Board of Trustees Audit, ERM, Compliance, and Ethics Committee Meeting
February 15, 2018
Agenda

I. Approval of November 9, 2017 Minutes  Action

II. Enterprise Risk Management - Mr. Tim Wiseman
   A. Update of Activities  Information
   B. 2016 - 2017 Top Risk Management Plans Review  Information

III. Office of Internal Audit - Mr. Wayne Poole
   A. NC Internal Audit Award of Excellence  Information
   B. Internal Audit Dashboard  Information
   C. AutoAudit Implementation Update  Information
   D. Staff Changes  Information
   E. Hotline/Investigative Audit Activity  Information
   F. Potential Audit Plan Changes  Information
   G. Update on GDPR, IT Audit, Information Security  Information

IV. Closed Session

V. Other Business
Board of Trustees

Audit, ERM, Compliance, and Ethics Committee Meeting

February 15, 2018

Agenda Item: I. Approval of November 9, 2017 Minutes

Responsible Person: Kel Normann, Chair

Action Requested: Approval

Notes: N/A
The Audit, Risk Management, Compliance, and Ethics Committee of the ECU Board of Trustees met in regular session on November 9, 2017 at 8:30am in the East Carolina Heart Institute on the campus of ECU.

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

Other board members present included Kieran Shanahan (Board Chair) and Vern Davenport

Others present included Donna Payne, Paul Zigas, Nick Benson, Mike Van Scott, Julie Cole, Dee Bowling, Jeannine Hutson, Alton Daniels, Megan Ayers, Tim Wiseman, Stacie Tronto, and Wayne Poole.

Kel Normann, Chair of the Committee, convened the meeting at 8:30AM. 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 September 14, 2017 audit committee meeting. Mr. Copeland moved to approve the minutes, and Mr. Poole seconded.

**Action Item**: The minutes of the September 14, 2017 audit committee meeting were approved with no changes.

Dr. Mike Van Scott presented the Research Compliance Update
Dr. Mike Van Scott introduced the new Director of the Office of Grants and Contracts, Ms. Julie Cole, and provided some information on her background and experience. Dr. Van Scott also provided an update on the search for a new Export Control Officer. Three very high-quality finalists have been brought to campus for interviews. Dr. Van Scott stated that the committee is in the final review process and a decision is anticipated to be made within the next week.

Ms. Stacie Tronto presented the Internal Audit Update.
Chief Audit Officer Stacie Tronto presented an update on the Internal Audit key performance indicators for the fiscal year to date. Internal Audit has completed 26% of the annual audit plan, with another 36% of the engagements in progress. University management has resolved 100% of the recommendations that Internal Audit has followed up on so far this fiscal year. Ms. Tronto stated that the Internal Audit team is on track to meet its annual performance targets.

Ms. Tronto advised the committee that Internal Audit has purchased and is in the process of implementing an audit management software system. ECU will be the only IA shop in the UNC system that will be using such a tool.

Ms. Tronto advised the committee that the North Carolina State Auditor has issued the University’s annual financial statement audit, and ECU has no findings. Ms. Tronto recognized Associate Vice Chancellor for Financial Services Dee Bowling, and Financial Aid Director Julie Poorman for their teams’ diligent work.

Mr. Tim Wiseman presented the Enterprise Risk Management Update
Mr. Tim Wiseman presented an update on the recent ERM activities. He advised the committee that ECU’s ERM office has been and will continue to a key role in advising colleagues at UNC General Administration and at other UNC institutions. The UNC Board of Governors has issued a mandate that an ERM program be implemented across the system and at each member institution, and ECU has by far the most mature ERM program in the system.

Mr. Wiseman stated that the risk management plans for the University’s top risks are being finalized for presentation to the Chancellor, Executive Council, and Board. He will have an update at the next committee meeting.
Finally, Mr. Wiseman advised the committee that the two primary ERM frameworks (COSO and ISO-31000) have recently been updated. A key change is that fact that both frameworks now link ERM to an organization’s performance and strategy.

**Other Business**
Mr. Normann asked if anyone had other business for the committee. No other business was brought forward by anyone in attendance.

**Closed Session**
At 8:48 AM, Mr. Smith made a motion that the committee go into closed session in order to discuss items that are protected according to state statutes governing personnel information, internal audit working papers, sensitive security information, and/or otherwise not considered a public record within the meaning of Chapter 132 of the North Carolina General Statutes. The motion was seconded and unanimously approved.

**Return to Open Session**
The Committee returned to open session and continued work on the agenda at 9:07 AM.

The Audit, Risk Management, Compliance, and Ethics Committee meeting was adjourned at 9:08 AM.

