Executive Council, and to this committee when they are finalized. Mr. Copeland noted that the top risks list doesn't include many items that are student-centric. The committee engaged in a significant amount of discussion on how best to gather students' input. The committee requested that the next iteration of the risk ranking exercise include more student input.

Mr. Wiseman recommended that the committee members and other board members consider reviewing two specific references on risk management: *Risk Management – An Accountability Guide for University and College Boards*, and *Top Strategic Issues for Boards 2016-2017*.

Dr. Mike Van Scott and Ms. Norma Epley presented the **Research Compliance Update**

Ms. Norma Epley presented the status of the University's required conflict of interest reporting for the 2016-2017 academic year. The University achieved 100% compliance with the COI reporting requirements of individuals working with federal grants. The University achieved 98.25% compliance with ECU and UNC system COI reporting requirements. (Only 51 out of 2,900 employees who are required to report failed to do so; most of these were temporary employees, or are no longer employees of ECU.) Ms. Epley stated that her office is collaborating with HR in order to have the disclosures completed at the time of hire or at orientation in order to close the gap towards 100% compliance. Dr. Van Scott noted that the compliance rate has steadily increased over each of the last three years.

Dr. Van Scott provided an update on the search for a new Export Control Officer and a new Director of the Office of Grants and Contracts. Both are critical positions as ECU increases its research endeavors. Both positions will hopefully be filled this fall.

Ms. Stacie Tronto presented the **Internal Audit Update**.

Chief Audit Officer Stacie Tronto and Mr. Wayne Poole presented an overview of the key performance indicators and significant accomplishments of the University's Internal Audit function for the 2017 fiscal year. Internal Audit met or exceeded all key performance indicators that are required to be reported to the Board and to UNC General Administration. ECU has the only Internal Audit office in the UNC system in which all staff auditors have achieved a relevant internationally recognized professional certification. Other key accomplishments

*****DRAFT*****

**Minutes from ECU BOT Audit, Risk Management, Compliance, and Ethics Committee
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included developing and operationalizing a ProCard expense data analytics tool and implementing an Internal Audit Internship program.

Ms. Tronto advised the committee that Internal Audit is in the process of selecting an audit management software system, which will be the next significant step forward for the Internal Audit team.

Other Business

Mr. Normann asked if there was any further business to bring before the committee. None was heard.

The Audit, Risk Management, Compliance, and Ethics Committee meeting was adjourned at 3:50 PM.

Respectfully submitted,
Wayne Poole
ECU Office of Internal Audit and Management Advisory Services



Board of Trustees

Audit, ERM, Compliance, and Ethics Committee Meeting

November 9, 2017

Agenda Item:	II.A. Introduction of Contracts and Grants Director
Responsible Person:	Mike Van Scott
Action Requested:	None - Informational Item
Notes:	N/A



Board of Trustees

Audit, ERM, Compliance, and Ethics Committee Meeting

November 9, 2017

Agenda Item:	II.B. Export Control Officer Update
Responsible Person:	Mike Van Scott
Action Requested:	None - Informational Item
Notes:	N/A



Board of Trustees

Audit, ERM, Compliance, and Ethics Committee Meeting

November 9, 2017

Agenda Item:	III.A. Dashboard
Responsible Person:	Stacie Tronto
Action Requested:	None - Informational Item
Notes:	N/A

Internal Audit Dashboard - 2st Quarter FYE 2018

Completion of Audit Plan: Completed vs. Planned Audits

<i>Status of Audit Plan</i>	<i>Number of Audits</i>	<i>Percent of Total Plan</i>	Goal = 80%
Completed	12	26%	
In Process	17	36%	
Pending	18	38%	
Total	47	100%	

Staff Utilization: Direct vs. Indirect Hours

	<i>With UPS</i>	<i>Without UPS</i>	Goal = 75%
Direct Hours	26%	76%	
Indirect Hours	74%	24%	

