



# Audit, Risk Management, Compliance and Ethics Committee Meeting July 12, 2018 Agenda

- I. Approval of April 19, 2018 Minutes Action
  
- II. Enterprise Risk Management - Tim Wiseman
  - A. Update of ERM Activities Information
  
- III. Office of Internal Audit - Mr. Wayne Poole
  - A. Internal Audit Dashboard Information
  - B. Approval of FY 2019 Annual Audit Plan Action
  - C. Annual certification letters for UNC System Office Information
  - D. Review of recent audit/follow-up report Information
  
- IV. Closed Session
  
- V. Other Business



**Board of Trustees**

**Audit, ERM, Compliance, and Ethics Committee Meeting**

**July 12, 2018**

Agenda Item:	I. Approval of April 19, 2018 Minutes
Responsible Person:	Kel Normann, Chair
Action Requested:	Approval
Notes:	N/A

**\*\*\*DRAFT\*\*\***

**Minutes from ECU BOT Audit, Enterprise Risk Management, Compliance, and Ethics Committee  
April 19, 2018  
Murphy Center – ECU Campus**

The Audit, Enterprise Risk Management, Compliance, and Ethics Committee of the ECU Board of Trustees met in the Murphy Center on the campus of ECU on April 19, 2018.

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

Other board members present included Kieran Shanahan (Board Chair), Edwin Clark, Vern Davenport, and Deborah Davis

Others present included James Hopf, Donna Payne, Kristen Kennedy, Tom Eppes, Chris Dyba, Kimrey Miko, Nick Benson, Michelle Evans, Sara Thorndike, Dee Bowling, Mike Van Scott, Tony Rowe, Don Sweet, Jack McCoy, Alton Daniels, Megan Ayers, Tim Wiseman, Stacie Tronto, and Wayne Poole.

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Kel Normann, Chair of the Committee, convened the meeting at 8:15AM. 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 February 15, 2018 audit committee meeting.

**Action Item:** The minutes of the February 15, 2018 audit committee meeting were approved with no changes.

Mr. Wayne Poole provided the **Internal Audit** update.

Mr. Poole presented the Internal Audit dashboard as of March 31, 2018. The Office of Internal Audit is on track to meet the established KPIs for audit plan completion and productivity for the current fiscal year. Mr. Poole updated the committee on Internal Audit staffing changes and stated that the office will be fully staffed on May 16. He reminded the committee that Chief Audit Officer Stacie Tronto will be retiring on May 31 after 32 years of distinguished service to ECU.

Mr. Poole briefed the committee on the volume of special reviews and investigative audit activity this fiscal year. The number of engagements and hours spent on this category of audits is approximately double what it is in a typical year. The committee discussed how best to prioritize audit engagements and the resources that are needed. Ms. Tronto stated that the heavy workload and the hiring practices and classifications within the state HR system make it difficult to recruit high-quality candidates. The high volume of work has resulted in some necessary changes in the current year's annual audit plan. Mr. Poole presented the proposed changes to the audit plan.

**Action Item:** Mr. Copeland moved that the proposed audit plan changes be approved. Mr. Plybon seconded the motion. The committee approved the motion unanimously.

Mr. Poole stated that Internal Audit is currently working with Administration and Finance on the department's operating budget for next fiscal year. The IIA *Standards* require the committee to approve the Internal Audit budget, and it will be presented to the committee at the next meeting.

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

Mr. Wiseman briefed the committee on the ERM office's recent activities and initiatives. He advised the committee that he completed the risk assessment at Elizabeth City State University, as requested by the UNC System Office. Mr. Wiseman also advised the committee that the UNC System Office and the UNC Board of Governors are in the process of establishing an ERM framework for the entire system. ECU is already on the leading edge in this area and has been asked to provide advice and assistance.

Mr. Wiseman advised the committee about the growing emphasis on ensuring that risk management includes risks at the strategic level. He provided the committee members an article on this concept.

