



**Board of Trustees
Committee Meeting
Rudolph Jones Student Center
Room 242**

**Committee on Legal, Audit, Risk and Compliance
Wednesday, December 8, 2021
2:15 p.m.**

AGENDA

Call to Order	Glenn Adams, Committee Chair
Welcome and Opening Remarks	Glenn Adams, Committee Chair
Roll Call	
Approval of Minutes:	June 10, 2021

Information/Action Item:

A. Enterprise Risk Management Overview	Elizabeth Hunt <i>Compliance and Risk Management Officer</i>
B. ERM and Compliance Update	Elizabeth Hunt <i>Compliance and Risk Management Officer</i>
C. Internal Audit Update	Megan Fees <i>Chief Audit Officer</i>
D. Information Technology Update	Michelle Daley <i>Associate Vice Chancellor and Deputy CIO</i> Lawrence Chavis <i>Information Security Officer</i>

Action Items:

E. Approval of Internal Audit Charter	Megan Fees <i>Chief Audit Officer</i>
F. Approval of Legal, Audit, Risk and Compliance Committee Charter	Megan Fees <i>Chief Audit Officer</i>

Committee members: Glenn Adams, Warren McDonald, John McFadyen, Frederick Nelson
William Warner

For further information, please contact:
Wanda Jenkins
General Counsel and Vice Chancellor for Legal, Audit, Risk and Compliance
910.672.1145

AUDIT COMMITTEE MEETING

Thursday, June 10, 2021

8:15 A. M.

The Audit Committee of the Fayetteville State University Board of Trustees convened Thursday, June 10, 2021, at 8:15 a.m. in the Rudolph Jones Student Center, Multi-Purpose Room 242 and via zoom. The meeting was called to order at 8:22 a.m., by Chair Richard Clayton Adams.

ROLL CALL

The following trustees were in attendance: Chair Richard Clayton Adams, Mr. Stuart Augustine, and Dr. Brandon Phillips. Dr. Warren McDonald was absent.

Staff persons in attendance were: Chancellor Darrell T. Allison, Mr. Anthony Bennett, Dr. Juanette Council, Ms. Megan Fees, Mr. Gregory Moyd, Mrs. Wanda L. Jenkins, Mr. Terrance Robinson, Mr. Carlton E. Spellman, Ms. Minda Watkins and Mr. Jeffrey (Jeff) Womble.

APPROVAL OF MINUTES

It was moved by Trustee Brandon Phillips that the minutes of the March 25, 2021, Audit Committee Meeting be approved. Trustee Stuart Augustine seconded the motion. The motion carried based on the following change.

- Approval of December 10, 2020. The March minutes stated there wasn't a quorum at the Audit Committee meeting, so the December minutes were not approved. However, the minutes were approved during the full Board of Trustees meeting by the Audit Committee.
(Trustee Brandon Phillips and Trustee Stuart Augustine).

PRESENTED ENTERPRISE RISK MANAGEMENT TOP FIVE RISKS FOR FISCAL YEAR 2022:

- UNC System Policy 1300.7 defines the University's responsibility related to Enterprise Risk Management
- The University has a position posted for a Compliance and Enterprise Risk Management Officer
- The Top Five Risks were presented
- The UNC System utilizes the risks provided by the Universities to determine Systemwide risks

PRESENTED THE RESULTS OF THE STATEWIDE FEDERAL COMPLIANCE AUDIT PERFORMED BY THE NORTH CAROLINA OFFICE OF THE STATE AUDITOR

The Statewide Federal Compliance Report, conducted by the North Carolina Office of the State Auditor was issued on April 12, 2021:

- The audit was for the 2019-2020 academic year
- The report contained two findings which related to:
 - 1) Enrollment Reporting Errors and
 - 2) Untimely Return of Title IV Funds
- The University's response in the report concludes that corrective action was completed in February 2021
- Data was tested related to the Fall 2020 term and the Internal Auditor concluded that corrective action was taken in February 2021
- OSA has reviewed the work performed by Internal Auditor and has concluded that full corrective action has been taken
- The Internal Auditor and University personnel are continuing to work together to identify opportunities for improvement and efficiency

PRESENTED ANNUAL AUDIT PLAN FOR 2021 AND 2022 FOR APPROVAL

Ms. Fees provided the Audit Committee with a briefing on the Annual Audit Plan for 2021-2022.

Included in the briefing was an overview of the Risk Assessment process for the preparation of the Annual Audit Plan in addition to the continuing risk assessment that occurs throughout the year. Ms. Fees briefed the Committee on the audits included on the plan and provided the audit objective for the each of the planned audits.

