ECU | **BOARD OF TRUSTEES**

AGENDA
Audit, Risk Management, Compliance, and Ethics Committee
November 21, 2019

I.   Approval of September 12, 2019 Minutes   **Action**

II.   Review of Operational Metrics

III.   Internal Audit – Mr. Wayne Poole
        a. Changes to Annual Audit Plan   **Action**
        b. Update on University financial statement audit   Information
        c. Update on affiliated entities' audits   Information

IV.   Healthcare Compliance – Ms. Michelle DeVille
        a. Ongoing monitoring and activities   Information

V.   Enterprise Risk Management
        a. Review top risks matrix & process – Ms. Sara Thorndike   Information
        b. Update on HR-related risks – Mr. Justin Yeaman (HR)   Information
        c. Update on IT/cyber-related risks – Dr. Mark Webster (ITCS)   Information

VI.   Other Business

Audit Risk Management, Compliance & Ethics Committee
November 21, 2019

Agenda Item: I. Approval of September 12, 2019 Minutes

Responsible Person: Vince Smith
                                                     Committee Chair

Action Requested: Approval

Notes: N/A

Minutes from ECU BOT Audit, Risk Management, Compliance, and Ethics Committee
September 12, 2019
Main Campus Student Center – ECU Campus

The Audit, Risk Management, Compliance, and Ethics Committee of the ECU Board of Trustees met in the Main Campus Student Center on the campus of ECU on September 12, 2019.

Committee members present: Vince Smith (Chair), Jason Poole, Bob Plybon, Max Joyner, and Tom Furr.

Other board members present: BOT Chair Vern Davenport, Fielding Miller, Angela Moss, and Collin Johnson.

Others present included Chancellor Dan Gerlach, Donna Payne, Paul Zigas, Amanda Williams, Jenny McKellar, Jody Newsome, Sara Thorndike, Jay Golden, Chris Dyba, Virginia Hardy, Mike Van Scott, Mark Webster, Deborah Elek, Michelle DeVille, Dee Bowling, Faye Steele, Vinnie Falvo, Paul Gemperline, Tim Smith, Ron Mitchelson, Mark Stacy, Julie Cole, Mary Farwell, Chris Locklear, Alton Daniels, Amanda Danielson, Bill Kraus, and Wayne Poole.

Vince Smith, Chair of the Committee, convened the meeting at 8:30 AM. Mr. Smith read the conflict of interest provisions as required by the State Government Ethics Act. Mr. Smith asked if anyone would like to declare or report an actual or perceived conflict of interest. None were reported.

Mr. Smith asked for the approval of the minutes of the April 11, 2019 committee meeting.

Action Item: The minutes of the April 11, 2019 committee meeting were approved with no changes.

Mr. Wayne Poole provided the **Internal Audit** update.
Mr. Poole presented the Internal Audit dashboard for the recently ended 2019 fiscal year. He reported that Internal Audit completed over 90% of the annual audit plan, and University management had resolved over 97% of the audit recommendations that Internal Audit followed up on. Mr. Poole also provided the Committee with several items in the Board materials that are required to be shared with the Board, including the FY 2019 Internal Audit annual report, the recently completed IIA self-assessment, and the FY 2020 operating budget for Internal Audit.

Trustee Plybon asked if the rate of hotline allegations and requests for special reviews had slowed any, and if Internal Audit had sufficient resources. Mr. Poole stated that the rate of special requests and investigative audits so far this fiscal year has been on par with the last two years. Mr. Poole stated that while the Internal Audit team is very busy, they are able to accomplish their mission with the resources available. Mr. Poole stated that the current Internal Audit team is highly professional and productive.

Mr. Poole advised the committee that the Office of the State Auditor is still working on the University's annual financial statement audit. At this time there are no known issues or findings.

Dr. Mike Van Scott presented the **Research Compliance** update.
Dr. Van Scott briefed the committee on a recent reorganization of the research compliance functions. The reorganization was necessary in light of the rapidly growing research enterprise and is intended to strengthen oversight of research accounting functions and post-award monitoring, as well as provide opportunities for professional development and leadership succession. Dr. Van Scott focused on the new roles for Assistant Vice Chancellors Becky Welch and Mary Farwell, and on the new compliance and training unit being led by Julie Cole.

Dr. Van Scott also presented the research compliance annual report on conflicts of interest. COI disclosures are required by ECU regulations, UNC system policy, and federal regulations. For FY 2019, ECU had a completion rate of 99.97%, an increase over the previous year. Only one out of 3,112 employees who were required to complete the disclosure process failed to do so.

Trustee Joyner asked whether the person who failed to complete the required disclosure was held accountable. Dr. Van Scott stated that he knows a letter was prepared for the individual's personnel file but doesn't know what other actions were taken. This information will be obtained and provided to the committee.

<u>Dr. Mark Webster provided a briefing on **Information Security**</u>.
Dr. Webster briefed the committee on the framework for ECU's Information Security program and provided information on several relevant topics such as the ECU's technology security assessment process, IT disaster recovery, incident detection and response, and the management of cyber vulnerabilities. The committee members asked numerous questions about vulnerabilities, external security assessments, and other topics.

