



**OPEN SESSION**

**FOR ACTION**

1. [Election of Members to the Board of Trustees of the Endowment Fund & UNC-CH Foundation, Inc.](#) (Attachment A)  
*Matt Fajack, Vice Chancellor for Finance & Administration*
2. [2017-18 Audit Plan for Approval](#) (Attachment B)  
*Phyllis Petree, Director of Internal Audit*
3. Site Approval  
  - [Science Complex Phase 3](#) (Attachment C)
  - [Translational Research Building](#) (Attachment D)  
*Anna Wu, Associate Vice Chancellor for Facilities Services*
4. Designer Selection Approval  
  - [Kenan Center 2<sup>nd</sup> Floor and McColl Building 4<sup>th</sup> Floor Renovations](#) (Attachment E)
  - [Marsico Hall MEP Systems](#) (Attachment F)  
*Anna Wu, Associate Vice Chancellor for Facilities Services*
5. [Demolition of Homestead Road House](#) (Attachment G)  
*Gordon Merklein, Associate Vice Chancellor for University Real Estate Operations*
6. [Self-Liquidating Debt Resolution](#) (Attachment H)  
*Brian Smith, Senior Assistant Vice Chancellor and Treasurer*

**FOR INFORMATION ONLY** (No formal action is requested at this time)

1. [Debt and Liquidity](#)  
*Brian Smith, Senior Assistant Vice Chancellor and Treasurer*
2. [Internal Audit Report FY16-17](#) (Attachment I)  
*Phyllis Petree, Director of Internal Audit*
3. [Development Report](#)  
*David Routh, Vice Chancellor for University Development*
4. [Horace Williams Airport Update](#)  
*Brad Ives, Associate Vice Chancellor for Campus Enterprises & Chief Sustainability Officer*

**COMMITTEE MEMBERS**

Dwight D. Stone, Chair  
W. Lowry Caudill, Vice Chair  
Charles (Chuck) Duckett  
Julia Sprunt Grumbles  
W. Edwin (Ed) McMahan  
Richard Y. Stevens

**Administrative Liaison:**

***Matthew (Matt) Fajack, Vice Chancellor for Finance and Administration***

## ATTACHMENT A

### **ELECTION OF MEMBERS TO THE BOARD OF TRUSTEES OF THE ENDOWMENT FUND AND THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL FOUNDATION, INC.**

North Carolina General Statute 116-36 and Board of Governors' regulations require that the Board of Trustees elect the membership of the Endowment Board of Trustees. There are three (3) vacancies. Attached is a chart showing the names and terms of the current Endowment Trustees. The nominees for each vacancy are shown in bold on the chart.

The Bylaws of The University of North Carolina at Chapel Hill Foundation, Inc. ("Foundation") require that the Board of Trustees elect two (2) members from the Board of Trustees and three (3) members from the Endowment Board of Trustees to serve on the Board of Directors of the Foundation. There are two (2) vacancies. Attached is a chart showing the names and terms of the current Foundation board.

### **RECOMMENDED ACTION**

A motion to elect Dwight Stone, David Carroll and John Ellison to the Board of Trustees of the Endowment Fund and Dwight Stone and Michael Kennedy to the Board of Directors of The University of North Carolina at Chapel Hill Foundation, Inc.

**THE BOARD OF TRUSTEES OF THE ENDOWMENT FUND OF  
THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL**

MEMBERSHIP – MINIMUM 6; MAXIMUM 9  
(three year term)\*

**MEMBERS ELECTED BY BOARD OF TRUSTEES**

**TERM**

Haywood Cochrane, Chairman Board of Trustees	(Ex-Officio)
Carol Folt, Chancellor	(Ex-Officio)
<b><u>Dwight Stone</u></b> (vacancy created by election of Haywood Cochrane as Chairman of the Board of Trustees)	(Ex-Officio)
Sallie Shuping-Russell	2018
Willard J. Overlock, Jr.	2018
Steve Lerner	2019
Michael Kennedy	2019
<b><u>David Carroll</u></b> (vacancy created by expiration of term of David Carroll)	2020
<b><u>John Ellison</u></b> (vacancy created by expiration of second term of Max Chapman)	2020

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\* Effective with appointments after July 26, 1996, individuals are eligible for a maximum of two consecutive 3 year terms. Individuals are eligible for reappointment after one year has elapsed from conclusion of most recent term.

**BOARD OF DIRECTORS OF THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL  
FOUNDATION, INC.**

**17 MEMBERS; METHOD OF SELECTION**

**I. NINE EX-OFFICIO MEMBERS**

A. 4 BY VIRTUE OF OFFICE (term concurrent with office tenure)

Chair of the Board of Trustees (Haywood Cochrane)  
Chancellor (Carol Folt)  
Vice Chancellor for Finance and Administration (Matt Fajack)  
Vice Chancellor for University Advancement (David Routh)

B. 2 ELECTED BY BOARD OF TRUSTEES FROM BOARD OF TRUSTEES  
MEMBERSHIP (term concurrent with Board tenure)\*

<u><b>Dwight Stone</b></u>	2021
(vacancy created by election of Haywood Cochrane as Chairman of Board of Trustees)	
Julia Sprunt Grumbles	2019

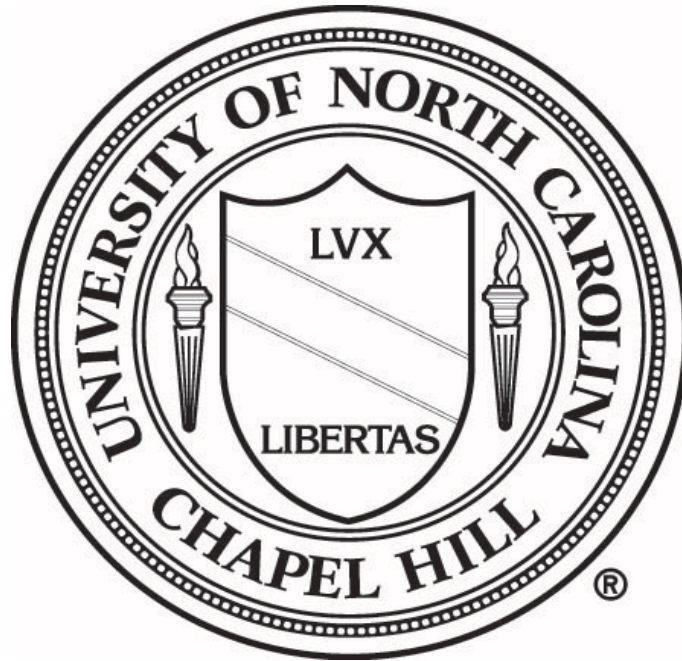
C. 3 ELECTED BY BOARD OF TRUSTEES FROM MEMBERSHIP OF THE BOARD OF  
TRUSTEES OF THE ENDOWMENT FUND (term concurrent with Endowment tenure)\*

<u><b>Michael Kennedy</b></u>	2019
(vacancy created by expiration of second term of Max Chapman)	
Sallie Shuping-Russell	2018
Steve Lerner	2019

**II. EIGHT DIRECTORS ELECTED BY THE NINE EX-OFFICIO DIRECTORS  
(four year term)**

David Pardue	2017
Kel Landis	2017
Nelson Schwab	2018
Roger Perry	2018
David Carroll	2019
Ed Fritsch	2019
John Townsend	2020
Williard J. Overlock, Jr.	2020

September, 2017



# **Risk Assessment and Internal Audit Plan 2017/18**

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A: Calculation of Available Work Hours	
B: 2017/18 Audit Work Schedule	

## Introduction

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Each year, the Internal Audit Department of the University of North Carolina at Chapel Hill develops an audit work plan based on a university-wide assessment of risk. This approach is in keeping with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* (IIA Standards) and the Internal Audit Act (NCGS § 143-746) which requires internal audit functions in NC State agencies and institutions to comply with the IIA Standards. Also, basing audit work plans on risk helps ensure that audit resources are allocated effectively and efficiently and in a way that best helps manage and the Board of Trustees provide governance and fulfill the University's mission.

The primary objectives of the risk assessment process are to:

- Ensure compliance with *IIA Performance Standard 2010 – Planning* which states: “The chief audit executive must establish risk-based plan to determine the priorities of the internal audit activity, consistent with the organization’s goals” and with North Carolina’s Internal Audit Act;
- Gather information about the organizational structure of the University, its operations, and its finances and about trends and recent concerns in higher education;
- Identify risk concerns of University management and members of the Finance, Infrastructure, and Audit Committee of the Board of Trustees and expectations of the Internal Audit Department;
- Identify opportunities to coordinate work with other audit groups, such as the Office of the State Auditor, to reduce the potential for duplicative audits.
- Develop an audit work plan based on risks and opportunities identified during the assessment process; and
- Present the work plan and results of the risk assessment to the Chancellor of the University of North Carolina at Chapel Hill and the Finance, Infrastructure, and Audit Committee of its Board of Trustees for review and approval.

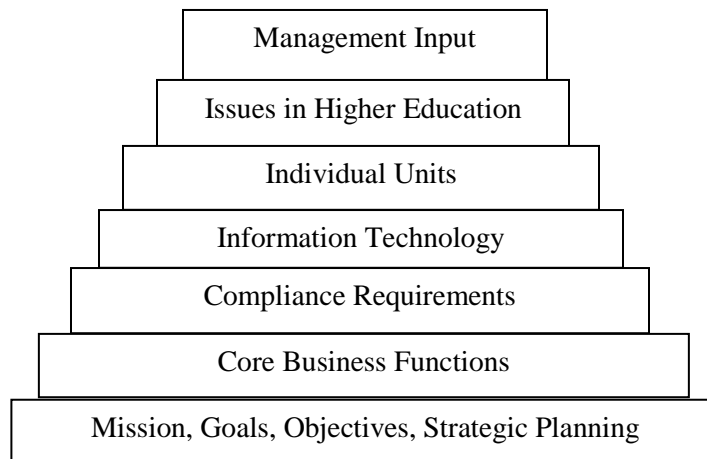
While the initial work plan is developed based on a formal risk assessment process, risks change throughout the year. Therefore, we monitor changes at the University and in higher education during the year and make revisions the work plan as needed.