She explained to the Committee that the annual plan is a fluid plan that is subject to change based on new emerging risks, hotline allegations/referrals, and management requests. The audit plan progress, together with current and finalized audits, is discussed at the quarterly committee meetings. There were no questions from the committee members on the annual plan. Therefore, Ms. Fees asked for the Board's approval.

It was moved by Trustee Brandon Phillips that the Annual Audit Plan for Fayetteville State University for Fiscal Year 2021-2022 be approved. Trustee Stuart Augustine seconded the motion. The motion carried. The Annual Audit Plan for Fiscal Year 2021-2022 was also approved at the full Board of Trustees meeting.

Trustee Richard Clayton Adams adjourned the Audit Committee meeting 8:35 A. M.

Dr. Richard Clayton Adams, Chair
PH Clark, Recorder

Agenda Item LARC-1

EXECUTIVE SUMMARY

MEETING DATE: December 8, 2021

COMMITTEE: Legal, Audit, Risk and Compliance

SUBJECT: Compliance and Enterprise Risk Management Overview

BACKGROUND: UNC System policy (#1300.7) requires each institution to establish an Enterprise Risk Management process that aligns with the institution's programs, activities, and systems and that aligns with the institution's strategic and other goals. Periodic updates related to the institution's efforts regarding enterprise risk management are to be made to the Board of Trustees.

An overview of FSU's Compliance and Enterprise Risk Management Program and an overview of the UNC System's expectations for Enterprise Risk Management will be presented to the Committee.

MOTION: N/A

Supporting Document(s) Included: N/A

Reviewed By: Wanda Jenkins
General Counsel and Vice Chancellor for Legal, Audit, Risk and Compliance

Date: 11/8/2021

Prepared by: Elizabeth Hunt
Compliance and Enterprise Risk Management Officer

Date: 11/8/2021



Board of Trustees

Agenda Item LARC-2

EXECUTIVE SUMMARY

MEETING DATE: December 8, 2021

COMMITTEE: Legal, Audit, Risk and Compliance

SUBJECT: Internal Audit Office Update

BACKGROUND: The Chief Audit Officer will provide an update on audit reports issued since the September 23, 2021 meeting.

MOTION: N/A

Supporting Document(s) Included: N/A

Reviewed By: Wanda Jenkins
General Counsel and Vice Chancellor for Legal, Audit, Risk and Compliance

Date: 11/8/2021

Prepared by: Megan Fees
Chief Audit Officer

Date: 11/8/2021

Agenda Item LARC-3

EXECUTIVE SUMMARY

MEETING DATE: December 8, 2021

COMMITTEE: Legal, Audit, Risk and Compliance

SUBJECT: Information Technology Update

BACKGROUND: UNC System policies (#1400.1, 1400.2, 1400.3) require the respective Board of Trustees' committee to periodically include as an agenda item information on emerging IT security matters. To comply, an update will be made on cyber security measures being implemented by the University's Information Technology Services unit.