Consultations

	<i>Number</i>	<i>% of Audit Plan</i>
Consultations	41	18%

Management's Corrective Actions

<i>Observations by Division:</i>	<i>Completed</i>	<i>Outstanding</i>	<i>% Complete</i>	<i>% Outstanding</i>	<i>Pending</i>
Academic Affairs	0	0	0%	0%	6
Administration and Finance	0	0	0%	0%	31
Athletics	0	0	0%	0%	0
Chancellor	0	0	0%	0%	3
Health Sciences	5	0	100%	0%	4
Research and Graduate Studies	0	0	0%	0%	3
Student Affairs	0	0	0%	0%	0
University Advancement	0	0	0%	0%	0
Total Observations	5	0			47
Total Percentages	100%	0%			

Goal = 95%



Board of Trustees

Audit, ERM, Compliance, and Ethics Committee Meeting

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Agenda Item:	III.B. Audit Management System Software
Responsible Person:	Stacie Tronto
Action Requested:	None - Informational Item
Notes:	N/A



Board of Trustees

Audit, ERM, Compliance, and Ethics Committee Meeting

November 9, 2017

Agenda Item:	IV.A. ERM Update
Responsible Person:	Tim Wiseman
Action Requested:	None - Informational Item
Notes:	N/A

10/27/2017

INFORMATION PAPER

SUBJECT: Enterprise Risk Management (ERM) Update for the BOT-Audit, Risk Management, Compliance and Ethics Committee November 2017 Meeting

1. Purpose. To advise BOT-ARMCE committee members of significant ERM activities from the past two months and those planned or anticipated for the next two months.

2. Action Recapitulation:

a. Significant ERM/CRO Activities from the Past Two Months:

- Presentation: Reporting ERM Progress - University Risk Management and Insurance Association Conference
- Presentation: ERM in Higher Education Update - UNC System Auditors Conference
- Cyber Treat Training – Prevention/Education - Beasley
- Coordination of Risk Management Plans for Top Risks
- Quarterly Enterprise Risk Management Committee Meeting and Actions (July)
- ERM Update to Chancellor and Chief of Staff
- Hurricane Exercise – Virtual Emergency Operation Center (VEOCI) – EH&S Driven
- Presented: Risk Mgmt and Insurance Society National Webinar
- ERM Consultation and Assistance to UNC-GA; UNC-A; ECSU – Ongoing
- ERM Consultations/Research/Inquiries – Various Departments

b. Significant ERM/CRO Activities Next Two Months:

- Risk Management Plans Summary Briefings to Executive Council and BOT-ARMEC (Nov & Feb)
- ERM Consultation and Assistance to UNC-GA; UNC-A; ECSU – Ongoing
- Publish ERM Five Things Executive eNewsletter
- ERM Webinar Instruction with Higher Ed and Public Sector Entities
- “Off Year” ERM Cycle Activities
- ERM Consultations/Research/Inquiries – Various Departments

3. Other:

- URMIA Survey of ERM in Higher Ed – Results Available
- COSO Enterprise Risk Management – Integrating with Strategy and Performance: Now Published/Available



ACTION OFFICER: Tim Wiseman
Assistant Vice Chancellor for ERM & Military Programs
Spilman Bldg., Room 214, 252-737-2803

URMIA Member ERM Survey

The principal findings of the survey are:

- More than half of the respondents indicated their institution has implemented an ERM program and nearly half of the institutions that do not have an ERM program are considering employing one.
- Eighty percent of the responders at institutions with an ERM program have a leadership role as the leader or member of a group having leadership responsibility; most responders at institutions considering an ERM program expect to have a leadership role.
- Almost half of the responders indicated their ERM programs are less than five years old and only 10 percent have programs that have been in place for more than 10 years.



CAPTURE YOUR HORIZON

URMIA Member ERM Survey

Principle findings (continued):

- More than half of responders rate the progress of their institution's ERM program as "intermediate" while 13 percent rate it as "advanced."
- When rating level of ERM expertise, more than a third rate themselves as beginner and just 18 percent say they are advanced.

Most survey respondents acknowledge they need to learn more about ERM and will look to conferences and collaboration to build their ERM expertise.



