



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

COMMITTEE ON LEGAL, AUDIT, RISK AND COMPLIANCE

Wednesday, December 11, 2024

11:45 am

AGENDA

Call to Order	Glenn Adams, Committee Chair
Welcome and Opening Remarks	Glenn Adams
Roll Call	Karen Bussey
Approval of Minutes:	September 25, 2024

Action Items:

- | | |
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| A. LARC-1: Proposed Revisions to the LARC Committee Charter | Jesse Chroman
<i>Director of Internal Audit</i> |
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LARC-2: Proposed Revisions to the Internal Audit Charter

Information Items:

- | | |
|---------------------------------|--|
| B. Risk, Compliance, and Equity | Elizabeth Hunt
<i>Assistant Vice Chancellor for Risk and Compliance</i> |
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Committee Members: Glenn Adams, Warren McDonald, John McFadyen, Frederick Nelson, Jerry Gregory, Kimberly Jeffries Leonard

Staff Liaison: Wanda Jenkins
Board Professional: Tamara Davis

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

COMMITTEE ON LEGAL, AUDIT, RISK, AND COMPLIANCE
Wednesday, September 25, 2024
11:45 a.m.

The Committee on Legal, Audit, Risk, and Compliance (LARC) of the Fayetteville State University Board of Trustees convened Wednesday, September 25, 2024, at 11:45 a.m. in the Rudolph Jones Student Center, Multi-Purpose Room 242, and via Microsoft Teams. Trustee Warren McDonald called the meeting to order at 11:45 a.m.

ROLL CALL

The following trustees were in attendance in person: Dr. Warren McDonald, John McFadden, Mr. Frederick Nelson, and Dr. Kimberly Jeffries Leonard.

APPROVAL OF MINUTES

It was moved by Trustee Warren McDonald and seconded by Trustee Kimberly Jeffries Leonard that the June 12, 2024, minutes be approved. The motion carried.

LARC UPDATE

Risk Assessment and 2024-2025 Internal Audit Work Plan – Jesse Chroman

Mr. Chroman, the Director of Internal Audit introduced the Risk Assessment and 2024 -2025 Internal Audit Work Plan for review and approval. FSU is required by North Carolina General Statute 143-746 to comply with the professional practice of internal auditing standards issued by the Institute for Internal Auditors. The standards state that we must have a plan of engagement based on documented annual risk assessment with senior management and board consideration. The plan must then be submitted to the UNC System Office and NC Council of Internal Auditing. The Risk Assessment and Internal Audit Work Plan is to complete the following: (1) Evaluation of risk by performing an assessment of data and conversing with leadership, (2) Assessing University priorities and understanding potential risks and obstacles, (3) Planning audit engagements supporting important financial areas of university activities, and (4) Completed audits supporting defined strategic initiatives the university and System level.

Mr. Choman shared the results of the Internal Audit Work Plan. The top five risks identified were:

1. Mental Health (180 budgeted hours) – High Risk
2. Contracts and Grants (180 budgeted hours) – High Risk
3. Human Resources (224 budgeted hours) – High Risk
4. IT Asset Management (180 budgeted hours) – High Risk
5. Athletics (180 budgeted hours) – Medium Risk

Mr. Chroman provided an update on the FY24 Financial Audit Findings. On May 30, 2024, The System Office sent a request to perform a ninety (90) day follow-up concerning the financial findings. On August 22, 2024, FSU responded by informing the System Office that the Internal Auditor had reviewed the corrective actions and examined the evidence. The review indicated that remediation was substantially complete; however, corrective actions were still ongoing. On September 16, 2024, the System Office sent an additional request to provide them with quarterly progress updates.

Mr. Chroman provided an update on the investigative findings. On September 16, 2024, The System Office sent a request to perform a ninety (90) day follow-up concerning the investigatory findings. FSU's response is due to the System Office by December 15, 2024. The response will include acknowledging the Internal Auditor's review of the findings and recommendations, the Institution's response, and the corrective action plan. The Auditor will also examine supporting documentation, records, policies, and procedures and may conduct interviews with University Management.

UNC System Regulation Regarding Internal Audit Reporting Relationships – Vice Chancellor Wanda Jenkins

Vice Chancellor Jenkins provided an update on UNC Policy 1300.7.1 (implemented on August 13, 2024). The UNC President issued a regulation intended to comply with the Institute of Internal Audit standards. The reporting relationships for Internal Auditors have changed. The Director of Internal Audit is to report to the Board of Trustees Audit Committee functionally. "Functional Reporting" is an indirect reporting relationship lacking managerial authority. Functional Reporting includes:

- Reviewing and approving the internal audit charter.
- Reviewing and approving the risk-based internal audit plan.
- Reviewing and approving the internal audit and resource plan.
- Receiving communications from the Director of Internal Audit on the internal audit activity's performance relative to its plan.
- Approving decisions regarding the appointment, removal, and remuneration of the Director of Internal Audit.
- Determining whether there are scope budgetary limitations that impede the availability of internal audit activities.
- Reviewing the results from the internal audit's quality assurance and improvement program, including the direct review of the results of the external quality assessment.

