

Annual Report for 2011-2012

Audit Committee

The Audit Committee is responsible for reviewing annual and other audit reports of the constituent institutions and affiliated entities of the University, reviewing a summary of the internal audit plans and work of the audit committees of the constituent institutions, serving as the Audit Committee for the UNC General Administration internal auditor, reviewing annual financial audit reports and management letters issued for University associated entities, meeting with the State Auditor annually, and taking such other actions as are necessary or appropriate to assure the integrity of the finances of the University. This report summarizes the work of the Audit Committee from August 2011 through June 2012.

The list below shows the membership of the committee at the beginning of this period.

Walter C. Davenport, Chair

W. Louis Bissette, Jr., Vice Chair

Franklin E. McCain, Secretary

John M. Blackburn

Fred N. Eshelman

Thomas J. Harrelson

Hari H. Nath

Richard F. Taylor

Phillip D. Walker

Review of Audit Reports of the Constituent Institutions

The Office of the State Auditor performs audits of all Universities in the UNC system.

- All financial and compliance audits for 2011 have been completed and released.

- The audit reports included only three findings this year. This is down from 8 in 2010, 27 in 2009 and 38 in 2008.
- The State Auditor has completed its first financial audit of the North Carolina School of Science and Mathematics. The audit reported no findings.

Review of the Internal Audit Plans of the Constituent Institutions

During the year, the Audit Committee reviewed the internal audit plans from all seventeen constituent institutions and the plan for UNC General Administration.

Review of a Summary of the Work of the Internal Auditors of the Constituent Institutions

The Audit Committee reviewed a summary of the results of the work of the campus internal auditors from the prior year.

Review of UNC GA Internal Audit Charter

The Audit Committee reviewed the internal Audit charter and confirmed that it was appropriate. It will be reviewed again in the upcoming year.

Review of Reports from the UNC GA Internal Auditor

The internal auditor for UNC General Administration has completed and released a report of a review of efficiencies at the UNC Center for Public Television. An audit of the expenses of the President, Chief of Staff and the Vice Presidents was in process as was a review of the UNC GA Self-Assessment of Internal Controls. In addition, internal audit performed a follow-up of the Time and Effort Report issued in the previous year.

Review of Summary of Annual Financial Audit Reports and Findings of University Associated Entities

The Audit Committee received an annual update on the status of the audit reports performed on each institution's affiliated entities. Most of the entities have had their June 30, 2011 financial audit, and the reports have been provided to us. A few have December 31 year ends and most of those are not yet available. Of the

112 affiliated entities, 99 have provided their audits to us. We are continuing to work with the institutions to obtain all the required financial audits.

Meeting with the State Auditor

In November, State Auditor Beth Wood met with the Audit Committee to provide an overview of the University's audits performed by her office for fiscal year 2010 and the status of audits performed for fiscal year 2011. State Auditor Wood noted that there were five fewer institutions with financial audit findings this year which was a great improvement from previous years. She attributed the improvements to a commitment from the Chancellors, their accounting staffs, and the members of Board of Governors. She also credited the UNC FIT initiative with strengthening financial operations across the campuses.

Reports from Campus Internal Auditors

In February, the Audit Committee heard a report from the internal audit directors from East Carolina University, North Carolina State University, and the University of North Carolina at Chapel Hill. The Directors informed the Committee about the internal audit process on the campuses and how findings are determined. The Directors also discussed follow-up procedures performed to determine the actions taken on their recommendations.

In April, the Audit Committee heard a report from the internal audit director at Western Carolina University about the challenges and risks faced by small internal audit shops. She also discussed how the smaller campuses are working to mitigate those risks.

Review of Audit Committee Charter

- The Audit Committee reviewed its charter and made changes based on legislative actions and the changing needs of the Committee.
- The Audit Committee reviewed the requirements set forth by its charter and is pleased to report that it is meeting all these requirements.

University of North Carolina Finance Improvement and Transformation Project (UNC FIT)

Highlights of the UNC FIT project for the current year are:

- All nine campuses previously on the state's central payroll system have migrated to the Shared Services Center.
- Key Performance Indicators are in place for the Contract and Grants, Financial Aid, and General Accounting process improvement areas and are being monitored at General Administration.
- Two new process improvement areas - Student Accounts and Capital Assets - have been developed and implemented.
- Monitoring visits have taken place to review three existing processes and two new processes.
- UNC has launched an e-procurement initiative to expand its electronic commerce capacity and maximize the return on investment. UNC FIT plans to implement electronic workflows for direct payment and travel reimbursements.