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

Audit, ERM, Compliance, and Ethics Committee Meeting

February 15, 2018

Agenda Item: II.A. Update of Activities

Responsible Person: Tim Wiseman

Action Requested: None - Information

Notes: N/A
1/23/2018

INFORMATION PAPER

SUBJECT: Enterprise Risk Management (ERM) Update for the BOT-Audit, Risk Management, Compliance and Ethics Committee February 2018 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:

      • Presented Risk Management Plans Summaries to Executive Council (Nov)
      • ERM Consultation and Assistance to UNC-GA and ECSU – Ongoing
      • Published ERM Five Things Executive eNewsletter
      • Attended Association of Federal ERM (AFERM) ERM Summit in Washington DC
      • Emergency Management After Action Review
      • November ECU BOT Meetings and BOT-ARMCE ERM Update
      • University Admissions Safety and University Employee and Student Behavior Concern Teams Meetings and Actions
      • ERM Consultations/Research/Inquiries – Various Departments

   b. Significant ERM/CRO Activities Next Two Months:

      • ERM Consultation and Assistance to UNC-GA and ECSU – Ongoing
      • Instructing at ERM in Higher Education Workshop – Saint Louis, MO (March)
      • ERM 1X1’s with Senior Leaders – Updating Risk Concerns/Perspective Setting
      • Present ERM in Higher Ed Webinar for Arizona School Risk Retention Trust (ASRRT)
      • “Off Year” ERM Cycle Activities
      • ERM Consultations/Research/Inquiries – Various Departments

3. Other:

   • Risk Management Plans Summary Presentation – Attached/Included in Read Ahead

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

Audit, ERM, Compliance, and Ethics Committee Meeting

February 15, 2018

Agenda Item: II.B. 2016 - 2017 Top Risk Management Plans Review

Responsible Person: Tim Wiseman

Action Requested: None - Information

Notes: N/A
2016-2017 Top Risk Review
Risk Management Plans Summaries

BOT-ARMCE Presentation
2/15/2018
Tim Wiseman
Enterprise Risk Management
**Principles**

- Creates value
- Integral part of organizational processes
- Part of decision making
- Explicitly addresses uncertainty
- Systematic, structured & timely
- Based on best available info
- Tailored
- Takes human & cultural factors into account
- Transparent & inclusive
- Dynamic, iterative & responsive to change
- Facilitates continual improvement & enhancement of the organization

**Framework**

1. Mandate & Commitment
2. Design framework for managing risk
3. Continually improve the framework
4. Implement risk management
5. Monitor and review the framework

**RM Process**

1. Establish the context
2. Risk assessment
   - Risk identification
   - Risk analysis
   - Risk evaluation
3. Monitor and review
4. Communicate and consult

From ANSI/ASSE/ISO 31000
## Two Year ERM Activities Model

<table>
<thead>
<tr>
<th>Year</th>
<th>Primary Activities</th>
<th>Focus</th>
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<tbody>
<tr>
<td>Even “On” Year</td>
<td>• Full ERM Risk Survey</td>
<td>• Engaging Key Sensors</td>
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<td>(example: ’16-’17)</td>
<td>• Full Risk Prioritization Exercise</td>
<td>• Assessment Process</td>
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<td></td>
<td>• Reset</td>
<td>(Rigor and Detail)</td>
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<td></td>
<td>• BOT &amp; EC Presentations and Involvement</td>
<td>• Risk Register Update</td>
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<td></td>
<td>• Risk Management Plans Creation (or Updates)</td>
<td>• Fresh Look at Current and Anticipated Risk Environment</td>
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<tr>
<td>Odd “Off” Year</td>
<td>• Smaller Scale Re-Prioritization/Re-Validation Exercise</td>
<td>• Risk Management Plans</td>
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<tr>
<td>(example: ‘17-’18)</td>
<td>• Departmental Workshops</td>
<td>Update/Adjustment</td>
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<td></td>
<td>• Interviews and Sensing Sessions</td>
<td>• “By Exception” Reviews</td>
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<td></td>
<td>• Presentations to Other Key Committees/Groups</td>
<td>• Select Risk Management Project Work</td>
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<td></td>
<td></td>
<td>• ERM “Maturity” Assessment(s)</td>
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<td>• Education</td>
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## ERMC Advisory Group and Risk Management Process Owner Matrix (’16-’17 Risks)

