

Minutes of the August 13, 2009 Meeting
of the Board of Governors' Audit Committee

The Audit Committee met in Conference Room C of the UNC General Administration-Spangler Center in Chapel Hill, North Carolina on Thursday, August 13, 2009, at 4:30 p.m.

Members in attendance were Mr. Brent Barringer, Mr. Frank Daniels, Jr., Mr. Walter C. Davenport, Mr. Fred G. Mills, Dr. Gladys Ashe Robinson, and Mr. David W. Young. Necessarily absent were Mr. John M. Blackburn and Dr. Irvin A. Roseman. Others in attendance were Board of Governors members Laura W. Buffalo and Franklin E. McCain; Assistant Vice President Jeffrey A. Henderson; Chancellor Harold L. Martin, Sr. (NCA&T); and Project Management Officer Gwen Canady (UNC-GA).

Chair Young welcomed everyone to the meeting. On the motion of Mr. Daniels, seconded by Dr. Robinson, the minutes of May 7, 2009 were approved.

Ms. Canady, presented an update on the UNC Finance Improvement and Transformation (UNC FIT) Project (see attachment 1). For the new members of the Audit Committee, she gave a brief history of the UNC FIT Project. The implementation process was on schedule and monthly compliance reporting had begun. Campuses would report the Key Performance Indicators (KPIs) in September. The KPIs would be monitored by the campuses and by UNC General Administration.

Next, the UNC HR/Payroll Project was discussed. UNC Pembroke would serve as the pilot campus for the nine Central Payroll campuses for the conversion to Banner Payroll by October 1, 2009. The conversion of the remaining eight campuses would be on a staggered schedule to be completed by July 2010. The UNC FIT team would be working to identify potential areas of emphasis (student accounts payable, purchase-to-pay, and budgeting) for next year.

Then, Mr. Henderson reviewed two external audit reports released since the May meeting. There were audit findings issued for 2008 Financial Reports for UNC Pembroke and Western Carolina University (see attachment 2). Both campuses had initiated corrective action to address the findings.

According to the General Statue 143-739, the North Carolina Internal Audit Act, required that internal audits comply with the Standards for the Professional Practice of Internal Auditing. Section 1000 of these Standards required the internal audit charter be approved by the governing board for the agency. On a motion by Mr. Daniels, seconded by Dr. Robinson, it was recommended that the Internal Audit Charter for UNC General Administration be accepted. Chair Young would recommend approval by the Board of Governors on Friday, August 14, 2009.

Mr. Henderson gave a brief update on the Summary of the Associated Entities (see attachment 4). Since the May meeting, all except one of the entities had met the annual audit requirement for 2008. The remaining report had a December 31 year-end and had not yet been released.

There being no further business, the meeting was adjourned.

Mr. David W. Young.
Chair of the Audit Committee

Mr. Walter C. Davenport
Secretary of the Audit Committee

UNC FIT Project Update - Process Improvement Initiatives

Background

In late 2008, the UNC FIT Process Improvement Initiative was begun with three areas of focus: Contracts and Grants, Financial Aid, and General Accounting. Working through advisory teams, each area developed minimum standards to be implemented across all seventeen campuses. Those standards included:

Contracts and Grants (6 sub-processes)

- Account Setup, Time and Effort, Grant Management, Billing and Drawdowns, Reporting, Account Closeout

Financial Aid (7 sub-processes)

- Application, Satisfactory Academic Progress (SAP), Packaging, Scholarships, Loans, Return of Title IV Funds, General Management

General Accounting (6 sub-processes)

- Bank Account Reconciliation, Journal Entries, Maintain Fund Accounts, Maintain Daily Cash, Month End Close, Year End Close

Key Activities through June 30, 2009

Standards, templates, flowcharts, compliance checklists and proposed key performance indicators (KPIs) have been developed for each area and presented to the campuses. Campuses have embraced the standards and most have achieved full implementation. In total, 34 performance indicators have been selected that will provide information on the timeliness and quality of financial activities at the campuses. A proposed dashboard of indicators will be presented at the September Board of Governors meeting.

Key Activities for Fiscal Year 2009-10

Campuses will begin reporting on the KPIs in fiscal year 2009-10. The first reports for Contracts and Grants and Financial Aid are due in September for the months of July and August. The first reports for General Accounting are due in October for the months of July, August and September.

The KPIs will be monitored by campuses and by UNC General Administration to measure performance, reveal trends, monitor risks, highlight successful areas as well as areas that may need improvement, identify areas where resources may be needed and improve management of campus business processes.

In addition to monitoring progress of the new standards, the UNC FIT team will also identify additional areas of emphasis for the next fiscal year. Potential areas include student accounts receivable, purchase-to-pay and budgeting.

UNC Payroll Project Update

In late January 2009, the UNC FIT Executive Steering Committee made the decision to implement the Banner HR/Payroll module on the nine campuses that currently utilize the State's Central Payroll System. Since then, work has progressed on the development of a standard model for implementation. The campuses will be responsible for entering the information required to process the payroll (employee hires, job changes, time entry, etc), while a Shared Services Center at General Administration will be responsible for the back-end processing such as tax administration, direct deposits and interfaces with benefits vendors.

The pilot campus, UNC Pembroke, is scheduled to go live on October 1, 2009. The remaining campuses will implement the payroll system on a staggered schedule with the last campuses scheduled to go live on July 1, 2010. The current project status is outlined below.

