**FAYETTEVILLE**
STATE UNIVERSITY™

**COMMITTEE ON LEGAL, AUDIT, RISK, and COMPLIANCE**
**WEDNESDAY, MARCH 23, 2022**
**1:45PM**

**AGENDA**

Call to Order                                         Glenn Adams, Committee Chair

Welcome and Opening Remarks            Glenn Adams, Committee Chair

Roll Call

Approval of Minutes                               December 8, 2021

**Information/Action Item:**

A.  Internal Audit Update                       Megan Fees
                                                              *Chief Audit Officer*

B.  ERM and Compliance Update            Elizabeth Hunt
                                                              *Compliance and Risk Management Officer*

C.  Information Technology Update        Hector Molina
                                                              *Vice Chancellor for Information Technology Services*
                                                              *and Chief Information Officer*


**Committee members:** Glenn Adams, Warren McDonald, John McFadyen, Frederick Nelson
William Warner
Staff Liaison: Wanda Jenkins
Board Professional: Tonya Frederick

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For further information, please contact:
Wanda Jenkins
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910.672.1145

**COMMITTEE ON LEGAL, AUDIT, RISK, AND COMPLIANCE**
**WEDNESDAY, DECEMBER 8, 2021**
**2:15 p.m.**

The LARC Committee of the Fayetteville State University Board of Trustees convened Wednesday, December 8, 2021, at 2:15 p.m.  In the Rudolph Jones Student Center, Multi-Purpose Room 242 and via zoom.  The meeting was called to order at 2:15 p.m., by Chair Glenn Adams.

**ROLL CALL**
The following trustees were in attendance:  Chair Glenn Adams, Mr. Frederick Nelson, and Mr. William Warner.  Dr. Warren McDonald and Mr. John McFadyen were absent.

Staff persons in attendance:  Atty. Wanda Jenkins, Ms. Elizabeth Hunt, Ms. Megan Fees, Ms. Michelle Daley, and Mr. Lawrence Chavis.

**APPROVAL OF MINUTES**
It was moved by Trustee Fred Nelson and seconded by Trustee Will Warner that the minutes for June 10, 2021, be approved.  The motion carried.

**INFORMATION / ACTION ITEMS**
*ERM (Enterprise Risk Management) Overview & Compliance Update – Elizabeth Hunt (see handout)*
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.

*Internal Audit Update – Megan Fees (see handout)*
The 90 day follow up to the Office of the State Auditor and the UNC System Office was presented to the Board with corrective actions taken and corrective actions that need to be implemented.

The Financial Statement Audits Fiscal Year ended June 30, 2021.  The university financial statement audit was performed by the Office of the State Auditor and the financial statement audit for FSU's Foundation Inc, and subsidiary and the FSU Student Housing Corporation and Subsidiary was performed by Sharpe Patel PLLC.

The results of the audits were that the applicable financial statements were free from material misstatements and no internal control deficiencies were identified.
*Information Technology Update – Michelle Daley & Lawrence Chavis (see handout)*

Michelle stated that for several months the department has implemented several cyber security improvements, i.e., self-service password portal, limiting file tax that can be attached to emails and a security assessment. These new processes with give the university a more secure system.

Lawrence presented on the new security assessment the university will implement. The assessment is a review of the security posture against a security standard developed by a standards organization. The security standard the UNC System office has chosen is the International Standard Organization. Each UNC system school must perform a security self-assessment each year. Which will be reviewed by peer schools for compliance and recommendations. A third-party assessment must be conducted every 3 years. This will be FSU's first assessment.

## ACTION ITEMS
### *Approval of Legal, Audit, Risk and Compliance Committee Charter – Megan Fees (see handout)*
The LARC Committee is a standing committee of the Board of Trustees of Fayetteville State University 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. It was moved by Trustee Nelson and seconded by Trustee Warner to approve the LARC Charter. The motion carried.

### *Approval of Internal Audit Charter – Megan Fees (see handout)*
The Internal Audit office 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. It was moved by Trustee Nelson and seconded by Trustee Warner to approve the Internal Audit Charter. The motion carried.

## ADJOURNMENT
Chair Adams Adjourned at 3:00 p.m.
Respectfully submitted, Tonya Frederick

# University Risk Register

➢ The deadline for submission of our top 5 risks to the system office is April 30th.

➢ For the first time, we will also be required to provide an update on how we are managing the top 5 risks that were submitted last year.

