



East Carolina University | Board of Trustees
Audit, ERM, Compliance, and Ethics Committee Meeting
February 16, 2017 | Agenda

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|------|---|-------------|
| I. | Approval of November 10, 2016 Minutes | Action |
| II. | Enterprise Risk Management - Mr. Tim Wiseman | |
| A. | Update of Activities | Information |
| B. | 2016 - 2017 Top Risks Summary Report | Information |
| III. | Office of Internal Audit – Ms. Stacie Tronto | |
| A. | Internal Audit Dashboard | Information |
| B. | Visual Reporting - ProCard Analytics | Information |
| IV. | Research Compliance – Ms. Norma Epley | |
| A. | Final Rule - Protection of Humans in Research | Information |
| V. | Other Business | |

East Carolina University
Board of Trustees
Audit, ERM, Compliance and Ethics Committee
February 16, 2017

Session	Audit, ERM, Compliance & Ethics Committee
Responsible Person	Kel Normann, Chair
Agenda Item	I.
Item Description	Approval of minutes – November 10, 2016
Comments	
Action Requested	Approval
Disposition	
Notes	

*****DRAFT*****

**Minutes from ECU BOT Audit, Enterprise Risk Management, Compliance, and Ethics Committee
November 10, 2016
East Carolina Heart Institute**

The Audit, Enterprise Risk Management, Compliance, and Ethics Committee (formerly named and still sometimes referred to as "Audit Committee") of the ECU Board of Trustees met in regular session on November 10, 2016 at 1:40pm in the East Carolina Heart Institute on the campus of East Carolina University. Committee members present included Kel Normann (Chair), Vern Davenport, Bob Plybon, Terry Yeargan, and Mark Copeland.

Other board members present included Steve Jones, Kieran Shanahan, Danny Scott, Deborah Davis, and Ryan Beeson.

Others present included Chancellor Cecil Staton, Phyllis Horns, James Hopf, Donna Payne, Michael Van Scott, Steve Duncan, Nick Benson, Dee Bowling, Tim Wiseman, Kenneth DeVille, Michelle Evans, Norma Epley, Hiromi Sanders, LaKeshia Alston Forbes, Paul Zigas, Ted Morris, Doug Boyd, Holly West, Don Sweet, Jack McCoy, Kevin Newman, Stacie Tronto, and Wayne Poole.

Kel Normann, Chair of the Committee, convened the meeting at 1:40PM. 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 29, 2016 audit committee meeting.

Action Item: The minutes of the September 29, 2016 audit committee meeting were approved with no changes.

Ms. Stacie Tronto provided the **Internal Audit update.**

Ms. Tronto presented the Internal Audit dashboard for the first quarter of FY 2017. Ms. Tronto stated that as of September 30, 2016, Internal Audit had completed 30% of the audit plan, with another 28% in progress. The annual target is to complete 80% of the plan. Ms. Tronto stated that the audit staff has used 75% of their hours on direct audit and consulting activity. The target is 75%. Ms. Tronto stated that Internal Audit has completed 46 consultations, accounting for 16% of the staff hours. The target is no more than 20% of hours to be spent on consultations. Ms. Tronto stated that University management has satisfactorily addressed 100% of the recommendations that Internal Audit has followed up on so far this fiscal year. The target is 95%. Ms. Tronto noted that so far all of the recommendations for which a follow-up has been completed have been in the Division of Health Sciences.

Ms. Tronto updated the committee on two audits that were completed by the NC Office of the State Auditor. Ms. Tronto stated that the University's annual financial statement audit report for FY 2016 was issued this week, with no findings. She stated that congratulations are in order for the Financial Services team for another clean audit. Ms. Tronto stated that the Information Technology Risk Assessment Audit was recently completed across the entire UNC system. The State Auditor will not be issuing audit reports, but will meet with Internal Audit and the CIO at each campus to discuss results and recommendations. Ms. Tronto will update the committee as more details become available.

