



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

COMMITTEE ON LEGAL, AUDIT, RISK AND COMPLIANCE

Wednesday, March 26, 2025

11:35 am

AGENDA

Call to Order Glenn Adams, Committee Chair

Welcome and Opening Remarks Roll Glenn Adams

Call Karen Bussey

Approval of Minutes: December 11, 2024
February 14, 2025

Action Items:

A. LARC-1:Top 5 University Risks Elizabeth Hunt
Assistant Vice Chancellor for Risk and Compliance

Information Items:

B. Internal Audit Update Jesse Chroman
Director of Internal Audit

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, December 11, 2024

11:45 a.m.

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

ROLL CALL

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

APPROVAL OF MINUTES

It was moved by Trustee Warren McDonald and seconded by Trustee Frederick Nelson that the September 25, 2024, minutes be approved. The motion carried.

INTERNAL AUDITOR UPDATE

Internal Auditor Jesse Chroman shared an updated Charter for the Committee on Legal, Audit, Risk and Compliance for recommendation to the Full Board for approval. 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. 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 Item LARC-1: Proposed Revisions to the LARC Committee Charter

Trustee Frederick Nelson moved that the proposed revisions to the LARC Committee Charter be accepted and recommended to the Full Board for approval. The motion was seconded by Trustee Warren McDonald. The motion carried.

Mr. Chroman also presented an updated Charter for the University's Internal Audit Function for review by the Committee and recommendation to the Full Board. 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 revised charter is in line with other institutions as well

as guidance provided by the North Carolina Council of Internal Auditing. The charter now conforms with the new standards, which are required to be implemented by January 9, 2025.

Trustee Glenn Adams asked about setting dates between the quarterly committee meetings for committee members to hear updates. Mr. Chroman shared that there were no specific requirements in the Global Standards, however, the University can establish a cadence. Trustee Jeffries Leonard reminded the committee that the committee codified the request in a previous meeting to meet intermittently, as needed.

Action Item LARC-2: Proposed Revisions to the Internal Audit Charter

Trustee Warren McDonald moved that the proposed revisions to the Internal Audit Charter be accepted and recommended to the Full Board for approval. The motion was seconded by Trustee John McFadyen. The motion carried.

Lastly, Mr. Chroman provided an update on the Office of State Auditor report. Mr. Chroman informed the Board of Trustees of an Investigative Report that was published by the NC Office of State Auditor (OSA) on May 28th. FSU received the notice from the System Office on September 16th, requesting a formal response. North Carolina General Statutes 116-30.01 necessitates that when a significant financial audit finding is identified, the institution must make satisfactory progress in resolving the finding within a three-month period commencing with the date of receipt of the correspondence from the System Office.

The FSU Director of Internal Audit, in conjunction with university management, has implemented a comprehensive corrective action plan in recommendations provided by OSA. The findings and recommendations review, the University's response, and communication regarding satisfactory progress will be communicated to the System Office. No action is required by the Board at this time.

Trustee Glenn Adams asked about the awareness of reporting mechanisms or places university members can go to confidentially. Mr. Chroman confirmed that there are multiple ways someone can file a report, including the Office of Internal Audits website, his office, and the hotline. Trustee Glenn Adams commented with a suggestion to make aware reporting mechanisms to handle issues at the local level.

RISK, COMPLIANCE, AND EQUITY UPDATE

Assistant Vice Chancellor Beth Hunt shared a risk and compliance update. Since August 2024, the Office of Risk and Compliance has provided 20 live training courses to various departments and units across campus. More than 1,900 participants have participated in sessions on either nondiscrimination, Title IX, risk management, or ethics. Further, all employees will complete the online mandatory nondiscrimination training course by December 20, 2024.

The Office of Risk and Compliance also hosted several events observing dating and domestic violence awareness month and the 2nd annual Compliance and Ethics week with the theme, "Higher Education, Higher Standards."