The other reporting relationships for Internal Auditors are the Senior Executive and the UNC System Office and Other Entities. The Senior Executive relationship has the Director of Internal Audit report administratively to a senior executive at the institution (Vice Chancellor of Legal, Audit, Risk and Compliance). In this case, "Administrative reporting" would mean the relationship within a constituent institution's management structure that facilitates the day-to-day operations of the internal audit activity and provides appropriate interface and support effectiveness. The UNC System Office and Other Entities relationship

has each audit committee ensure that the institution's internal audit function complies with all reporting requirements of the NC Council of Internal Auditing and the UNC System Office's Compliance and Audit Services, including any reporting requests outlined by the Chief Audit Officer at the UNC System Office. Beyond approving the internal audit and resource plans, the senior executive, the audit committee, the chair of such committee, Board of Trustee members, or senior administrative leaders may not direct or dictate the day-to-day auditing work of the Director of Internal Audit.

ACTION ITEM

The Committee on LARC approved one action item for recommendation to the Full Board.

Action Item LARC-1: Approval of 2024-25 Internal Audit Work Plan

The NC Internal Auditing Act requires State agencies to establish an internal auditing program that complies with the Institute of Internal Auditor's Standards. The Board of Trustees is responsible for reviewing and approving the annual Internal Audit Work Plan.

It was moved by Trustee McFadyen to recommend the approval of the 2024-25 Internal Audit Work Plan to the Full Board. Trustee Fred Nelson seconded the motion. The motion carried.

ADJOURNMENT

The Committee on LARC adjourned at approximately 12:03 p.m.

Respectfully submitted,

Glenn Adams, Chair
Tamara Davis, Recorder



BOARD OF TRUSTEES COMMITTEE ON LEGAL, AUDIT, RISK AND COMPLIANCE

Wanda L. Jenkins

General Counsel and Vice Chancellor

December 11, 2024

OFFICE OF INTERNAL AUDIT

Jesse Chroman
Director of Internal Audit
December 11, 2024

CHARTER REVISION COMMITTEE ON LARC

- **Situation:** An updated Charter for the Committee on Legal, Audit, Risk and Compliance is presented for review and approval.
- **Background:** The Institute of Internal Auditors has issued new Global Internal Audit Standards. The standards necessitate drafting a charter to outline its respective roles and responsibilities as well as provide guidance in the performance of assigned duties.
- **Assessment:** An updated version of the charter, for review and approval, is included with the Board's materials. Note that the revised charter is in line with other institutions as well as guidance provided by the North Carolina Council of Internal Auditing. It also conforms with the new standards which are required to be implemented by January 9, 2025.
- **Action:** This item requires a vote by the committee, with a vote by the full Board of Trustees.

CHARTER REVISION INTERNAL AUDIT FUNCTION

- **Situation:** An updated Charter for the University's Internal Audit Function is presented for review and approval.
- **Background:** The Institute of Internal Auditors has issued new Global Internal Audit Standards, which necessitates drafting a charter to outline its respective roles and responsibilities as well as provide guidance in the performance of assigned duties.
- **Assessment:** An updated version of the charter is included with the material for review and approval. Note that the revised charter is in line with other constituent institutions as well as guidance provided by the North Carolina Council of Internal Auditing. It also conforms with the new standards which are to be implemented by January 9, 2025.
- **Action:** This item requires a vote by the committee, with a vote by the full Board of Trustees.

UPDATE

OFFICE OF STATE AUDITOR REPORT

- **Situation:** An Investigative Report was issued by the NC Office of State (OSA) on May 28th. We received notice from the System Office on September 16th requesting a formal response.
- **Background:** North Carolina General Statutes 116-30.01 necessitates that when a significant financial audit finding is identified, the institution makes satisfactory progress in resolving the finding within a three-month period commencing with the date of the receipt of the correspondence from the System Office.
- **Assessment:** The FSU Director of Internal Audit, in conjunction with University management, has implemented a comprehensive corrective action plan in response to the recommendations provided by OSA. The findings and recommendations review, along with the University's response and communication regarding satisfactory progress, will be communicated to the System Office.
- **Action:** No action is required by the Board.

QUESTIONS

OFFICE OF RISK AND COMPLIANCE

Elizabeth Hunt
Assistant Vice Chancellor for Risk and Compliance
December 11, 2024

COMPLIANCE TRAININGS

- To meet state and federal requirements and/or University/UNC System policy, faculty, staff, students, contractors, and volunteers may be required to take mandatory training on specific topics.
- Since August 2024, the Office of Risk and Compliance has provided 20 live trainings to various departments and units across campus.
- Each year, employees are required to complete an online mandatory nondiscrimination training course. The completion date for this year's training is December 20, 2024.
- Training materials are also available on the website.