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>1. Budget Cuts and Continuous Erosion of Public Funding</td>
<td>Dee Bowling plus others</td>
<td>Dr. Niswander</td>
</tr>
<tr>
<td>2. ECUP Integration with VMG (Project Unify)</td>
<td>Gary Vanderpool plus others</td>
<td>Dr. Horns</td>
</tr>
<tr>
<td>3. Data and Info Security – Vulnerability to Cyber Attacks and Potential Loss or Compromise of Sensitive Data/Information</td>
<td>Don Sweet/Jack McCoy plus others</td>
<td>Dr. Niswander/Dr. Horns</td>
</tr>
<tr>
<td>4. Mobile Computing Threats to Protection of ECU Data</td>
<td>Don Sweet/Jack McCoy plus others</td>
<td>Dr. Niswander/Dr. Horns</td>
</tr>
<tr>
<td>5. BSOM Funding from the State</td>
<td>Gary Vanderpool plus others</td>
<td>Dr. Niswander/Dr. Horns</td>
</tr>
<tr>
<td>6. Staff and Faculty Shortages in Areas Needed to Support Program Growth</td>
<td>Kitty Wetherington/Jane Geisler plus others</td>
<td>Dr. Mitchelson/Dr. Niswander</td>
</tr>
<tr>
<td>7. Increasing Federal Requirements and Compliance Expectations (Research, Title IX, etc.)</td>
<td>Donna Gooden-Payne/LaKesha Alston-Forbes plus others</td>
<td>Ms. Gooden-Payne/Dr. Golden</td>
</tr>
<tr>
<td>8. Reputational Damage from Enterprise-wide Issue and Response</td>
<td>Tom Eppes plus others (Jeanine Hutson)</td>
<td>Mr. Eppes / Mr. Hopf</td>
</tr>
<tr>
<td>9. Potential for Losing a Significant Number of Subject Matter Experts and Senior Administrators Due to Retirement Eligibility- Succession Planning (Continuity)</td>
<td>Kitty Wetherington plus others</td>
<td>Dr. Niswander</td>
</tr>
<tr>
<td>10. Increasing Use of 3rd Party Vendors – Technology/Software Integration and Security</td>
<td>Jack McCoy/Scott Buck plus others</td>
<td>Dr. Niswander/Dr. Horns</td>
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**As of 8/11/2017**
Risk Review Sequence

1. Budget Cuts and Continuous Erosion of Public Funding
2. ECUP Integration with VMG (Project Unify)
3. Data and Info Security – Vulnerability to Cyber Attacks and Potential Loss or Compromise of Sensitive Data/Information
4. Mobile Computing Threats to Protection of ECU Data
5. BSOM Funding from the State
6. Staff and Faculty Shortages in Areas Needed to Support Program Growth
7. Increasing Federal Requirements and Compliance Expectations (Research, Title IX, etc.)
8. Reputational Damage from Enterprise-wide Issue and Response
9. Potential for Losing a Significant Number of Subject Matter Experts and Senior Administrators Due to Retirement Eligibility-Succession Planning (Continuity)
10. Increasing Use of 3rd Party Vendors – Technology/Software Integration and Security
Budget Cuts and Continuous Erosion of Public Funding (1 of 2)

Risk (Restated): Negative impact of State’s budget problems
Risk Management Process Owner (RMPO): Rick Niswander
ERMC Member Advisory Group: G Vanderpool, D Bowling, J Gaddis

Examples and/or components of the risk:

- Negative student experience due to reduced faculty positions, fewer course sections, longer times required for graduation, and higher tuition
- Potential for reduced enrollments which jeopardizes future state funding (where there are limits on class sections)
- Potential negative impact to the university’s bond rating
- Negative impact on processes, oversight, controls, and compliance due to fewer staff employees
- Reduction of Repair and Renovation funding which is critical for preventing future maintenance costs
- Loss of and difficulty in recruiting outstanding staff and faculty because of salary restrictions
- Additional reporting requirements involved in monitoring compliance
Budget Cuts and Continuous Erosion of Public Funding (2 of 2)

Steps currently in place to manage the risk:

• Monitor revenue main streams such as Tuition and Fees and Clinical throughout the year.
• Prioritize specific funding initiatives with state legislature such as funding support for Brody School of Medicine operations
• Continue to maintain reasonable contingency funds
• Ensure open and transparent communication at all levels of the university community regarding potential budget cuts
• Use other funding sources in lieu of state funds when possible.
• Protect the academic mission to the extent possible knowing that there is a limit to how much the infrastructure funding can be reduced

Issues/Actions:

• Continue to monitor the state’s economy and anticipate next steps as needed
• Continue to keep the university community updated
• Continue program prioritization
• Maintain contingency plan
ECUP Integration with VMG (Project Unify)  
(1 of 2)

Risk (Restated): Negative impact of Project Unify
Risk Management Process Owner (RMPO): Phyllis Horns
ERMC Member Advisory Group: G Vanderpool, Dr. Baxley, Dr. Benson, D. Bowling, S. Coleman, B. Jowers and Ms. Williams

Examples and/or components of the risk:

• Compliance with all applicable federal statutes and regulations (e.g. Anti-trust legislation)
• Compliance with all state statutes and regulations (e.g. Non-state agency conducting business in facilities funded through tax-exempt state bonds)
• Project Unify fails
ECUP Integration with VMG (Project Unify)

(2 of 2)

Steps currently in place to manage the risk:

- Direct counsel provided by ECU Office of University Counsel (OUC) plus two external legal firms (compliance and merger expertise)
- Consultation with UNC-GA as necessary regarding state law and UNC system policy
- Coordination with Office of State Treasurer on use of clinical capital facilities and appropriate use based on original funding sources – ensuring compliance (ECHI and ECU Family Medicine Center/Monk Geriatric Center)
- Actively monitoring continued trend of shifting reimbursements to hospitals or health systems and away from family practices
- Continuing due diligence in planning and analysis should ECUP lose Upper Payment Limit (UPL) revenues

Issues/Actions:

- Continue to monitor federal compliance issues
- Continue to monitor state compliance issues (and respond similarly as with federal changes)
- Communicate with: University leadership; ECU and UNC governance; ECU community; General Public; Vidant Health
- Vigilantly monitor the environment for new risks and develop response plans
- Continue to monitor the state’s economy and anticipate next steps as needed
Data and Info Security – Vulnerability to Cyber Attacks (1 of 3)

Risk Management Process Owner (RMPO): Rick Niswander and Phyllis Horns
ERMC Member Advisory Group: J. McCoy, D. Sweet, J. Stiller, W. Poole, D. Gooden-Payne, M. Evans, J. Surles, N. Epley, D. Blumberg, J. Poorman

Examples and /or components of the risk:

• Employees may lack awareness or motivation to take basic precautions to protect the information in their care
• IT systems may not be properly managed and secured, leaving them highly susceptible to attack and compromise
Steps currently in place to manage the risk:

- The ECU Information Security Regulation defines employee and management responsibilities for protecting ECU information and IT systems.
- Information security training is required for all employees at orientation and once every 2 years afterward.
- The Data Governance Regulation defines the role and responsibilities of university Data Stewards, and established an administrative structure for managing the use of ECU data.
- ITCS conducts technical security assessments of all known IT product and service purchases.
- ITCS conducts an annual Information Risk Assessment that identifies enterprise-level risks which are reported to the relevant ECU management areas for resolution.
- On a weekly basis, ITCS reports IT system vulnerabilities to the relevant IT system administrators for resolution.
- An Interim Mobile Device Management Regulation is under development that defines employee responsibilities for the safe and compliant use of mobile computing.
- ITCS provides mobile device management tools and security technologies that assist with ECU’s management and security of mobile devices.
Data and Info Security – Vulnerability to Cyber Attacks (3 of 3)

Issues/Actions:

• Some employees should take additional precautions to properly protect ECU information
• Supervisors should integrate security responsibilities into employee duties and priorities, and more consistently hold employees accountable for their responsibilities
• Some IT system administrators are not monitoring and securing their IT systems, leaving the systems highly vulnerable to attack and compromise
Mobile Computing Threats to Protection of ECU Data (1 of 2)

Risk Management Process Owner (RMPO): Rick Niswander and Phyllis Horns
ERMC Member Advisory Group: J. McCoy, D. Sweet, J. Stiller, W. Poole, D Gooden-Payne, M. Evans, J. Surles, N. Epley, D. Blumberg, J. Poorman

Examples and /or components of the risk:

• Data breaches may arise from the loss or theft of mobile devices containing unencrypted sensitive ECU information
• Data breaches may arise from the compromise of employee-owned mobile devices that lack essential security protections
• Compliance failures may arise from the unauthorized use of regulated data (e.g., HIPAA, FERPA, SSNs) on mobile devices
Mobile Computing Threats to Protection of ECU Data (2 of 2)

Steps currently in place to manage the risk:

- Information security training is required for all employees at staff orientation and once every 2 years afterward. The course is provided online and covers some of the basics of safe mobile computing.
- The ECU Information Security Regulation defines employee and management responsibility for protecting ECU information, regardless of the technology in use.
- An Interim Mobile Device Management Regulation is under development that further defines employee responsibilities for the safe and compliant use of mobile computing.
- ITCS provides mobile device management tools and security technologies that assist with ECU’s management of and the security of mobile devices.

Issues/Actions:

- Employee responsibilities for the safe and compliant use of mobile devices needs further development and formalization through policy.
- University management over employee use of mobile computing could be improved to enhance the security of ECU information and compliance with relevant laws.
Negative Impact of BSOM Funding from the State
(1 of 3)

Risk Management Process Owner (RMPO): Phyllis Horns and Rick Niswander
ERMC Member Advisory Group: G Vanderpool, Dr. Baxley, Dr. Benson

Examples (truncated) and/or components of the risk:

- Budget cuts at all levels – both permanent and nonrecurring involving serious cuts to positions and operating dollars in academic and administrative units
- Budget cuts occurring at a time when undergraduate medical education standards require additional resources (e.g., more small group learning)
- Sustained budget cuts have raised concern with the accrediting agency
- Negative impact on processes, oversight, controls, and compliance
- Loss of and difficulty in recruiting outstanding staff and faculty because of salary freezes
- Creates reputational risk that will result in Brody becoming less competitive for recruiting strong students – especially with new competition (enlarged classes at UNC-Chapel Hill and the new medical school at Campbell University)
- Contributing to Brody’s challenges recruiting/retaining the best faculty are increasingly intrusive governance decisions (e.g., placing ECU in a Tier II category when Brody competes with Tier I medical schools for faculty)
Negative Impact of BSOM Funding from the State (2 of 3)

Steps currently in place to manage the risk:

• The new, permanent $8 million appropriation provides critical resources
• Continue to monitor other significant revenue streams (e.g., ECU Physicians)
• Tuition increases have partially provided resources lost through permanent cuts (additional tuition increases may be needed)
• Revise spending plans as needed
• Use of other funding sources in lieu of state funds when possible.
• Protect the academic mission to the extent possible knowing that there is a limit to how much the infrastructure funding can be reduced
• Focus now needed on additional resources needed for medical education expansion
• Enhanced focus on fund-raising for fundraising
• Enhanced focus on communications with the UNC Board of Governors and UNC General Administration about competitive salary needs at the Brody School of Medicine
Issues/Actions:

- Continue to monitor the state’s economy and anticipate next steps
- Monitor appropriations made to UNC-Chapel Hill, Western Medical School, and Mountain AHEC related to the expansion of medical education
- Expand communications with:
  - Legislators
  - Other public policy leadership in North Carolina
  - ECU constituencies – including students
  - General Public
    - Conversations with editorial boards of print and broadcast media
    - Generate strategic op-ed articles
    - Utilize social media
Staff and Faculty Shortages  
(1 of 3)

Risk Management Process Owner (RMPO): Ron Mitchelson and Rick Niswander  

Examples and/or components of the risk:

• During the past several years, the university has experienced a period of rapid growth with infrastructure and resources (specifically, personnel and funding) remaining constant.

• Personnel strain related to oversight and management of additional projects and activities (especially in support of identified programs of growth) is compounded by increases in the number and complexity of compliance requirements, all of which have the potential to negatively impact morale and cause personnel burnout.

• This risk has significant implications on, among others, services and/or the quality of those services provided by the unit, interactions among colleagues, employee-supervisor relationships, turnover rates, and recruitment/retention strategies.

• Components may include inequitable workloads, miscommunications relative to employee expectations, organizational inefficiencies, and cultures that are not responsive to change or the implementation of new processes.
Staff and Faculty Shortages
(2 of 3)

Steps currently in place to manage the risk:

- Administrative review and oversight of capacity and communication issues in order to avoid duplication of effort, and align and maximize existing resources.
- Advocacy for new positions and/or compensation adjustments within the governing parameters specific to classification and compensation.
- Formal or informal employee recognition in an attempt to mitigate non-retention risks.
- Review of whether work adds value in order to determine whether it should be continued.
Staff and Faculty Shortages
(3 of 3)

Issues/Actions:

• Executive leadership to identify specific areas of growth that are impacted by staff and faculty shortages, and the bases for these shortages
• Engage the appropriate campus entity to address bases for shortages (e.g., the Department of Human Resources Employment unit to address recruitment needs)
• Develop and include more deliberate succession planning as a component of continuity planning
• Administrative review and oversight of capacity and communication issues in order to avoid duplication of effort, and align and maximize existing resources
• Continue to advocate for new positions and/or compensation adjustments within the governing parameters specific to classification and compensation
• Review and refine professional development opportunities within current scope of work to expand knowledge, skills/skill development, and/or cross-training with additional focus on mentoring
• And more ....
Increasing Federal Requirements and Compliance Expectations (Research, Title IX, etc.)

(1 of 2)

Risk Management Process Owner (RMPO): Donna Gooden-Payne and Jay Golden
ERMC Member Advisory Group: Donna Gooden-Payne and LaKesha Alston Forbes

Examples and/or components of the risk:

• Higher Education is one of the most highly regulated sectors in the U.S. economy
• The growth of ECU’s health sciences division and operation of clinical practices as part of the Brody School of Medicine and the School of Dental Medicine have subjected ECU to even more regulatory obligations
• Relief [some] from ever more challenging regulations has come with the federal administration that took office in January 2017
• Failure to comply can result in fines, vulnerability to liability in legal proceedings, and loss of eligibility for various programs. It can also harm ECU’s reputation among stakeholders at a time when we are committed to establishing the university’s status as America’s next great national university.
• Increasing activity by ECU (rather than increasing regulation by the government) in areas that continue to be highly regulated is likely to continue to place materially more regulatory demand on ECU

Components: Employee Capacity, Responsibility, and Accountability for Compliance Duties & Maintaining Compliance as a Core Value
Increasing Federal Requirements and Compliance Expectations (2 of 2)

Steps currently in place to manage the risk:

• Compliance obligations are set out in various ECU policies, some of which (such as the policy under which Title IX responsibilities are carried out) require organizational review every one or two years and have resulted in reorganization of certain compliance duties within different units, such as Title IX investigations
• The Supervisory Training Task Force is working on development of a regulation that describes training required for all new and current supervisors and tracks obligations for refresher training

Issues/Actions:

• Assess compliance infrastructure and processes, particularly with regard to Research and Global Affairs and offices with compliance-related duties, such as University Counsel, to ensure there is an organizational structure and appropriate staffing to achieve compliance effectively
• Supervisors must integrate compliance into employee responsibilities as appropriate to their respective positions, and ensure employees are aware of and are motivated. Development of supervisory training to remind current supervisors and inform new supervisors of their duty to ensure compliance will increase the capacity of supervisors to carry out this role more effectively
Reputational Damage from Enterprise-wide Issue and Response (1 of 3)

Risk Management Process Owner (RMPO): Tom Eppes
ERMC Member Advisory Group: Tom Eppes and Jeannine Hutson

*HYPOTHETICAL* Examples and/or components of the risk:

• The university may or may not be connected to a national athletics scandal. Media reports tie the university to the national story even though no definite proof has been presented that connects ECU with national athletic apparel company and their “kickbacks” for contracts.