## **Risk Assessment Process**

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The risk assessment and audit planning process involves developing an audit universe and considering how different components of risk affect individual auditable units and the University as a whole.

### **Audit Universe Development Model**



### **Risk Components**

1. Strategic risks – relate to mission and goals of the University
2. Financial risks – relate to stewardship and safeguarding of resources
3. Operational risks – relate to processes used to achieve mission and goals
4. Compliance risks – related to laws, rules, regulations, and other requirements
5. Reputational/service risk – relate to public image and the impact of service failure



## **Step 1: Update and Create Audit Universe**

The risk assessment process begins with a review of the organization structure of the University and the identifying by various missions, functions, and financial activities of individual departments and other units. What these units are here to do and how they seek to accomplish their mission, goals, etc. forms the base of the audit universe.

- We initially identified functions and activities that are unique to a particular department and activities that cross departmental lines. Examples include governance practices, the service-related activities of the Registrar's Office, various elements of sponsored award management, facilities services, parking and transportation, etc. These functions/activities become individual audit units.
- We also created audit units for each core business function such as payroll, small order purchasing, travel, etc. Responsibility for core business functions is shared by departments and central offices; this shared responsibility affects both the risks associated with the core business functions and how they are best audited. We audit core business functions university-wide – an approach that includes an assessment of processes in central offices as well as in a sample of individual units. We believe this approach provides a “birth to death” review that can best identify gaps in or redundancies in internal controls.
- To supplement audits of core business functions, major functions, we also choose to do audit work in individual departments and other units. Departmental audits provide a way to more closely assess risks and governance across the University, to build additional working relationships with the campus community, and potentially to identify control weaknesses before these become problems.
- Although some elements of the audit universe are based on internal factors, external compliance requirements are major issues in the University's risk and operating environment. The University has overall policies and procedures that govern how to comply with requirements. In many cases, one or more central units have primary responsibility for monitoring compliance. Since most compliance activities are overseen, centrally, we believe that they are best audited university-wide.
- Information technology (IT) supports and enables nearly all functions and activities of the University. IT has unique audit and business risks such as disaster recovery, data and physical security, patching, access controls, change controls, data retrieval and reporting, etc. IT at the University is a hybrid function with central systems and servers managed by Information Technology Services and departmental/school servers and systems managed by those units. The IT portion of our audit universe includes a combination of audits of central systems, governance, and policy. We will assess issues related to departmental/school systems through general controls review done as part of broader audits of these units.
- Some schools, departments, and centers have unique activities or IT systems. In addition, the highly decentralized nature of the University makes it necessary to include individual units in our audit universe. This practice provides a way to assess, on a more granular level, activities and potential

risks across the University. The audits will also provide an opportunity to share information with individual units and to keep the University community aware of Internal Audit as a resource for advice and guidance.

- The final steps in developing an audit universe involve tapping into and leveraging the knowledge of colleagues at other universities and of key members of University management. These individuals are a valuable resource for identifying any need to adjust audit units or approaches to better address current and future risks.

## **Step 2: Assess Risk**

- Interview the Chairman of the Finance, Infrastructure, and Audit Committee of the Board of Trustees and key members of University management to identify their views of challenges and opportunities for the University and to get suggestion for items to be included in the audit work plan;
- Consider risk factors:
  - Significance of operations;
  - Impact of a service delay or failure;
  - Sensitivity of information managed;
  - Public or political sensitivity;
  - Extent of regulation;
  - Changes in management or the operating environment;
  - Key Performance Indicators calculated each month for the UNC Business Compliance Program; and
  - Amount of time since any prior audits (internal or external) and the status of findings from any prior audits; and
- Assign relative risk to auditable units: high, medium, or low risk.

## **Step 3: Develop Audit Work Plan**

Determine available audit hours based on size of audit staff, available work hours per staff member, and estimates of time for administrative activities such as training, meetings, and leave. Refer to Appendix A for the calculation of available audit hours.

Allocate blocks of time for unplanned audits, investigations, advisory work, and annual projects.

To select items for the rest of the 2017/18 audit work schedule we considered:

- Available audit hours;
- Projects from the 2016/17 audit work plan that needed to be carried forward;
- Specific requests by management or members of the Board of Trustees;
- Nature and timing of any recent or anticipated changes in an area (such as a system conversion, new financial management, extensive process revisions, etc.); and
- Recent events at the University and at other colleges and universities that have raised the visibility and sensitivity of certain activities.

After possible units for the 2017/18 audit work schedule were selected, hours were budgeted for each project based on nature of the area audited and the anticipated audit work in an area. If necessary, possible units were added or dropped in order to have a work plan that fit available hours.

Refer to Appendix B for the 2017/18 Audit Work Plan.

#### **Step 4: Finalize the Work Plan**

Submit the risk assessment to the Chancellor and Finance, Infrastructure, and Audit Committee for review and approval.

Submit the approved plan to General and Administration and the Council of Internal Auditing for their records.

**Appendix A**  
**UNC Internal Audit**  
**Available Hours - 2017/18**

	<b><u>Budgeted</u></b>
Total Hours Available - Permanent Staff -1-	14,560
Add: Projected temporary employees	600
Less: Vacancies -2-	(3,120)
	<hr/>
Adjusted hours available	12,040
<u>Less:</u> Leave Hours -3-	(1,904)
<u>Less:</u> Other Administrative Time -4-	(1,698)
	<hr/>
<b>Available for projects</b>	8,439
 Routine Audits & Annual Projects	 3,860
Audit Related	2,100
Special Reviews & Management Requests	2,500
	<hr/>
<b>Total Scheduled</b>	8,460
<b>Under/&lt;Over&gt;scheduled **</b>	<hr/> <b>(22)</b> <hr/>

-1- = seven positions, 2080 hours each

-2- = one position projected to be filled by 12/31/17 (1,040 hours vacant); one  
one position with insufficient funding to fill (2,080 hours)

-3- = based on official holidays and past use of vacation and sick leave

-4- = training, audit committee activities, meetings, professional reading, etc.

**Appendix B**  
**UNC-CH Internal Audit**  
**Audit Schedule - 2017/18**

<b><u>Routine Audits</u></b>	<b><u>Hours Budgeted</u></b>
Historically Under-utilized Business Program	150
Cleary Act Reporting	300
Governance - Trustee Orientation	400
Follow-up for Prior Internal Audit Findings	860
Follow-up for OSA IT GC Audit	250
Chemistry - departmental audit	400
Athletics Ticket Sales	400
Building Access	400
Energy Services Equipment	400
<b>Total for Routine Audits</b>	<b><u>3,560</u></b>
 <b><u>Annual Projects</u></b>	
UNC Business Compliance Program 2018	50
2017/18 Risk Assessment and Audit Plan	200
2017 State Audit	50
<b>Total for Annual Projects</b>	<b><u>300</u></b>
 <b><u>Audit Related</u></b>	
Office Systems	500
Internal QAR	250
Audit Committee	100
KPI Reporting	20
HIPAA Security Liaisons	80
Data Access and Reporting	250
UCPPD	100
Policy Liaisons	50
Enterprise Data Coordinating Committee	50
Other Audit Related	200
<b>Total for Audit Related</b>	<b><u>1,600</u></b>
 <b><u>Unplanned Projects</u></b>	<b><u>3,000</u></b>
<b>Total Hours Scheduled</b>	<b><u>8,460</u></b>
Total Hours Available	(8,439)
< Under>/Over Scheduled	<u>22</u>

**Approvals:**

**Chancellor:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Chairman:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Finance, Infrastructure, and Audit Committee**

**UNC Internal Audit  
Use of Audit Resources  
Summary of Audit Hours Used - FY 2018 as of 08/06/17**

	<u>Budgeted</u>	<u>Pro-Rated Budget -5-</u>	<u>Hours Charged</u>	<u>Variance (Over)/Under</u>	<u>Budgeted Percent</u>
Total Hours Available -1-	14,560	n/a	n/a	n/a	
<u>Add:</u> Projected temporary staff	600	n/a	n/a	n/a	
<u>Less:</u> Vacancies -2-	(3,120)	n/a	n/a	n/a	
<b>Adjusted hours available</b>	<b>12,040</b>				
<u>Less:</u> Leave	(1,904)	(159)	143	16	
<u>Less:</u> Other Administrative Time -3-	(1,698)	(141)	172	(31)	
<b>Total for Training, Leave, &amp; Administrative</b>	<b>(3,602)</b>	<b>300</b>	<b>315</b>		<b>29.9%</b>
<b>Hours Available for Projects</b>	<b>8,439</b>				
Routine Audits & Annual Projects	3,860	322	365	(44)	32.1%
Audit Related -4-	2,100	175	119	56	17.4%
Unplanned Projects and Advisory Work	2,500	208	281	(73)	20.8%
<b>Total Scheduled/Charged</b>	<b>8,460</b>	<b>705</b>	<b>766</b>		
<b>Under/&lt;Over&gt; Scheduled</b>	<b>(22)</b>		<b>1,081</b>		

-1- = seven staff members at 2080 hours/year

-2- = one position projected to be filled by 12/31/17 (1,040 hours vacant); one position with insufficient funding to fill (2,080 hours)

-3- = training, audit committee activities, meetings, professional reading, etc.