COMPLIANCE TRAININGS FALL 2024

<u>Month</u>	<u>Number of Events</u>	<u>Number of Participants</u>	<u>Subject</u>
August	6	>860	Nondiscrimination / Title IX
September	2	57	Nondiscrimination / Risk
October	9	775	Nondiscrimination / Title IX
November	1	200	Title IX Training / Compliance Ethics Week
December	1	30	Nondiscrimination

DATING AND DOMESTIC VIOLENCE AWARENESS MONTH

- University's Observance
 - The campus community was asked to wear purple to raise awareness about dating and domestic violence.
 - The Title IX Office hosted an on-campus event with the Department of Police and Public Safety to raise awareness about the impact of dating and domestic violence.
 - The event was open to students and employees.
 - Information on University resources available to assist those in our community who experience dating and domestic violence was shared at the event.
 - Information booths operated by Student Affairs, Student Health, Bronco Wellness, Counselling and Personal Development, and Police and Public Safety distributed information and responded to questions.
 - Attendees also received a health relationship guide and Title IX supportive services information.

DATING AND DOMESTIC VIOLENCE AWARENESS MONTH

**WEAR
PURPLE
DAY**
Purple Thursday

DATING AND DOMESTIC VIOLENCE AWARENESS MONTH




**DON'T FEAR
YOUR BOO**
DATING & DOMESTIC VIOLENCE
AWARENESS EVENT
COSTUME CONTEST
FREE GIVE AWAYS
TRICK OR TREAT
31ST OCTOBER | 10:00 AM - 1:00 PM
MITCHELL BUILDING LAWN
Inclement weather location:
RJSC 240
SPONSORED BY TITLE IX
FSU POLICE & PUBLIC SAFETY
TITLEIX@UNCFSU.EDU

COMPLIANCE AND ETHICS WEEK 2024

- The Office of Risk and Compliance held its 2nd annual Compliance and Ethics Week with the theme, “**Higher Education, Higher Standards.**” Events were held November 4 – 8, 2024.
- Compliance and Ethics Week aims to raise awareness of compliance-related topics and reinforce ethical values for building a stronger University.
- Compliance and Ethics Week also provides an opportunity to highlight the collaborative efforts of University compliance partners who support ethical conduct and compliance with applicable laws and regulations. Partners included compliance-related offices such as Athletics, Police and Public Safety (Clery Compliance), Contracts and Grants, and Sponsored Research and Programs.

COMPLIANCE AND ETHICS WEEK 2024

On November 7, 2024, the Office of Risk and Compliance hosted its 2nd annual “**Coffee and Cocoa with Compliance**” for students and employees.



COMPLIANCE AND ETHICS WEEK 2024

The goal of “Coffee and Cocoa with Compliance” is to contribute to a culture of compliance across the University by providing an opportunity for students and employees to meet compliance leaders. Compliance Leaders from every division were available to engage with students and employees.



QUESTIONS

Agenda Item LARC-1

Executive Summary

MEETING DATE:	December 11, 2024
COMMITTEE:	Legal, Audit, Risk and Compliance
SUBJECT	Proposed Revisions to the Board of Trustees LARC Committee Charter
BACKGROUND:	<p>As required by North Carolina General Statutes, the North Carolina Council of Internal Auditing, and the standards prescribed by The Institute of Internal Auditors, it is necessary for the Board of Trustees LARC Committee to have a charter that outlines the Committee's role and responsibilities as well as to provide guidance in the performance of its assigned duties. The Institute of Internal Auditors has issued new Global Internal Audit Standards; the standards necessitate drafting a charter to outline its respective roles and responsibilities as well as provide guidance in the performance of assigned duties.</p> <p>The Director of Internal Audit proposes updating the current LARC Committee Charter. Any updates to the Internal Audit Charter must be approved by the LARC Committee and the full Board of Trustees.</p>
MOTION:	Move to approve changes to the LARC Committee Charter.

Supporting Document(s) Included: Redlined Version of LARC Committee Charter

Prepared by: Wanda L. Jenkins
General Counsel and VC for Legal, Audit, Risk and Compliance
Date: 12/2/2024

COMMITTEE ON LEGAL, AUDIT, RISK, AND COMPLIANCE CHARTER

Effective Date: December XX, 2024

A. BACKGROUND AND AUTHORITY: The Committee on Legal, Audit, Risk, and Compliance (“C-LARC”) is a standing committee of the Board of Trustees (“BOT”) of Fayetteville State University (“University”, inclusive of University Management). C-LARC acts on behalf of the BOT to provide independent oversight of the University’s governance, legal, audit, risk management, and compliance functions as well as the University’s internal control practices. C-LARC shall be supported by the Division of Legal, Audit, Risk, and Compliance. C-LARC may also access other members of management and employees of the University if determined necessary to discharge oversight responsibilities.