CAPTURE YOUR HORIZON

ERM at *Private Liberal Arts Colleges* 2016

Benchmarking Snapshot - Top Risks

1. Tuition Dependence
2. Financial Goals
3. Data and Network Security
4. Admissions
5. Alumni and Donor Support
6. Student Behavioral and Mental Health Issues
7. Cyber Liability
8. Communications Systems
9. Student Safety
10. Financial Aid

Source: RCM&D Education, 2016, www.rcmd.com/ermstudy



CAPTURE YOUR HORIZON

Other Current “Hot” Risk Areas/Topics

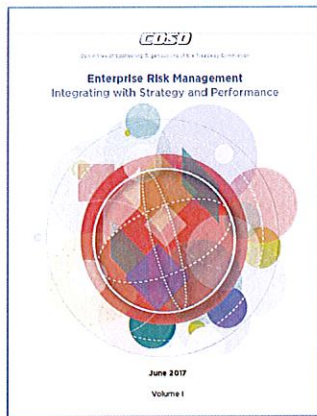
- ✓ Student Self-Harm Risks
- ✓ Brain Injury in College Sports
- ✓ Student Organizations and Activities
- ✓ Freedom, Equality, Transparency, and Privacy: Managing the Enterprise Risks of Title IX Sexual Assaults
- ✓ International Travel
- ✓ Active Shooter
- ✓ Drones/UAS
- ✓ Use of Force – Campus Police
- ✓ Business Partnerships and Freedom of Speech/1st Amendment Rights vs Public Safety
- ✓ 3rd Party Contracts
- ✓ Catastrophic Disaster
- ✓ Regulatory Compliance

Source: University Risk Management and Insurance 2017 Conference Session/Workshop Topics



CAPTURE YOUR HORIZON

A New Title



- Retitled as *Enterprise Risk Management—Integrating with Strategy and Performance*
- Recognizes the importance of strategy and entity performance
- Further delineates enterprise risk management from internal control

5






10 Key Things to Know about the Framework

6

COSO COMMITTEE OF SPONSORING ORGANIZATIONS OF THE TREADWAY COMMISSION

1) Provides a New Document Structure

- Framework focused on fewer components (five)

 Governance & Culture	 Strategy & Objective-Setting	 Performance	 Review & Revision	 Information, Communication, & Reporting
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- Uses focused call-out examples to emphasize key points (> 30)
- Follows the business model versus an isolated risk management process

7

COSO COMMITTEE OF SPONSORING ORGANIZATIONS OF THE TREADWAY COMMISSION

2) Introduces Principles

20 key principles within each of the five components

 Governance & Culture	 Strategy & Objective-Setting	 Performance	 Review & Revision	 Information, Communication, & Reporting
1. Exercises Board Risk Oversight	6. Analyzes Business Context	10. Identifies Risk	15. Assesses Substantial Change	18. Leverages Information and Technology
2. Establishes Operating Structures	7. Defines Risk Appetite	11. Assesses Severity of Risk	16. Reviews Risk and Performance	19. Communicates Risk Information
3. Defines Desired Culture	8. Evaluates Alternative Strategies	12. Prioritizes Risks	17. Pursues improvement in Enterprise Risk Management	20. Reports on Risk, Culture, and Performance
4. Demonstrates Commitment to Core Values	9. Formulates Business Objectives	13. Implements Risk Responses		
5. Attracts, Develops, and Retains Capable Individuals		14. Develops Portfolio View		

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COSO COMMITTEE OF SPONSORING ORGANIZATIONS OF THE TREADWAY COMMISSION

Plus....

- 3) Incorporates New Graphics
- 4) Focuses on integration
- 5) Emphasizes Value
- 6) Links to Strategy
- 7) Links to Performance (risk, performance, risk appetite, risk capacity)
- 8) Recognizes Importance of Culture
- 9) Focuses on Decision-making

And....