MOTION: N/A

Supporting Document(s) Included: N/A

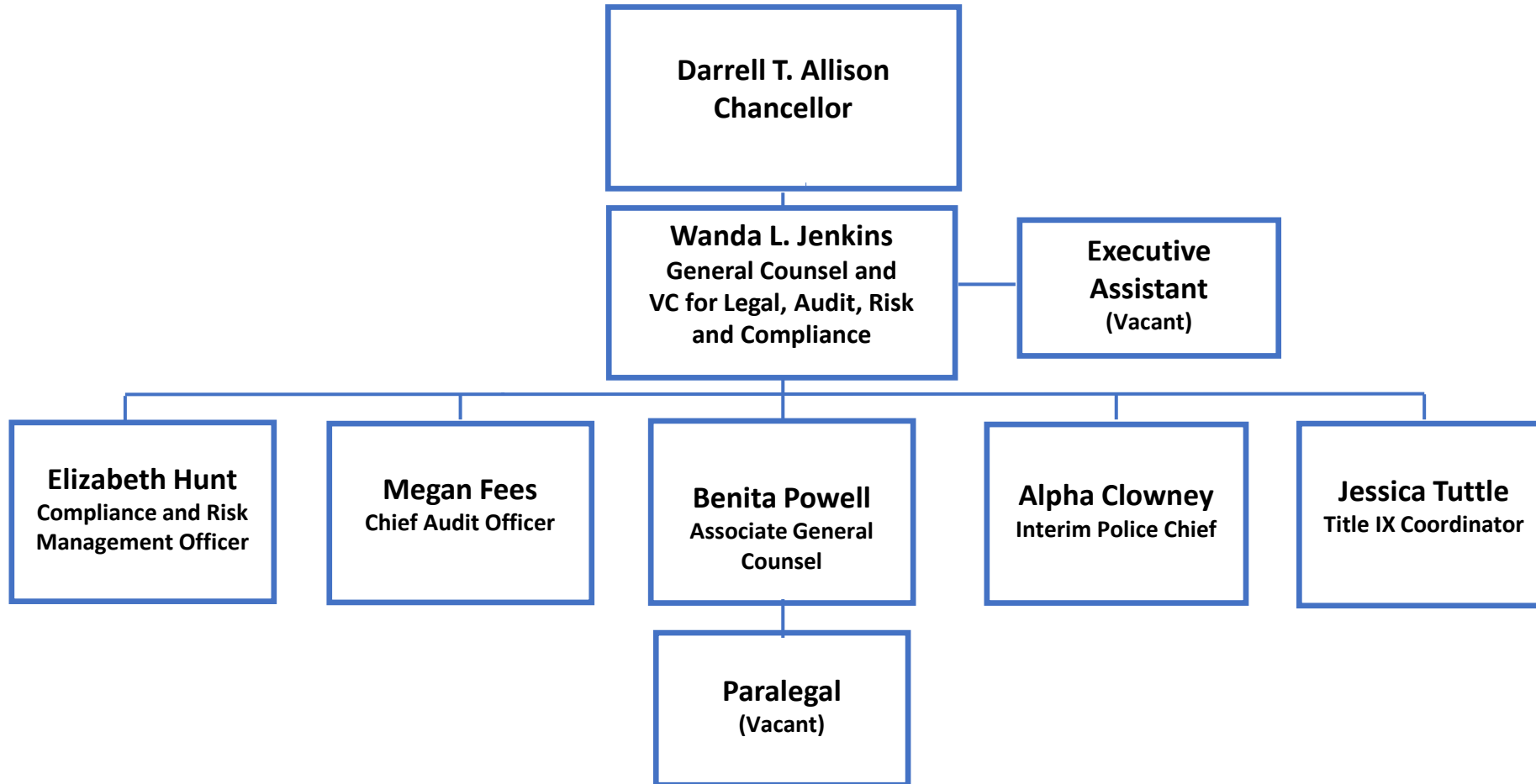
Reviewed By: Wanda Jenkins
General Counsel and Vice Chancellor for Legal, Audit, Risk and Compliance
Date: 11/15/2021

Prepared by: Michelle Daley
Associate Vice Chancellor and Deputy CIO Information Technology Services
Date: 11/08/2021

Legal, Audit, Risk and Compliance Committee Reports

December 8, 2021

DIVISION OF LEGAL, AUDIT, RISK AND COMPLIANCE



Compliance and Enterprise Risk Management (ERM) Report

Elizabeth Hunt

Compliance & Enterprise Risk Management

- Activities in this area are designed to identify, report, and/or assist the University in addressing strategic, operational, and compliance risks across the enterprise.
- This work helps provide assurance that System institutions and entities comply with law, regulation, and policy, understanding that all authority for the UNC System's operations is sourced in a single-governing board, which establishes and maintains a policy framework within which University leadership, along with faculty and staff, operate to achieve the University's mission.
- Examples of activities include internal audits and investigations; System-wide compliance through the Business Compliance Program; Title IX and Clery, and related training and coordination; System-wide activities in safety and emergency operations; legal counsel and advice; and other activities focused on identifying, assessing, and mitigating risk at the enterprise level.

[Compliance and Risk Management -
UNC System \(northcarolina.edu\)](#)



Establishment and Oversight of ERM and Compliance Processes

The system-wide processes should include components focused on the following:

- Developing, implementing, evaluating, and monitoring a University system-wide enterprise risk management process;
- Promoting the establishment of and collaboration among the risk management, ethics, and compliance programs at the constituent institutions;
- Advising, assisting, and supporting the constituent institution risk management and compliance processes, and providing other advice and counsel for these purposes;
- Promoting a culture that supports board goals for risk management and compliance;
- Promoting a uniform approach to measuring the University resources expended on regulatory compliance;
- Supporting training and educational efforts;
- Providing regular reports to the board's CARMC;
- Referring matters to the chancellors of the constituent institutions, the president's staff, or other University officers, divisions, and units, as appropriate; and
- Performing such other duties as directed by the president.