Cyber Security Presentations

Mr. Kevin Newman (Information Technology Auditor in the Office of Internal Audit) presented information on the role of the Office of Internal Audit in assessing risks and providing audit and consultation services to management in the area of cybersecurity. Mr. Newman advised the committee that Internal Audit has a strong partnership with management in ITCS, and that cyber risks are always present and evolving for the University and entities in all industries. Mr. Newman stated that Internal Audit uses multiple inputs in determining its annual audit of IT-related risks and controls. In addition, ITCS contracts with outside experts to perform highly technical security reviews.

Mr. Newman stated that over the past year, Internal Audit has performed reviews related to Cloud Computing, Logical Access controls over the University's Banner ERP system, IT and Data Governance, and IT Disaster

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Recovery and Business Continuity. Internal Audit has also performed follow-up reviews of two technical security assessments that were performed by external consultants.

Mr. Newman stated that Internal Audit is currently performing audits related to IT Incident Detection and Response and User Account Onboarding and Offboarding controls, in addition to routine consultations related to cyber risks.

Dr. Jack McCoy (Information Security Officer, ITCS) briefed the committee on the University's ongoing Information Security efforts. Dr. McCoy stated that the University's *Information Security Regulation* was published earlier this year. It defines information as a strategic University asset, and identifies responsibilities for employees as well as unit heads and other administrators with regard to safeguarding University data. Dr. McCoy stated that a mandatory information security training program will be implemented for all employees in early 2017.

Dr. McCoy advised the committee that over the last three months, ITCS has adopted a new Information Risk Assessment framework, and has implemented a new method of tracking, reporting, and assigning mitigation responsibility for key risks. This methodology was developed in consultation with Internal Audit.

Several committee members asked Dr. McCoy and CIO Don Sweet what was needed to mitigate cyber risks more effectively. Mr. Sweet stated that user/employee behavior, awareness and training is always a key issue, and that there are some new security-related tools that ITCS is currently evaluating, which if purchased and implemented could enhance the University's security posture. Everyone in attendance agreed that there are significant financial, reputational, and regulatory compliance risks in the area of cybersecurity.

The committee affirmed the importance of appropriately mitigating cyber risks, and asked the CIO and University management to commit the resources necessary on the front end to prevent catastrophic breaches or incidents involving critical University systems and data. Necessary resources might include the purchase and implementation of security tools, as well as cyber-insurance for the University.

Mr. Tim Wiseman provided the **Enterprise Risk Management (ERM)** update.

Mr. Wiseman advised the committee that the top risk survey for this year has been administered and approximately 80 respondents submitted information. Analysis of the information will begin soon.

Mr. Wiseman stated that the transition of the risk management/insurance position into the ERM office has gone smoothly. Mr. Wiseman advised the committee that the office is working on cross-training since resources and expertise are thin in this area.

Mr. Wiseman told the committee that this is Risk Management Week, and that as part of that event, ECU Human Resources hosted a webinar to share expertise on the risks associated with volunteers on campus with other Universities.

Mr. Wiseman updated the committee on recent developments related to University Youth Programs. A candidate has been selected to lead the Youth Programs Office, and the Interim *Youth Camps and Programs Regulation* has been published. The second annual training session for coordinators of youth programs across the campus will be held next week.

Mr. Wiseman provided some literature to the committee regarding the topics of Risk Appetite and Risk Tolerance. Mr. Wiseman told the committee that it may soon be time for the University to begin efforts to identify and articulate the University's stance in these areas, either for specific divisions, specific operations, or

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the University as a whole. Mr. Wiseman is seeking inputs, opinions, and expertise from the board members in this area.

Dr. Hiromi Sanders presented the Research Compliance Report

After an introduction from Vice Chancellor Mike Van Scott, Dr. Sanders briefed the committee on export controls regulations. The regulations and requirements are derived from numerous federal agencies, including the Departments of Commerce, State, and Treasury. The export control requirements govern the transfer of products, services, ideas, and information to foreign countries and to foreign nationals. Dr. Sanders advised the committee that the requirements are regularly communicated with researchers and faculty at the University, and she briefed the committee some of the higher risk areas related to export controls.

Other Business

Mr. Normann asked if anyone had other business for the committee.

