



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

**Committee on Legal, Audit, Risk and Compliance
Wednesday, December 13, 2023
11:05 AM**

AGENDA

Call to Order	Glenn Adams, <i>Committee Chair</i>
Welcome and Opening Remarks	Glenn Adams
Roll Call	Karen Bussey
Approval of Minutes	September 27, 2023
Informational Items:	
A. Risk, Compliance and Equity	Elizabeth Hunt <i>Assistant Vice Chancellor for Risk and Compliance</i>
B. Police and Public Safety	Roberto Bryan <i>Associate Vice Chancellor for Police and Public Safety/Police Chief</i>
Action Items:	
LARC-1 LARC Committee Charter	Jesse Chroman <i>Director of Internal Audit</i>
LARC-2 Internal Audit Charter	Jesse Chroman <i>Director of Internal Audit</i>

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 27, 2023

11:30 AM

The Legal, Audit, Risk, and Compliance (LARC) Committee of the Fayetteville State University Board of Trustees convened Wednesday, September 27, 2023, at 11:30 a.m. in the Rudolph Jones Student Center, Multi-Purpose Room 242, and via Microsoft Teams. The meeting was called to order at 11:30 a.m., by Chair Glenn Adams.

ROLL CALL

The following Trustee members were in attendance: Chair Glenn Adams, Dr. Warren McDonald, John McFadden, Mr. William Warner, and Mr. Frederick Nelson

APPROVAL OF MINUTES

It was moved by Trustee Warren McDonald and seconded by Trustee William Warner that the minutes of the LARC Committee held on June 7, 2023 be approved, as distributed. The motion carried.

LARC UPDATE

Vice Chancellor Jenkins updated the board on the LARC division's primary goals.

- *Goal 1 establish an Office of Equity within the Legal, Audit, Risk, and Compliance Division.*

The Office of Equity was established and now creates a centralized structure within the University, allowing employees, students, and third parties to file complaints of unlawful discrimination, harassment, and/or related retaliation. The Office will also oversee the University's investigation into, response to, and resolution of all such complaints. The Office of Equity has also established a dedicated website that gives employees and students access to an online form to confidentially report alleged incidences of discrimination, harassment, and retaliation. Incidences that do not violate our Non-Discrimination policy are referred to the University OMBUDS.

- *Goal 2 create a risk awareness culture through policy implementation and training where all employees understand and consider risk in their decision-making.*

Our focus has been on the protection of minors on campus program. Every Department that will have minors on campus is required to register their program and complete training and background checks for all individuals in contact with minors.

Action Item LARC-1: Internal Audit Plan

Board approval is required for the adoption of the University's 2023-24 Internal Audit Plan. Due to the vacancy of our Chief Audit Officer position, LARC acquired a consultant to assist in developing the Audit Plan. The Audit Plan must be developed annually based on documented risk assessments per state statutes. The Annual Audit Planning Process (Audit Universe) will be created each year by continuously assessing and monitoring risks.

Trustee Frederick Nelson made a motion to move that the Board approve the University's 2023-24 Internal Audit Plan. The motion was seconded by Trustee Warren McDonald. The motion carried.

ADJOURNMENT

The LARC Committee adjourned at approximately 11:43 a.m.

Mr. Brandon Phillips, Chair
Tamara Davis, *Recorder*



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

**Wanda L. Jenkins
General Counsel and Vice Chancellor
December 13, 2023**

RISK AND COMPLIANCE

Elizabeth Hunt
Assistant Vice Chancellor



OFFICE OF RISK AND COMPLIANCE

Recent

- Risk Register and Risk Management plans
- Information about Office of Equity procedures
- Title IX outreach and education
- Compliance annual training updates
- Compliance and Ethics Week 2023

Upcoming

- Department-level compliance training for all departments beginning January 2024
- Leadership Academy training for high-risk/reported areas to include conflict resolution skills, preventing a hostile work environment and unlawful discrimination, harassment and retaliation
- Title IX Awareness Week April 2024