Constituent Institution Requirements

- Establish an enterprise risk management process that aligns with the institution's programs, activities, and management systems and that supports the institution's strategic and other goals.
- The enterprise risk management processes established at each constituent institution shall include components and appropriate procedures for:
 1. Identifying risks that impact the constituent institution's goals;
 2. Developing plans to monitor and mitigate risks;
 3. Providing periodic updates to the chancellor and the board of trustees; and
 4. Reporting significant enterprise risks to the president and, with the president's guidance, to the Board of Governors.

UNC System ERM Process

- Annual Identification of Risks
- Ranking to Identify the Top Risks
- Submission to the System Office
- Compilation of Results
- Grouping and Summarization of Risk Topics
- Annual Reporting to the President and CARMC
- Managing Risks

Compliance and ERM Committee

- The committee held our first meeting on 11/03/2021.
- Agenda Items
 - Compliance and ERM Overview
 - Committee Charter
 - New University Ethics Training
 - Compliance Calendar
 - Review System Risk Register
 - ERM Survey

Enterprise Risk Management

Enterprise Risk Management considers non-insurable hazards.

Enterprise Risk Management includes:

- Thoughtful identification and agreement about enterprise risks
- Early intervention and opportunity to make decisions about managing risks
- Opportunity to look forward

Risk Categories & Examples

- **Strategic and Reputational Risks**

- Culture of integrity & transparency
- Recruitment & retention
- Public perceptions vs. reality

- **Financial and Operational Risks**

- Resource allocation with institutional objectives
- Information Technology security & controls
- Business continuity planning

- **Safety and Regulatory Risks**

- Regulations related to student rights, EEO, accreditation, NCAA
- Compliance-driven safety needs
- Day-to-day safety

Enterprise Risk Mapping

Consider the type of risk and the immediacy of risk (i.e., time)

- Immediate Risks: Those that are ongoing or likely to occur within one year.
- Near Term Risks: Those that have a short time before they occur, often one to three years.
- Moderate Term Risks: Those that can be foreseen but are not likely to occur before three years.

Initial categories to consider:

- Athletics
- Compliance
- Donor interests
- Financial
- Deferred maintenance
- Hazard, safety or legal liability
- Human capital
- International activities
- Operational
- Research
- Strategic
- Students
- Technology and privacy

FSU Risk Register

The following are the top five risks identified in the last system risk register.

Risk Title	Description	Major Risk Category	Is this risk sensitive or confidential?
Competition for Students/Student Completion	Decreasing student population (ages 18-25); competition with UNC institutions with NC Promise and/or available resources (scholarships) to recruit the best and brightest; graduation completion rate; low enrollment of traditional age students	Financial	No
Campus Safety/Incident Response	Response to natural/man-made disasters; campus security and safety	Reputational	No
Financial Sustainability	Reduced state/federal funding; lack of discretionary/reserve funds due to delivery method; unanticipated lawsuits/claims; lack of adequate advancement infrastructure	Financial	No
Aging Facilities	Funding inequities to address deferred maintenance and capital projects (new construction/renovations); Lack of funding to address aging residence halls	Financial	No
IT Security	Unauthorized access to, accidental disclosure of or employee negligence with data; phishing, ransomware and other cyberthreats; competition to retain qualified IT personnel	Operational	No

Managing Risks Related to Information Management

All institutions leverage their risk management functions, like ERM, to support IT Risk Management required by 1400.1

- System leadership active engagement
- Leadership actively prioritizes cyber risks, guides risk treatment decisions, clarifies risk tolerances and sponsors risk management maturation via their Risk Review Board (RRB), for System Office = four leaders who report to the System president
- Sets organizationally approved maturity targets
- Sets expectations and priority for resource and investment allocation and can rapidly adjust to dynamic cyber security environment Risk Register
- Annual submission of top 10 information security risks to UNC System Office CIO as a risk register

Internal Audit Report Megan Fees

90 Day Follow-Up OSA Investigative Report Issued September 2021

The follow-up has been provided to the Office of the State Auditor and the UNC System Office.

Corrective Actions Taken

- Annual Ethics Training has been implemented and is required training for all university employees beginning November 2021.
- The university purchasing policy has been reviewed and updated, as necessary. The updated policy was approved and posted on the university webpage on November 2, 2021.
- The Purchasing Department has created a Purchasing Manual which is located on the university website as of November 4, 2021.
- The university created the Division of Legal, Audit, Risk and Compliance. Included in the division is, a Compliance and Enterprise Risk Management Officer (Officer), which is a new position to the university. The new Officer began employment in September 2021.

