December 19, 2012

The Board of Trustees
Chancellor Holden Thorp
The University of North Carolina at Chapel Hill
Office of the Chancellor
Campus Box 9100
Chapel Hill, NC 27599-9100

Ladies and Gentlemen:

This report outlines the results of your engagement of Baker Tilly Beers & Cutler, PLLC (Baker Tilly), to provide an objective, external assessment of the plans of the University of North Carolina at Chapel Hill (UNC or the University) to implement a number of enhancements to academic policies, processes, procedures, and systems in response to recommendations contained in the *Independent Study Task Force Report*, dated April 10, 2012, and the *Review of Courses in the Department of African and Afro-American Studies, College of Arts and Sciences*, dated May 2, 2012 (the Hartlyn-Andrews Report).

Background and Objectives

From 2010 to 2011, a UNC investigation identified "serious anomalies" related to the course offerings and methods of instruction within the Department of African and Afro-American Studies (the Department). Jonathan Hartlyn and William Andrews, both Senior Associate Deans within the College of Arts and Sciences, then conducted a comprehensive review of all courses offered within the Department from the first summer session of 2007 through the final summer session of 2011. The resulting Hartlyn-Andrews Report included recommendations to the Department with regard to policies and practices that were intended to address and/or prevent instances of:

- Courses where students completed work and received grades without the course being supervised or graded by an approved instructor of record;
- Courses that were designed to include regular classroom time and instructor contact, but were offered with limited to no classroom or other instructional contact;
- Irregular submission of grade rolls and/or change of grade forms; and
- Independent study courses without appropriate plans of study.

At the request of Karen Gil, Dean of the College of Arts and Sciences, Senior Associate Dean Bobbi Owen subsequently formed a task force to review policies and practices on independent study and directed reading courses across the entire College of Arts and Sciences. The resulting *Independent Study Task Force Report*, contained recommendations regarding:

- Expectations concerning student assignments and contact hours with the instructor in independent study courses;
- Conditions under which an active, approved course might be taught in a different format, such as directed readings or independent study; and
- Conditions under which a course might be taught as a directed readings course or independent study course before being submitted for a permanent course number.

Upon receipt of the Hartlyn-Andrews Report and the Independent Study Task Force Report (the Reports), the UNC Board of Trustees (Board) and the Chancellor established the following objectives to protect the academic integrity of UNC by strengthening internal controls designed to prevent and detect the occurrence of such anomalies:

- Identify and provide recommendations to address any inconsistencies between academic policies, processes, and procedures
- Assess and provide recommendations to enhance the accessibility of and communication related to academic policies, procedures, and processes
- Identify and provide recommendations to address any gaps in the processes, procedures, and systems that support academic policies
- Develop and provide an implementation plan for a process designed to monitor compliance with academic processes, policies, and procedures, detect academic abuses and anomalies, and encourage the continuous enhancement of academic policies, processes, and procedures

To further achieve these objectives, the Board and the Chancellor engaged Baker Tilly to perform the procedures described herein.

Considerations Regarding Risk and Internal Controls

Risk is the possibility that an event will occur and adversely affect the achievement of an institution's mission. An institution's risk and internal control environment depend on the ability of administrators and other parties to implement both objectives-based and principles-based approaches to risk and internal control. Institutions are enhanced by having the flexibility to choose the most appropriate controls related to their desired level of risk mitigation and internal control objectives.

To address risks, institutions generally seek to balance between the following internal control types, with an emphasis on cost-effective preventive and automated controls.

- Preventive controls – Designed to provide reasonable assurance that only valid transactions are recognized, approved, and submitted for processing;
- Detective controls – Designed to provide reasonable assurance that errors and irregularities are discovered and corrected on a timely basis;
- Corrective controls – Designed to correct errors, omissions, and unauthorized uses and intrusions, once they are detected;
- Automated controls – Software routines designed into programs to ensure the validity, accuracy, completeness, and availability of input, processed, and stored data; and
- Manual controls – Designed to rely primarily on human input and judgment during the process and therefore more prone to error than automated controls.

The objective is to attain a "reasonable" level of assurance that the institution's goals will be achieved. Trying to attain an "absolute" level of assurance is not possible due to the following reasons:

- It is cost-prohibitive. (The objective is to find an optimal level of controls for an acceptable level of risk.);
- Administrators can bypass or override the internal controls;
- Employees may collude with each other; or
- Human error may occur.

Scope of Procedures Performed

We compared the risks (i.e., what could or did go wrong) referenced in the Reports to the related recommendations and implementation plans in the Reports and other supporting documentation and identified any gaps (i.e., risks that were only partially or not addressed through a related recommendation and/or implementation plan). See Appendix A for a listing of the risks identified in the Reports (the Risks) that we considered in our review. As would be expected in this type of an engagement, our initial review identified several gaps that University officials subsequently addressed prior to the date of this report. This report reflects our assessment of the current state of the University's implementation plans to address the Risks.