**\*\*\*DRAFT\*\*\***

**Minutes from ECU BOT Audit, Enterprise Risk Management, Compliance, and Ethics Committee  
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**Dr. Mike Van Scott presented the Research Compliance update**

Dr. Van Scott introduced the University's new Export Controls Officer, Mr. Tony Rowe. This is a critical role for the University, and Mr. Rowe is a highly respected expert in this field. Mr. Rowe advised the committee that he has been working with Internal Audit on the assessment of the University's current controls in this area.

**Information Security Update – Mr. Don Sweet**

Chief Information Officer Don Sweet briefed the committee on the recently adopted UNC System policy on Information Security and governance. The new policy requires the Information Security Officer and/or CIO to report to the Board at least annually.

Mr. Sweet also briefed the committee on the European Union's General Data Protection Regulation and the impact on ECU (due to our international students and employees, research partnerships, and Study Abroad programs). The GDPR becomes effective on May 25, 2018. ECU, like most institutions, will not be "fully compliant" on that date, but will have a road map for moving forward. Mr. Sweet stated that a lot of the requirements of GDPR are good privacy practices and should be in place anyway. Donna Payne noted that there is still discussion in the legal community regarding the enforceability of fines and penalties to US entities.

Mr. Sweet also provided an update on some recent and planned improvements in the University's information security controls and technologies.

**Closed Session**

At 8:54 AM, Mr. Copeland 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 9:25 AM.

**Other Business**

There was no other business.

There being no further business, the Audit Committee meeting was adjourned at 9:26 AM.

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



**Board of Trustees**

**Audit, ERM, Compliance, and Ethics Committee Meeting**

**July 12, 2018**

Agenda Item:	II.A. Update of ERM Activities
Responsible Person:	Tim Wiseman
Action Requested:	None - Information
Notes:	N/A

6/27/2018

## INFORMATION PAPER

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

- ERM Consultation and Assistance to UNC-Support Office – Ongoing
  - System ERM Mini-Workshops Planning and Hosting (ECU 7/11)\*
  - ERM Framework Development & Consultation with Institutions
- Quarterly ERM Committee Meeting – (July)
- UAS/Drone Flight Requests Screening - Multiple
- Presentations to Ivy League Plus ERM Roundtable, New Haven, CT
- ERM Committee Re-Appointments
- ERM “Five Things” Newsletter\*
- ERM Top Risks Pulse Check Survey
- 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-Support Office – Ongoing
- ERM “Reboot” Planning – Refresh ERM Understanding with Management and Trustees on Roles and Activities
- Preparation for ERM Top Risk Survey Launch
- One-on-One Risk Interviews with Key Campus Leaders
- University Admissions Safety and University Employee and Student Behavior Concern Teams Meetings and Actions
- ECU Risk Management Program Framework Reference and Philosophy Statement
- Prepare for Summer/Fall Top Risk Survey and Risk Management Plans Review
- ERM Consultations/Research/Inquiries – Various Departments

3. Other: Attached are the draft agenda for the ECU-hosted ERM Mini-Workshop and the latest ERM Five Things newsletter, FYI.



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



# ECU's ERM Five Things: A periodic tip sheet for Enterprise Risk Management Committee members and campus leaders

Volume 9, April 2018

## 1 2018 The State of Risk Oversight: An Overview of Enterprise Risk Management

Practices NC State's ERM Initiative, in partnership with the American Institute of CPAs, has just released its 2018 The State of Risk Oversight: An Overview of Enterprise Risk Management Practices. Based on survey responses from 474 business executives spanning a number of industries, types and sizes of organizations, the report provides detailed insights about the state of maturity of their organization's enterprise risk management (ERM) practices. Click [\\*HERE\\*](#) to view/download the report.