<u>Vice Chancellor Sara Thorndike provided the **Enterprise Risk Management** (**ERM) update**</u>.
Ms. Thorndike briefed the committee on recent organizational changes in the University's ERM program. The ERM Committee is still in place and the risk identification and ranking process is unchanged. The ERM committee is emphasizing the importance of sharing information between departments and divisions so that people have a broader perspective of risks across the institution. Ms. Thorndike advised that each of the University's top risks is assigned to a senior campus leader for management and mitigation. The Board will be briefed on one or two top risks, or emerging risks, at each upcoming meeting.

Trustee Plybon asked if the ERM risk identification procedure, and the current list of top risks and their owners, can be shared with the committee. Ms. Thorndike agreed to provide these. The committee members also asked that they receive this written information before determining which top risks should be discussed at upcoming meetings.

<u>Vice Chancellor and University Counsel Donna Gooden Payne provided a briefing on **Board member responsibilities and conflicts of interest**</u>
Ms. Payne briefed the committee on the UNC system policies related to board member duties and expectations and conflicts of interest. Ms. Payne also briefed the committee on the status of the individual board members' conflict of interest evaluations that have been vetted by the State Ethics Commission.

Ms. Payne recommended that the board members' COI evaluation letters be included in the Board Meeting minutes.

Closed Session
At 9:15 AM, Trustee Poole 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, student records, 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 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

Audit Risk Management, Compliance & Ethics Committee
November 21, 2019

Agenda Item: II. Review of Operational Metrics

Responsible Person: Wayne Poole
                                                Director of Internal Audit

Action Requested: Information

Notes: N/A

CEO Tracking Sheet
Fiscal Year - 2020
Audit, ERM, Compliance & Ethics Committee

KPI	Measurement	Prior Year	Target	Variance	July	August	September	October	November	December	January	February	March	April	May	June	Total
Audit Plan Completion (Internal Audit)	Percent of projects on annual plan that are completed	90%	80%	Plan	6.6%	6.6%	6.6%	6.6%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	80.0%
				Actual	5.5%	7.8%	9.1%	6.3%									28.7%
				+ / -	-1.1%	1.2%	2.5%	-0.3%									
				YTD +/-	-1.1%	0.0%	2.6%	2.3%									
Auditor Productivity (Internal Audit)	Direct Audit & Consult hrs vs. Total hours	75%	75%	Plan	75.0%	75.0%	75.0%	75.0%	75.0%	69.0%	76.0%	76.0%	76.0%	76.0%	76.0%	76.0%	75.0%
				Actual	69.0%	82.8%	69.7%	78.8%									
				+ / -	-6.0%	7.8%	-5.3%	3.8%									
				YTD +/-	-6.0%	0.8%	-1.2%	0.1%									
Management Corrective Actions Completion Rate (Internal Audit)	Percent of recommendations resolved when IA follows up	97%	95%	Plan	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%
				Actual	66.70%	100.00%	100.00%	100.00%									
				+ / -	-28.30%	5.00%	5.00%	5.00%									
				YTD %	66.70%	87.50%	92.30%	95.20%									
Number of Rules Education Sessions (Athletics Compliance)	Number of sessions spent educating athletes, staff & others	N/A	180	Plan	15	15	15	15	15	15	15	15	15	15	15	15	180
				Actual	18	27	25	23									
				+ / -	3	12	10	8									
				YTD +/-	3	15	25	33									
Number of Education Sessions (Healthcare Compliance)	Number of sessions spent educating providers and staff	N/A	972	Plan	81	81	81	81	81	81	81	81	81	81	81	81	972
				Actual	85	77	79	82									
				+ / -	4	-4	-2	1									
				YTD +/-	4	0	-2	-1									
Number of Provider Documentation Reviews (Healthcare Compliance)	Number of providers whose doc. accuracy was reviewed	N/A	510	Plan	43	43	43	43	43	43	42	42	42	42	42	42	510
				Actual	38	38	42	41									
				+ / -	-5	-5	-1	-2									
				YTD +/-	-5	-10	-11	-13									
Pass Rate Results of Healthcare Provider Documentation Reviews (Healthcare Compliance)	Percent of reviewed providers receiving a passing score	N/A	90%	Plan	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
				Actual	82.0%	91.0%	90.0%	93.0%									
				+ / -	-8.0%	1.0%	0.0%	3.0%									
				YTD +/-	-8.0%	-3.5%	-2.4%	-1.0%									
Employee COI Disclosure Rate (Research Compliance)	Percent of employees who submitted req'd disclosure	99.97%	100%	Plan										90.0%	5.0%	5.0%	100.0%
				Actual													
				+ / -													
				YTD +/-													

Audit Risk Management, Compliance & Ethics Committee
November 21, 2019

Agenda Item: III. Internal Audit
                                      a. Changes to the Annual Audit Plan

Responsible Person: Wayne Poole
                                          Director of Internal Audit

Action Requested: Action

Notes: N/A

East Carolina University
Office of Internal Audit
Annual Engagement Plan
By Type
FY 2019-2020