ADJOURNMENT

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

Respectfully submitted,

Glenn Adams, Committee Chair
Tamara Davis, Recorder

**SPECIAL CALLED MEETING
COMMITTEE ON LEGAL, AUDIT, RISK, AND COMPLIANCE
Friday, February 14, 2025
11:30 a.m.**

The Committee on Legal, Audit, Risk, and Compliance (LARC) of the Fayetteville State University Board of Trustees convened on Friday, February 14, 2025, for a special called meeting. Committee Chair Glenn Adams called the meeting to order at 11:32 a.m.

ROLL CALL

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

Staff persons in attendance were Chancellor Darrell Allison, Vice Chancellor Wanda Jenkins, and Mr. Jesse Chroman.

EXTERNAL AUDIT UPDATE

Mr. Jesse Chroman, the Director of Internal Audit, discussed the results of the Office of State Auditors Exit Conference held on February 14, 2025. The State Auditors conducted three (3) audits.

- (1) Financial Statement Audit (Year End June 30, 2024): Issued on 12/10/2024, no findings were identified.
- (2) Title III: The report issuance date is to be determined and will be included in the statewide compliance report. There were no identified findings and no reportable conditions.
- (3) Student Financial Aid: The report issuance date is to be determined and will be included in the statewide compliance report. There were no identified findings and no reportable conditions.

The Office of State Auditors was very complimentary of FSU's staff on the relationships built and how they collaborated in collecting the necessary data needed to complete the audit.

Trustee Glenn Admas commented tremendous work on a clean audit conducted by the NC Office of State Auditor.

EXTERNAL COMPLIANCE REVIEW UPDATE

Mr. Chroman presented the findings from the external compliance review prepared by the NC Department of Administration. The Department of Administration now requires an External Compliance Review to recur every 18 months. This review covered all purchases

from July 1, 2023, through June 30, 2024. The January 31, 2025, report contained three (3) findings.

(1) Purchasing Flexibility Costs and Statewide Term Contracts

(2) Internal Purchasing Policy not followed

(3) No record keeping and maintenance of procurement files (related to the fraud that occurred in 2023).

Mr. Chroman noted that there has been satisfactory progress in enhancing policy and procedures to ensure that the identified findings do not happen again. FSU kept its previous rating of "Medium Risk."

Lastly, Mr. Chroman provided additional compliance updates. The Systems Office issued a new regulation (1300.7.2[R]) on November 7, 2024. Internal Auditors are now required to assess compliance. Upon assessing compliance with the new regulation, Mr. Chroman concluded that as of January 29, 2025, the University was not in compliance with the regulation. However, the University has made progress towards alignment. Full compliance is anticipated prior to the next scheduled review. FSU's certification was submitted to the Systems Office on January 31, 2025. Mr. Chroman informed the committee that this will be an ongoing process. FSU will be recertified every January 31st.

The Office of State Budget Management is requesting a Risk-Based Audit Plan Validation, which will include a review of FSU's risk assessment presented to the Board last summer. Mr. Chroman submitted the Risk-Based Audit Plan Validation to OSBM and is awaiting their response.

An External Quality Assessment Report is planned for the Fall of 2025. A review of multiple audits performed by the Director of Internal Audit will be conducted.

Chancellor Allison shared his excitement in having an internal auditor to assess our compliance with policies and to make corrections. Gone are the days to having only external controls. Trustee Glenn Adams commented on the quick turnaround from the November 7th issuance of Policy 1300.7.2[R] and that he is glad the University is making swift changes to comply. Trustee Kimberly Jeffries Leonard and Trustee Frederick Nelson also affirmed the work of the Internal Auditor.

ADJOURNMENT

The Committee on LARC adjourned at approximately 11:48 a.m.

Respectfully submitted,

Glenn Adams, Committee Chair
Tamara Davis, Recorder



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

Wanda L. Jenkins

**General Counsel and Vice Chancellor for Legal, Audit, Risk and
Compliance**

March 26, 2025

OFFICE OF RISK AND COMPLIANCE

Elizabeth Hunt
Assistant Vice Chancellor for Risk and Compliance
March 26, 2025

UNC System Risk Register Requirements

UNC Policy 1300.7 - *University Enterprise Risk Management and Compliance* requires the UNC System to develop, implement, evaluate, and monitor a University system-wide enterprise risk management process. This process requires each campus to annually collect, analyze and present to the UNC System Office the campuses' top 5 risks.