Dr. Kenneth DeVille (Health Sciences Compliance) advised the committee that the pace and number of external patient billing audits is increasing – the University has had four such audits over the last year, with good results so far. Dr. DeVille advised that he believes more frequent healthcare billing audits are becoming the new norm, but other than draining resources (to provide the documentation required for the audits and answer audit questions), so far the audits have not presented a significant issue.

Closed Session

At 2:35 PM, Mr. Beeson 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, criminal investigations, 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 3:04 PM.

There being no further business, the Audit Committee meeting was adjourned at 3:04 PM.

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

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Session	Audit, ERM, Compliance & Ethics Committee
Responsible Person	Tim Wiseman, Assistant Vice Chancellor, ERM
Agenda Item	II.
Item Description	Enterprise Risk Management
Comments	
Action Requested	Information
Disposition	
Notes	A. Update of Activities B. 2016 – 2017 Top Risks Summary Report

INFORMATION PAPER

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

1. Purpose. To advise BOT-ARMCE committee members of significant ERM and Chief Risk Officer (CRO) 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:

- Quarterly ERM Committee Meeting and Risk Prioritization Exercise
- Drone Operator Meeting with Creatives Services – Approval Steps and Training
- Review of Driver’s License Requirements for State Vehicle Operations – Motor Pool
- UAS/Drones Advisory Committee Actions
- Presentation of PRIMA ERM Webinar, “Communicating ERM Progress” – ECU Hosted
- Published ERM Five Things Executive eNewsletter
- ERM Consultations and Inquiries – Various Departments
- Top Risk Survey Results Analysis and Report/Presentation – Presentation Dates Locked
- Coordination with BSOM Risk Management – Insurance and Project Unify
- ERM and Compliance System Demo – LogicGate
- ERM, Insurance and Mil Programs Web Sites Review – Update Plan Developed
- GA-Led Threat Assessment Team Workshop – UNC-W

b. Significant ERM/CRO Activities Next Two Months:

- Quarterly Enterprise Risk Management Committee Meeting and Actions (Feb)
- Presentation of Top Risk Survey Results to University Leadership and BOT-ARMCE
- Re-Admissions Risk Case Reviews and University Behavioral Concerns Team Actions
- ERM Consultations/Research/Inquiries – Various Departments
- Background Check Task Force – Initial Meeting and Process Review (ICW HR)
- Co-Teach PRIMA/URMIA ERM in Higher Ed Workshop, Memphis, TN
- RIMS Annual Conference, Philadelphia, PA – Presentation

3. Other: 2016-2017 Top Risks Survey Results Presentation



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

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Session	Audit, ERM, Compliance & Ethics Committee
Responsible Person	Stacie Tronto, Director of Internal Audit
Agenda Item	III.
Item Description	Office of Internal Audit
Comments	
Action Requested	Information
Disposition	
Notes	A. Internal Audit Dashboard B. Visual Reporting – ProCard Analytics

Internal Audit Dashboard - 1st Quarter FYE 2017

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	16	31%	
In Process	26	50%	
Pending	10	19%	
Total	52	100%	

Staff Utilization: Direct vs. Indirect Hours

	<i>With UPS</i>	<i>Without UPS</i>	Goal = 75%
Direct Hours	66%	72%	
Indirect Hours	34%	28%	

Consultations

	<i>Number</i>	<i>% of Audit Plan</i>
Consultations	85	16%

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%	0
Administration and Finance	0	0	0%	0%	25
Athletics	0	0	0%	0%	4
Chancellor	0	0	0%	0%	0
Health Sciences	11	0	100%	0%	5
Research and Graduate Studies	0	0	0%	0%	0
Student Affairs	0	0	0%	0%	6
University Advancement	0	0	0%	0%	0
Total Observations	11	0			40
Total Percentages	100%	0%			

Goal = 95%

Visual Reporting – ProCard Analytics

Background

The ECU purchasing card, referred to as the ProCard, is administered by Materials Management within Business Services, Division of Administration and Finance. The ProCard program began at the University in 1998. Since then, the use of the ProCard has grown tremendously. In the first year there were 845 transactions with a total spend of \$93,127. In fiscal year 2016, there were 47,483 transactions with a total spend of \$17,141,636. Currently, there are 678 cardholders. In comparing fiscal year 2016 with fiscal year 2015, the total spend was a 4.5% increase and the cardholder count was a 12% increase from fiscal year 2015.