Project Description	Budget Status	Budgeted Hours	%age of Total	Risk Ranking
Integrated/Operational Audits:				
Kronos and Timekeeping (F18032/A16038) (Data Analytics)	WIP	400	2.3%	High
PeopleAdmin Position Approval Processes	WIP	300	1.7%	High
SoDM Revenue Cycle (Data Analytics)	WIP	300	1.7%	High
ERM Maturity Assessment	CYP	300	1.7%	High
University Advancement (Gift Valuation and Accounting)	CYP	300	1.7%	High
Sponsored Programs Time and Effort Reporting	CYP	340	2.0%	High
Data Analytics Review of Payroll, Travel, Athletics, other (TBD)	CYP	500	2.9%	High
Unpaid Adjunct Faculty Members	CYP	340	2.0%	High
Research Compliance Staffing and Funding Model	CYP	300	1.7%	High
Automated Journal Vouchers Process	CYP	300	1.7%	High
Endowment Performance Review	CYP	120	0.7%	Med
Total Integrated/Operational Audit Hours		**3500**	**20.3%**	
Compliance Audits:				
Third Party Service Provider Controls	WIP	100	0.6%	High
ADA/504 Compliance	CYP	300	1.7%	High
Enterprise Car Rental Contract and Expenses	CYP	200	1.2%	High
Total Compliance Audit Hours		**400**	**2.3%**	
Information Technology Audits:				
Technology Security Assessment Process	CYP	300	1.7%	High
IT Asset Management (ITCS and non-ITCS)	CYP	300	1.7%	High
Controls over Privileged Accounts	CYP	300	1.7%	High
Total Information Technology Audit Hours		**900**	**5.2%**	
Investigative Reviews:				
Hotline Allegations Triage	CYP	120	1%	NA
Investigative Reviews - Already In Progress	WIP	200	1%	NA
Investigative Reviews - Not Yet Received/Started	CYP	2200	13%	NA
Total Investigative Audit Hours		**2520**	**15%**	
Follow-Up Reviews:				
Action Plan Tracking and Follow-Up	CYP	240	1.4%	High
University Youth Programs (A18008)	CYP	150	0.9%	High
Student Transit (L18021)	CYP	150	0.9%	High
Americorps Grant (2nd Follow-Up) (F19022)	CYP	120	0.7%	High
Security Camera Controls (A18017)	CYP	120	0.7%	High
Student Conduct Process (A19021)	CYP	80	0.5%	High
SoDM CSLCs (A18024)	CYP	100	0.6%	High
Grants and Contracts (AICFR)	CYP	240	1.4%	High
CRW Club Sports Drivers	CYP	30	0.2%	High
Total Follow-Up Review Audit Hours		**1230**	**4.5%**	
Consultations/Management Advisory Services				
Routine Consultations	CYP	490	2.8%	
Routine Data Analytics Support for Clients	CYP	200	1.2%	
University Committees Participation	CYP	500	2.9%	
ProCard Analytics for Chrome River	WIP	120	0.7%	
Assist with AICFR	WIP	40	0.2%	
Student Athlete Course Clustering	CYP	60	0.3%	

Budget Status:
CYP = Current Year Plan
WIP = Work-In-Progress on June 30

Project Description	Budget Status	Budgeted Hours	%age of Total	Risk Ranking
University Orientation Materials	CYP	100	0.6%	
BSOM/ECUP Admin Staffing and Processes	CYP	40	0.2%	
Darden Child Development Center Pricing	CYP	100	0.6%	
Banner Grants Module User Access	CYP	40	0.2%	
Friends of UNCW Review	CYP	30	0.2%	
QAR Team for OSBM	CYP	60	0.3%	
AP Analytics Tool Revisions	CYP	40	0.2%	
Total Consultation Hours		**1820**	**10.5%**	
Other/Special Projects:				
Coordinate and Assist with External Audits, SBI Reports, Routine Tasks	CYP	800	4.6%	NA
Audit Software Admin and Maintenance	CYP	300	1.7%	High
Student Intern Program	CYP	300	1.7%	High
Required IIA QAIP/Self-Assessment	CYP	40	0.2%	High
Develop Assurance Map	CYP	100	0.6%	High
Unplanned Special Projects as Assigned	CYP	200	1.2%	High
Risk Assessment/Audit Planning 2020-2021	CYP	80	0.5%	High
Risk Assessment/Audit Planning 2019-2020	WIP	20	0.1%	High
Office Relocation	CYP	200	1.2%	N/A
Total Other/Special Project Hours		**2040**	**10.7%**	
Total Direct Audit Hours		**12410**	**72%**	
Administration	CYP	1800	10%	NA
Leave/Holiday	CYP	2300	13%	NA
Professional Development	CYP	750	4%	NA
Total Indirect Audit Hours:		**4850**	**28%**	
Grand Total Audit Hours		**17260**	**100%**	

Approved by Chancellor Dan Gerlach in face to face meeting on June 10, 2019
Chancellor/Date

Approved by ECU Board of Trustees at regular meeting on July 12, 2019
ECU BOT Audit Committee Chair/Date

Changes presented to ECU Board of Trustees on November 21, 2019:
Projects cancelled
Projects added

Budget Status:
CYP = Current Year Plan
WIP = Work-In-Progress on June 30

Audit Risk Management, Compliance & Ethics Committee
November 21, 2019

Agenda Item:	III. Internal Audit
	b. Update on University financial statement audit
Responsible Person:	Wayne Poole
	Director of Internal Audit
Action Requested:	Information
Notes:	N/A

Audit Risk Management, Compliance & Ethics Committee
November 21, 2019

Agenda Item:	III. Internal Audit
	c. Update on affiliated entities' audits
Responsible Person:	Wayne Poole
	Director of Internal Audit
Action Requested:	Information
Notes:	N/A