➢ The update must include the following information about last year's top risks:
  ➢ Risk owner
  ➢ Risk management approach: avoidance, transferring, mitigation, acceptance
  ➢ Remediation effort status: complete, partial, planned

# FSU Risk Register 2021

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 |

# 2021 Risk Register Update

| Risk Title | Additional Information |
|---|---|
| **Competition for Students/Student Completion** | With a primary focus on sustaining long-term student success and in accordance with Fayetteville State University's mission and core goals, the Executive Enrollment Management Committee (EEMC) will develop a holistic and integrated approach to enrollment management, which supports college-wide collaboration, engagement, creative-thinking and consensus building. The purpose of the EEMC is to discuss enrollment strategies and to make recommendations that contribute to student access, recruitment, persistence, completion, and lifelong learning through diverse program offerings. FSU has been added to the NC Promise Plan - the state's affordable tuition program. NC Promise will help grow FSU's enrollment and strengthen its retention rate, while also making the cost of tuition more affordable for in-state students. |
| **Campus Safety/Incident Response** | FSU's Emergency Operations Center Group (EOCG) is tasked with pre-planning for efficient university operations for most emergencies, and in the event of an emergency, we attempt to lead smooth operations during the emergency event. Police and Public Safety have implemented additional safety and security measures. |
| **Financial Sustainability** | FSU Office of Development has expanded its staff to focus efforts on increased giving. As FSU continues to evolve into a national and global educational resource, greater emphasis will be placed on building relationships with key corporate and foundation contacts. Corporate and Foundation Relations is dedicated to building strategic partnerships that engage local, regional, and national organizations with Fayetteville State University. The office raises awareness across campus on how it can increase and enhance industry partnerships for FSU. |

# 2021 Risk Register Update

| Risk Title | Additional Information |
|---|---|
| **Aging Facilities** | As part of the new state budget, Fayetteville State University (FSU) will receive nearly $152 million in new capital construction projects and repairs and renovations. The budget allocation includes funding for repairs and renovations. |
| **IT Security** | FSU has received a Third-Party Security Assessment to help 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. The IT department will develop an action plan based on the assessment findings and provide ongoing progress reports to the Compliance and Enterprise Risk Management Committee. FSU has hired a new CIO, Hector Molina, who will join the committee. |

# New Risk Management Assessment Process

- A University survey was developed based on current FSU Risk Register and the most common risks in higher education. The survey will be distributed to University leadership and stakeholders.

- The second phase will compile information about the risk management approach for the risks identified.

- The Enterprise Risk Management Survey will be conducted annually by the Compliance and Enterprise Risk Management Committee.

**INSTRUCTIONS:**
1. Assess the **Impact** and **Likelihood** of each risk listed on a scale of 1 (low) to 5 (high). You may refer to the Risk Scale tab for a detailed description of the scales.
2. Under **Monitoring Methods**, describe how these activities are being monitored. You may refer to the **Example** tab for help.
3. Identify the **Accountable Department/Person** for monitoring those control activities.
4. The **Risk Rating** will populate based on the Risk Impact and Risk Likelihood. ***Do not enter data into the Risk Rating field***.

| Risk | Risk Impact (1-5) | Risk Likelihood (1-5) | Risk Rating (1-5) |
|---|---|---|---|
| **Academic Affairs** | | | |
| Cheating/Plagiarism | | | |
| Credentials Fraud | | | |
| Enrollment | | | |
| Faculty Recruitment | | | |
| Graduation Rates | | | |
| Online Learning | | | |
| Student Retention | | | |
| Other (specify) | | | |

| Risk Impact | | |
|---|---|---|
| Scale | Definition | Factor |
| Very high | Core mission impaired, operationally disabling | 5 |
| High | Operations must shift significantly to adjust to conditions created by consequences of risk-related incident or control failure | 4 |
| Moderate | Operational changes are necessary to adjust to conditions created by consequences of risk-related incident or control failure | 3 |
| Low | Consequences of risk-related incident or control failure are tangible, but operations remain largely intact and maintain status quo. | 2 |
| Very low | Operations are unaffected, but risk awareness and monitoring is appropriate. | 1 |

| Risk Likelihood | | |
|---|---|---|
| Scale | Definition | Factor |
| Very high | Certain to occur | 5 |
| High | Almost certain to occur | 4 |
| Moderate | May occur within the year | 3 |
| Low | Not likely to occur within the year | 2 |
| Very low | Not likely to occur within the next 10 years | 1 |

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# Governance Risk Management

- Governance has become a major leverage tool for improving quality in all aspects of higher education.

- Good governance contributes to long-term organizational sustainability and success.

- A governance risk survey can help the Board self-assess areas of key governance risk and opportunity.