We assessed the design of the University's implementation plans, including plans for changes to academic policies, procedures, systems, and roles and responsibilities (e.g., involvement of individuals and departments), and associated plans for communication to the UNC community (e.g., training), based on the following limited criteria that were agreed-upon with the University and further defined herein:

- Accessibility – Are the planned changes to policies and related procedures designed to be accessible to the relevant parties?
- Accountability – Do the planned changes to policies or procedures clearly indicate who is responsible for ensuring adherence?
- Clarity – Are the policies and related procedures clearly communicated?
- Evidence – Does execution of the policy or procedure result in evidence of adherence?
- Approvals – Are roles and responsibilities appropriately segregated?
- Impact – Is the level of burden on students, faculty, and staff reasonable?

We validated our understanding through either:

- Review of related policies, procedures, systems documentation, correspondence, or other documentation (see Appendix B for documentation reviewed), or
- Discussion with University personnel, which we subsequently documented and confirmed with the University, regarding how UNC plans to implement the related change via new or updated policy and procedure requirements (e.g., changes to roles, responsibilities, required approvals, etc.) (see Appendix C for a list of personnel interviewed and/or consulted).

Our procedures did not include:

- Developing or implementing recommendations or related implementation plans,
- Identifying or comparing risks that were not referenced in the Reports to any related implementation plans,
- Verifying that planned changes to policies and procedures have been implemented by the University and/or operating effectively,
- Confirming whether the persons identified as accountable or responsible for individual policies and procedures were appropriate, given their roles within the University, or
- Assessing the overall completeness, accuracy, or operating effectiveness of policies, processes, procedures, or systems.

Procedures Performed in Relation to Assessment Criteria

We assessed the University's implementation plans for changes to policies and procedures, as follows:

Accessibility

For each planned change to department-specific policy or procedure, we reviewed the implementation plan and related documentation, noting evidence that:

- The policy or procedure has been made available, or plans exist to make it available in print and/or on a department or University website, and/or
- The new or revised policy or procedure either has been distributed, or plans exist to distribute it, via email to affected faculty and staff.

For each planned change to a University-wide policy or procedure, we reviewed the implementation plan and related documentation, noting evidence that the policy or procedure has been made available, or plans exist to make it available, in print and/or on a University website.

Accountability

For each planned change to a policy or procedure, we reviewed the implementation plan and related documentation, noting that it specified position(s) that are responsible for adherence or compliance with policy or procedure requirements (e.g., the chair of an academic unit must approve an alternate format for a final exam in a lecture course).

Clarity

For each planned change to a policy or procedure, we reviewed the implementation plan and related documentation, noting that it contained specifications regarding:

- What is and is not covered by the policy or procedure for each change,
- Who is and is not covered by the policy or procedure for each change, and
- Criteria for assessing adherence or compliance with the policy or procedure for each change.

Evidence

For each planned change to a policy or procedure, we reviewed the implementation plan and related documentation, noting that an outcome or result of the process would include maintenance of a paper or electronic record that demonstrated the characteristics of compliance with the policy, such as:

- Evidence and timing of approval by the appropriate individual (e.g., a policy requires the instructor of record to approve a temporary grade change), or
- Maintenance of the output or outcome of the process (e.g., an outcome of the temporary grade change process could be the approval by the instructor of record for the course, documented on the grade change form, and therefore verifiable by someone independent of the process).

Approvals

For each planned change to a policy or procedure, we:

- Reviewed documentation of the planned change, noting that disseminated tasks and associated privileges for a process would be divided among more than one individual so that the outcome of the process could not occur at the direction of only one individual, or
- Confirmed with the process owner and the senior administrator responsible for oversight of the process or procedure that they have concluded that it is not possible or appropriate to segregate duties in certain processes as their doing so 1) could result in exposure to a different type of risk or 2) does not justify the costs associated with changing the process to achieve segregation of duties (e.g., hiring an individual to perform certain tasks within a process that an existing individual was performing).

Impact

We discussed each proposed or implemented change to a policy or procedure with a designated policy or procedure owner, noting that the process owner and the senior administrator responsible for oversight of the changed process or procedure had concluded that the implementation of the change would be reasonable because:

- The change would not adversely impact or could reduce the administrative burden on the students, faculty, and/or staff covered by the changed process and/or procedure, or
- The risks mitigated by the change would justify the additional burden on the students, faculty, and/or staff covered by the changed process and/or procedure.

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Conclusion

Based on the procedures performed, we did not identify any gaps between the Risks referenced in the Reports and the University's implementation plans. Additionally, we noted no exceptions or inconsistencies in the planned changes to policies and procedures in relation to the assessment criteria.

Baker Tilly was not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the implementation plans or an opinion on the efficiency and effectiveness of internal controls related to the University's planned changes to processes and procedures through the implementation of recommendations outlined in the Reports. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to UNC.

If you have any questions, please contact Raina Rose Tagle at 703-923-8251 or Matt Dankner at 703-923-8657.