Audit Risk Management, Compliance & Ethics Committee
November 21, 2019

Agenda Item: IV. Healthcare Compliance
                                            a. Ongoing monitoring and activities

Responsible Person: Michelle DeVille
                                                  Chief Integrity Officer

Action Requested: Information

Notes: N/A

Audit Risk Management, Compliance & Ethics Committee
November 21, 2019

Agenda Item: V. Enterprise Risk Management
                                          a. Review top risk matrix & process

Responsible Person: Sara Thorndike
                               Vice Chancellor for Administration & Finance

Action Requested: Information

Notes: N/A

ERM
Board of Trustees
Update

November 2019

Two Year ERM Activities Model

Year	Primary Activities
Even "On" Year (2018-19)	• Full ERM Risk Survey • Full Risk Prioritization Exercise • Creation or Updates of Risk Management Plans • BOT & EC Presentations and Involvement
Even "Off" Year (2019-20)	• BOT Presentations • On-Going Risk Related Presentations and Discussions with ERM Committee Quarterly • Top Risk Updates from Risk Owners • Reprioritization or Revalidation Discussion with ERM Committee and EC

Top 10 Risk Matrix

Risk Area	ERMC Advisory Team	Risk Management Process Owner/Exec Council Rep
1. Fiscal Challenges	Chancellor, VCs and Finance	Ms. Thorndike
2. Declining Undergraduate and Graduate Enrollment in Competitive Market	Strategic Enrollment Plan Implementation Team	Academic Council
3. Athletics Department Financial Challenges, Reputation, and Direction	Chancellor, AD, CFO, Trustees	Mr. Gilbert & Ms. Thorndike
4. Retaining and Recruiting Qualified Faculty, Administrators and Staff	Employee Engagement Working Group	Dr. Mitchelson, Ms. Thorndike & Dr. Stacy
5. Future of ECU Physicians	Chancellor, Dean of Brody, CFO	Dr. Stacy
6. ECU's Reputation in Large Urban Areas/Competitive Markets	Strategic Enrollment Plan Implementation Team	Academic Council
7. Current and Future Political Environment and Uncertainty	Chancellor, Trustees	Chancellor
8. Ability to Improve and Sustain BOG and BOT Relations – Leadership Effectiveness/Communication	Chancellor, Trustees	Chancellor
9. Workforce Succession Planning Adequacy	Employee Engagement Working Group	Dr. Mitchelson, Ms. Thorndike & Dr. Stacy
10. Cyber Threats and Cyber Security – Data Systems Exploitation	Don Sweet , Mark Webster, Michelle DeVille, ITCS	Ms. Thorndike & Dr. Stacy

ECU

ERMC Advisory Group and Risk Management Process Owner Matrix
as of May 2019, Updated October 2019

Risk Area	ERMC Advisory Team	Risk Management Process Owner/Exec Council Rep
1. Fiscal Challenges	Chancellor, VCs and Finance	Ms. Thorndike
2. Declining Undergraduate and Graduate Enrollment in Competitive Market	Strategic Enrollment Plan Implementation Team	Academic Council
3. Athletics Department Financial Challenges, Reputation, and Direction	Chancellor, AD, CFO, Trustees	Mr. Gilbert & Ms. Thorndike
4. Retaining and Recruiting Qualified Faculty, Administrators and Staff	Employee Engagement Working Group	Dr. Mitchelson, Ms. Thorndike & Dr. Stacy
5. Future of ECU Physicians	Chancellor, Dean of Brody, CFO	Dr. Stacy
6. ECU's Reputation in Large Urban Areas/Competitive Markets	Strategic Enrollment Plan Implementation Team	Academic Council
7. Current and Future Political Environment and Uncertainty	Chancellor, Trustees	Chancellor
8. Ability to Improve and Sustain BOG and BOT Relations – Leadership Effectiveness/Communication	Chancellor, Trustees	Chancellor
9. Workforce Succession Planning Adequacy	Employee Engagement Working Group	Dr. Mitchelson, Ms. Thorndike & Dr. Stacy
10. Cyber Threats and Cyber Security – Data Systems Exploitation	Don Sweet , Mark Webster, Michelle DeVille, ITCS	Ms. Thorndike & Dr. Stacy

Advisory Groups/Teams may add additional ERMC members or consult with/include subject matter experts from elsewhere on campus outside of the ERMC as needed in order to ensure all relevant information related to a risk area is understood/covered in risk management plans.

Risk 1: Fiscal Challenges

At the direction of the Chancellor, the following steps were taken this past year:

- Calculated financial ratio trends and encouraged System Office to create benchmarks
    - Primary Reserve Ratio - measures the financial strength of the institution by comparing expendable net assets to total expenses
        - 0.38 (FY17), 0.39 (FY18), 0.33 (FY19)
    - Composite Financial Index – combination of four core ratios to produce a single measurement of financial performance
        - 2.38 (FY17), 2.27 (FY18), 1.31 (FY19)
    - Maintain unrestricted fund balance (excluding state pensions and post-retirement benefits) of no less than 2 months of operating revenues or expenditures (GFOA recommendation)
        - $255.5M (FY17), $265.7M (FY18), $216.5M (FY19)
        - 3.7 months (FY17), 3.7 months (FY18), 3.1 months (FY19)

- Renewed focus on enrollment growth funding, including discussions with System Office on allocations to ECU and differences in actual tuition receipts vs. budget