Related authoritative legislation and policies relevant to C-LARC’s jurisdiction and oversight responsibilities include:

- 1) 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).
- 2) 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. The University has been designated as a special responsibility constituent institution.
- 3) The University is required to establish a program of internal auditing pursuant to G.S. 143-746.
- 4) A special responsibility constituent institution is required by [G.S. 116-30.8](#) to have an annual audit conducted by the North Carolina State Auditor.
- 5) 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.
- 6) 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.
- 7) 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.

B. PURPOSE: The purpose of C-LARC is to provide structured, systematic review and oversight of the University’s governance, audit, risk management, and compliance functions as well as the University’s internal control practices. It is ultimately the responsibility of the University under direction from the Chancellor as the institution’s executive and administrative leader, to maintain programs and systems related to governance, audit, risk management, compliance, and internal controls. C-LARC does not exercise decision-making authority on behalf of the University and C-LARC’s responsibilities do not replace or duplicate the University’s responsibilities. In addition to providing advice and guidance to the University, C-LARC sets broad policy for ensuring accurate, sound risk management and ethical behavior; exercises oversight responsibilities on behalf of the BOT as defined herein; and makes reports and recommendations to the BOT related to:

- 1) The integrity of the University’s annual financial statements.
- 2) The internal audit function, external auditors, firms, and other providers of assurance.

- 3) The University's compliance with legal, regulatory, ethics, conflict of interest, and policy requirements.
- 4) The University's information governance and security program (Sections 1400.1 and 1400.2 of the UNC Policy Manual).
- 5) The required elements of the University's associated entities.
- 6) University-wide enterprise risk management and compliance processes.
- 7) Campus safety and emergency operations.
- 8) Additional matters that may implicate the University's interest in ensuring sound risk management and ethical behavior.

C. ORGANIZATION/COMPOSITION: The Chairman of the BOT selects C-LARC members after evaluating the members' collective competencies and balance of skills. The Committee shall consist of no fewer than three (3) voting members appointed from the membership of the BOT. A quorum for C-LARC will be a majority of the voting members. C-LARC members:

- 1) Must be independent of the University and any University associated entity management and free of any relationship that would impair the member's independence.¹
- 2) May not receive, directly or indirectly, consulting, advisory, or other fees from the University, associated entities of the University, the UNC System, or outside contractors hired to perform special engagements.
- 3) Should collectively possess sufficient knowledge of audit, finance, higher education, information technology, law, governance, risk management, compliance, and principles of internal control to respond to regulatory, economic, reporting, and other emerging developments and needs.
- 4) Must adhere to the UNC System's code of conduct and values and ethics established by the UNC System, including Sections 200.1 (Dual Memberships and Conflicts of Interest) and 200.7 (Duties, Responsibilities, and Expectations of Board Members) of the UNC Policy Manual, and University Policy on Individual Conflicts of Interest and Commitment. Consistent with UNC System policy and the North Carolina State Ethics Act, it is the responsibility of C-LARC members to disclose any conflict of interest or appearance of a conflict of interest to the chair.

C-LARC shall meet no fewer than four times a year and may meet as many times as necessary. C-LARC will invite when needed, the Chancellor, external and internal auditors, representatives of the Office of the State Auditor, Division of Legal, Audit, Risk, and Compliance staff, and others to attend the meetings and provide pertinent information as required and requested. C-LARC will communicate its information requirements, including the nature, extent, and timing of information to staff. C-LARC expects all communication with university management and staff, as well as external assurance providers, to be direct, open, and complete.

The C-LARC chair will collaborate with the Chancellor and the Division of Legal, Audit, Risk, and Compliance to establish meeting agendas that ensure the responsibilities of C-LARC are properly scheduled and carried out. The C-LARC chair and Chancellor will consult as appropriate between Committee meetings to discuss proposed agenda items. Meeting agendas and related materials will be prepared and provided in advance to members and meetings will be conducted in accordance with the Open Meeting Act. Minutes will be prepared following applicable law and policy.

D. EDUCATION: The Chancellor and designated staff are responsible for providing C-LARC with educational resources related to auditing, compliance, risk management, accounting principles and practices, legal and regulatory requirements, ethics, conflicts of interest, and other information that C-LARC may require. The University's Division of Legal, Audit, Risk, and Compliance will assist C-LARC in maintaining literacy in the appropriate areas related to C-LARC's function.