Corrective Actions to be Implemented:

- Vice Chancellors and Associate Vice Chancellors will participate in a state-led procurement training course in January 2022.
- Internal Audit is working to develop continuous monitoring tools related to purchasing and purchase card transactions. This will either be developed through a collaboration with the UNC System Internship Program or through an audit software solution purchased by the university. Anticipated completion is May 2022.

Financial Statement Audits Fiscal Year Ended June 30, 2021



OFFICE OF THE STATE AUDITOR

UNIVERSITY FINANCIAL STATEMENT AUDIT

SHARPE PATEL PLLC

FAYETTEVILLE STATE UNIVERSITY FOUNDATION INC. AND SUBSIDIARY
FAYETTEVILLE STATE UNIVERSITY STUDENT HOUSING CORPORATION
AND SUBSIDIARY

The results of the audits were that the applicable financial statements were free from material misstatements and no internal control deficiencies were identified.

Information Security Council Third-Party Assessment Report

**Lawrence Chavis
Information Security Officer**

What is a Security Assessment?

- A security assessment is a review of your security posture against a Security standard developed by a standards organization
- The security standard that the UNC system has chosen is the International Standard Organization 27002:13. (ISO27002:13)

Why is a Security Assessment needed?

- A security assessment helps improve security by asking important security best practice questions and validating the responses to those questions with evidence.
- These ensures the FSU has a baseline of for our security program to measure our progress in the future.

When are security assessments performed?

- Each UNC system school must perform a security self assessment each year.
- That self assessment will be reviewed by their peer schools for compliance and recommendations.
- A third-party assessment must be conducted every 3 years.
- This will be Fayetteville State University's first assessment.
- This third-party assessment will also count as our first self assessment as well.

How are security assessments scored?

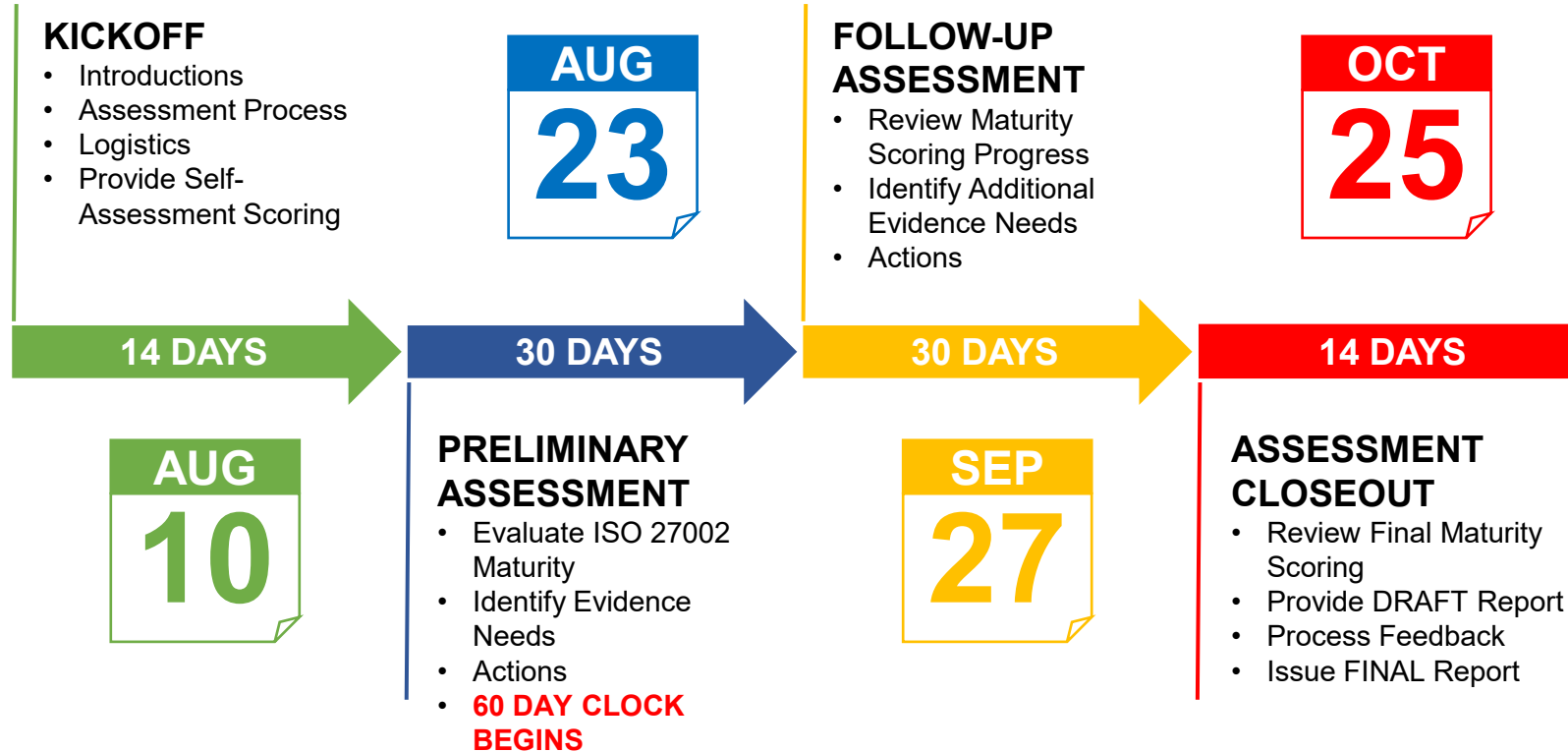
- Maturity will be scored using the Security & Privacy Capability Maturity Model (SP-CMM) approved by the UNC Information Security Council (ISC).