-4- = consulting and advisory work, activities that improve audit operations.

-5- = budget pro-rated for four weeks

# **UNC Internal Audit**

## **Status of 2017/18 Audit Schedule as of 08/06/17**

### **Planned Audits**

#### **In Process**

Historically Under-utilized Business Program  
Cleary Act Reporting  
Follow-up for Prior Internal Audit Findings

#### **Scheduled**

Governance - Trustee Orientation  
Follow-up for OSA IT GC Audit  
Chemistry - departmental audit  
Athletics Ticket Sales  
Building Access  
Energy Services Equipment

### **Annual Projects**

UNC Business Compliance Program 2018  
2017/18 Risk Assessment and Audit Plan  
SACS 2018  
2017 State Audit

### **Audit Related**

Audit Manual  
Time System  
Office Systems  
Audit Planning  
Audit Committee  
Media Requests  
Internal QAR  
IT Governance Committee & Data Custodian Work  
KPI Reporting  
Board of Governors' Meetings  
HIPAA Security Liaison  
Continuous Auditing  
University Committee on the Protection of Personal Data  
Privacy Liaison  
Data Access and Reporting  
Enterprise Data Coordinating Committee

### **Special Projects & Management Requests**

#### **Complete**

Carolina Center for Educational Excellence  
Law - Center for Civil Rights  
School of Law - Teaching Loads

#### **In Process**

Nutrition Research Institute  
Lineberger Cancer Center Tissue Culture Facility  
Journalism - Fair Labor Standards Act

### **Multiple Short-term Advisory Projects**

**SITE APPROVAL – SCIENCE COMPLEX PHASE 3**

This project will provide advance planning for the redevelopment of the Naval Armory site and adjacent parking lot for a new 220,000 square foot building to house facilities for Applied Physical Sciences, Institute for Convergent Science and innovation space for faculty start-ups.

The anticipated project budget is \$175 million.

**RECOMMENDED ACTION:**

A motion to approve the site.



## **ATTACHMENT D**

### **SITE APPROVAL –TRANSLATIONAL RESEARCH BUILDING**

This project will construct a new approximately 140,000 sf building that will consolidate existing vivarium facilities and allow for additional program growth.

The relocation of the grounds facilities and subsequent demolition of the existing facilities will be part of this project.

The anticipated project budget is \$133 million.

#### **RECOMMENDATION ACTION:**

A motion to approve the site.

**DESIGNER SELECTION – KENAN CENTER 2<sup>nd</sup> FLOOR AND MCCOLL BUILDING 4<sup>th</sup> FLOOR RENOVATIONS**

This project will renovate selected areas of the Kenan Center and the Kenan Flagler Business School to convert under-utilized rooms and public spaces into open office areas for administrative personnel and faculty.

The project budget is \$1,325,293 and will be funded by an institutional trust fund supported by Business School operations.

The project was advertised on August 3, 2017. The Selection Committee received seven (7) proposals.

Three (3) firms were interviewed on September 5, 2017. The Selection Committee consisted of members from the Kenan Flagler Business School and Facilities Planning & Design. The committee recommended the selection of the three firms in the following priority order:

- |        |         |
|--------|---------|
| 1. XXX | XXX, XX |
| 2. XXX | XXX, XX |
| 3. XXX | XXX, XX |

The firms were selected for their past performance on similar projects, strength of their consultant team and experience with campus projects.

**RECOMMENDED ACTION:**

A motion to approve the three firms in the following priority order:

- |        |         |
|--------|---------|
| 1. XXX | XXX, XX |
| 2. XXX | XXX, XX |
| 3. XXX | XXX, XX |

**DESIGNER SELECTION – MARSICO HALL MEP SYSTEMS PROJECT**

This project will focus on improvements to the complex and highly integrated building mechanical, electrical, specialty lab and medical equipment, and control systems in Marsico Hall. This project will review adequacy of building system capacity, including required redundancy; power quality issues; and critical points of failure that have significant impact of the medical imaging function. Recommendations for mechanical, plumbing and electrical improvements will be reviewed with stakeholders and implemented as part of the project. The design team will provide a report summarizing findings of the investigative phase and recommendations.

The project budget is \$600,000 and will be funded by State appropriations.

This project was advertised on July 14, 2017. Six (6) proposals were received. Three (3) firms were interviewed on August 22, 2017. Members of the Board of Trustees did not participate in the interviews.

The committee recommended the selection of the three firms in the following priority order:

- |        |         |
|--------|---------|
| 1. XXX | XXX, XX |
| 2. XXX | XXX, XX |
| 3. XXX | XXX, XX |

The firms were selected for their past performance on similar projects, the strength of their project team members, and experience with campus projects.

**RECOMMENDED ACTION:**

A motion to approve the three firms in the following priority order:

- |        |         |
|--------|---------|
| 1. XXX | XXX, XX |
| 2. XXX | XXX, XX |
| 3. XXX | XXX, XX |

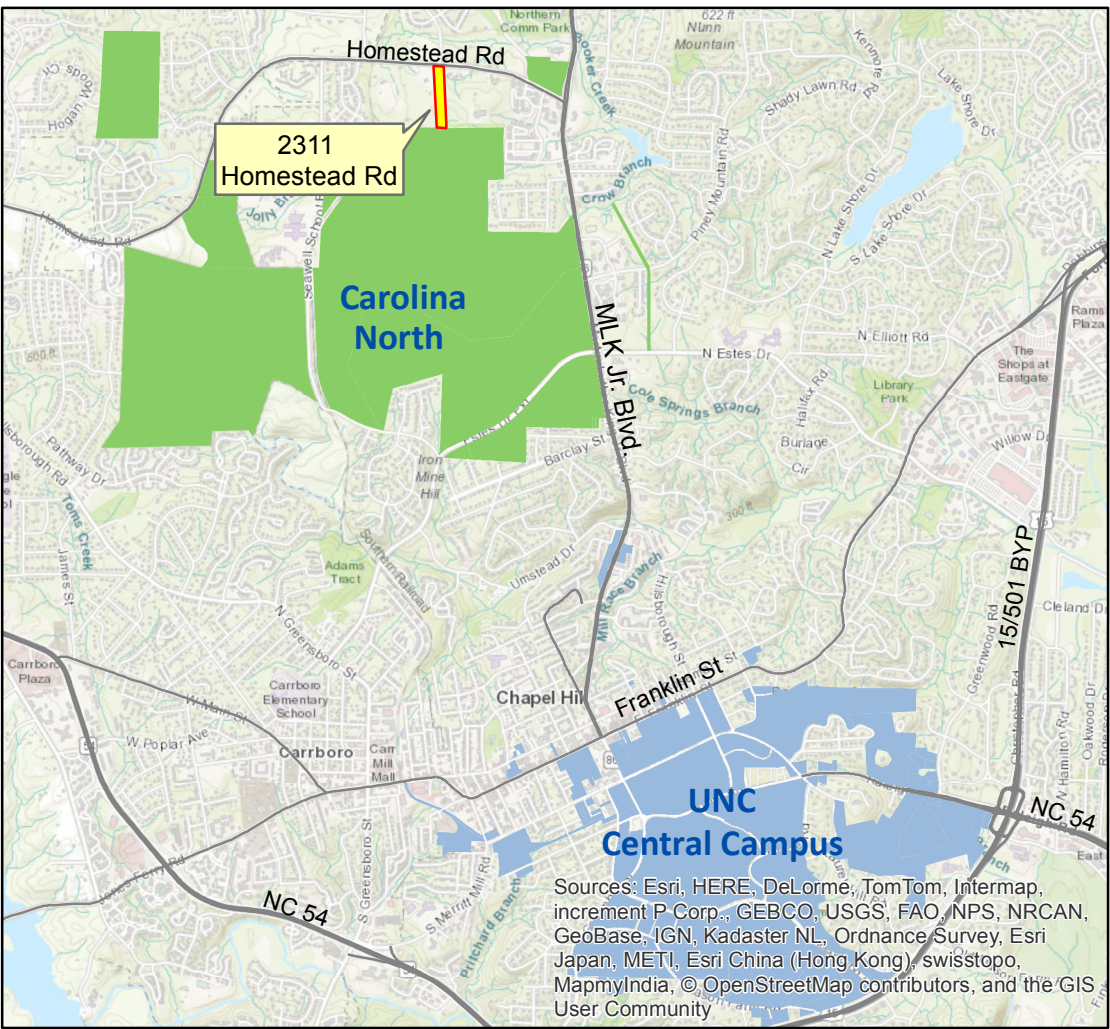
**APPROVAL FOR PROPERTY DEMOLITION – 2311 HOMESTEAD ROAD**

This request is for approval to demolish the fire-damaged house as well as the ancillary structures (barn and shed) located at 2311 Homestead Road in Chapel Hill. The existing residential structure was destroyed by fire on April 19, 2017 and is damaged beyond repair. The 2311 Homestead Road property was originally acquired in 1992 for the purpose of providing additional frontage and access to Carolina North along Homestead Road.

**RECOMMENDED ACTION**

A motion to approve the demolition of all structures at 2311 Homestead Road in Chapel Hill, North Carolina.







## **ATTACHMENT H**

### **SPECIAL OBLIGATION BOND PROJECT**

The General Statutes permit the Board of Governors to issue special obligation bonds payable from obligated resources to fund the costs of acquiring, constructing or providing a special obligation project at any of the constituent institutions of the University of North Carolina. The General Statutes require the Board of Trustees of The University of North Carolina at Chapel Hill to approve the issuance of the bonds for its special obligation bond projects. Attached is a resolution authorizing the issuance of special obligation bonds for self-liquidating projects recently approved by the North Carolina General Assembly

### **RECOMMENDED ACTION:**

A motion to approve the attached resolution.