- Discussed planned spending, delayed capital spending and debt acquisition, and identified non-state fund balances that can be held to strengthen ECU's balance sheet

- Created balanced Athletics' budget with multi-year proforma and university auxiliary fund support

- Identified nonrecurring state funds for Brody academic expenditures, subsidized by ECU Physicians, to balance ECU Physicians in FY19 and FY20

- Maximized carryforward funds (2.5%) in FY19

- Establishing $16M state budget reduction plan for FY21

- Working with private developers on long-term ground leases for hotel, export leaf tobacco building, and warehouse district with minimal ECU financial expense

- System Office consultation with Cherry Bekaert

- Clean FY19 financial audit by State Auditor with no findings or adjustments

Risk 2: Declining Undergraduate and Graduate Enrollment in Competitive Market

Issue: After several years of growth and record-setting total enrollment figures, Fall 2018 brought a marked decrease in enrollments across the board, including first-time first-year, new transfer, and new graduate students.

These decreases can be attributed to many factors at both local (ECU/North Carolina) and national levels. A study of our national and state demography, measured in the last several years and what is currently forecasted beyond 2019, shows downward trends in fertility, high school graduates, and college-aged population numbers. A study of overall enrollment in degree granting institutions of higher education revealed a loss of approximately one million students between 2010 – 2016. Combined with factors at ECU and the UNC system level, it becomes clear why enrollment numbers suffered. At ECU, historically large graduating class(es) and an increased five-year graduation rate – both good things, except where enrollment numbers are concerned – added to pain already felt by the decrease in our yield rate (students who were admitted to ECU but did not enroll). The increasingly competitive climate among our UNC-System institutions rounded off this set of circumstances, with recently implemented strategic goals motivating all schools to more actively seek the same sets of students (low income and rural enrollments), though ECU has historically maintained the lion's share of those students. The NC Promise initiative ($500 tuition at three of the system institutions) continues to be a factor as well, though not as readily quantifiable.

Review of these factors as the Fall 2018 enrollment census approached and eventually arrived revealed a clear message: ECU is going to have to work harder and smarter just to maintain, never mind increase, our market share.

Remedies: Attempts to rebound from the Fall 2018 drop included personnel changes, a particular focus on visibility efforts, and improvements to or brand-new recruitment initiatives, all spanning multiple offices and entities at ECU. Specific focus on the gathering and review of data to pinpoint target areas for improvement was crucial to the process. Personnel changes implemented ranged from leadership for the office of Undergraduate Admissions (following an upgrade to the position title), to the placement of additional regional recruiters in urban markets that needed more attention. Greater visibility in those urban markets has been key as well, utilizing those new recruiters with more frequent and higher profile events (for students and for high school counselors) in those areas. On ECU's campus, student tours and other events (admitted students' day – Pirates Aboard) were revamped, and in general, campus collaborations and communications were examined and increased or improved. Admissions staff even recognized an opportunity to upgrade the swag received by admitted students; gauged by increased social media visibility, students responded enthusiastically to receipt of a No Quarter flag with their acceptance letter. Additionally, a focus on the transfer population has also been realized, primarily through our Pirate Promise initiative which was created in 2018 but greatly expanded and continuing to grow throughout 2019. Pirate Promise is a means by which students obtaining a two-year degree at participating community colleges in the state are guaranteed acceptance at ECU for the continuation of their education and the pursuit of a four-year degree. It has also been important to tackle cost of attendance, a consistently voiced concern by students of all kinds. Key to improvement in the access and availability of financial aid have been strategic consideration and pursuit of relationships with vendors (like Raise.Me for micro-scholarships and Ruffalo Noel Levitz for an Advanced Financial Aid Solutions program).

Though it is doubtful that all methods applied to remedy the recent enrollment decline have been captured here, it is clear from a study of our Fall 2019 numbers that we have made great strides in the right direction. The predicted decline in overall enrollment is less than originally planned for, and low enough to be considered 'flat.' New student counts are up in almost all categories. Urban areas with previous decline have rebounded.

Risk 3: Athletics Department Financial Challenges, Reputation, and Direction

Financial:
- Created Athletics' balanced budget with multi-year proforma and university auxiliary fund support
- Worked with Pirate Club to create balanced financial budget for FY20
- Working with Pirate Club on long-term budget for TowneBank Tower, including replacing expiring line of credit with 10 year debt
- Increased game guarantees for football in 2023
- Working on a business plan to maximize the revenue from the newly signed ESPN media rights by the Conference
- Evaluating and renegotiating expense and revenue contracts for the department (ex. Paciolan, IMG, etc.)

Reputation:
- Focus on fan engagement with an emphasis on increasing ticket sales through investment of the game day fan experience as well as competitive pricing
- Focus on increasing ECU branded images, logos throughout facilities to improve image
- Managing academic achievement of student-athletes (Academic Performance Rate (APR), Graduate Success Rate (GSR) and Federal Graduation Rate) to qualify for new NCAA revenue distribution
- Initiated "At The Helm" for transparent communications from the Athletic Director for staff, donors, and community

Direction:
- NCAA Compliance reporting line was changed from Chancellor to Athletic Director
- Sports Medicine staff report directly to Student Health Services Physician

Risk 4: Retaining and Recruiting Qualified Faculty, Administrators and Staff

General Overview of Recruitment and Retainment Efforts

Several themes emerged from the 2018 Engagement Survey that have informed efforts on campus. ECU learned that facets of its culture related to how employees experience leadership, communication, and recognition are key to recruiting and retaining an engaged workforce. As a result, there have been several initiatives launched in an effort to cultivate a communicative and collaborative culture.