• University athletics program is reported to have given preferential treatment to university student athletics regarding grades, scheduling with specific instructors, and/or tutors completing assignments for athletes.

• University senior administrator and/or faculty member is arrested as part of Department of Justice national child pornography sting operation. University has recently featured this administrator in Chronicle of Higher Education advertising and state-wide media pitches for his work with area school children.

• Controversial national speaker is invited to campus by a small group of students and uses the opportunity to spew racist and hateful speech toward a specific ethnic group. Demonstrations turn violent when protesters from other states come to campus.
Steps currently in place to manage the risk:

- Social media monitoring: Tracking of social media activity across multiple networks and profiles. Monitoring of keywords on Twitter, Facebook and Instagram.
- Monitoring of hashtags, topics and followers allows ECU to analyze feedback and recognize trends or emerging issues
- Working with partners across campus, communications staff discuss potential issues and alert each other when issues with a reputational risk are observed
- Monitoring of news sites to see if national stories might have a local connection or if a news organization is using social media to look for university connections for an investigative piece or to tie to national negative-light stories
- Use a designated spokesperson(s) to respond to media inquiries to provide a single, unified message
- University currently has a strong Student Affairs staff who listen to students’ concerns regarding issues – national and local – and who host Cupola Conversations to help students receive and process correct information and other views of an issue. These have proved to be helpful to provide an outlet for students to voice their concerns – often before the issue escalates on campus to the level of a protest march or demonstration.
Reputational Damage from Enterprise-wide Issue and Response (3 of 3)

Issues/Actions:

• During an ongoing crisis, outside consulting services should be considered if the university’s media relations staff is overwhelmed with requests, the event goes on for multiple days and staff need to rest, or the university’s reputation continues to be marred nationally – whether the information is true or not

• A coordinated effort to provide accurate, timely information to all university employees should be considered. Past events have shown that not all employees have easy access to emails during their work day.

• Determining whether the issue rises to the level of the Chancellor as the point person or other senior administrator can be put forward

• Insuring information is accurate as live events occur or as sources on campus are reluctant to disclose information

• When faculty takes sides on issue and is quoted by media before all the facts are in and confirmed. Continue to communicate to all internal audiences that all the facts are not in, until the case is closed/issue resolved.
Potential for Losing a Significant Number of Subject Matter Experts and Senior Administrators Due to Retirement Eligibility / Succession Planning (Continuity) (1 of 3)

Risk (Restated): Employee Continuity of Operations
Management Process Owner (RMPO): Rick Niswander

Examples and/or components of the risk:

The ECU workforce is aging and a significant number of faculty and staff are either retirement eligible now, or will become retirement eligible within the next five years. This risk has significant implications for succession planning as well as the loss of intellectual knowledge and organizational history.
Potential for Losing a Significant Number of Subject Matter Experts and Senior Administrators Due to Retirement Eligibility / Succession Planning (Continuity) (2 of 3)

Steps currently in place to manage the risk:

• In 2015, the Office for Faculty Excellence (OFE) implemented a new faculty mentoring program. A mentor program for administrators and staff is needed.
• Data such as retirement metrics and exit interview results are available for analysis
• Training and development strategies are in place and should be expanded to include supervisor training on workforce planning, a workforce planning toolkit and additional learning opportunities
• HHR Benefits office will notify the employee’s supervisor and/or unit head and/or respective Division personnel representative of the date on which the employee intends to retire
• When possible, the HR Benefits office provides these notifications to supervisors on or before the first day of the month immediately preceding the intended effective retirement date
• For those notices of intent to retire that the HR Benefits office receives with less than one (1) month’s notice from an employee, the HR Benefits office will provide the notifications to supervisors and/or unit heads and/or respective Division personnel representatives as soon as is practicable following the HR Benefits office’s receipt of it
Potential for Losing a Significant Number of Subject Matter Experts and Senior Administrators Due to Retirement Eligibility / Succession Planning (Continuity) (3 of 3)

Issues/Actions:

- Succession planning is minimal to nonexistent across campus; an intentional, planned approach is necessary
- Engage in continuity planning to ensure transfer of knowledge
- Consider job-shadowing/cross training when appropriate
- Review and refine professional development opportunities within current scope of work to expand knowledge, skills/skill development, and/or cross-training with additional focus on mentoring
- Identify, by division, an experienced pool of personnel/resources who can be tapped during peak times
- Document institutional knowledge, work processes, and Standard Operating Procedures (SOPs) for future reference
- Strategies such as phased retirements and the planned overlap of new person and incumbent occur in some cases, and should become the standard
- Monitor exit trends and climate surveys
- Develop university-wide guidance regarding managers’ responsibilities in planning for the departure of critical personnel
Increasing Use of 3rd Party Vendors – Technology Integration and Security (1 of 2)

**Risk Management Process Owner (RMPO):**  Rick Niswander and Phyllis Horns  
**ERMC Member Advisory Group:**  J. McCoy, D. Sweet, S. Buck, D. Gooden-Payne, J. Surles, M. Evans, W. Poole