# Governance Core Values

✓Integrity: transparency, accountability, honesty, freedom of speech and academic freedom

✓Sustainability: financial and environmental

✓Inclusivity: equality, diversity, accessibility, participation and fair outcomes for all

✓Excellence: high-quality research, scholarship and teaching

✓Innovation and growth: social, economic and cultural

✓Community: public service, citizenship, collegiality, collaboration

# Elements of Good Governance

1. **Accountability.** The governing body is collectively responsible and accountable for institutional activities, approving all final decisions on matters of fundamental concern within its responsibility.

2. **Sustainability.** Working with the Executive, the governing body sets the mission, strategic direction, overall aims and values of the institution. They actively seek and receive assurance that delivery of the strategic plan is in line with legislative and regulatory requirements, institutional values, policies and procedures, and that there are effective systems of control and risk management in place.

3. **Reputation.** The governing body safeguards and promotes institutional reputation and autonomy by operating in accordance with its core values and the principles of public life.

# Elements of Good Governance

4. **Equality, inclusivity and diversity.** The governing body promotes a positive culture which supports ethical behavior, equality, inclusivity and diversity across the institution, including in the governing body's own operation and composition. This includes ensuring under-representation and differences in outcomes are challenged and, where practicable, corrective action is taken to ensure fair outcomes for all.

5. **Effectiveness.** The governing body ensures that governance structures and processes are robust, effective and agile by scrutinizing and evaluating governance performance against this Code (and other Codes where an institution's constitutional form requires it), and recognized standards of good practice.

6. **Engagement.** Governing bodies understand the various stakeholders of the institution and are assured that appropriate engagement allows stakeholder views to be considered and reflected in relevant decision-making processes.

# Sample Governance Risk Survey

| Risk | Risk Impact (1-5) | Risk Likelihood (1-5) | Risk Rating (1-5) |
|---|---|---|---|
| Board Engagement | | | |
| Accountability | | | |
| Sustainability | | | |
| Reputation | | | |
| Inclusion and Diversity | | | |
| Fiduciary Responsibilities | | | |
| Conflicts of Interest | | | |
| Other (specify) | | | |

# Enterprise Risk Management Survey Results

- Results will be reviewed by the Compliance and ERM committee in the first week of April.

- Compliance and ERM will identify the top 5 risks identified in the survey and compare the results to our previous risk registers.

- The 2021 Update and 2022 Risk Register will be submitted to the system office by April 30, 2022.

- This second phase will be individual interviews with risk owners and senior administration.

- The Committee will consider a Risk Management policy and defining our risk tolerance level in upcoming meetings.

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# Internal Audit Report
# March 2022

# Self-Assessment Maturity Model

➢Required by the North Carolina Council of Internal Auditing

➢New for fiscal year ended June 30, 2021

➢Purpose of the Assessment:
- ➢Provides a framework for assessing internal audit against professional internal audit standards and good practices
- ➢Provides a communication tool for what is meant by effective internal auditing, how it serves the university and stakeholders, and to provide information to decision makers
- ➢It helps identify potential gaps and development areas for the internal audit function

➢Ratings are 1 to 5. Corrective actions plans are required for any rating at less than a 3

# FSU 2021 Self-Assessment Maturity Model

| Theme | IPPF Compliant | Level Achieved |
|---|---|---|
| Services and Role of Internal Auditing | 3 | 3.1 |
| Professional Practices | 3 | 3.0 |
| Performance Management and Accountability | 3 | 3.3 |
| People Management | 3 | 3.0 |
| Organizational Relationships | 3 | 3.7 |
| Governance Structures | 3 | 3.5 |