Senior Leadership: Employees' Communication with and Experience thereof

Provost Mitchelson has instituted "Coffee with the Provost" as an opportunity to give employees, as well as students, the chance to communicate in an informal setting with the university's Chief Academic Officer. Similarly, our VCs of Administration and Finance and Health Sciences have both also implemented informal lunches wherein they can meet employees in a more relaxed setting.

Redesigning the New Employee Experience

An effort has been launched to redesign the staff New Employee Orientation (NEO). The goal of this initiative has been to create a more engaging experience that is focused on the culture of ECU as opposed to merely compliance. To date, the Learning and Organizational Development team in Human Resources has conducted 2 successful NEO pilot sessions, have received budgetary approval, and are planning a redesigned NEO launch on October 28, 2019.

Benefits and Wellness

Under the direction of Dr. Virginia Hardy, ECU has established a University Wellness Collective with the goal of planning and implementing a university-wide wellness plan focused on the health and well-being of faculty, staff, and students. This collective held its second meeting on October 16, 2019. In addition, ECU has adopted ComPsych as its Employee Assistance Program (EAP) provider effective October 1, 2019. ComPsych will provide master's level counselor consultations for employees with mental health needs, mental health referrals, as well as a robust training program and crisis response services.

Recruitment & Retention Work Group

Significant effort has been made by HR Employment Services to improve our ability to recruit for difficult-to-hire positions. This unit has made an intentional effort to diversify the job fairs that it attends to include job fairs specifically aimed at those types of positions. Simultaneously, they have been working to develop positive working relationships with community colleges that graduate potential applicants qualified for these positions. A website has also been developed wherein potential applicants can learn more about working at ECU, university benefits, resources, as well as access posted vacant positions. This website will hopefully give potential applicants a quicker and simpler means of being exposed to the university's culture and community.

Risk 5: Future of ECU Physicians

General Overview of Financial Performance
The ECU Physicians clinical practice ended fiscal year 2019 with a profit of ~$4.6M. Each year, ECU Physicians supports academic and research activities in the Brody School of Medicine. In FY 19, that support was ~$13.5M. By providing this support, ECU Physicians ended FY 19 with a loss of ~$8.8M, but the Brody School of Medicine, thru the Vice Chancellor of Health Sciences, contributed one-time funds of ~$8.9M. After all adjustments were made, ECU Physicians had a bottom-line net gain of $50,000. Cash Reserves at the end of FY 19 was $57.6M or approximately 131 days of cash. The ECU Physicians Board requires ECU Physicians to maintain 90 days of cash or more on hand at all times. ECU Physicians has generated gains of $34,670,000 over the past five (5) fiscal years.

Compensation of ECU Physicians Faculty compared to AAMC benchmarks
A major concern of ECU Physicians is the compensation our faculty receive compared to National benchmarks. Of the 303 faculty members that were here for the full 2019 FY, 104 (34.3%) are compensated at less than the 25th%tile of the AAMC benchmark, and over 75% are compensated at less than the 50th%tile. Faculty are leaving ECU Physicians for other faculty positions in the State of NC for more compensation and less clinical work. Based on a study done by a national consulting firm, Premier, ECU Physicians needs access to an additional ~$4M (including benefits) to compensate 200 faculty members based on the clinical activity they produced by FY 19.

Potential increase in contract revenue from Vidant Health when existing contracts are brought to MGMA benchmarks
ECU Physicians is beginning the process of re-negotiating existing contracts (156) with Vidant Health and its affiliated entities with the goal of being compensated at the 75th%tile of MGMA Private Practice for our services. If our existing contracts are benchmarked at this level, our clinical services/directorship contracts would be about $5M-$6M more than they are today. Our Graduate Medical Education (GME) contract would be ~$7.5M more than it is today and the Vidant Cancer Center contract would yield approximately $1M more. We estimate that contracts brought to these benchmarks would increase contract payments from Vidant to ECU Physicians of about $14M-$15M.

Request to reinstate full SODCA payments to ECU Physicians
In 2013, ECU received ~$5.5M thru the Set-Off Debt Collection Act program. In 2014, the NC Legislature stopped allowing the UNC physician practice plan and ECU Physicians from receiving SODCA. In 2015, we convinced the Legislature to allow us to collect SODCA from patients who have some kind of health insurance.   This allowed ECU Physicians to receive about $1.3M of the original $5.5M. The remaining $4.2M was from patients who do not have health insurance but are receiving a tax return from the State of NC or have lottery winning from the State of NC. Our request is to reinstate SODCA to its original intent as it was in 2013 and allow ECU Physicians to recover an additional $4.2M from patients who will not pay or set up payment plans to pay their professional fee bills.

Risk 6: ECU's Reputation in Large Urban Areas/Competitive Markets

Issue: When breaking down the numbers for specific markets (applications, admissions, enrollments), it became clear that more attention to urban (and more competitive) markets was necessary in order to increase enrollments in those areas. With regard to reputation, review of outcomes from surveys geared toward a) students admitted to ECU but <u>not</u> enrolled and/or b) the general public revealed a recurring theme: ECU is often perceived as "the backup school" and is consistently not associated with positive academic themes as often as its competitors. While this notion is not new to us, it did spur a theme for improvements to recruitment and yield events.

