

Minutes of the June 12, 2008 Meeting
of the Board of Governors' Audit Committee

The Audit Committee met in Conference Room A of the UNC General Administration-Spangler Center in Chapel Hill, North Carolina on Thursday, June 12, 2008, at 4:30 p.m.

Members in attendance were Dr. Laura W. Buffaloe, Mr. Frank Daniels, Jr., Mr. G. Leroy Lail, Mr. Charles H. Mercer, Jr., Mr. William G. Smith, and Mr. David W. Young. Necessarily absent was Mr. Craig Souza. Others attending the meeting were Vice Presidents Laura Luger and Robyn Render, Associate Vice Presidents David King and James O. Smith, Chancellor Charlie Nelms (NCCU), Chancellor Anne Ponder (UNCA), Chancellor John W. Bardo (WCU), Chief Operating Officer George Burnette (NCSA), and Bobby Matthews, Financial Consultant.

Chair Smith welcomed everyone to the meeting. On the motion of Mr. Daniels, seconded by Mr. Lail, the agenda was approved. On the motion of Mr. Lail, seconded by Mr. Daniels, the minutes of May 8, 2008 were approved.

Chair Smith then introduced Internal Auditor Loretta Hayes (NCCU) and Internal Auditor Tom York (UNCC) and expressed appreciation for their attendance at this meeting. Each told their background and the internal audit activities on their campus as well as answered questions of the Committee. A software product, ACL, was mentioned in the discussion and the Committee was eager to pursue this product for campuses that did not have it.

Then Mr. King reviewed the 2007 Financial Audit Reports and 2008 Investigative Audit Report released since the last meeting by the North Carolina Office of the State Auditor (Attachment 1). Each of the institutions that had findings was placed on a 90-day count to implement corrective actions. Mr. King would provide an update at the next Committee meeting. Chancellor Ponder explained the findings for UNCA and Chancellor Bardo explained the findings for WCU. Questions were answered throughout the briefing.

Next, the Committee was briefed on the 90-day follow-up reports from the internal auditors in response to the State Auditor's findings and recommendations. It was explained that the process was a formal response by the university.

The Committee reviewed the Audit Committee Charter of the UNC Board of Governors and the Audit Committee's annual compliance checklist of 16 responsibilities. It was noted that the Audit Committee was in compliance with the responsibilities set forth in its Charter. (Attachment 2)

The Committee was briefed on the report, The University of North Carolina's Associated Entities. UNC Policy 600.2.5.2[R] contained the required elements of the University-Associated Entity relationship. The policy included definitions, creation requirements, organizational requirements, financial and accounting controls requirements, insurance and bonding requirements, provision of administrative and other services, acceptance of gifts policy, conflict of interest and ethics policies, reporting requirements, miscellaneous requirements, and a waiver option. UNC-General Administration continuously monitored all university and General

Administration Associated Entities in accordance with the above requirements. The first objective was to ensure the Associated Entities' annual independent financial audits were completed to meet the Office of the State Auditor's schedule for completion of university audits. The second objective was to ensure the Associated Entities had corrective action plans to address audit findings. The third objective was to establish best practices for completion of all Associated Entity financial audits within six months of the fiscal year end. The fourth objective was to ensure the accuracy and completeness of the Associated Entity Summary Report. The associated entity's operating agreement with the University would be terminated if it did not meet the UNC Policy requirements.

Mr. Daniels stated that this was Mr. Smith's last meeting as the first and only Chair of the Audit Committee. A special thanks was given to him and his leadership and development of the Committee. There being no further business, the meeting was adjourned.

Mr. William G. Smith
Chair of the Audit Committee

Dr. Laura W. Buffaloe
Secretary of the Audit Committee