Achievement and Level per Theme

····●···· IPPF Compliant
——●—— Level Achieved
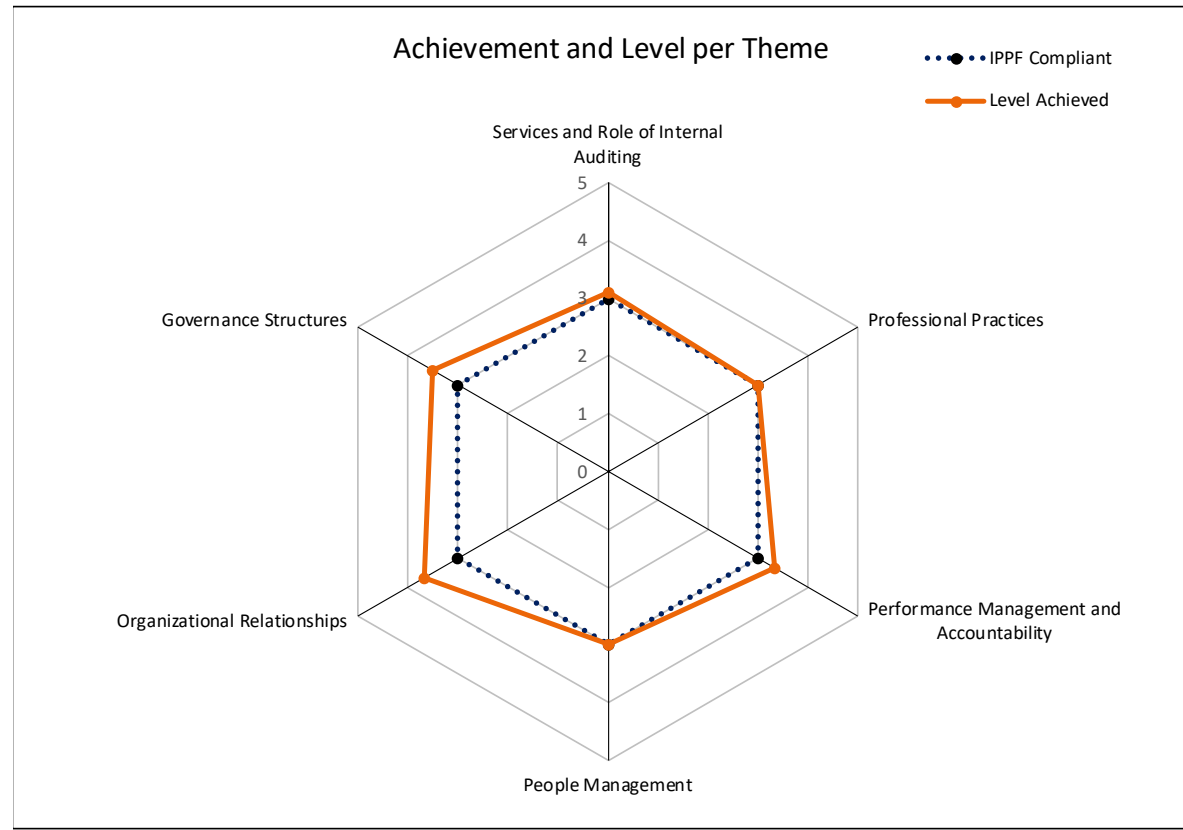
# Self-Assessment Maturity Model

➢Professional Services
- ➢Utilization of Data Analytics
- ➢Participation on Risk Management Committee
- ➢Audit Software

➢People Management
- ➢Internal audit staff
- ➢UNC System Office Internship Program

# UNC System Office Internship Program – Dashboard for Purchasing

➢Dashboard was created to identify potential split transactions

➢Internal Audit reviewed identified transactions from July 1, 2020 – January 18, 2022

➢Included 16,208 purchase orders totaling $45,939,579

➢No exceptions were identified

➢This will be a continuous monitoring tool utilized by the university

# Security Assessment

- a review of FSUs security posture against the security standard 27002:13 - developed by the International Standard Organization (ISO)

| ISO 27002 Clauses | |
|---|---|
| Information Security Policies | Operations Security |
| Organization of Information Security | Communications Security |
| Human Resources Security | Systems Acquisition, Development, and Maintenance |
| Asset Management | Supplier Relationships |
| Asset Control | Information Security Incident Management |
| Cryptography | Information Security Aspects of Business Continuity Management |
| Physical and Environmental Security | Compliance |