¹ The term "Associated Entity" is defined and describe in Section 600.2.5.2[R] of the UNC Policy Manual, and includes, "any foundation, association, corporation, limited liability company (LLC), partnership, or other nonprofit entity: (1) that was established by officers of the University; or (2) that is controlled by the University; or (3) that raises funds in the name of the University; or (4) that has a primary purpose of providing services or conducting activities in furtherance of the University's mission pursuant to an agreement with the University; or (5) that has a tax-exempt status that is based on being a support organization for the University."

E. DUTIES AND RESPONSIBILITIES (GENERAL): The following shall be the principal duties and responsibilities of C-LARC:

- 1) Adopt and annually review and update C-LARC charter detailing C-LARC's responsibilities and operating procedures for approval by the BOT. C-LARC Charter's operating procedures shall describe the scope of the duties and responsibilities of C-LARC, the structure of the University's functions within C-LARC's oversight responsibilities, and the basic responsibilities of the University concerning each function.
- 2) Hold meetings following the requirements of the Open Meetings Act G.S. 143-318.9 through 318.18. At IA's discretion, C-LARC may be requested to meet privately without senior leadership management present.
- 3) Report C-LARC oversight activities to the BOT, along with advice and recommendations as C-LARC may deem appropriate.
- 4) Hear reports from the University concerning investigations into any matters within C-LARC's scope of oversight responsibility.
- 5) When deemed necessary by the BOT on C-LARC's recommendation, advise the Chancellor and his or her delegate on the engagement of independent auditors.
- 6) Review and monitor the implementation of the University's response to recommendations by internal and external audits or other assurance providers.
- 7) Review and/or recommend policies to the BOT that support the legal, internal audit, risk, and compliance functions.
- 8) Consider and advise the Chancellor regarding the effectiveness of the University's internal control system in responding to risks, including information technology governance and security.
- 9) Receive legal reports from the General Counsel or the University's retained outside counsel.
- 10) Perform other oversight responsibilities assigned by the BOT.

F. DUTIES AND RESPONSIBILITIES (FINANCIAL STATEMENTS): The University is responsible for the preparation, presentation, and integrity of the University's financial statements and the appropriateness of the accounting, internal control, and reporting policies used. The Office of the State Auditor currently conducts the annual audit of the University's financial statements. The following shall be the principal duties and responsibilities of C-LARC regarding the financial statements of the University:

- 1) Receive an annual overview from the State Auditor or a designated representative regarding the annual audits (financial and compliance) of the University. Review the results of the University's independent financial statement audit by the State Auditor, including any difficulties encountered and reportable issues.
- 2) Resolve any differences between management and the State Auditor regarding financial reporting and other matters.
- 3) Review with management and the University's General Counsel any legal matters (including pending litigation) that may have a material impact on the University's financial statements and any material reports or inquiries from regulatory or governmental agencies.

G. DUTIES AND RESPONSIBILITIES (EXTERNAL AUDITS): In addition to the annual financial statement audits (noted above), the Office of the State Auditor conducts federal compliance audits of select state institutions on an annual basis, and may, on occasion, conduct other audits or investigations of the University. Other external auditors may also be engaged by the UNC System Office or by the University for particular projects and matters. Concerning any such external audits, C-LARC's responsibilities are as follows:

- 1) Review significant audit-related communications from the Office of the State Auditor or, as necessary, other external audit groups or firms concerning the University. Meet separately with the external auditors or firms, if necessary, to discuss sensitive and any other matters that the Committee or auditor believes should be discussed privately.
- 2) Review reports on the progress of implementing approved management action plans and audit recommendations resulting from completed audit engagements.
- 3) Be available to meet during the year with external auditors (the State Auditor, engaged CPA firm, or audit

staff) for consultation purposes or to discuss the auditor's judgment about the quality, not just the acceptability, of any accounting principles and underlying estimates in the preparation of a financial statement and other matters required to be communicated to the Committee under generally accepted auditing standards.

- 4) Receive audit reports in those matters where BOT or Chancellor authorizes or requests an external audit or another independent review.
- 5) Where needed and appropriate, as determined by the Chancellor or the Director of Internal Audit, or the general counsel, receive audit reports in those matters where a member of the BOT or the Chancellor or affiliated entity authorizes or requests an external audit or another independent review.