9

COSO COMMITTEE OF SPONSORING ORGANIZATIONS OF THE TREADWAY COMMISSION

10) Builds links to internal control

- The document does not replace the *Internal Control – Integrated Framework*
- The two frameworks are distinct and complementary
- Both use a components and principles structure
- Aspects of internal control common to enterprise risk management are not repeated
- Some aspects of internal control are developed further in this framework



10

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ERM at *Private Liberal Arts Colleges* 2016

Benchmarking Snapshot - Top Risks

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Other Current “Hot” Risk Areas/Topics

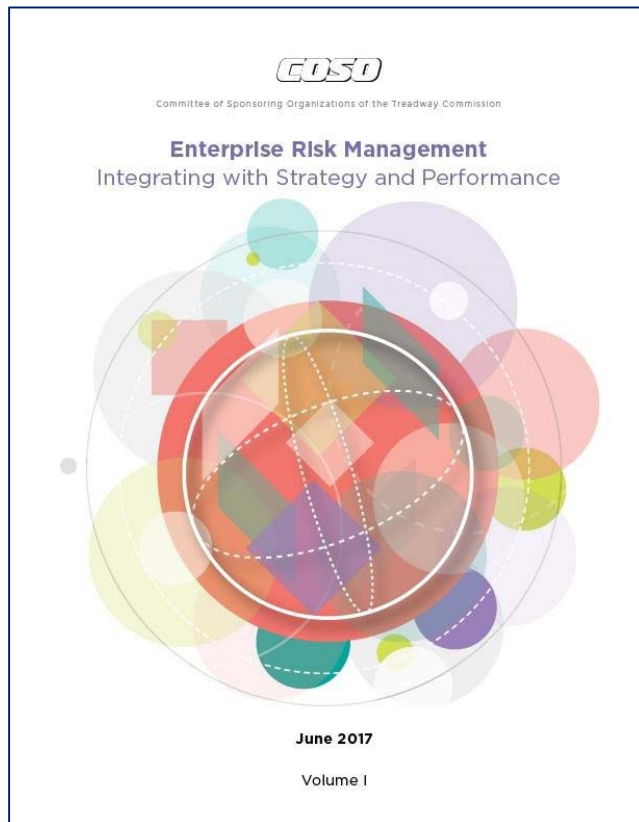
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ORGANIZATIONS OF THE TREADWAY COMMISSION

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COMMITTEE OF SPONSORING
ORGANIZATIONS OF THE TREADWAY COMMISSION

10 Key Things to Know about the Framework



COMMITTEE OF SPONSORING
ORGANIZATIONS OF THE TREADWAY COMMISSION

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Governance
& Culture



Strategy &
Objective-Setting



Performance



Review
& Revision



Information,
Communication,
& Reporting

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2) Introduces Principles

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Governance & Culture

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Strategy & Objective-Setting

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Review & Revision

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Information, Communication, & Reporting

18. Leverages Information and Technology
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COMMITTEE OF SPONSORING
ORGANIZATIONS OF THE TREADWAY COMMISSION

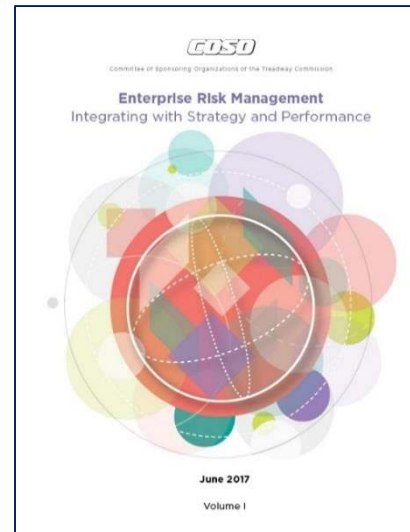
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November 9, 2017

Agenda Item:	V. Other Business
Responsible Person:	Kel Normann, Chair
Action Requested:	None - Informational Item
Notes:	N/A



Board of Trustees

Audit, ERM, Compliance, and Ethics Committee Meeting

November 9, 2017

Agenda Item:	VI. Closed Session
Responsible Person:	Kel Normann, Chair
Action Requested:	
Notes:	N/A