The ProCard is a corporate Visa credit card in which the liability rests with the University instead of the individual cardholder. The purchasing card is issued to an employee, empowering this individual to purchase goods and services on behalf of the University. The dollar amount the individual is allowed to spend is determined by the cardholder's supervisor who selects the single transaction limit (\$1,500, \$2,500, or \$5,000). A cardholder must be a permanent ECU faculty member or staff. All purchases must follow University and ProCard policies and procedures, and must strictly adhere to the rules established by the funding authorities with regard to the types of goods and services that can be purchased with different types of funds (state, foundation, etc.). Cardholders are required to review and validate purchases on a monthly basis. Original, priced itemized invoices and/or receipts are required for each purchasing card transaction, and are to be attached behind a monthly credit card statement. These receipts are used to describe what was purchased, to verify transaction amounts, and to document the business purpose served by the purchase. This program has been established to allow rapid purchase of low dollar goods and services while simultaneously reducing paperwork and handling costs associated with the small purchase process. The ProCard streamlines this process; however, there are risks associated with the loss of purchasing control.

Current Situation

The ECU ProCard Office has multiple controls in place to monitor purchases and ensure University funds are spent prudently and in compliance with University policies and procedures. In a recent compliance review, the NC Division of Purchase and Contract stated, "ECU is to be commended for maintaining excellent documentation for their p-card reconciliation and the required approval in support of p-card transactions." However, many of their controls are manual and require thumbing through pages of receipts. The Office of Internal Audit, in conjunction with the ECU ProCard Office, has developed a visual reporting tool using Tableau, a software product that helps people see and understand their data. This tool uses transactional data exported from the banking system to quickly view items such as the cardholders that spent the most, the vendors where cardholders spend the most, transactions that have posted to questionable merchant category codes (MCC), or search key words that may indicate personal purchases or misuse of funds. While this tool will not eliminate the need to refer back to statements and receipts, it will quickly point out the transactions that need to be reviewed more closely, thereby guiding the ProCard personnel to the items that specifically warrant review, resulting in more effective and efficient controls. Initially, the Office of Internal Audit reviewed transactions for fiscal year 2016. Moving forward the ECU ProCard Office plans to review the data on a monthly basis utilizing Tableau visual reporting.

During the Audit Committee, Amanda Danielson from the Office of Internal Audit and Management Advisory Services will demonstrate the Visual Reporting tool.

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Session	Audit, ERM, Compliance & Ethics Committee
Responsible Person	Norma Epley, Administrative Director, Office of Research Integrity & Compliance
Agenda Item	IV.
Item Description	Research Compliance
Comments	
Action Requested	Information
Disposition	
Notes	A. Final Rule – Protection of Humans in Research

Final Rule

Changes in the Federal Regulations for the Protection of Human Participants
Must be implemented before January 19, 2018

Purpose for Revisions

Human Research has changed

- New Technologies
- Expansion in number & types of clinical trials
- Diversification of types of social, behavioral, & educational research being conducted
- Sophisticated analytical techniques
- Use of electronic health data
- Digital records
- Mega-datasets
- Advanced use of biospecimens for secondary and tertiary research

Impacts

- Changes Impacting Investigators, IRB and IRB staff, and Institution
- ECU submitted comments and was aware of the proposed changes
- ECU will take the lead for UNC GA in interpreting and guiding the implementation of the changes

Summary of Changes

- Changes to consent to assist participants in better understanding
- Requirements to use single IRB for multi-centered studies
- Broad consent for the use of identifiable biospecimens
- New “Exempt” categories including the use of private, identifiable information if the participant is protected under HIPAA rules
- Remove the requirement for continuing review for some studies where the review does little to protect participants
- Requirement that consent forms for federally funded clinical trials be posted on a public website

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Session	Audit, ERM, Compliance & Ethics Committee
Responsible Person	Kel Normann, Committee Chair
Agenda Item	V.
Item Description	Other Business
Comments	
Action Requested	
Disposition	
Notes	