2023 University Risk Management Conference

- Lab Safety
- Child Sexual Abuse
- Property Valuation

Student Affairs Risk Management Plan

- Student group training regarding Conduct & Title IX
- Case management
- Drug-Free Schools Biennial Review

Campus Safety/Mental Health Risk Management Plan

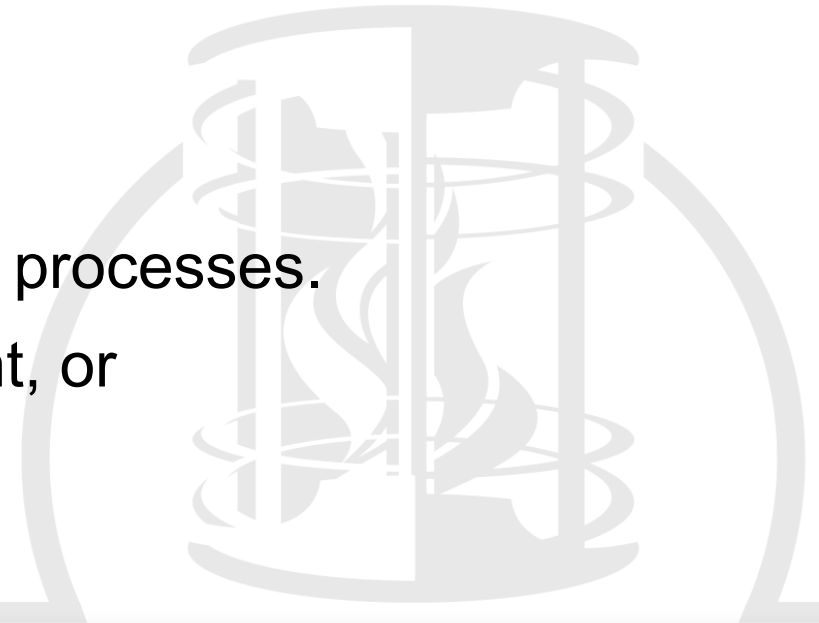
- Counseling and Personal Development
- Question, Persuade, Refer (QPR) Training

Compliance Training

- Annual Compliance and Ethics training will be a part of the mandatory training required by HR in December
- Updated training includes guidance on the University's Ethical Conduct policy.
- Reporting and corrective action will be the focus of the upcoming training.

OFFICE OF EQUITY

- The Office of Equity is committed to maintaining a safe and inclusive environment that is free from discrimination, harassment, and sexual misconduct.
- The Office of Equity has developed procedures to:
 - Standardize the initial assessment and investigation processes.
 - Address any allegation of discrimination, harassment, or retaliation.
 - Implement case management system procedures.



During the Fall, 2023 semester, the Title IX Coordinator provided outreach and education to the following members of the campus community:

- Students
 - Student Conduct Board Members
 - Resident Advisors
 - New Students (Freshman, Welcome Week)
 - Student Athletes
 - Student Tutors
 - Freshman Seminar Class
 - Delta Sigma Theta
 - Freshman Class Town Hall
- Staff
 - Advising Center Staff
 - Resident Advisors
- Events
 - Domestic Violence Awareness Month



RISK, COMPLIANCE AND EQUITY SPRING 2024 PROJECTS

Departmental Level Training

- Individual training will be provided for each university department
- Focus on high-risk compliance and ethics topics
- Guidance on how to report concerns

Leadership Academy

- Will include high-risk/report areas
- Focus will be on supervisor level training
- Conflict resolution skills
- Preventing a hostile work environment
- Responding to reports of discrimination
- Avoiding retaliation



RISK, COMPLIANCE AND EQUITY

TITLE IX AWARENESS WEEK 2024

Goal: Educate the University community on sexual assault, intimate partner violence, sexual harassment, and stalking to raise awareness, promote a non-violent campus community, and decrease the risk of sexual assaults on campus.