**RESOLUTION OF THE BOARD OF TRUSTEES OF  
THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL  
APPROVING THE ISSUANCE OF SPECIAL OBLIGATION BONDS**

**WHEREAS**, under Article 3, Section 116D General Statutes of North Carolina (the “*Act*”) the Board of Governors (the “*Board of Governors*”) of the University of North Carolina (the “*University*”) may issue special obligation bonds, payable from obligated resources to pay the costs of acquiring, constructing or providing a special obligation project at one of the constituent institutions of the University or refunding any obligations previously issued by the Board of Governors;

**WHEREAS**, The University of North Carolina at Chapel Hill (“*UNC-CH*”) will request the Board of Governors to issue its special obligation bonds in one or more series to be known as “*The University of North Carolina at Chapel Hill General Revenue Bonds*” or “*The University of North Carolina System Commercial Paper Bonds (UNC at Chapel Hill/NC State)*”, with appropriate series designations for each series (collectively, the “*Bonds*”), the proceeds of which will be applied to (1) financing the costs of the projects approved by the North Carolina General Assembly in Chapter 141 of the 2017 North Carolina Session Laws (collectively, the “*Special Obligation Bond Projects*”), including (a) Indoor Practice Facility and Fetzer Field, (b) Media and Communication Studios (Athletics), (c) DLAM Renovations (swing space for Berryhill Hall) & AAALAC Certification, (d) Kenan Labs – Renovations to Labs 7A, 7B, 7C, 8B & 8C for Applied Physics and (e) Medical Education Building and (2) paying the costs incurred in connection with the issuance of the Bonds; and:

**WHEREAS**, Section 116D-26(b) of the Act requires the Board of Trustees of The University of North Carolina at Chapel Hill to approve the issuance of the Bonds for the Special Obligation Bond Projects;

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Trustees of The University of North Carolina at Chapel Hill as follows:

Section 1. ***Approval of Issuance of Bonds.*** The issuance of the Bonds for the Special Obligation Bond Projects is approved.

Section 2. ***Effective Date.*** This Resolution is effective immediately.

**ADOPTED AND APPROVED** this 28th day of September, 2017.

**THE BOARD OF TRUSTEES OF THE UNIVERSITY OF  
NORTH CAROLINA AT CHAPEL HILL**

By: \_\_\_\_\_  
Assistant Secretary

STATE OF NORTH CAROLINA       )  
                                                  )  
COUNTY OF ORANGE               )       SS:

I, Clayton Somers, the duly elected Assistant Secretary of the Board of Trustees of The University of North Carolina at Chapel Hill, ***DO HEREBY CERTIFY*** that (1) the foregoing is a full, true and correct copy of the Resolution adopted by the Board of Trustees of The University of North Carolina at Chapel Hill at its meeting of September 28, 2017 and appearing in the minutes of such meeting, (2) notice of the meeting of the Board of Trustees of The University of North Carolina at Chapel Hill held on September 28, 2017 was sent to each member of the Board, and (3) a quorum was present at the meeting on September 28, 2017 at which time the foregoing Resolution was adopted.

***WITNESS***, my hand and the seal of The University of North Carolina at Chapel Hill this \_\_\_\_ day of September, 2017.

[SEAL]

\_\_\_\_\_  
Assistant Secretary



# Finance, Infrastructure & Audit Debt & Liquidity Update

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September 27, 2017



UNC  
DIVISION OF FINANCE  
AND ADMINISTRATION

# Current Transactions

## **Series 2017 Refunding**

- Sale Date: September 14, 2017
- Structure: Taxable Fixed Rate Bonds
- Par Amount: \$110 million (to refund Series 2009A and outstanding CP)

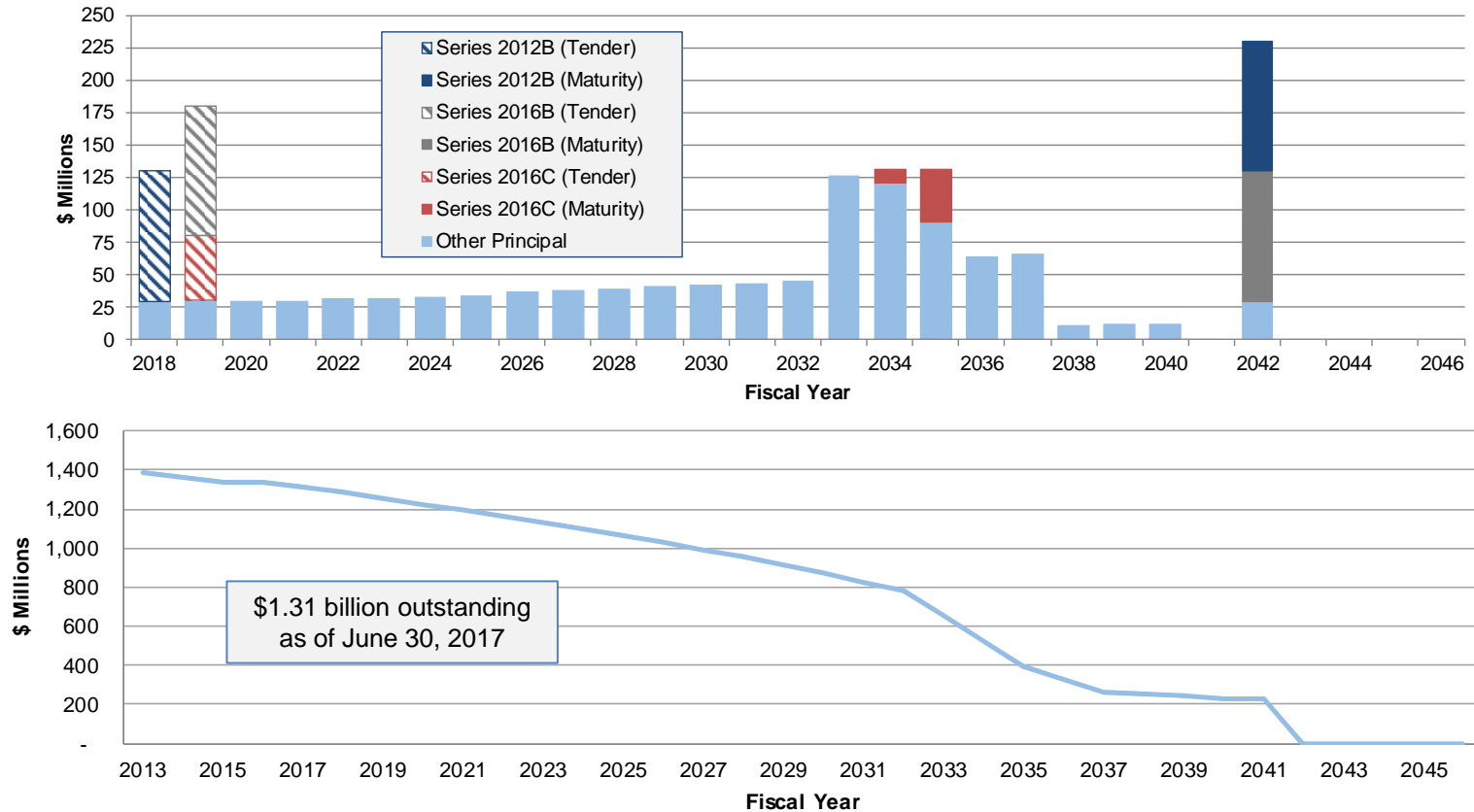
## **Series 2012B Remarketing (FRNs)**

- Expected Remarketing Date: November 2017
- Structure: 5-Year FRNs (67% LIBOR)
- Par Amount: \$100 million