H. DUTIES AND RESPONSIBILITIES (INTERNAL AUDIT): The Director of Internal Audit is responsible for the daily direction, oversight, and management of the University's internal audit work. Concerning any such work of the Internal Audit Function, C-LARC's responsibilities are as follows:

- 1) Monitor internal control systems at the University through activities of the internal and external auditors.
- 2) At the beginning of the audit cycle, review and recommend to the BOT for approval the University's fiscal year internal audit risk based work plan for the institution as prepared by the Director of Internal Audit. At the end of the cycle, review a comparison of the approved internal audit plan to internal audits performed.
- 3) Review internal audit reports and summaries of external and internal audit activities. Ensure that management is devoting adequate attention to issues raised.
- 4) Review all outcomes of audits and management letters of University Associated Entities as defined in section 600.2.5.2[R] of the UNC Policy Manual.
- 5) Obtain annual assurance from the Director of Internal Audit that all internal audits were conducted in accordance with Global Auditing Standards.
- 6) As needed, review and recommend to the BOT for approval revisions to the Internal Audit Charter. This includes a discussion on the authority, role, responsibilities, scope, and services of the IA function as well as "essential conditions" which establish the foundation of an effective IA function.
- 7) Review and resolve any significant disagreement between University management and the Internal Audit in connection with the preparation of internal audit reports and results.
- 8) Serve as the audit committee for the University's internal audit function. C-LARC's oversight is defined in the Internal Audit Charter.
- 9) Review and recommend to the BOT for approval, in consultation with the chancellor, the budget and resources for the Internal Audit Function, including the Director of Internal Audit's evaluation of performance and remuneration.
- 10) The University's Director of Internal Audit's appointment or termination of appointment shall be by the Chancellor, after consultation and concurrence of the BOT. C-LARC may provide input on appointment in order to ensure adequate competencies and conformance with the Global Internal Audit Standards.
- 11) Support Chapter 1400 of the UNC Policy Manual, Information Technology, including ensuring the following:
 - a. 1400.1 *Information Technology Governance*:
 1. Annual audit plans shall consider, as appropriate, audit activity focused on information technology matters, based on annual risk assessments.
 2. The Committee shall review and discuss audit activity related to information technology matters and address issues of information technology governance on a regular basis.
 3. The Committee may request information and reporting related to the Institution's IT governance program.
 - b. 1400.2 *Information Security*:
 1. The Committee shall ensure that information security is addressed in the annual audit planning and risk assessments that are conducted by the institution's internal auditor.

2. The Committee shall periodically include an agenda item for emerging information security matters at its regularly scheduled meetings.
3. The designated senior officer with information security responsibility shall present a report to the C-LARC, at least annually, on the institution's information security program and information technology security controls.

I. DUTIES AND RESPONSIBILITIES (C-LARC): It is the responsibility of the University, rather than C-LARC and its members, to ensure adherence to laws, regulations, and policies. The responsibilities of C-LARC regarding the University's compliance and risk management activities are as follows:

- 1) Support the efforts, establishment of, and collaboration among the legal, risk management, ethics, and compliance programs within the University, including recommending to the BOT University-wide policies regarding compliance and enterprise risk management.
- 2) Receive regular reports concerning enterprise risk management and compliance activities from the University.
- 3) Provide general input regarding the University's adherence to laws, regulations, and policies that pertain to University operations.
- 4) Review the programs and policies of the University designed by management to assure compliance with applicable laws and regulations.
- 5) When necessary, meet privately with the General Counsel to discuss any matter that C-LARC or the General Counsel believes should be discussed privately.
- 6) Coordinate with other BOT committees as appropriate on legal, risk management, and compliance matters.

J. DUTIES AND RESPONSIBILITIES (Other): Other responsibilities of C-LARC include:

- 1) Oversee University procedures for the prevention and detection of fraud to ensure appropriate antifraud programs and controls are in place to identify potential fraud and to take appropriate action if fraud is detected.
- 2) Consult with the General Counsel as necessary to review legal matters that may have a significant impact on a financial statement, overall financial performance, enterprise risk management, or compliance with applicable state, local, or federal laws and regulations. Review and provide advice on systems, practices, policies, and standards of ethical conduct. Identify and manage any legal or ethical violations.
- 3) Take other actions, as necessary, to ensure that risk exposures are identified and effectively managed to assure the integrity of the finances, operations, and controls of the University. These actions include reviewing the established governance processes and advising on related policies and procedures that should be in place.
- 4) The Committee may, in consultation with and the approval of the Chancellor in areas under the Chancellor's authority, modify or supplement these duties and responsibilities as needed.

Agenda Item LARC-2

Executive Summary

MEETING DATE: December 11, 2024

COMMITTEE: Legal, Audit, Risk and Compliance

SUBJECT Proposed Revisions to the Internal Audit Charter

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, the internal audit function necessitates drafting a charter to outline its respective role and responsibilities as well as provide guidance in the performance of assigned duties. The Institute of Internal Auditors has issued new Global Internal Audit Standards, which necessitates drafting a charter to outline its respective roles and responsibilities as well as provide guidance in the performance of assigned duties.

The Director of Internal Audit proposes updating the current Internal Audit Charter. The LARC Committee and the full Board of Trustees must approve any updates to the Internal Audit Charter.

MOTION: Move to approve changes to the Internal Audit Charter.

Supporting Document(s) Included: Redlined Version of Internal Audit Charter.