CODE	MATURITY TITLE
0	Not Performed
1	Performed Informally
2	Planned
3	Well Defined
4	Quantitatively Controlled
5	Continuously Improving

The scores do not represent a pass-fail score. The scores represent whether a controls is being performed or not and how mature the control is.

It is up to leadership of the institution to decide what controls they need and how mature they would like to become based on input from all stakeholders.

ASSESSMENT PROCESS



Approval of Charters

- Situation:** Annual updates to Legal, Audit, Risk and Compliance Committee (LARC) Charter and the Internal Audit Office Charter are presented for review and approval.
- Background:** As required by North Carolina General Statutes, the North Carolina Council of Internal Auditing, and the standards prescribed by The Institute of Internal Auditors, both the committee and the internal audit function should have a charter to outline its respective roles and responsibilities. The LARC Committee Charter outline roles and responsibilities for the committee and the Internal Audit Office Charter outlines roles and responsibilities of the internal audit function for FSU.
- Assessment:** Updates to the LARC Committee Charter and the Internal Audit Office Charter are included with the materials for review and approval.
- Action:** This item requires a vote by the committee, with a vote by the full Board of Trustees.

QUESTIONS

Agenda Item LARC-4

EXECUTIVE SUMMARY

MEETING DATE: December 8, 2021

COMMITTEE: Legal, Audit, Risk and Compliance

SUBJECT: Internal Audit Office Charter

BACKGROUND: The Internal Audit Office’s responsibilities are defined by the Board of Trustees as a part of its oversight role. These responsibilities are incorporated into the Internal Audit Office Charter which is periodically reviewed and updated as appropriate by the Board of Trustees. The Charter is being updated to reflect changes to the unit’s reporting structure and the Board of Trustees’ Committee structure.

MOTION: To approve the Internal Audit Office Charter

Supporting Document(s) Included: Internal Audit Office Charter (Draft)

Reviewed By: Wanda Jenkins
General Counsel and Vice Chancellor for Legal, Audit, Risk and Compliance

Date: 11/8/2021

Prepared by: Megan Fees
Chief Audit Officer

Date: 11/8/2021

INTERNAL AUDIT OFFICE CHARTER FAYETTEVILLE STATE UNIVERSITY

INTRODUCTION:

Internal Audit is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the organization's operations. It assists the organization in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management, and internal control.

ROLE:

The internal audit activity is established by the Compliance, Audit, and Risk Management Committee (Committee). The internal audit activity's responsibilities are defined by the Committee as part of its oversight role. Final approval of the audit charter resides with the Board of Trustees.

PROFESSIONALISM:

The internal audit activity will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, the Core Principles, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluation the effectiveness of the internal audit activity's performance. The Chief Audit Officer (CAO) will report periodically to the Committee regarding Internal Audits' conformance to the Code of Ethics and the Standards.

The Institute of Internal Auditors' Implementation Guides, Practice Advisories, and Supplemental Guidance will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to Fayetteville State University's relevant policies and procedures and the internal audit procedure manual.

AUTHORITY:

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all University records, physical properties, and personnel pertinent to carrying out any engagement. All University employees are required to assist the internal audit activity in fulfilling its roles and responsibilities.

ORGANIZATION:

The CAO will report administratively to the General Counsel and Vice Chancellor for Legal, Audit, Risk and Compliance (Vice Chancellor) with a clear and recognized reporting relationship to the Chancellor and the Committee.

The Committee will:

- Approve the internal audit charter.
- Approve the risk based internal audit plan.
- Receive communications from the Chief Audit Officer on the internal audit activity's performance relative to its plan and other matters.