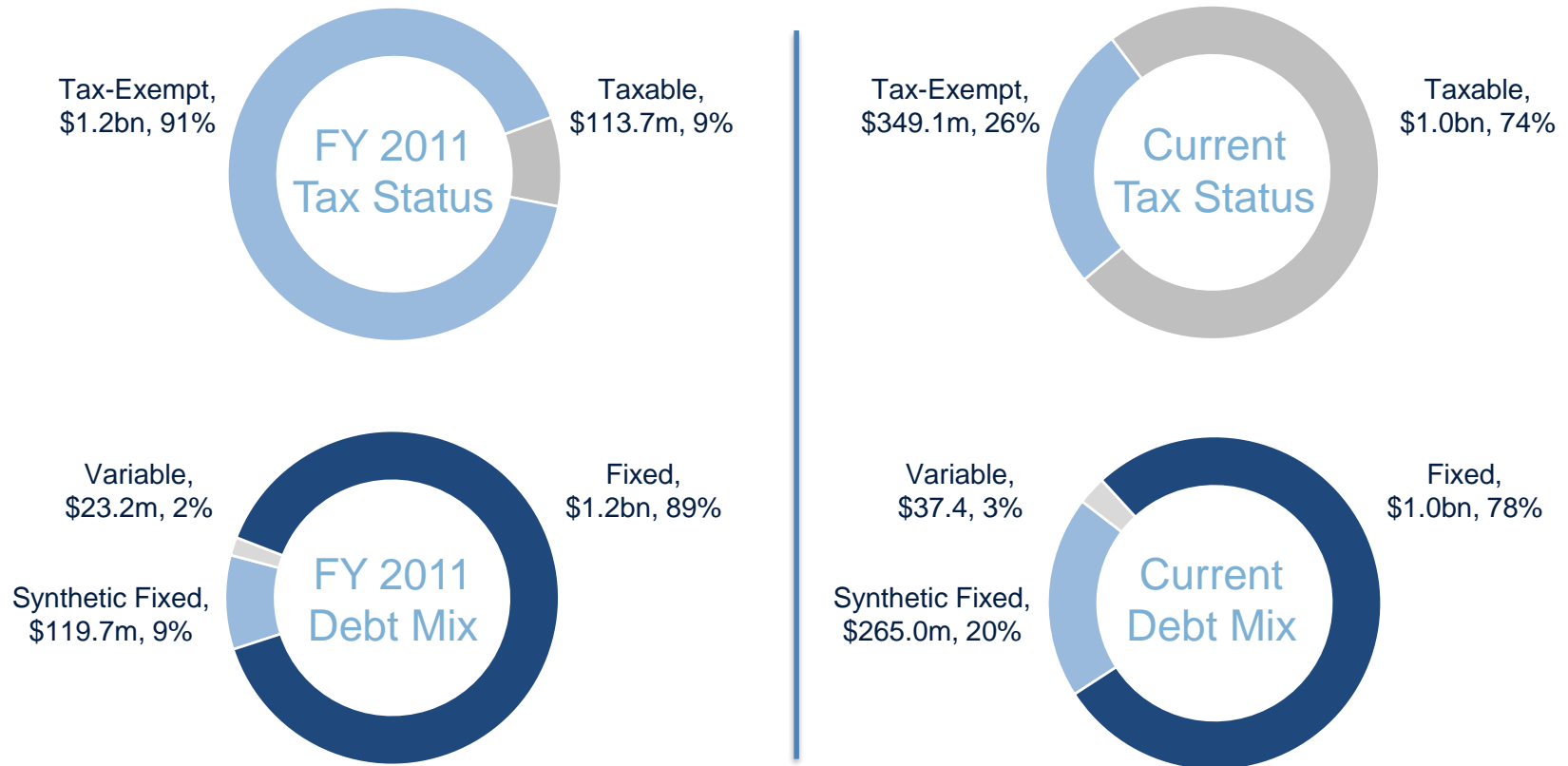
## **Bank Liquidity Facility Replacement**

- Existing Facility: \$100 Million (US Bank) expired September 19, 2017
- New Facility: \$100 million (TD Bank) for five year term (September 19, 2022)

# Principal Amortization



# Evolution of Debt Portfolio



Note: Current portfolio statistics are estimates based on pro forma portfolio after Series 2017 transaction.



# Swap Portfolio Review

- The University has three outstanding floating-to-fixed rate swaps, intended to hedge variable rate debt and the commercial paper program.
- The University is not required to post collateral with any of its counterparties unless the University's credit ratings fall below AA- or Aa3.
- The University continues to monitor market conditions for opportunities to reduce swap exposure relative to the debt portfolio.

Counterparty	Notional	Effective Date	Termination Date	UNC Pays	UNC Receives	Est. Mark-to-Market
Lehman Brothers	15,020,000	10/03/2000	11/01/2025	5.240%	100% SIFMA	(3,088,700)
Wachovia	100,000,000	12/01/2007	12/01/2036	3.314%	67% 1M LIBOR	(27,009,712)
Bank of New York	150,000,000	12/01/2011	12/01/2041	4.375%	67% 1M LIBOR	(76,939,029)
<b>TOTAL</b>	<b>265,020,000</b>					<b>(107,037,441)</b>

*\* Mark-to-market values are estimates shown as of June 30, 2017*

# Projected Expendable Resources to Debt

**THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL**  
**DEBT RATIOS - HISTORICAL AND PROJECTED**  
 (As of September 2017)

(\$ in millions)

Fiscal Year Ending	2013	2014	2015	2016	2017	PROJECTED				
						2018	2019	2020	2021	2022
<b>Expendable Resources to Debt</b>										
Expendable Resources	\$2,514	\$2,566	\$2,658	\$2,563	\$2,870	\$2,910	\$2,951	\$2,992	\$3,034	\$3,077
Debt	\$1,438	\$1,427	\$1,445	\$1,387	\$1,383	\$1,474	\$1,593	\$1,665	\$1,693	\$1,806
Measure	1.75	1.80	1.84	1.85	2.08	1.97	1.85	1.80	1.79	1.70
Policy Threshold	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Additional Debt Capacity						\$466	(\$92)	(\$45)	\$0	(\$85)
Cumulative Debt Impact							\$374	\$330	\$330	\$245

*Note: Projected ratios are based upon capital projects known at this point in time and assumptions on construction timing, and assumed changes in revenue/expense growth patterns*



# Projected Debt Service to Operations

**THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL**  
**DEBT RATIOS - HISTORICAL AND PROJECTED**  
 (As of September 2017)

(\$ in millions)

<i>Fiscal Year Ending</i>	2013	2014	2015	2016	2017	<b>PROJECTED</b>				
						2018	2019	2020	2021	2022
<b>Debt Service to Operations</b>										
Debt Service	\$96	\$97	\$89	\$92	\$95	\$102	\$112	\$124	\$124	\$127
Operating Expenses	\$2,552	\$2,983	\$2,925	\$2,827	\$2,957	\$2,998	\$3,040	\$3,083	\$3,126	\$3,170
Measure	3.76%	3.24%	3.04%	3.25%	3.23%	3.40%	3.69%	4.02%	3.96%	4.01%
Policy Ceiling	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Additional Debt Capacity						\$244	(\$117)	(\$136)	\$28	(\$23)
Cumulative Debt Impact							\$127	(\$9)	\$19	(\$4)

*Note: Projected ratios are based upon capital projects known at this point in time and assumptions on construction timing, and assumed changes in revenue/expense growth patterns*

# Rating Agency Sector Outlook

- Moody's and Standard & Poor's each gave the higher education sector a stable outlook for 2017. Within their outlook reports, each agency cited three common challenges facing the sector.

## Rating Agency Outlook

- Moody's: "The stable outlook reflects our expectation of aggregate annual revenue growth at or above 3% for public and not-for-profit private four-year colleges and universities."
- Standard & Poor's: "While we expect the sector will continue to face significant headwinds in the near to medium term, we believe most institutions have adapted to these challenges and the future cumulative effects of these competitive pressures will manifest themselves over several years."

## Sector Challenges

- Operating Pressure: Expense pressures will increase as key revenue streams likely soften due to lack of net tuition growth and reduced federal support, resulting in potentially weaker FY 2018 cash flows.
- Federal Policy Changes: Changes to Federal policies for research and student aid will constrain growth and increase competition for revenue. In addition, endowments will continue to face reviews on not-for-profit status.
- Shifting Business Conditions: Institutions with the strongest brands and value proposition for students will outperform the sector while regionally oriented institutions will face greatest challenge.



# UNC Update with Rating Agencies

- The University's ratings (Aaa/AAA/AAA) were affirmed by Moody's, S&P and Fitch in September 2017 in connection with the Series 2017 issue.

## **Credit Strengths**

- Stable enrollment with total headcount and continued impressive student demand statistics;
- Consistent state support including recent capital funding for significant new building;
- Strong donor support with continued year-over-year record giving;
- Diverse revenue base eliminating dependency on any single source;
- Robust research enterprise; and,
- Healthy balance sheet.

## **Credit Challenges**

- Political risks including pressure on state operating appropriations and tuition pricing;
- Ongoing need to control expenses to maintain efficient operations;
- Ongoing capital needs will continue to limit the growth of flexible reserves; and,
- Exposure to patient care revenue through the university's faculty practice plan.



# Peer Comparison - Debt (Aaa)

- The University's FY2016 debt capacity and affordability metrics are relatively neutral.
- Capacity Metrics: the University is weaker than the median for spendable cash and investments to debt and right at the median for debt to revenues.
- Affordability Metrics: the University is right at the median for debt service to operations and weaker than the median for debt service coverage.

Higher is Better		Lower is Better		Lower is Better		Higher is Better	
SPENDABLE CASH & INVESTMENTS TO DEBT		DEBT TO REVENUES		DEBT SERVICE TO OPERATIONS		DEBT SERVICE COVERAGE	
University of Michigan	4.95	University of Michigan	0.27	University of Michigan	1.3%	University of Michigan	9.1
University of Virginia	4.00	Indiana University	0.32	University of Washington	2.8%	University of Texas System	5.2
Purdue University	3.14	University of Washington	0.45	University of Texas System	3.1%	Purdue University	4.5
Indiana University	2.88	UNC Chapel Hill	0.48	Indiana University	3.6%	University of Virginia	4.1
University of Texas System	2.14	Purdue University	0.52	UNC Chapel Hill	3.8%	Indiana University	3.2
UNC Chapel Hill	1.78	University of Texas System	0.54	University of Virginia	4.0%	UNC Chapel Hill	2.4
Texas A&M University System	1.69	University of Virginia	0.54	Purdue University	4.2%	University of Washington	2.2
University of Washington	1.62	Texas A&M University System	0.87	Texas A&M University System	7.4%	Texas A&M University System	2.1
<b>Peer Median:</b>	<b>2.51</b>	<b>Peer Median:</b>	<b>0.50</b>	<b>Peer Median:</b>	<b>3.7%</b>	<b>Peer Median:</b>	<b>3.7</b>

Note: Based on FY 2016.

# Peer Comparison - Debt (Aa1)

- The University's metrics looks relatively similar when compared to medians for the Aa1 public university group which suggests that broader qualitative factors contribute to the University's Aaa rating.