Very truly yours,

BAKER TILLY BEERS & CUTLER, PLLC

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Appendices

Appendix A: Risks Identified in the Reports
Appendix B: Documentation and Reports Reviewed
Appendix C: Personnel Interviewed and/or Consulted

Appendix A: Risks Identified in the Reports

The risks below apply to all academic units that offer and/or administer course sections to undergraduate students. The risks below also apply to all academic terms (i.e., semesters and summer sessions):

Registration-related Risks

- The individual who scheduled a course or made changes to a course schedule was not authorized to do so or cannot be identified.
- Students take more than the maximum Independent Study (IS) hours allowed toward graduation and/or in an academic term.
- Standard usage is not adopted for the many terms that are used – some appropriately and some not – for "independent studies."
- Late enrollment in a course by a student does not provide the necessary time needed for the student to meet the expectations for the course.

Course-related Risks

- A student receives credit and a grade for a course in which an inappropriate amount of work was required of and/or performed by the student.
- A student's grade is changed without authorization by the instructor of record for the course.
- A student receives a grade and credit for a course based on work that was not assigned and/or evaluated by the instructor of record.
- The course assignments and the grading standards are inconsistent across courses and/or sections of the same course.
- Course assignments and grading standards are inconsistent with University expectations or requirements.
- A course does not have an approved syllabus before the first day of class.
- The Standard Course Numbering system does not identify the type of a course.
- The Standard Course Numbering system does not clearly identify the level of course.

Instructor-related Risks

- Contact hours with instructors for a course do not meet University expectations or requirements.
- The University appoints or reappoints a department chair who is unqualified or unprepared or has not performed at a satisfactory level.
- An instructor's course load exceeds or does not meet University standards.
- Summer School instructor contracts are not executed in a timely manner.

Academic Administration-related Risks

- The individual who assigns grades to students is not authorized to do so or cannot be identified.
- The individual who submits changes for temporary and/or permanent grades is not authorized to do so or cannot be identified.
- University Administrators do not effectively monitor course sections to identify related anomalies.

Appendix B: Documentation and Reports Reviewed

- Manuals and Policies, such as Carolina Undergraduate Bulletins
- Presentation before Board of Governors Review Panel by Jan Yopp, Dean of Summer School, July 20, 2012
- Contract for Independent Study Courses Requirements and Procedures – Revised June 2012 (Original and Revised)
- Curriculum Department of African and Afro-American Studies: Report of the Academic Affairs Committee - Spring 2012
- Department of African and Afro-American Studies 2012-2013 Policies and Procedures Notebook – 2012-2013
- Department of African and Afro-American Studies: Administrative and Governance Structure
- Department of African and Afro-American Studies Specific Implementation Plan
- Faculty Governance Website
- Independent Study Task Force - Report April 10, 2012
- Department of African and Afro-American Studies: Instructions for Structuring Course Syllabi
- Department of African and Afro-American Studies: Policies on Exams and Grading (October 2011) (Original and Revised)
- Review of Courses in the Department of African and Afro-American Studies, College of Arts and Sciences - May 2, 2012
- University Websites, such as:
  - Undergraduate Curricula Website
  - Office of the Registrar Website
- University Policy Memoranda:
  - UPM 04: Standard Course Numbering System
  - UPM 05: Registration Drop/Add And Class Rolls
  - UPM 07: Cancellation, Withdrawal, and Suspension
  - UPM 08: Examination System
  - UPM 11: Authorized Courses
  - UPM 13: Authorized Degrees, Major Fields in each Degree and Assigned Code Numbers
  - UPM 21: Access to Student Records
  - UPM 29: Definition of a Credit Hour

Appendix C: Personnel Interviewed and/or Consulted

- Chris Derickson, Assistant Provost and University Registrar
- Karen Gil, Dean of the College of Arts and Sciences
- Jonathan Hartlyn, Senior Associate Dean, College of Arts and Sciences
- Reg Hildebrand, Associate Professor, African and Afro-American Studies
- Michael Lambert, Director, African Studies Center, African and Afro-American Studies
- Margaret Lee, Associate Professor, African and Afro-American Studies
- Timothy McMillan, Senior Lecturer, African and Afro-American Studies
- Alphonse Mutima, Adjunct Assistant Professor, African and Afro-American Studies
- Roberta Norwood, Associate University Registrar, Registration and Scheduling
- Bobbi Owen, Senior Associate Dean, College of Arts and Sciences
- Robert Porter, Lecturer, African and Afro-American Studies
- Charlene Regester, Associate Professor, African and Afro-American Studies
- Walter Rucker, Associate Professor, Department of African and Afro-American Studies
- Eunice Sahle, Chair, Department of African and Afro-American Studies, Associate Professor, Global Studies Curriculum and Department of African and Afro-American Studies
- Erin Schuettpelz, Chief of Staff, Office of the Chancellor
- Holden Thorp, Chancellor
- Karla Townley-Tilson, Assistant Registrar for Scheduling
- Jan Yopp, Dean of Summer School