**Examples and /or components of the risk:**

- An employee signs up for a free data storage service in the “cloud.” However, in doing so the employee places sensitive ECU data with a 3rd party that has not been vetted for its security or for regulatory compliance.
- An employee uses his personal email for university business. When the employee takes a position at another organization, the supervisor discovers that important business records are now in the possession of a 3rd party organization and may be difficult or impossible to recover.
Increasing Use of 3rd Party Vendors – Technology Integration and Security (2 of 2)

Steps currently in place to manage the risk:

• Materials Management and ITCS partnered to implement an IT Procurement Process that identifies many—but not all—purchases of IT products and services
• ITCS conducts security assessments of all known IT service purchases and forwards the results to the relevant Data Stewards and compliance offices for review and approval
• ECU Data Stewards establish requirements for and provide guidance on the appropriate use of ECU data, including when placing ECU data in the hands of 3rd party organizations
• An ECU Cloud Computing Regulation is under formal campus review, which will require prior review and approval before placing ECU data with 3rd party organizations

Issues/Actions:

• Establish requirements for the review and formal authorization (for security and compliance) prior to placing ECU data in the care of 3rd party organizations
• Improve employee awareness on the secure and appropriate use of 3rd party IT services
Review Conclusion

New Concerns/Emerging “Top Risks” – Senior Leader Current Perceptions?

- ?
- ?
- ?
- ?

What’s Next?

- “Off-Year” Updated Assessments & Interviews
- Preparation for ‘18-’19 “On-Year” Top Risks Survey (Fall 2018)
- Education and Engagement with Departments and Business Units
- Sustaining and Building Upon ERM Framework – ERM Handbook and Risk Philosophy
- Active Reinforcing Support for ERM Process by Senior Leaders
- Assisting UNC-GA and System Institutions in ERM Program Establishment
Board of Trustees

Audit, ERM, Compliance, and Ethics Committee Meeting

February 15, 2018

Agenda Item: III.A. NC Internal Audit Award of Excellence

Responsible Person: Wayne Poole

Action Requested: None - Information

Notes: N/A
NC Internal Auditor Award of Excellence to be presented at 2017 OSC Financial Conference

Raleigh, NC

Dec 4, 2017

To express its appreciation for excellence in the field of internal auditing, the Council of Internal Auditing presents the North Carolina Internal Auditor Award of Excellence annually to honor a State internal auditor or a group of internal auditors who have made extraordinary contributions that support excellence in internal auditing. This award will be presented by State Auditor Beth Wood at the 2017 OSC Financial Conference held at the McKimmon Center at NC State University.

Members of the Council of Internal Auditing are:

- Dr. Linda Combs, Controller, Office of State Controller, Chair
- Charles Perusse, Director, Office of State Budget & Management
- Machelle Sanders, Secretary, Department of Administration
- Josh Stein, Attorney General, Office of the Attorney General
- Ron Penny, Secretary, Department of Revenue
- Beth Wood, Auditor, State Auditor, Ex Officio
- Barbara Baldwin, Assistant State Budget Officer, Administrator

To be considered for the Award, the nominator should describe extraordinary efforts in the areas of dedication, contribution and innovation in the field of internal auditing for the individual or audit group being nominated.

This year’s award will go to Stacie Tronto, Chief Audit Officer at East Carolina University.

From September 2014 to December 2016, Stacie served in dual roles as the Chief Audit Officer (CAO) for East Carolina University (ECU) as well as for Elizabeth City State University (ECSU). In
managing the internal audit shop of one staff member at ECSU, Stacie had the following positive impact on ECSU’s internal audit department:

- Stacie devoted significant time reengineering the internal audit department. Robust risk assessments were performed, work paper standards were enhanced, and report preparation and presentation was improved. The internal audit department is now on solid footing and moving forward in a positive direction.

- After a previous Quality Assurance Review (QAR) assessment of Does Not Conform at ECSU, Stacie's reengineering and staff training resulted in a follow-up QAR assessment of Generally Conforms. This was a significant achievement in an internal audit department that had struggled with resources and staff.

- Stacie devoted time and attention to enhancing the ECSU’s Board of Trustees understanding and appreciation of the value of internal audit to the institution. She increased the engagement between the audit committee and internal audit and provided counsel and advice related to risk within the organization. She also provided this same perspective and expertise to the chancellor and chancellor’s cabinet.

Starting in fall 2017, Stacie agreed to serve on a UNC system data analytics team and share trend-setting data analytic projects she has worked on at ECU with other internal auditors across the UNC system. As an example, she has developed and completed data analytics projects to perform an academic integrity audit.

Stacie is very dedicated to promoting and furthering the profession of internal auditing. She started teaching internal auditing classes at ECU in January 2017. She was asked by the ECU accounting department chair to teach the class for the spring semester 2017 due to the death of the professor who normally taught the course. She had very little prep time, but she embraced the challenge and hit the ground running. She enjoyed teaching so much that she is currently teaching internal audit this academic year (2017-2018). Given her proficiency in data analytics, she is teaching her students data analytics in addition to traditional internal audit techniques. This will position her students to be successful when they enter internships and the work force. This work is on top of her work as the CAO at ECU.