Prepared by: Wanda L. Jenkins
General Counsel and VC for Legal, Audit, Risk and Compliance

Date: 12/2/2024

INTERNAL AUDIT CHARTER

Effective Date: December XX, 2024

A. INTRODUCTION/OVERSIGHT: The purpose of Fayetteville State University's (the "University") Internal Audit function ("IA") is to provide independent, objective assurance, and consulting services with the goal to provide valuable and insight to improve operations. IA assists the University by implementing systematic and disciplined approaches to evaluate and improve the effectiveness of the University's implemented controls, governance, and risk management practices.

The University is required to establish a program of internal auditing pursuant to N.C.G.S 143-746(a). Further pursuant to N.C.G.S. 143-747, the North Carolina Council of Internal Auditing directs, supports, and oversees the IA function.

B. STANDARDS FOR THE PRACTICE OF INTERNAL AUDITING: IA will govern itself by adherence to mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework which are the Global Internal Audit Standards and Topical Requirements. These sources of mandatory guidance along with supplemental guidance, relevant state and University policies and procedures, contains the fundamental requirements for a professional practice and benchmarks for performance.

C. AUTHORITY: Functionally, IA will report to the Chancellor and the Legal, Audit, Risk, and Compliance Committee (or C-LARC) of the University's Board of Trustees while administratively to the General Counsel and Vice Chancellor for Legal, Audit, Risk, and Compliance. To establish, maintain, and assure that IA has sufficient authority to fulfill its duties, the C-LARC will:

- 1) Approve the internal audit charter.
- 2) Approve the risk based internal audit plan.
- 3) Review internal audit reports and communications with the University, as well as planned corrective actions. If necessary, review and resolve any significant difficulties or disagreements on audit related matters.
- 4) Receive communications from IA on performance relative to the approved plan and other matters. These communications may be within or outside of C-LARC meetings as determined to be required.
- 5) Review and advise on IA's budget and resources, including the appointment and removal of IA personnel.
- 6) Make appropriate inquiries of management and IA to determine whether there are inappropriate scope or resource limitations.
- 7) Monitor the effectiveness of IA, including the efforts made to comply with the standards identified above and within this charter. The C-LARC will ensure IA has a quality assurance and improvement program, review assessment results, and monitor implementation of recommended improvements.
- 8) Ensure unrestricted access in communication to C-LARC members by IA, including without management present.

The BOT-LARC authorizes IA to:

- 1) Have full, free, and unrestricted access to all functions, records, systems, data, property, and personnel pertinent to carrying out any engagement, subject to compliance with N.C. General Statutes and accountability for safeguarding of records and information.
- 2) Have access to external persons and records related to contracts or grants executed by the University.
- 3) Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives and issue reports.
- 4) Obtain assistance from the necessary personnel of the University, as well as other specialized services from within or outside the University, to complete engagements.

D. INDEPENDENCE AND OBJECTIVITY: IA will remain free from all conditions that threaten the ability of IA to carry out its responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If IA determines that independence or objectivity may be impaired in fact or in appearance, the details of the impairment will be disclosed to appropriate parties.

IA will maintain an unbiased mental attitude that allows for engagements to be performed objectively and in such a manner that fosters a complete and accurate work product without compromising quality and does not subordinate judgement on audit matters to others.

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 IA's judgment, including:

- 1) Assessing specific operations for which they had responsibility within the previous year.
- 2) Performing any operational duties for the University or its affiliates.
- 3) Initiating or approving accounting transactions external to IA
- 4) Direct activities of any University employee not employed within IA or assigned to IA for assistance.

When IA has or is expected to have roles and/or responsibilities that fall outside of internal auditing, necessary disclosures and/or safeguards will be established to limit impairments to independence and objectivity. IA will:

- 1) Disclose any impairment of independence or objectivity, in fact or in appearance, to appropriate parties.
- 2) Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- 3) Make balanced assessments of all available and relevant facts and circumstances.
- 4) Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

IA will confirm the organizational independence to C-LARC at least annually. Further, IA will disclose to C-LARC any interference and related implications in determining the scope of internal auditing, performing work, or communicating results.

E. SCOPE: The scope of IA's activities encompasses the entire breadth of the organization, including all of the University's activities, assets, and personnel, but is not limited to objective examinations of evidence for the purpose of providing independent assessments to the Chancellor, C-LARC, and management, on the adequacy and effectiveness of governance, risk management, and control processes for the University. The scope of IA activities also encompasses objective examinations of evidence to provide independent assurance and advisor services on the effectiveness of governance, risk management, and control processes. IA assessments include evaluating whether:

- 1) Risks relating to the achievement of the University's strategic objectives are appropriately identified and managed.
- 2) Risk management processes and internal control systems are adequate, effective, and efficient.
- 3) The actions of the University's officers, directors, employees, and contractors are in compliance with the University's policies, procedures, and applicable laws, regulations, and governance standards.
- 4) Operations or programs are being carried out efficiently and effectively.
- 5) The results of operations or programs are consistent with established goals and objectives.
- 6) Established processes and information systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the University.
- 7) Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- 8) Resources and assets are acquired economically, used efficiently, and protected adequately.