Remedies: Attempts to rebound from the Fall 2018 drop included personnel changes, a particular focus on visibility efforts, and improvements to or brand-new recruitment initiatives, all spanning multiple offices and entities at ECU. Specific focus on the gathering and review of data to pinpoint target areas for improvement was crucial to the process. Personnel changes implemented ranged from leadership for the office of Undergraduate Admissions (following an upgrade to the position title), to the placement of additional regional recruiters in urban markets that needed more attention. Greater visibility in those urban markets has been key as well, utilizing those new recruiters with more frequent and higher profile events (for students and for high school counselors) in those areas.

Efforts to better recruitment and yield events in the urban and lower performing markets were twofold: 1) elevate the events to make attendees feel more welcome and more special and thus more likely to become advocates for ECU (high school counselors) or to choose ECU (admitted students); and 2) adjust the <u>content</u> of the events to do a better job representing what makes ECU (& Greenville) great. Presentations during the events were upgraded to include better imagery and a clearer emphasis on ECU's academic depth and breadth, and to highlight our dedication to student success by showcasing real examples. Whenever possible, we utilized the attendance of a senior administrator (the Chancellor, Provost or Vice Provost), and even some participation by Board of Visitors members.

This work will never be "finished," but it is clear that the staff in admissions are on the right track. As we continue to implement lessons learned with regard to recruiting and yield events, we also turn our attention to training and professional development opportunities for new leadership and existing staff in admissions. Review of the 2019 figures for number of applications and number of enrolled students (as compared to 2018) is encouraging. The table below shows the top five largest cities in NC. You'll see that 2019 numbers are increased in all but one instance: Applications in Forsyth County were actually down compared to 2018, but the number of those applied students who actually enrolled is significantly higher, so a positive outcome after all. There is no doubt that these positive trends for urban markets are a direct result of efforts made following a disappointing Fall 2018.

	Top 5 Largest Cities in NC	County	APPLICATIONS		ENROLLED	
			2018	2019	2018	2019
1	Charlotte	Mecklenburg	1,146	1,295	223	247
2	Raleigh	Wake	2,870	3,064	743	865
3	Greensboro	Guilford	821	827	150	189
4	Durham	Durham	395	416	60	69
5	Winston-Salem	Forsyth	442	425	72	104

Risk 7: Current & Future Political Environment & Uncertainty

Within this category, the primary fall 2019 goal is to strengthen relationships with the local delegation, NC General Assembly leaders, and UNC System leadership through intentional and coordinated interactions. With the opening of TowneBank Tower, we are leveraging the football gameday experience and the enhanced facilities, specifically the Chancellor's Suite. Since the start of the 2019 home football schedule, the Board of Trustees, Chancellor, and Executive Council hosted Congressman Greg Murphy, Representative John Bell, Senator Don Davis, Representative Perrin Jones, Representative Chris Humphries, and Board of Governors members Harry Smith, David Powers, and Philip Byers.

A related tactic is the formation of the Board of Trustees Advocacy Committee. Committee members, Mr. Joyner, Mrs. Fanning, and Mr. Moore are assigned to liaise with the members of the NC General Assembly. The goal is to deepen relationships and educate members on opportunities and challenges at ECU.

Finally, with the assistance of Michelle Brooks and Megan Ayers, ECU faculty, staff, and administrators responded to requests for campus visits. Congressman GK Butterfield visited campus to learn more about federally funded grant research in the School of Dental Medicine. Speaker Moore led a delegation focused on the proposed new building for the Brody School of Medicine. Senator Don Davis met with Pediatrics faculty. Representative Kelly Hastings toured campus and discussed ECU's repair and renovation needs. Representative Perrin Jones visited campus to learn more about ECU's role in Agro-Medicine. Finally, ECU hosted a health care community event featuring Senators Don Davis and Jim Perry.

Risk 8: Ability to Improve and Sustain BOG and BOT Relations – Leadership Effectiveness & Communication

Improving communication, clarifying expectations, and coordination across governance structures are all core to the actions taken in this regard since the start of the academic year. Interim Chancellor Gerlach initiated a weekly communication to the Board of Trustees summarizing key information and highlighting upcoming interactions or initiatives. Requests from Trustees for information route through the Assistant Secretary, Megan Ayers, for tracking purposes and to ensure timely follow up. Administrators are finalizing operational metrics for each Board of Trustees standing committee. Reviewing the metrics at each Board meeting permits visualization of progress in meeting our strategic priorities and discussion of leading indicators related to each goal. In addition, the formation of the Board of Trustees Advocacy Committee and assignments to liaise with the Board of Governors, Board of Visitors, and each foundation board provides opportunities for more effective communication and engagement. Assignments include Mrs. Moss – Board of Governors and the Medical & Health Sciences Foundation; Mr. Lewis – Board of Visitors; Mr. Moore – Pirate Club; and Mr. Smith – ECU Foundation & Alumni Association.

Risk 9: Workforce Succession Planning Adequacy

General Overview of Succession Planning Efforts
ECU recognizes that a substantial portion of its workforce is reaching retirement age. As that population leaves the University, it will not only be leaving vacant positions that need to be filled but will also take with it a significant amount of institutional knowledge that is critical to continued success. There are also many critical positions on campus that, if vacant, can create potential risk for the University. As a result, we are in the process of developing a university-wide succession and continuity of operations program.