<i>Higher is Better</i>		<i>Lower is Better</i>		<i>Lower is Better</i>		<i>Higher is Better</i>	
SPENDABLE CASH & INVESTMENTS TO DEBT		DEBT TO REVENUES		DEBT SERVICE TO OPERATIONS		DEBT SERVICE COVERAGE	
Pennsylvania State University	5.33	Pennsylvania State University	0.18	Pennsylvania State University	1.5%	Pennsylvania State University	10.7
University of Pittsburgh	3.68	University of Utah	0.24	University of Utah	2.2%	University of Utah	6.5
University of Delaware	2.83	University System of Maryland	0.24	North Carolina State University	2.4%	North Carolina State University	5.9
Texas Tech University System	2.49	Texas Tech University System	0.32	State University of Iowa	2.9%	State University of Iowa	5.2
University of Minnesota	2.47	State University of Iowa	0.39	University System of Maryland	2.9%	Texas Tech University System	5.2
University System of Maryland	2.41	University of Nebraska	0.40	University of Missouri System	3.1%	University of Pittsburgh	5.1
University of Utah	2.34	North Carolina State University	0.41	University of Nebraska	3.3%	University of Missouri System	5.0
Michigan State University	2.18	University of Minnesota	0.42	Ohio State University	3.4%	University of Delaware	4.6
University of Nebraska	2.06	University of Pittsburgh	0.44	Michigan State University	3.5%	Ohio State University	4.3
State University of Iowa	2.03	UNC Chapel Hill	0.48	Texas Tech University System	3.5%	University System of Maryland	4.0
Virginia Tech University	1.81	Virginia Tech University	0.49	University of Pittsburgh	3.6%	Michigan State University	3.5
North Carolina State University	1.80	Michigan State University	0.50	University of Delaware	3.8%	Virginia Tech University	3.0
UNC Chapel Hill	1.78	University of Missouri System	0.51	UNC Chapel Hill	3.8%	University of Nebraska	2.7
University of Missouri System	1.58	University of Delaware	0.52	Virginia Tech University	3.9%	UNC Chapel Hill	2.4
Ohio State University	1.35	Ohio State University	0.55	University of Minnesota	4.0%	University of Minnesota	2.0
<b>Peer Median:</b>	<b>2.26</b>	<b>Peer Median:</b>	<b>0.42</b>	<b>Peer Median:</b>	<b>3.3%</b>	<b>Peer Median:</b>	<b>4.8</b>

Note: Based on FY 2016.

# Peer Comparison – Liquidity (Aaa)

*Higher is Better*

MONTHLY DAYS CASH ON HAND	
Purdue University	439
Texas A&M University System	300
Indiana University	236
University of Michigan	213
University of Virginia	209
University of Texas System	164
UNC Chapel Hill	142
University of Washington	122

**Peer Median:** 211

*Higher is Better*

SPENDABLE CASH & INVESTMENTS TO DEBT	
University of Michigan	4.95
University of Virginia	4.00
Purdue University	3.14
Indiana University	2.88
University of Texas System	2.14
UNC Chapel Hill	1.78
Texas A&M University System	1.69
University of Washington	1.62

**Peer Median:** 2.51

*Higher is Better*

SPENDABLE CASH & INVESTMENTS TO OPS	
University of Virginia	2.30
Purdue University	1.78
Texas A&M University System	1.50
University of Michigan	1.37
University of Texas System	1.18
Indiana University	0.96
UNC Chapel Hill	0.89
University of Washington	0.73

**Peer Median:** 1.28

Note: Based on FY 2016.

# Peer Comparison - Liquidity (Aa1)

*Higher is Better*

MONTHLY DAYS CASH ON HAND	
University of Pittsburgh	435
Pennsylvania State University	364
Texas Tech University System	304
University of Delaware	280
University of Missouri System	258
Ohio State University	252
Michigan State University	243
University System of Maryland	187
University of Minnesota	180
North Carolina State University	172
University of Nebraska	161
Virginia Tech University	148
State University of Iowa	145
UNC Chapel Hill	142
University of Utah	117

**Peer Median:** 215

*Higher is Better*

SPENDABLE CASH & INVESTMENTS TO DEBT	
Pennsylvania State University	5.33
University of Pittsburgh	3.68
University of Delaware	2.83
Texas Tech University System	2.49
University of Minnesota	2.47
University System of Maryland	2.41
University of Utah	2.34
Michigan State University	2.18
University of Nebraska	2.06
State University of Iowa	2.03
Virginia Tech University	1.81
North Carolina State University	1.80
UNC Chapel Hill	1.78
University of Missouri System	1.58
Ohio State University	1.35

**Peer Median:** 2.26

*Higher is Better*

SPENDABLE CASH & INVESTMENTS TO OPS	
University of Pittsburgh	1.73
University of Delaware	1.53
Michigan State University	1.10
University of Minnesota	1.08
Pennsylvania State University	1.04
Virginia Tech University	0.93
UNC Chapel Hill	0.89
Texas Tech University System	0.88
University of Missouri System	0.86
University of Nebraska	0.84
State University of Iowa	0.84
North Carolina State University	0.78
Ohio State University	0.78
University System of Maryland	0.61
University of Utah	0.61

**Peer Median:** 0.87

Note: Based on FY 2016.

# Trend Analysis of Key Liquidity Metrics

- Each of the University's liquidity metrics below have either declined or remained flat over the past five years while Aaa median levels have generally improved.
- The University's metrics are weaker than Aaa and Aa1 medians.

Metric	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>Monthly Days Cash on Hand</b>	<b>157</b>	<b>162</b>	<b>152</b>	<b>174</b>	<b>142</b>
<i>Aaa Median</i>	<i>194</i>	<i>222</i>	<i>233</i>	<i>239</i>	<i>211</i>
<i>Aa1 Median</i>	<i>190</i>	<i>233</i>	<i>186</i>	<i>188</i>	<i>215</i>
<b>Spendable Cash to Debt</b>	<b>1.79</b>	<b>1.69</b>	<b>1.88</b>	<b>1.92</b>	<b>1.78</b>
<i>Aaa Median</i>	<i>2.00</i>	<i>2.10</i>	<i>2.20</i>	<i>2.60</i>	<i>2.50</i>
<i>Aa1 Median</i>	<i>2.00</i>	<i>2.10</i>	<i>2.20</i>	<i>2.30</i>	<i>2.20</i>
<b>Spendable Cash to Operations</b>	<b>0.92</b>	<b>0.98</b>	<b>1.02</b>	<b>0.95</b>	<b>0.89</b>
<i>Aaa Median</i>	<i>0.80</i>	<i>0.80</i>	<i>0.90</i>	<i>1.30</i>	<i>1.30</i>
<i>Aa1 Median</i>	<i>0.80</i>	<i>0.80</i>	<i>0.90</i>	<i>0.90</i>	<i>0.90</i>



# Closing Considerations

- Key metrics for debt capacity and affordability highlight that the University's operating revenue and expense base is large enough to support additional debt, but unrestricted resources and coverage ratios are less than medians for both Aaa and Aa1.
- The University's Aaa/AAA ratings are driven by qualitative factors such as academic reputation, superior student demand, sponsored research prowess, growing donor support, and support from the State of North Carolina.
- As with other public universities, UNC is faced with moderate growth in operating revenues and rising operating costs.
- Bond ratings/capacity will be influenced by operating performance and leverage levels over the next several years.
- Prioritizing capital funding needs will be important over the next five years.



REPORT TO THE FINANCE,  
INFRASTRUCTURE, AND  
AUDIT COMMITTEE  
OF THE  
BOARD OF TRUSTEES

Internal Audit Department

University of North Carolina  
at Chapel Hill

September 27, 2017



**UNC - CHAPEL HILL**  
**INTERNAL AUDIT DEPARTMENT**  
**SUMMARY OF AUDIT ACTIVITIES AND PROJECTS COMPLETED AND IN PROCESS**  
**APRIL 17 TO AUGUST 6, 2017**

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**STAFFING UPDATE**

Andrew Baker joined the Internal Audit staff on June 19, 2017. He previously worked with the Office of the State Auditor in its Performance and Investigative Audit units. He holds a Masters of Accounting degree for NC State and is a Certified Fraud Examiner.

This year, we plan to make use of the State of North Carolina's Internal Audit Staffing Services term contract to obtain additional resources for audit projects.

**COMPLETED PROJECTS**

**Facilities Use of Consortiums** – review of potential for use of repair and renovations services procured under the National Joint Powers Alliance (NJPA). We determined that the NJPA is an allowed source for repair and renovations services. Management agreed to consider using the NJPA as an alternative for future projects.

**School of Government – Development Finance Initiative** – review of contracts and the relationship between the School and an outside entity that provides redevelopment project management services. This review identified undisclosed conflicts of interest and commitment and advance payment for services.

The School no longer uses the outside entity that was the focus of this audit and has implemented a new process for providing redevelopment services to its clients. Management agreed to discontinue the practice of paying for goods and services in advance. The individual with the conflicts of interest and commitment has since left the University.

**Carolina Center for Education Excellence (CCEE)** – management request – an assessment of financial matters related to a community program run by the School of Education including revenue levels and matching of revenue and costs. We found that some expenses for this program were charged to other sources of funds rather than revenue the program generated.

Management responded that they discontinued the program that was the focus our review and all of the CCEE's other revenue producing programs. Management also committed to taking steps to ensure that, in the future, costs are charged to the appropriate sources of funds.

**School of Law - Center for Civil Rights** – Assistance to management in reviewing allocations of shared costs. Our review determined that the method that the School of Law used to allocate shared costs to the Center for Civil Rights was reasonable and accurate.

**School of Law – Teaching Loads** – review of allegations that faculty teaching loads were not in keeping with School policy. We reviewed teaching loads for all School of Law faculty members since academic year 2006/07 and determined that all faculty teaching loads were in compliance with School policy.