IA will report periodically to the Chancellor and C-LARC regarding:

- 1) IA purpose, authority, and responsibility
- 2) IA's plan and performance relative to its plan.
- 3) IA's conformance with The Institute of Internal Auditors' International Professional Practices Framework which are the Global Internal Audit Standards and Topical Requirements, and action plans to address any significant conformance issues.
- 4) IA's commitment to organizational independence.
- 5) Any interference encountered related to the scope, performance, or communication of internal audit work and results. This includes the implications of the effectiveness of IA.
- 6) Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested, by, C-LARC that could interfere with the achievement of the University's strategic objectives.
- 7) Any responses by Management that IA deems unacceptable or the acceptance of a risk which is beyond the University's risk appetite.

IA will strive to coordinate activities, where possible, and consider relying upon the work of other internal and external assurance and consulting service providers to avoid duplication and provide optimal audit services.

IA may perform advisory and related services to the University, the nature and scope of which will be agreed upon, provided that IA does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified and will be communicated to the appropriate level of management.

F. RESPONSIBILITY: IA is responsible for:

- 1) Annual submission to the Chancellor, C-LARC, and other interested members of senior leadership a risk based audit plan for review and approval.
- 2) Communicate with the Chancellor, senior management, and C-LARC the impact of resource limitations on the internal audit plan.
- 3) Review and adjust the plan, as necessary, in response to changes in the University's business risks, operations, programs, systems, and controls.
- 4) Communicate with the Chancellor, senior management, and C-LARC any significant interim changes to the internal audit plan.
- 5) Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the allocation of appropriate resources, the documentation of work programs

- and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties. If engagements are not completed by fiscal year-end, communicate to the C-LARC the root cause(s) as to why engagement work was unable to be completed.
- 6) Follow up on findings and confirm the implementation of recommendations or action plans. Results should be communicated to C-LARC as appropriate.
 - 7) When necessary, assist or conduct consulting/consultative engagement, investigation, and special project engagement requests of significant noncompliance, control deficiencies, as well as suspected misuse, fraud, or abuse presented to IA by University leadership or by C-LARC or by any other means of communication and source.
 - 8) When necessary, serve as liaison between University and any external auditors/regulators.
 - 9) When necessary, for any internal or external audit recommendations, solicit corrective actions from the University that describes planned actions, including an anticipated timetable for completion or an explanation for any recommendations that will not be implemented. After an appropriate period of time, IA will follow-up on engagement findings and corrective actions, and will report periodically to the Chancellor, senior management, and C-LARC the status the University's corrective action, including any corrective actions not effectively implemented.
 - 10) Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
 - 11) Ensure IA possesses or has the ability to obtain the knowledge, skills, and other competencies needed to meet the requirements of this charter.
 - 12) Ensure emerging trends and successful practices in internal auditing are considered.
 - 13) Establish and ensure adherence to policies and procedures designed to guide the internal audit function and compliance with requirements set forth by the North Carolina Council of Internal Auditing.
 - 14) Ensure adherence to the University's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to the Chancellor, senior management, and C-LARC.
 - 15) Comply with Article 79 of Chapter 143 of the North Carolina General Statutes (NCGS) establishing the authority vested within IA.
 - 16) Ensure conformance of the internal audit department with the International Standards for the Professional Practice of Internal Auditing (Standards), with the following qualifications:
 - a. If the internal audit department is prohibited by law or regulation from conforming with certain parts of the Standards, IA will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
 - b. If the Standards are used in conjunction with requirements issued by other authoritative bodies, IA will ensure the internal audit function conforms with the Standards, even if the internal audit function also conforms with the more restricted requirements of other authoritative bodies.

G. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM: IA will maintain a quality assurance and improvement program that covers all aspects of its operations. The program will include an evaluation of IA's conformance with the Standards and an evaluation of IA's adherence to the IIA's Code of Ethics. The program also assesses the efficiency and effectiveness of IA and identifies opportunities for improvement.

IA will communicate to the Chancellor, C-LARC, and management, on the IA's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the University with one assessor holding an active Certified Internal Auditor credential.

H. CHANGES TO CHARTER: Circumstances may justify a follow-up discussion between ia, C-LARC, and senior management on the internal audit charter or its contents. Such circumstances may include but are not limited to:

1. A significant change in the Global Internal Audit Standards.
2. A significant reorganization.
3. Significant changes in the IA Leadership, C-LARC and/or senior management.
4. Significant changes to the University's strategies, objectives, risk profile, or the environment in which the University operates.
5. New laws or regulations that may impact the nature and scope of IA's services.