*What to watch: Among numerous findings, the study reveals that enterprise-wide risk management practices in most organizations remain relatively immature, but are improving over time; most boards of directors want senior executives to increase management involvement in risk management; organizations are struggling to connect their risk management efforts with strategy, but they are seeking to find ways to strengthen that integration; an increasing number of organizations are appointing an executive to formally lead their risk management efforts; and a large majority of organizations have implemented a management-level risk committee.*

## 2 ISO 31000 Risk Management Revision (2018)

The 2009 version of the ISO Risk Management standard has been updated with the newer 2018 version published this spring. A primary reference for risk management efforts, the ISO 31000 (2018) includes, among other things, more emphasis on connecting risk management with strategic objectives, development of corporate risk philosophy, and assignment of risk ownership and responsibility. Click [\\*Here\\*](#) to access a quick overview of the revision.

*What to watch: The ISO 31000 is the prominent risk management international standard and has been a primary reference for many institutions and organizations working to mature their programs. Both ECU and the UNC system are leaning heavily on the principles outlined in the ISO 31000 standard for continued improvement with enterprise risk management.*

## 3 Management Level Risk Committees – An Effective ERM Tool

A new thought paper that highlights six case study illustrations based on real life examples of how organizations have used internal risk management committees to expand the reach and improve the effectiveness of their ERM programs. Click [\\*Here\\*](#) to access the full report.

*What to watch: Senior executives and risk management professionals will find this document useful in either helping to establish a risk committee for the first time, or to benchmark their practices regarding risk committees with those represented in the*

*study. This material can be beneficial to increase the value provided by ECU's ERM efforts.*

#### **4** Four Things Campus Needs to Know about the EU's General Data Protection Regulation

EAB recently published a short summary highlighting some aspects of the EU's GDPR as relates to higher education institutions. Click [\\*Here\\*](#) to access the impact summary.

*What to watch: Compliance with the EU's GDPR continues to be a hot topic in risk management and compliance circles. The second and third order effects of the regulation are still being evaluated, particularly in the context of higher education involvement in study and research abroad, educational partnerships, and other business and academic relationships with EU countries.*

#### **5** Strategies for Designing a Lasting ERM Process: A Case Study

This case study examines six organizations which have had ERM in place over a long period of time or have a process so embedded in the organization that it is expected to be sustained over the long run. The paper is organized into two main categories: common sustaining factors and additional insights. Click [\\*Here\\*](#) to access the full report.

*What to watch: Implementing ERM within an organization can be challenging; it can be even more difficult to create the traction necessary to ensure that ERM will be an effective process over the long run. Reviewing this case study can lead to a better understanding of key processes and factors that contributed to the on-going success of the ERM process at these organizations. The advice shared is also useful as ECU seeks to constantly improve and learn from best practices.*

Enterprise Risk Management Office  
East Carolina University  
April 30, 2018



<b>Date</b>	Wednesday, July 11, 2018
<b>Schedule</b>	9:00 – 10:30 – ECU ERM Committee Meeting (optional) – Room ECHI A 10:30 – 12:00 – Workshop 12:00 – 12:30 – Lunch Break 12:30 – 3:00 - Workshop
<b>Location</b>	East Carolina Heart Institute Room ECHI B 115 Heart Drive, Greenville, NC 27834
<b>Agenda</b>	<ol style="list-style-type: none"> <li>I. Discuss Barriers to Implementing an ERM Program</li> <li>II. Building an ERM Risk Register</li> <li>III. Identifying Risk Owners</li> <li>IV. Developing Risk Management Plans</li> <li>V. Communication Strategies with the Board and Senior Leadership</li> <li>VI. Role of the Board of Trustees</li> <li>VII. Establishing an ERM Committee</li> <li>VIII. Implementation Timeline</li> <li>IX. Continuous Monitoring</li> </ol>
<b>Materials</b>	<i>To be determined</i>



**Board of Trustees**

**Audit, ERM, Compliance, and Ethics Committee Meeting**

**July 12, 2018**

Agenda Item:	III.A. Internal Audit Dashboard
Responsible Person:	Wayne Poole
Action Requested:	None - Information
Notes:	N/A