# Security Assessment Scoring

| LEVEL | SP-CMM DESCRIPTION |
|-------|--------------------|
| 0 | Not Performed |
| 1 | Performed Informally |
| 2 | Planned and Tracked |
| 3 | Well-Defined |
| 4 | Quantitatively Controlled |
| 5 | Continuously Improving |
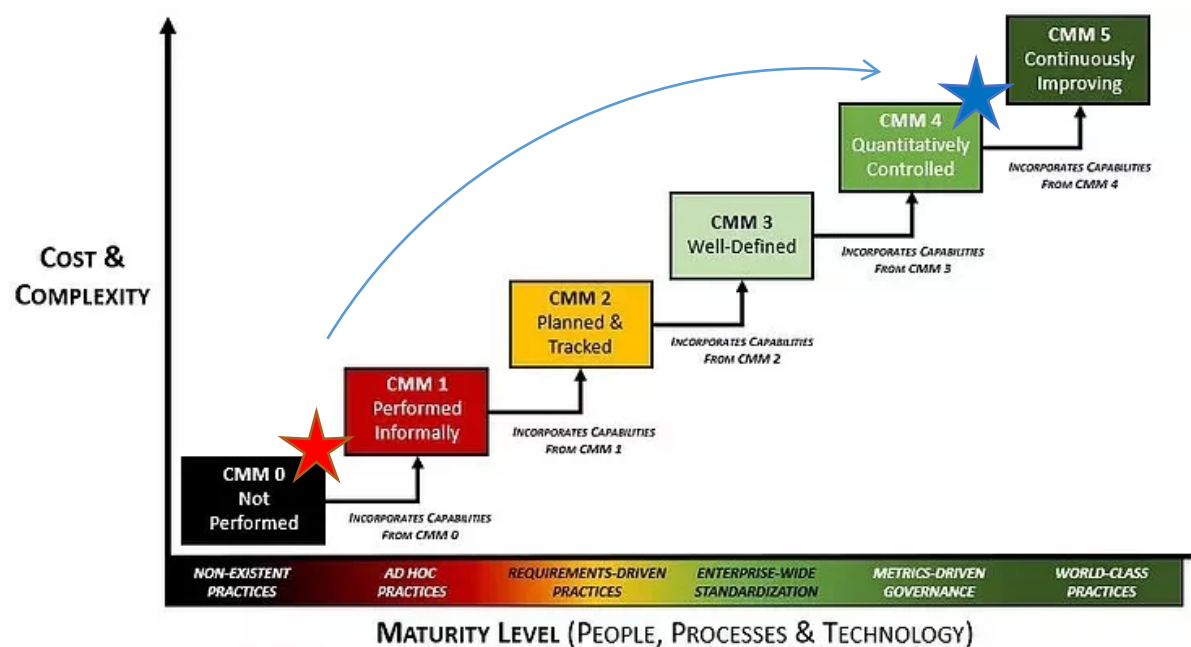
# Security Assessments Results

**ISO 27002 MATURITY - MCNC VALIDATED**

**0.87**
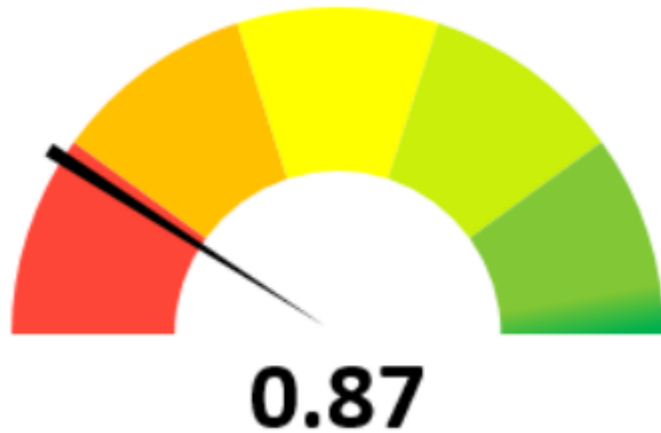
**ISO 27002 MATURITY - SELF-ASSESSMENT**

**1.54**

# Next Steps

Target
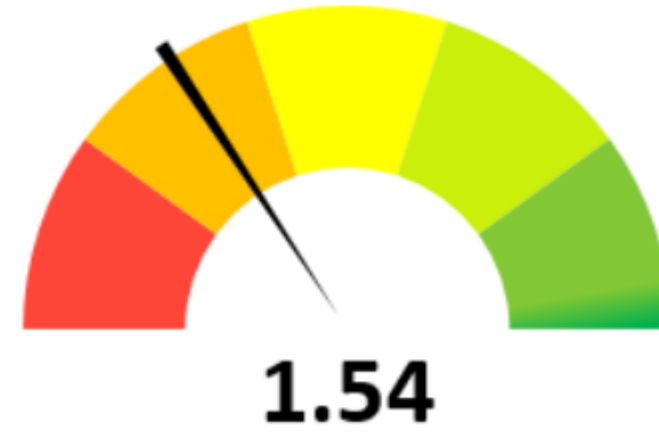
- ✓ Research, procure, implement security monitoring toolsets
- ✓ Onboard Security Operation Center (SOC) Partner
- ✓ Recruit and hire an Information Security Professional
- ✓ Advance our Information Security Program through policy development & assessment
- ✓ Partner w/ FSU and UNC System Office Internal Auditor
- ✓ Develop an annual Cybersecurity budget to ensure sustainability

| June |
|------|
| 30 |

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# Questions