Event	Initiative
Flag Campaign	Highlight high rates of sexual assault experienced on college campuses by honoring a survivor by placing a flag on the campus lawn.
Dos and Donuts of Healthy Dating	Educate individuals on what healthy dating is and is not by learning to identify healthy relationship boundaries.
Sip and Paint	Provide a safe place for individuals to relax as they reflect on what constitutes sexual assault by painting a canvas in honor of a survivor/victim of sexual assault.
National Denim Day	International Day of Awareness to promote the message that there is nothing anyone could ever do to deserve being sexual assaulted.



Fayetteville State University celebrated its first Compliance and Ethics Week event from November 2-9, 2023. Activities and events raised awareness, recognition, and reinforcement of compliance and ethics.

The campus community received daily training materials and fun activities to spotlight the importance of compliance and ethics.

The goal was to encourage the entire campus community to make lawful, ethical decisions in accordance with the university's policies, procedures, and standards of behavior.



COMPLIANCE AND ETHICS WEEK 2023

JOIN THE OFFICE OF RISK AND COMPLIANCE FOR



STANDARDS AND PROCEDURES

Put these in writing and use them as the foundation for your entire program.



COMPLIANCE OVERSIGHT

Delegate an individual or group with operational responsibility, autonomy, and authority.



RESPONSE AND PREVENTION

Resolve identified problems promptly and add related issues to monitoring activities.



EDUCATION AND TRAINING

Create effective, ongoing training methods and establish open lines of communication.



ENFORCEMENT AND DISCIPLINE

Establish appropriate incentives for compliance and disciplinary actions for violations.



REPORTING AND INVESTIGATING
Encourage employees to raise concerns and have investigative procedures in place.



MONITORING AND AUDITING

Use internal tools to evaluate program effectiveness and detect criminal conduct.

COMPLIANCE & ETHICS WEEK
November 02-09, 2023

Fayetteville State University



Coffee & Cocoa with Compliance

Awareness~ Recognition~ Reinforcement

Celebrating Compliance & Ethics Week

Location: Rudolph Jones Student Center 132

When: November 09, 2023

Time: 9AM-11AM

Come meet your Compliance Leaders and enjoy a warm beverage with a special treat!



#BRNCOSINCOMPLIANCE

For more information 910-672-1043 or by email: Equity@uncfsu.edu



Division of Legal, Audit, Risk & Compliance

All are welcome to attend

COMPLIANCE AND ETHICS WEEK 2023



QUESTIONS





DEPARTMENT OF POLICE AND PUBLIC SAFETY (DPPS)

Roberto E. Bryan Jr.
Associate Vice Chancellor / Police Chief

CLERY ACT AND OTHER LAWS GOVERNING CAMPUS SAFETY

- The **Clery Act** is a consumer protection law passed in 1990. Congress enacted the Crime Awareness and Campus Security Act of 1990, which was later renamed the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act in honor of Jeanne Clery.
 - The Clery Act requires all colleges and universities that receive federal funding to share information about crime on campus and their efforts to improve campus safety and to inform the public of crime in or around campus. This information is publicly accessible through FSU's Annual Security and Fire Safety Report.
- The **Higher Education Opportunity Act of 2008** requires higher education institutions to disclose additional information about the security and fire safety policies and standards in their annual security report.
- The **Violence Against Women Reauthorization Act of 2013** (VAWA) requires higher education institutions to, among other things, collect and report statistics, establish disciplinary proceedings, and ensure training awareness regarding sexual assault, domestic violence, dating violence, and stalking.