## Internal Audit Dashboard - as of June 30, 2018

### Completion of Audit Plan: Completed vs. Planned Projects

<i>Status of Audit Plan</i>	<i>Number of Engagements</i>	<i>Percent of Total Plan</i>
Completed	51	<b>86%</b>
Reporting Phase	1	2%
In Process	5	8%
Pending	2	3%
<b>Total</b>	<b>59</b>	<b>100%</b>

Goal =  $\geq 80\%$

### Staff Utilization: Direct vs. Indirect Hours

	<i>With UPS</i>	<i>Without UPS</i>
Direct Hours	69%	<b>75%</b>
Indirect Hours	31%	25%

Goal =  $\geq 75\%$

### Consultations

	<i>Number</i>	<i>% of Audit Plan</i>
Consultations	125	12%

Should not exceed 20%

### Management's Corrective Actions

<i>Observations by Division:</i>	<i>Completed</i>	<i>Outstanding</i>	<i>% Complete</i>
Academic Affairs	8	1	89%
Administration and Finance	21	4	84%
Athletics	0	0	0%
Chancellor	0	0	0%
Health Sciences	5	0	100%
Research and Graduate Studies	0	0	0%
Student Affairs	0	0	0%
University Advancement	0	0	0%
<b>Total Observations</b>	<b>34</b>	<b>5</b>	
<b>Total Percentages</b>	<b>87%</b>	<b>13%</b>	

Goal = 95%



**Board of Trustees**

**Audit, ERM, Compliance, and Ethics Committee Meeting**

**July 12, 2018**

Agenda Item:	III.B. Approval of FY 2019 Annual Audit Plan
Responsible Person:	Wayne Poole
Action Requested:	Action
Notes:	N/A

**East Carolina University  
Office of Internal Audit  
Annual Engagement Plan  
By Type  
FY 2018-2019**

Description	Budget Status	Budgeted Hours	%age of Total	Risk Ranking
<b>Integrated/Operational Audits:</b>				
SoDM CSLCs	CYP	300	2%	High
Greek Life	CYP	400	2%	High
Security Cameras	CYP	400	2%	High
Study Abroad	CYP	400	2%	High
Student Health Pharmacy	WIP	300	2%	High
Kronos and Timekeeping (F18032/A16038)	CYP	280	2%	High
PeopleAdmin Position Approval Processes	CYP	280	2%	High
<b>Total Operational Audit Hours</b>		<b>2360</b>	<b>14%</b>	
<b>Compliance Audits:</b>				
IT Policies and ISO-27002	CYP	200	1%	High
Third Party Service Provider Controls	CYP	300	2%	High
<b>Total Compliance Audit Hours</b>		<b>500</b>	<b>3%</b>	
<b>Information Technology Audits:</b>				
IT Disaster Recovery and BCP	CYP	150	1%	High
XTender IT and Process Controls	CYP	300	2%	High
Distributed IT Controls	CYP	260	2%	High
<b>Total Information Technology Audit Hours</b>		<b>710</b>	<b>4%</b>	
<b>Special Reviews:</b>				
<a href="#">Hotline Allegations Triage</a>	CYP	80	0%	NA
Special Reviews - Pending	CYP	2200	13%	NA
Special Reviews in Progress	WIP	800	5%	NA
<b>Total Special Review Audit Hours</b>		<b>3000</b>	<b>18%</b>	
<b>Follow-Up Reviews:</b>				
<a href="#">Action Plan Tracking and Coord</a>	CYP	140	1%	High
Organizational Continuity (A16044)	CYP	40	0%	High
Export Controls (A18014)	CYP	100	1%	High
Athletic Imprest Fund (A18016)	CYP	40	0%	Med
Mobile Computing (A18026)	CYP	80	0%	High
1Card Controls (F18023/A17004)	CYP	60	0%	High
Incident Detection and Response (F18036/A17009)	CYP	20	0%	High
Institutional Complaint Procedure (L18034)	CYP	10	0%	Med
Foundation Real Estate Purchases (L18050)	CYP	10	0%	Med
COI Management Plans (A17036)	CYP	40	0%	High
IT Change Management (A18006)	CYP	40	0%	High
Pathology On-Call Pay (L17050)	CYP	40	0%	High
Student Academic Appellate Process (A18005)	CYP	40	0%	High
Teaching Overload Payments (A18009)	CYP	40	0%	High
CVS COI Reporting and Facility Use (L18035)	CYP	70	0%	High
Governance and Ethics (A18027)	CYP	40	0%	High
University Youth Programs (A18008)	CYP	80	0%	High
Academic Integrity (A16019/F17041/F18040)	CYP	20	0%	High
DoD Education Program Compliance Review (Ext)	CYP	40	0%	High
<b>Total Follow-Up Review Audit Hours</b>		<b>950</b>	<b>5%</b>	