Identification of Key Positions and Their Required Knowledge, Skills and Abilities (KSAs)
A key aspect of this program will be for University leadership to identify key positions on which to focus. Examples of these positions will be leadership positions occupied by employees who may be close to retirement or have communicated a specific retirement date. Additionally, these key positions may include employees who possess unique skills that, if lost, could present a risk to continuity of operations. Once these positions are identified, core knowledge, skills, and abilities (KSAs) will be identified. Individual Development Plans (IDPs) focused on core KSAs will be developed for high potential employees in order to better bridge these knowledge gaps in case of vacancies.

This program will focus on the identification and development of high potential employees. Whether the focus for a high potential employee is to fill a knowledge gap that will be left by a retiring leader or simply to develop in their career, it's important for engagement and retention to invest in these employees. As a result, a second facet of this program will be to identify high potential employees, have candid discussions related to their professional goals and potential, and then to invest in their career development.

Data-based Decision-making: Current Infrastructure and Future Plans
A reporting framework has already been created, based on retirement eligibility, that displays employees' distance from retirement that can be used to help identify divisions and departments with a significant risk of losing institutional knowledge due to retirement. Furthermore, an IDP template has been created that will work to guide these discussions and planning sessions. The goal is to pilot this template in FY 2019-2020. Learning & Organization Development is in the process of developing a framework proposal for what, if adopted, will be a campus-wide succession planning program.

Risk 10: Update of Progress Regarding Enterprise Risk Area: Cyber Threats and Cyber Security – Data Systems Exploitation

General Statistics on Cyber Threats
From July 1, 2018 to June 30, 2019, ECU staff/faculty/students/alumni sent over 41 million emails. However, more than 340 million incoming emails (89% of email traffic to the university) were blocked by security tools due to being spam (unsolicited junk) or malicious emails. Between July and October 2019, ITCS blocked 9,925,612 external queries to ECU's network and 422,802 intrusion events, effectively protecting the university's network from cyber security threats. To complement the network defenses provided through our main Cisco firewalls, Sourcefire provides advanced intrusion detection and prevention capabilities. The F5 web application firewall that was deployed in Fall 2018 protects against denial of service attacks and malicious bots, and dramatically reduced the number of account lockouts by about 98%.

Cyber Security Operations Center (CSOC)
The Information Security Office includes the Cyber Security Operations Center (CSOC) team that consists of four full-time employees and three student interns. The CSOC is responsible for detecting, analyzing, and facilitating the university's response to cybersecurity threats. This team's main purpose is to focus on security incident response, vulnerability management, sensitive data verification, security information and event management, and digital forensics. The CSOC employs various security tools to handle and respond to incidents and to reduce risks to ECU's network. CSOC handles technical investigations for our security incident response efforts, they conduct forensics using the cyber analytics tool EnCase, and scan computers for sensitive information using the data security tool Spirion (Identity Finder). As noted above, CSOC presently includes three student interns. The student internship program provides students a valuable, real world experience to develop and refine skills related to cyber security, including hands-on experience using cyber security tools for SIEM and vulnerability management functions.

Splunk Security Information and Event Management (SIEM)
ITCS has implemented the powerful data analytics tool Splunk for collecting, alerting, reporting, and studying machine data. Splunk provides a visual picture of ECU's security posture, and it leverages logs and machine data from other IT systems to provide dashboards with key security indicators. Through continuous security monitoring, Splunk helps CSOC detect and recognize relationships and patterns in data that could represent a network compromise or exploitable vulnerability. This threat intelligence helps CSOC better detect cyber attacks, respond faster to security incidents, and decrease the risk of data breach.

Vulnerability Management
ITCS deployed Rapid7 in January 2019, a best of breed vulnerability management tool that enables system administrators to scan for, identify, and remediate critical vulnerabilities on servers across campus. To date, system administrators have remediated 72,535 vulnerabilities, securing IT assets and improving the university's overall cyber security posture. During the deployment, CSOC personnel trained 132 system administrators, across 28 departments on the use of Rapid7. At present, we have 945 servers being scanned and patched, with new systems being discovered and added weekly. Our action-oriented approach means a strategic process for better patch management, running regular scans, and remediating issues found. Additionally, ECU has established the Vulnerability Management Committee, made up of representatives from ITCS and other departments, to proactively address vulnerability management exceptions and risk acceptance requests.

Audit Risk Management, Compliance & Ethics Committee
November 21, 2019

Agenda Item: V. Enterprise Risk Management
                                                    b. Update on HR-related risks

Responsible Person: Justin Yeaman
                                                  Director of Learning & Org. Dev.

Action Requested: Information

Notes: N/A

Audit Risk Management, Compliance & Ethics Committee
November 21, 2019

Agenda Item: V. Enterprise Risk Management
                                     c. Update on IT / cyber-related risks

Responsible Person: Mark Webster
                                     Chief Information Security Officer

Action Requested: Information

Notes: N/A

Audit Risk Management, Compliance & Ethics Committee
November 21, 2019

Agenda Item: VI. Other Business

Responsible Person: Vince Smith
                                                             Committee Chair

Action Requested: Approval

Notes: N/A