RISK REGISTER DEVELOPMENT and APPROVAL

- The Risk and Compliance Committee approved bi-annual survey process and intermediate LARC review.
- Office of Risk and Compliance reviewed 2024 Risk Survey results.
- Office of Risk and Compliance met with individual leadership to discuss proposed 2025 changes.
- LARC updated the 2025 Risk Register.
- The Cabinet and Chancellor approved the 2025 Risk Register.
- FSU Board of Trustee review and approval.
- Risk Register submission to UNC System Office by June 14, 2025.
- UNC System Office will compile the data and report the system's top risks.

PROBABILITY AND URGENCY

Risk Probability		
5	Almost Certain	Greater than 90% probability in the next 1-3 years, nearly sure to happen or already occurring
4	Likely	Between 60% and 90% probability of occurring in the next 1-3 years
3	Possible	Between 30% and 60% probability of occurring in the next 1-3 years, realistic that it may occur but less than certain
2	Unlikely	Between 10% and 30% probability of occurring in the next 1-3 years
1	Rare	Less than 10% probability of occurrence in the next 1-3 years, possible but not expected to occur

Urgency		
3	Immediate	12-18 months
2	Near-term	18 months to 5 years
1	Long-term	More than 5 years

RISK CATEGORIES

- **Financial:** Risks and exposures that are associated with inadequate financial planning, management and operational outcomes, including the budgeting and financial reporting processes, financial controls, debt management, endowment investing, and risk management and insurance provision.
- **Health & Safety:** Risks and exposures that are associated with inadequate financial planning, management and operational outcomes, including the budgeting and financial reporting processes, financial controls, debt management, endowment investing, and risk management and insurance provision.

RISK CATEGORIES - CONTINUED

- Operational: Risks and exposures that do not have an immediate financial impact but impact the core mission and objectives of the institution. Included here are risks to the academic enterprise such as academic quality, tenure and faculty promotion, accreditation, faculty recruitment, on-line learning, program development (including closures, new programs, and international programs). Weather events, power disruptions, and other potential events impacting the availability of facilities would be another group of operational risks, to the extent that those risks are both likely and significant in impact. Research activities and issues surrounding medical centers would also fall under the category of operational risks.
- Reputational: Risks or opportunities affecting the University's brand and/or reputation. An intangible asset that is a key determinant of a future organization prospects, resulting from a collection of perceptions and opinions, past and present, about that organization that resides in the consciousness of its stakeholders, and grows over time.

RISK CATEGORIES - CONTINUED

- Legal, Regulatory & Compliance: Risks or opportunities related to violations of federal laws and regulations, state laws and regulations, local municipal laws, case law, accreditation standards, university policies and procedures, and contractual obligations, including contractual agreements, employment contracts, and collective bargaining agreements.
- Strategic: An event or activity, whether internal or external, that has the potential to negatively impact the institution's ability to pursue its mission and/or achieve its key strategic goals and objectives. These risks include inadequate strategic planning and goal setting, crisis response and business continuity, reputation, brand, and community relations.