QUESTIONS





OFFICE OF INTERNAL AUDIT

Jesse Chroman
Director of Internal Audit

ACTION ITEM: REQUEST FOR APPROVAL OF LARC COMMITTEE CHARTER

- Situation:** An updated Charter for the Committee on Legal, Audit, Risk and Compliance is being 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, the committee necessitates drafting a charter to outline its respective role and responsibilities as well as provide guidance in the performance of assigned duties.
- Assessment:** An updated version of the charter is included with the materials for review and approval. Note that the updated charter is in line with other constituent institutions as well as guidance provided by the North Carolina Council of Internal Auditing.
- Action:** This item requires a vote by the committee, with a vote by the full Board of Trustees.

ACTION ITEM: REQUEST FOR APPROVAL OF INTERNAL AUDIT CHARTER

Situation: An updated Charter for the University's Internal Audit Function is 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, 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.

Assessment: An updated version of the charter is included with the materials for review and approval. Note that the updated charter is in line with other constituent institutions as well as guidance provided by the North Carolina Council of Internal Auditing.

Action: This item requires a vote by the committee, with a vote by the full Board of Trustees.

QUESTIONS



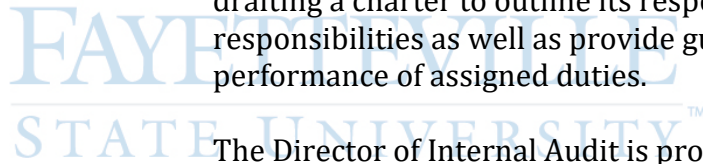
EXECUTIVE SUMMARY

MEETING DATE: December 13, 2023

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 Director of Internal Audit is proposing that the current Internal Audit Charter be updated. Any updates to the Internal Audit Charter must be approved by the LARC Committee and the full Board of Trustees.

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

Supporting Document(s) Included: Internal Audit Charter Draft

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

Date: 12/4/2023

Effective Date: December XX, 2023

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 including the Core Principles for the Professional Practices of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing*, and the Definition of Internal Auditing. These sources of mandatory guidance along with supplemental guidance, relevant state and University policies and procedures, contain 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 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. 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' Code of Ethics and Standards, and action plans to address any significant conformance issues.
- 4) Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested, by, C-LARC.

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) 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.

- 7) When necessary, serve as liaison between the University and any external auditors/regulators.
- 8) 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.
- 9) Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- 10) Ensure IA possesses or has the ability to obtain the knowledge, skills, and other competencies needed to meet the requirements of this charter.
- 11) Ensure emerging trends and successful practices in internal auditing are considered.
- 12) 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.
- 13) 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.
- 14) Comply with Article 79 of Chapter 143 of the North Carolina General Statutes (NCGS) establishing the authority vested within IA.
- 15) 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.

Approved:

Darrell T. Allison
Chancellor
Fayetteville State University

Date

Committee Chair – Committee on Legal, Audit, Risk, and Compliance Date
Fayetteville State University Board of Trustees

Jesse Chroman
Director of Internal Audit
Fayetteville State University

Date

DRAFT

EXECUTIVE SUMMARY

MEETING DATE: December 13, 2023

COMMITTEE: Legal, Audit, Risk and Compliance

SUBJECT: Proposed Revisions to the Board of Trustees LARC Committee 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, 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 Director of Internal Audit is proposing that the current LARC Committee Charter be updated. Any updates to the Internal Audit Charter must be approved by the LARC Committee and the full Board of Trustees.

MOTION: Move to approve changes to the LARC Committee Charter.

Supporting Document(s) Included: LARC Committee Charter Draft

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

Date: 12/4/2023

COMMITTEE ON LEGAL, AUDIT, RISK, AND COMPLIANCE CHARTER

Effective Date: December XX, 2023

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.

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

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."

- 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.
- 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 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 following IIA Professional Standards.
- 6) As needed, review and recommend to the BOT for approval revisions to the Internal Audit Charter.
- 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 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.
- 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 ensure 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 ensure 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.

Approved:

Darrell T. Allison
Chancellor
Fayetteville State University

Date

Committee Chair – Committee on Legal, Audit, Risk, and Compliance

Date