The 2017 OSC Financial Conference will be held on December 12, 2017 at the NCSU McKimmon Center

About OSC

The State Controller is North Carolina's chief fiscal officer. The Office of the State Controller serves as an independent resource to ensure the financial integrity of the State by providing
accounting, disbursing, payroll, internal control, data management, eCommerce, and financial reporting systems that serve state agencies, employees and the public.

**Contact Information**

Michael Euliss  
michael.euliss@osc.nc.gov (mailto:michael.euliss@osc.nc.gov)  
9197070612
Board of Trustees

Audit, ERM, Compliance, and Ethics Committee Meeting

February 15, 2018

Agenda Item:                III.B. Internal Audit Dashboard
Responsible Person:         Wayne Poole
Action Requested:           None - Information
Notes:                      N/A
## Completion of Audit Plan: Completed vs. Planned Audits

<table>
<thead>
<tr>
<th>Status of Audit Plan</th>
<th>Number of Engagements</th>
<th>Percent of Total Plan</th>
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<tbody>
<tr>
<td>Completed</td>
<td>22</td>
<td>41%</td>
</tr>
<tr>
<td>Reporting Phase</td>
<td>2</td>
<td>4%</td>
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<tr>
<td>In Process</td>
<td>24</td>
<td>44%</td>
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<tr>
<td>Pending</td>
<td>6</td>
<td>11%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>54</strong></td>
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Goal = 80%

## Staff Utilization: Direct vs. Indirect Hours

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<th></th>
<th>With UPS</th>
<th>Without UPS</th>
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<tbody>
<tr>
<td>Direct Hours</td>
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<td>72%</td>
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<tr>
<td>Indirect Hours</td>
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<td>28%</td>
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Goal = 75%

## Consultations

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<th>Consultations</th>
<th>Number</th>
<th>% of Audit Plan</th>
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<tr>
<td></td>
<td>65</td>
<td>10%</td>
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Should not exceed 20%

## Management's Corrective Actions

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<tr>
<th>Observations by Division</th>
<th>Completed</th>
<th>Outstanding</th>
<th>Complete</th>
<th>Outstanding</th>
<th>Pending</th>
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<tbody>
<tr>
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<td>0%</td>
<td>0%</td>
<td>6</td>
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<tr>
<td>Administration and Finance</td>
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<td>0%</td>
<td>0%</td>
<td>31</td>
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<tr>
<td>Athletics</td>
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<tr>
<td>Chancellor</td>
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<td>0%</td>
<td>3</td>
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<tr>
<td>Health Sciences</td>
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<td>100%</td>
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<tr>
<td>Research and Graduate Studies</td>
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<td>0</td>
<td>0%</td>
<td>0%</td>
<td>3</td>
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<tr>
<td>Student Affairs</td>
<td>0</td>
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<td>0%</td>
<td>0</td>
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<tr>
<td>University Advancement</td>
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<td>0</td>
<td>0%</td>
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<tr>
<td><strong>Total Observations</strong></td>
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<td><strong>0%</strong></td>
<td><strong>47</strong></td>
</tr>
</tbody>
</table>

**Total Percentages**

|                | 100% | 0%   |

Goal = 95%
Board of Trustees

Audit, ERM, Compliance, and Ethics Committee Meeting

February 15, 2018

Agenda Item: III.C. AutoAudit Implementation Update

Responsible Person: Wayne Poole

Action Requested: None - Information

Notes: N/A
Board of Trustees

Audit, ERM, Compliance, and Ethics Committee Meeting

February 15, 2018

Agenda Item: III.D. Staff Changes

Responsible Person: Wayne Poole

Action Requested: None - Information

Notes: N/A
Board of Trustees

Audit, ERM, Compliance, and Ethics Committee Meeting

February 15, 2018

Agenda Item: III.E. Hotline/Investigative Audit Activity

Responsible Person: Wayne Poole

Action Requested: None - Information

Notes: N/A
Board of Trustees

Audit, ERM, Compliance, and Ethics Committee Meeting

February 15, 2018

Agenda Item: III.F. Potential Audit Plan Changes

Responsible Person: Wayne Poole

Action Requested: None - Information

Notes: N/A
Board of Trustees

Audit, ERM, Compliance, and Ethics Committee Meeting

February 15, 2018

Agenda Item: III.G. Update on GDPR, IT Audit, Information Security

Responsible Person: Wayne Poole

Action Requested: None - Information

Notes: N/A
Board of Trustees

Audit, ERM, Compliance, and Ethics Committee Meeting

February 15, 2018

Agenda Item: IV. Closed Session

Responsible Person: Kel Normann, Chair

Action Requested: 

Notes: N/A
Board of Trustees

Audit, ERM, Compliance, and Ethics Committee Meeting

February 15, 2018

Agenda Item: V. Other Business

Responsible Person: Kel Normann, Chair

Action Requested:

Notes: N/A