**UNC - CHAPEL HILL**  
**INTERNAL AUDIT DEPARTMENT**  
**SUMMARY OF AUDIT ACTIVITIES AND PROJECTS COMPLETED AND IN PROCESS**  
**APRIL 17 TO AUGUST 6, 2017**

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We concluded that the allegations did not have merit. However, we found occasional differences between the School's records and the Academic Personnel Office's records for faculty members who were on extended leave. We also identified opportunities to clarify language in the School's *Faculty Reference Manual*.

School management agreed to resolve these issues.

**Anesthesiology 2017** – assistance to management in following-up on allegations referred by the Office of the State Auditor. We worked with management of the Department of Anesthesiology (Department) and determined that the allegations did have merit. We will provide the Department with a summary of the results of the review. There will not be a formal audit report.

### **IN PROCESS**

**Follow-up of Prior Internal Audit Findings** – a review and evaluation of steps that management has taken to resolve issues reported from past audits. Standard **2500 – Monitoring Progress** of the *International Standards for the Professional Practice of Internal Auditing* requires that “the chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.”

This year, we will take a different approach to reporting the results of our follow-up work. We will issue a separate follow-up report for each prior audit with findings that have not been corrected as of April 30, 2017.

In the past, we issued only one summary follow-up report that identified unresolved items, only. Individual follow-up reports will provide more complete information about the status of prior findings by identifying audits that have been cleared as well as those with unresolved issues.

At any point in time, we can provide a report of all unresolved findings.

**Historically Under-utilized Business Program** – a review of processes used to promote and encourage full and open competition, promote equal access to contracting opportunities among the various contractors and vendors that do business with the University, and ensure compliance with policy reporting requirements related to this program. This project has been delayed by time-sensitive projects requested by management.

**Nutrition Research Institute** – a review of allegations of incorrect purchasing practices and use of requisitions when needed. We have expanded the scope of this review to include a wider range of fiscal activities at the Institute. Internal control work is in process.

**Clery Act Reporting** – a review of processes used to manage notifications and reporting required by the “Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act”. This project has been delayed by the Nutrition Research Institute review and work done to assess the status of prior audit findings.

**UNC - CHAPEL HILL**  
**INTERNAL AUDIT DEPARTMENT**  
**SUMMARY OF AUDIT ACTIVITIES AND PROJECTS COMPLETED AND IN PROCESS**  
**APRIL 17 TO AUGUST 6, 2017**

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**Lineberger Comprehensive Cancer Center Tissue Culture Facility** – a review of allegations regarding camera and computer purchases made by the Tissue Culture Facility.

**ON-GOING ADVISORY PROJECTS AND COMMITTEE WORK**

- AICPA Business Environment and Concepts Subcommittee (CPA examinations);
- Data Analytics Committee – team of internal auditors that will work to identify and develop data analytics tools and techniques;
- HIPAA Privacy Liaisons;
- University-wide Committee on the Protection of Personal Data;
- Policy Liaisons;
- Compliance Strategy Committee; and
- Multiple short-term projects done to assist management with identifying and managing risks.

**UNC Internal Audit  
Use of Audit Resources  
Summary of Audit Hours Used - FY 2017 as of 06/30/17**

	<b><u>Budgeted</u></b>	<b><u>Hours Charged</u></b>	<b><u>Variance (Over)/Under</u></b>	
Total Hours Available -1-	14,560	n/a	n/a	
<u>Less:</u> Vacancies -2-	(3,640)	5200	1,560	
<u>Less:</u> Training & Professional Development	(420)	712	(292)	
<u>Less:</u> Leave	(2,341)	1,438	903	-a-
<u>Less:</u> Other Administrative Time -3-	(1,240)	1,146	94	-a-
<b>Total for Training, Leave, &amp; Administrative</b>	<b>4,001</b>	<b>8,496</b>		
<b>Hours Available for Projects</b>	<b>6,919</b>			
Routine Audits	1,625	527	1,098	-b-
Annual Projects	1,200	1,728	(528)	
Audit Related -4-	1,580	1,207	373	
Unplanned Projects and Advisory Work	2,800	2,728	72	
<b>Total Scheduled/Charged</b>	<b>7,205</b>	<b>6,190</b>		
<b>Under/&lt;Over&gt; Scheduled</b>	<b>(286)</b>			

-1- = seven staff members at 2080 hours/year

-2- = one vacancy projected to be filled by 09/30/16; another to be filled by end of calendar year; one position projected to be left vacant due to lack of funding. Actual was one position filled in January 2017, one filled in June 2017, and two vacant for full year.

-3- = meetings, professional reading, and other office activities

-4- = consulting and advisory work, activities that improve audit operations.

-a- = fewer hours due to vacancies

-b- = fewer hours due to vacancies and time spent on audit follow-ups

# UNC Internal Audit

## 2016/17 Audit Schedule as of June 30, 2017

### **Planned Audits**

#### **Complete**

Assistance with 2017 OSA IT General Controls Audit      new

#### **In Process - will continue in FY 2017/18**

Historically Underutilized Business Program  
Clery Act Reporting

#### **Carried-Forward to FY 2017/18**

Governance - Trustee Orientation

#### **Cancelled**

Export Controls - *deferred past FY 2017/18, University is recruiting for Export Controls Officer*  
Access Revocation - *replaced with assistance with OSA IT audit*

### **Annual Projects**

#### **Complete**

2016/17 Risk Assessment and Audit Plan  
2016 State Audit  
UNC Business Compliance Program 2017  
2016 OSA Federal Compliance Audit Follow-up  
2nd Follow-up - 2015 OSA Financial Statement Audit  
Enterprise Resource Planning

#### **In Process - will continue in FY 2017/18**

Follow-up for Prior Internal Audit Findings  
2017/18 Risk Assessment and Audit Plan

### **Audit Related**

#### **Complete**

SACS 2016  
HIPAA Risk Assessment  
UNCAA Conference Planning

#### **Carried-Forward to FY 2017/18**

Internal QAR

#### **On Going**

Audit Manual  
Time System  
Office Systems  
Audit Planning  
Audit Committee  
Media Requests  
Audit Process Improvement  
IT Governance Committee & Data Custodian Work  
CERTIF  
KPI Reporting  
Board of Governors' Meetings  
HIPAA Security Liaison  
Continuous Auditing  
University Committee on the Protection of Personal Data  
Privacy Liaison

### **Special Projects & Management Requests**

#### **Complete**

Orthodontics  
Auxiliary Equipment (referral from Office of State Auditor)

**UNC Internal Audit**  
**2016/17 Audit Schedule as of June 30, 2017**

Lineberger Cancer Center Grants (referral from Office of State Auditor)