RISK IMPACT

Risk Impact						
Risk Category		Financial	Health & Safety	Legal, Regulatory & Compliance	Operational	Strategic
5	Catastrophic	The financial viability of the University is significantly impaired or loss of >\$10M	Multiple fatalities may occur	Threatens viability of the University, regulatory action negatively impacting the University for 3+ years, criminal violation or investigation, loss of accreditation	Total failure of service or disablement of the entire University campus	Incident would call into question the viability of the University
4	Critical (High)	The financial viability of the University is significantly impaired or loss of >\$1M and <\$10M	Life altering injuries up to and including death to many	Principle investigator excluded from Federal/State programs, program funds rescinded, long-term University scrutiny, enforcement action likely	Serious disruption to service or serious disruption to the entire University campus	Incident would call into question the viability of several major mission critical goals
3	Substantial (Medium)	The financial viability of the University is unlikely to be called into question or loss >\$500K and <\$1M	Major injury or death to 1 or more	Audit findings requiring programmatic changes, enforcement action likely	Disruption to service or disablement to part of the University campus	Incident would call into question the viability of a single major mission, critical goal, or several minor mission critical goals
2	Moderate (Low)	Extremely unlikely that the financial viability of the University will be called into question or loss >\$50K and <\$500K	Multiple minor injuries	Regulatory action negatively impacting the University for over a <u>one to two year</u> time frame, non-criminal violation or investigation, accreditation is put on probation	Some moderate impact on service	Incident would call into question the viability of a single minor mission critical goal
1	Minor (Negligible)	The financial viability of the University is never called into question or loss of <\$50K	Single minor injury	Minor audit findings, minor fines	Very minor impact on campus or service	Incident within acceptable or reasonable range associated with day-to-day activities in terms of mission critical goals

RISK IMPACT

Risk Title	Description	Owner	Impact	Probability	Urgency
Regulatory Changes	State and federal regulatory changes	Legal, Audit, Risk, and Compliance	Central (High)	Almost Certain	Immediate
Deferred Maintenance	Maintenance delays can result in increased costs, diminished safety and reduced operational efficiency over time	Business and Finance	Substantial	Almost Certain	Immediate
Campus Safety	Campus safety including mental health	Police and Public Safety, Counseling	Critical (High)	Possible	Immediate
Enrollment	Funding adjustments	Academic Affairs	Substantial (Medium)	Possible	Immediate
Cyber Security	Protection of stored data	ITS	Substantial	Possible	Near-term

FSU'S NEXT STEPS

- FSU's Risk Committee will review UNC System Risk Register Report.
- FSU's Risk Committee will monitor University risk management plans.
- FSU's Board of Trustees will receive an updated report from the Risk Committee.

QUESTIONS

OFFICE OF INTERNAL AUDIT

Jesse Chroman
Director of Internal Audit
March 26, 2025

PROCUREMENT AND PURCHASING CARD PROGRAMS

- UNC System Office issued *Regulation on University Procurement and Purchasing Card Programs* (1300.7.2[R]) on November 7, 2024.
- The Regulation required each System institution's Internal Audit Office to assess compliance with the *Regulation* and State laws.
- As of January 29, 2025, the University was not in compliance with the policy but is in the process of ensuring compliance.
 - Update on compliance activities.
 - Campus retrained on Procurement & Travel Card procedures.

REGULATION ON CAMPUS EMERGENCY COMMUNICATION AND ALERT SYSTEMS

- The UNC System Office seeks to ensure that institutions have policies and protocols in place that facilitate timely warnings and emergency notifications in light of any eventualities.
- To ensure that institutions meet these requirements, the UNC System Office issued *Regulation on Campus Emergency Communication and Alert Systems* (#1300.7.3[R]) on February 26, 2025
- The University is currently assessing compliance and testing.
 - Audit Oversight Component
 - Include in 25-26 audit plan, evaluate and report

OTHER IA ACTIVITIES

- Risk-Based Audit Plan Validation – Office of State Budget and Management (OSBM)
 - Due 2/26/25, requested items submitted, awaiting response
- External Quality Assessment Report – Planned for Fall 2025

QUESTIONS

Agenda Item LARC-1

Executive Summary

MEETING DATE: March 26, 2025

COMMITTEE: Legal, Audit, Risk, and Compliance

SUBJECT Review and Approval of Top 5 Major Risks

BACKGROUND: UNC Policy 1300.7-University Enterprise Risk Management and Compliance requires the UNC System to develop, implement, evaluate, and monitor a system-wide enterprise risk management process. This process requires each campus to annually collect, analyze and present to the Chancellor and Board of Trustees for approval the campuses' top 5 risks.

MOTION: Move that the top 5 risks, as presented, be approved.

Supporting Document(s) Included: none

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

Date: 3/17/2025