Budget Status:

BF = Brought Forward From Previous Year's Plan

AYP = Added to Current Year Plan

CYP = Current Year Plan

CYP-B = Current Year Plan (Budgeted under Special Reviews - Pending)

WIP = Work-In-Progress

East Carolina University  
Office of Internal Audit  
Annual Engagement Plan  
By Type  
FY 2018-2019

Description	Budget Status	Budgeted Hours	%age of Total	Risk Ranking
<b>Other/Special Projects:</b>				
Consultations (Routine and non-Routine)	CYP	1800	11%	NA
Sponsored Programs Revenue Management	CYP	100	1%	NA
Committees/Other Routine Tasks (ie. SBI Reports, Assist State Auditor)	CYP	800	5%	NA
Audit Management Software - Issue Tracking, Reporting, and Risk Modules	CYP	350	2%	High
Client Education and Outreach	CYP	200	1%	High
Data Analytics	CYP	600	4%	High
Anti-Fraud Guide	CYP	200	1%	High
Student Intern Program	CYP	300	2%	NA
Self-Assessment of Internal Audit	CYP	160	1%	High
Sponsor UNCAA Annual Conference	CYP	80	0%	High
Risk Assessment/Audit Planning 2019-2020	CYP	40	0%	High
Risk Assessment/Audit Planning 2018-2019	WIP	20	0%	High
<b>Total Other/Special Project Hours</b>		<b>4650</b>	<b>28%</b>	
<b>Total Direct Audit Hours</b>		<b>12170</b>	<b>73%</b>	
Administration	CYP	1350	8%	NA
Leave	CYP	2500	15%	NA
Professional Development	CYP	620	4%	NA
<b>Total Indirect Audit Hours:</b>		<b>4470</b>	<b>27%</b>	
<b>Grand Total Audit Hours</b>		<b>16640</b>	<b>100%</b>	

\_\_\_\_\_  
Chancellor/Date

\_\_\_\_\_  
ECU BOT Audit Committee Chair/Date

Budget Status:

BF = Brought Forward From Previous Year's Plan

AYP = Added to Current Year Plan

CYP = Current Year Plan

CYP-B = Current Year Plan (Budgeted under Special Reviews - Pending)

WIP = Work-In-Progress



**Board of Trustees**

**Audit, ERM, Compliance, and Ethics Committee Meeting**

**July 12, 2018**

Agenda Item:	III.C. Annual certification letters for UNC System Office
Responsible Person:	Wayne Poole
Action Requested:	None - Information
Notes:	N/A





**Board of Trustees**

**Audit, ERM, Compliance, and Ethics Committee Meeting**

**July 12, 2018**

Agenda Item:	III.D. Review of recent audit/follow-up report
Responsible Person:	Wayne Poole
Action Requested:	None – Information
Notes:	N/A



**Board of Trustees**

**Audit, ERM, Compliance, and Ethics Committee Meeting**

**July 12, 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**

**July 12, 2018**

Agenda Item:	V. Other Business
Responsible Person:	Kel Normann, Chair
Action Requested:	
Notes:	N/A