Health Behavior

Law - Travel

Maternal and Infant Health

NC Institute of Public Health - assistance to management

Gene Therapy 2016- assistance to management

Neurology - NIH

Radiology 2016

School of Government

Law - EPAP

Facilities Use of Consortiums

Anesthesiology 2017

Communications

Health Behavior Advances - assistance to management

Radiology Follow-up

**In Process - will continue in FY 2017/18**

Carolina Center for Education Excellence

Center for Civil Rights

Law - Teaching Loads

Nutrition Research Institute

Lineberger Cancer Center Tissue Culture Facility

**Multiple Short-term Advisory Projects**

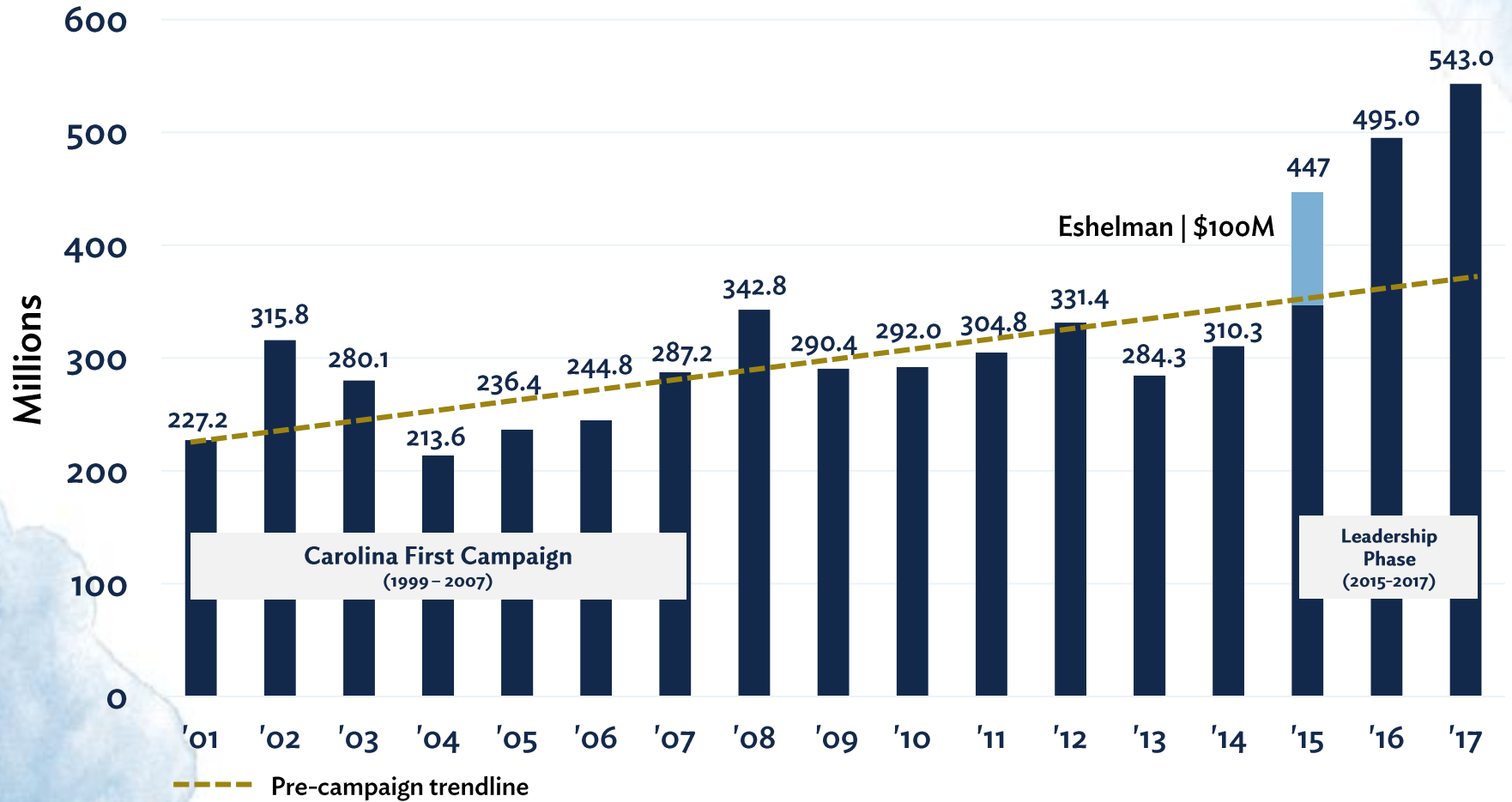


## **Development Update**

**David S. Routh, Vice Chancellor for Development**

**Board of Trustees Meeting: Finance, Infrastructure and Audit Committee**

## Carolina's New Cash and Commitments





# School/Unit Highlights FY17

Ackland	\$63,055,625.93*	+5,440%
Arts and Sciences	\$91,267,714.38*	+33%
Kenan-Flagler	\$40,854,173.01*	+16%
Lineberger	\$31,311,160.08*	+7%
Carolina Performing Arts	\$5,887,600.98*	+27%
Ed Foundation	\$69,091,974.59*	+10%
Education	\$2,870,795.39	+201%
SILS	\$2,035,979.98	+45%
Nursing	\$4,586,311.86	+26%

## Other FY17 Highlights

- Give for Good Challenge
  - Brought in more than \$40 million to support the Carolina Covenant and the Morehead-Cain Foundation
- Alumni giving is up 32%
- Parent giving increased by 51%
- Almost twice as many students made gifts this year
- Jack Kent Cooke Foundation named Carolina the top school in the nation for providing opportunity and access to students from low-income families.

# Campaign Dashboard

Information accurate as of Sept. 1, 2017

**\$1,672,322,299**

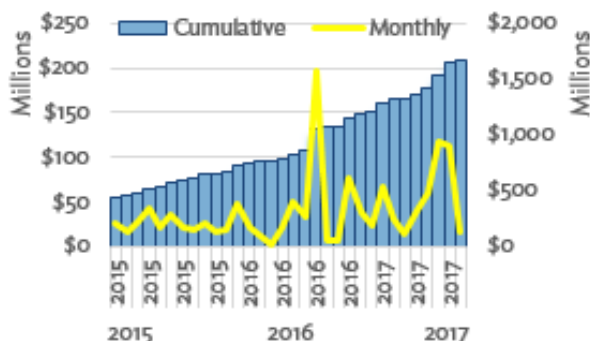
**Total Campaign Activity**

**33%**

**Time  
Elapsed**

Unit	Campaign	Prior 3 Years	Change
Eshelman School of Pharmacy	\$135,984,146	\$22,277,398	+ 510%
Kenan-Flagler Business School	\$121,988,993	\$43,258,021	+ 182%
Educational Foundation	\$162,162,855	\$79,225,987	+ 105%
College of Arts and Sciences	\$268,757,460	\$131,136,607	+ 105%
UNC Medicine	\$387,010,910	\$274,316,553	+ 41%
Gillings School of Global Public Health	\$93,405,996	\$70,078,918	+ 33%
School of Law	\$21,373,176	\$18,916,169	+ 13%
University (All Units)	\$1,672,322,299	\$926,003,176	+ 81%

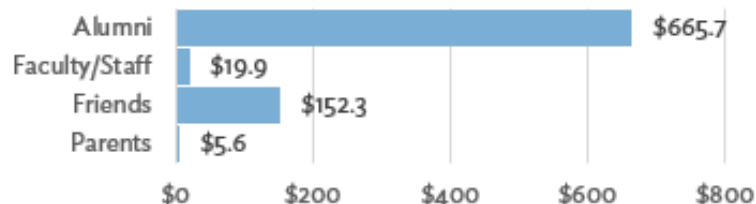
## Total Campaign New Cash & Commitments



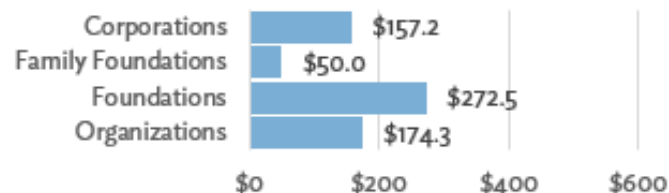
## Campaign Commitments

All amounts in millions

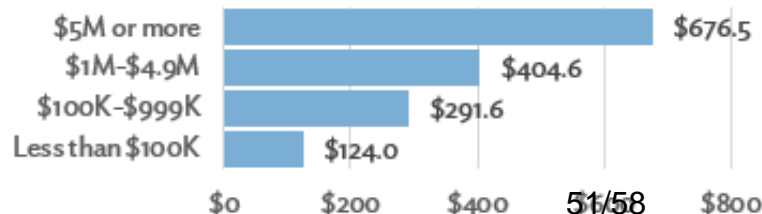
### By Donor Type - Individuals



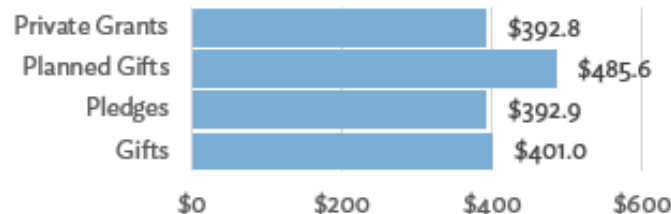
### By Donor Type - Organizations



### By Gift Amounts



### By Gift Type



# Campaign Facts

**9**  
DAYS to  
LAUNCH  
As of Sept. 27, 2017

OCTOBER						
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Chancellor's  
Philanthropic  
Council

**114**  
MEMBERS

Joan H. Gillings' gift to  
Playmakers & Dramatic Art  
**\$12M**

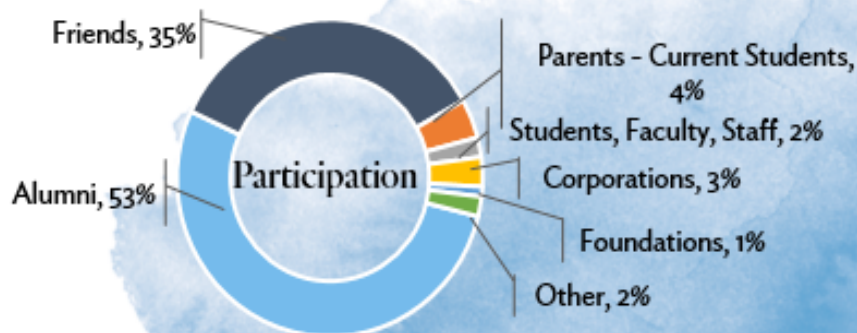
## Launch Events



ADDITIONAL FY18 KICKOFFS  
Atlanta · Palm Beach, FL · San Francisco · Washington, DC

CULTIVATIONS  
ACTIVE  
**3,727**

Total Donors  
**126,529**



## Rated Donor Prospects

Gift Range	As of Dec 2015	Current	Increase
\$100 M	9	19	+ 10
\$50 M	10	16	+ 6
\$25 M	12	22	+ 10
\$10M	16	45	+ 29
\$5M	249	299	+ 50



**20.9%**

**ALUMNI**  
PARTICIPATION

52/58

**8.6M** MARKETING IMPRESSIONS

**\$502,316,056**

Value of Submitted Proposals

**900+**  
Participants in  
Creative Town Halls



## **Development Update**

**David S. Routh, Vice Chancellor for Development**

**Board of Trustees Meeting: Finance, Infrastructure and Audit Committee**



# UNC-Chapel Hill Horace Williams Airport Closure

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Brad Ives, Associate Vice Chancellor for Campus Enterprises



UNC  
DIVISION OF FINANCE  
AND ADMINISTRATION

BOT Finance, Infrastructure and Audit Committee  
Sept. 27, 2017

# Horace Williams Airport Site



# Why Consider Closing the Airport?



- **2002: MOESER ANNOUNCED PLANS TO CLOSE**  
"We have carefully considered a variety of scenarios regarding the future of the Horace Williams Airport and determined that closure is in the best interests of both the university and the community. With this action, the university is demonstrating responsible fiscal decision-making as well as a sincere commitment to the community to strengthen and advance town-gown relations."
- **2005: BOT RESOLUTION TO CLOSE**  
The Board of Trustees gave UNC administration authority to close airport in coordination with Carolina North development in May 2005.
- **2011: AHEC RELOCATION TO RDU**  
Since 2011, UNC has operated the airport as a public amenity with no formal relationship to any university operations.







# Why Now?

**Due to lack of activity and increasing expenses, we believe it is no longer beneficial to continue funding airport operations.**

- UNC has a long-held practice of exiting operations that are not core to the educational mission of the University.
- To remain open, more than \$1 million in repairs are necessary for runway safety.
- The facility costs UNC ~ \$7,000/ mo. to run.
- UNC faces increasing liability due to close proximity of three schools and a growing residential area.



# Thank You



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