- Make appropriate inquiries of management and the Chief Audit Officer to determine whether there is inappropriate scope or resource limitations.

The CAO will communicate and interact directly with the Committee, including in Committee meetings and between meetings as appropriate.

INDEPENDENCE AND OBJECTIVITY:

The internal audit activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The CAO shall have full and independent access to the Chancellor and the Committee. The CAO will confirm to the Committee and the Board of Trustees, at least annually, the organizational independence of the internal audit activity. If the CAO determines that independence or objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties. The CAO will disclose to the General Counsel and Chief Compliance Officer, the Chancellor, and the Committee any interference and related implications in determining the scope of internal auditing, performing work and communicating results.

RESPONSIBILITY:

Internal Audit is responsible for:

- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating operation or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out effectively and efficiently.
- Monitoring and evaluating the effectiveness of the University's risk management processes.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations that could have a significant impact on the University.
- Assessing information security and information technology controls in all appropriate audit engagements.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the University, provided internal audit does not assume management responsibility.

- Maintaining a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of the Charter.
- Communicating to senior management and the Committee the impact of resource limitations, if any, on the internal audit plan.
- Ensuring the internal audit activity conforms to the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (Standards).
- Establishing a quality assurance and improvement program by which the CAO assures the operation on internal audit activities. This will include assuring adherence to both internal policies and procedures and the University policies and procedures.
- Ensuring that emerging trends and successful practices in internal auditing are considered.
- Assisting and/or conducting investigation of suspected fraudulent activities within the University and notifying senior management and the Committee of the results.
- Serving as liaison between University management and external auditors. In addition, as appropriate, coordinating activities and considering reliance on the work of other external assurance and consulting service providers as needed.
- As appropriate, providing consulting services to management that add value and the promote the best interests of the University.
- Ensuring that information security is addressed in the risk-based annual audit plan, in accordance with UNC Policy 1400.2.
- Implementing the annual audit plan, as approved, including any special tasks or projects requested by management or the Committee. At the end of the audit cycle, providing the Committee with a comparison of the annual audit plan with internal audits performed by internal audit.
- Forwarding copies of both the approved audit plan and the summary of internal audit results, including any material reporting conditions and how they were addressed, to the UNC System Office in the prescribed format.

REPORTING AND MONITORING:

A written report will be prepared and issued by the CAO or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Board.

The internal audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter (i.e. within thirty days) by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented (management accepts the risk). The CAO will report to the Chancellor and the Committee any response to risk by management that, in the CAO's opinion, may be unacceptable to the University.

The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM:

The internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the *Standards* and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Chief Audit Executive will communicate to the General Counsel and Chief Compliance Officer, the Chancellor, and the Committee on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

PERIODIC ASSESSMENT:

The CAO will periodically report to the Vice Chancellor, the Chancellor and the Committee on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. The reporting will include any resource requirements of the internal audit activity as well as internal audits' conformance with the IIA's Code of Ethics and Standards. Action plans to address significant conformance issues, if any, will be reported. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management or the Committee.



Board of Trustees

Agenda Item LARC-5

EXECUTIVE SUMMARY

MEETING DATE: December 8, 2021

COMMITTEE: Legal, Audit, Risk and Compliance

SUBJECT: Legal, Audit, Risk and Compliance Committee Charter

BACKGROUND: The Board of Trustees Audit Committee has been renamed and realigned to include the following: audit, legal, enterprise risk management and compliance. The addition of the other areas requires a revised committee charter.

MOTION: To approve Legal, Audit Risk and Compliance Committee Charter

Supporting Document(s) Included: Legal, Audit, Risk and Compliance Committee Charter (Draft)

Reviewed By: Wanda Jenkins
General Counsel and Vice Chancellor for Legal, Audit, Risk and Compliance
Date: 11/8/2021

Prepared by: Megan Fees
Chief Audit Officer
Date: 11/8/2021

Fayetteville State University

Board of Trustees Legal, Audit, Risk, and Compliance Committee Charter

I. Background and Authority

The Legal, Audit, Risk, and Compliance Committee (Committee) is a standing committee of the Board of Trustees of Fayetteville State University (Board) and provides independent oversight of the University's governance, risk management, compliance and internal control practices. This charter sets out the authority of the Committee to carry out the responsibilities established by the Board. In discharging its responsibilities, the Committee will have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties. Related authoritative legislation and policies include:

- A. All constituent institutions, affiliated entities, and the University of North Carolina System Office are subject to audit by the North Carolina State Auditor under Article 5A of Chapter 147 of the North Carolina General Statutes (G.S).
- B. A special responsibility constituent institution of the University of North Carolina is required by G.S. 116-30.8 to have an annual audit conducted by the North Carolina State Auditor.
- C. The University is required to establish a program of internal auditing pursuant to G.S. 143-746.
- D. Chapter 600 of the UNC Policy Manual establishes financial, reporting, and audit policies, regulations, and guidelines for the University of North Carolina, University-related foundations, and associated entities.
- E. UNC Policy Manual 1300.7 directs constituent institutions to establish an enterprise risk management process that aligns with the institution's programs, activities, and management systems and that supports the institution's strategic and other goals.
- F. UNC Policy Manual 1400.2 assigns the responsibility for oversight of the UNC System Office's information security program to the standing committee with audit responsibility.

II. Purpose

The purpose of the Committee is to provide structured, systematic oversight of the University's governance, risk management, and internal control practices. The Committee will assist the Board in fulfilling its responsibilities and oversight related to:

- A. The integrity of the University's financial statements and other financial reporting.
- B. Adequacy and effectiveness of the University's internal control systems and risk management.
- C. Independence and performance of the external and internal audit functions.
- D. Adequacy of the University's process to monitor regulatory compliance.

The duties of the Committee do not replace or duplicate established management responsibilities and delegations. Instead, the Committee serves in an advisory capacity to guide the direction of management's actions and set broad policy for ensuring accurate financial reporting, sound risk management, and ethical behavior.

III. Composition and Meetings

The Chairman of the Board will select members of the Committee. Each Committee member must be independent of management of the University and free of any relationship that would impair such independence. Members may not receive consulting, advisory, or other fees from the University.

The Committee shall meet quarterly.

IV. Duties and Responsibilities

The following shall be the principal oversight duties and responsibilities of the Committee:

A. Financial Reporting

1. Review the audit engagement letter and other significant audit related communications from the Office of the State Auditor and other external auditors as applicable.
2. Review audit reports of University-associated Entities.
3. Meet with representatives of the State Auditor's office to review the University's annual audit report and discuss corrective actions taken if needed.

B. Internal Controls and Risk Management

1. Consider the adequacy and effectiveness of the internal control system and self-assessments of operating risks at the University through the reports of activities of the internal and external auditors, and University risk management functions as required, including any recommendations and planned actions.
2. Oversee the process to identify, assess, prioritize, and manage general business risks. This includes the current risk environment, emerging risks, and the interrelationship between risks and the context of the University's risk appetite.
3. Receive reports from management regarding the risk environment for the University and ensure that management's responses to significant risks are appropriate, and that resources to address high priority risks are allocated appropriately.

C. Information Technology Governance and Security

1. Oversee the University's Information Technology Governance and Information Security programs.

2. Receive a report at least annually from the appropriate senior officer on the institution's information governance and security infrastructure and information technology security controls.
3. Periodically include an agenda item for emerging information governance and security matters at its regularly scheduled Meetings.

D. External and Internal Audit Functions

1. Review and approve the internal audit charter and the annual internal audit plan including significant changes to the plan. Review internal audit activity reporting, organizational structure, and performance relative to the annual plan.
2. Review internal audit reports and summaries of external and internal audit activities. Receive reports on significant findings and recommendations, along with management's responses
3. Provide a direct channel of communication to the full Board of Trustees for the Chief Audit Officer and the Office of the State Auditor.
4. Monitor the effectiveness of the internal audit function, including adherence to the Institute of Internal Auditors mandatory guidance including the *International Standards for the Professional Practice of Internal Auditing*.
5. Oversee the University's mechanism for receiving, resolving, and retaining records of complaints regarding accounting, internal control, and auditing matters. Receive briefings regarding any significant complaints or misuse of funds.
6. Consult with the Chancellor regarding the selection and removal of the Chief Audit Officer. The Chief Audit Officer reports administratively to the Vice Chancellor with a clear and recognized reporting relationship to the Chancellor and the Committee.

E. Compliance

1. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of review and follow-up of any instances of noncompliance.
2. Receive reports regarding compliance matters University-wide, including, but not limited to the following areas: athletics, research, contracts and grants, purchasing, and financial aid.

The Committee may modify or supplement these duties and responsibilities as needed.

The Committee shall have the authority to engage, in accordance with state rules and regulations, independent counsel or other advisors as necessary to carry out its duties. The University shall provide appropriate funding, as determined by the Committee, for payment to advisors employed by the Committee.

The Committee, with the assistance of the Vice Chancellor, Compliance and Enterprise Risk Management Officer and the Chief Audit Officer, should periodically review and assess the adequacy of the Committee Charter.