Standard Model

- Implemented in a test system at UNC Pembroke
- UNC Pembroke, Western Carolina University and UNC Asheville have tested and validated the standard model
- Configuration was updated based on test results and retested

Data Quality and Correction

- Data quality assessment at UNC Pembroke revealed high quality data
- Assessments at other universities confirmed suspected data issues - a data quality and correction plan has been provided to each campus to assist in addressing areas of weakness

Data Conversion and Operational Readiness

- Data conversion at UNC Pembroke has been more complex than anticipated and will now be performed in late August

Shared Services Center

- Shared Services Center facility has been defined and will be located at General Administration
- Operational Model and Procedures manual is drafted
- Applications for the Director of Payroll are under review, the Payroll Analyst position is being advertised
- Service Level Agreement between the Shared Service Center and campuses has been drafted

Communications and Training

- The communication strategy and plan have been developed. Bi-weekly updates to campuses, regular updates to project website content, general and small group sessions, newsletters and an employee handbook are being utilized
- The training documentation is under development – first 3 classes have been held at UNC Pembroke

Change in Original Plans

- Plans call for processing both bi-weekly and monthly pay cycles. One group of employees (SPA FLSA subject employees) that were proposed to be paid bi-weekly will now be initially paid monthly with their conversion to a bi-weekly pay cycle to occur at a later date.

2008 Audit Reports Released Since Last Meeting by the North Carolina Office of the State Auditor:1. Western Carolina University: – (Financial Audit): Four Audit Findings

Report URL:

<http://www.ncauditor.net/EpsWeb/Reports/Financial/FIN-2008-6075.pdf>**Matters Related to Financial Reporting**

The following findings and recommendations were identified during the current audit and discuss conditions that represent deficiencies in internal control and/or noncompliance with laws, regulations, contracts, or grants. Finding number 1 was also reported in the prior audit.

1. INAPPROPRIATE INFORMATION SYSTEM ACCESS OVER THE FINANCIAL ACCOUNTING SYSTEM

The University did not maintain adequate internal control over access to its financial accounting system and data. This increases the risk of error or fraud.

The University did not appropriately terminate access rights for all separated employees. We identified 18 former employees whose access to the accounting system and the overall computer network was terminated several days or weeks after separation from the University. Access should be terminated as soon as individuals leave employment.

We identified two computer programmers with access to computer programs used in production, as well as data files. The ability to change programs should be segregated from responsibility for moving programs into production to prevent unauthorized changes.

The issues discussed above were also reported in our prior year audit. However, since the University did not receive the report until late in the fiscal year, the conditions continued to exist through the end of the current audit period. The University revised its procedures in August 2008 to ensure timely termination of access rights. The programmers' inappropriate access rights were removed in July 2008.

We also identified accounting personnel with access rights that were inconsistent with proper segregation of duties. The controller is responsible for approving financial transactions of subordinates and also has access rights to initiate transactions. These responsibilities should be segregated so that no one individual has the ability to control all aspects of a transaction. In addition, the systems accountant shares the user identification and password of the controller. Sharing a user identification and password reduces accountability for any error or misappropriation that may occur.

Recommendation: The University should continue to improve internal control over granting and managing access to the financial accounting system and data.

University's Response: The University agrees with the context of the recommendation and will work to improve internal control over access to financial data. We acknowledge the unusual access rights for accounting personnel and note it was not a decision taken lightly, but a necessary one for business continuity and financial systems support. In addition, further clarification will show measures were taken to minimize risks to the University.

With respect to access rights and segregation of duties, we agree that managing, monitoring and controlling these are essential. We further contend that integral to this process is managing the integrity of the transactions, processes and systems within which the data is stored. It is within this later context wherein the University had to deviate from the norm with respect to the controller's access rights and roles.

Staff turnover and the realignment of duties subsequent to the Banner implementation left the University in a difficult position. Specifically, detailed knowledge of the Banner Finance System and processes resided almost exclusively with the university controller who previously provided systems accounting support for the University and served as the Banner Finance project lead for the Banner implementation. The University was in a position where the stability, integrity and further resolution of implementation issues of the financial systems upon which the audit itself is based required a careful and deliberate deviation from the norm for the controller. While we do not question there was some risk, we contend that the processes we followed minimized the potential overall risk and consequences to the University that would have resulted from an unstable finance system.

The Controller did not freely release account and password information to the systems accountant for indiscriminate use, but instead maintained full control of the account password through a process external to Banner that he alone controlled. The decision not to grant direct production security access to the new systems accountant during this time was deliberate to assure control and supervision for all production activities. In addition, the Banner systems environment within which we were operating would not accommodate review of all production work done by the systems accountant unless done so under a common access. Upon completion of these tasks, Banner production access was disabled by use of the password change feature, thus minimizing the possibility of errant production transactions during the systems accountant development and transition period.

Significant time and effort have been, and will continue to be, allocated to staff training and development to ensure that security access can be granted commensurate with job duties. It is the University's desire to provide for the segregation of duties to the fullest extent practical.

2. DEFICIENCIES IN INTERNAL CONTROL OVER THE RESIDENTIAL MANAGEMENT SYSTEM.

The University did not maintain adequate internal control over access to its housing system and data. Also, reconciliations were not performed for data transmitted between the housing and financial accounting system to ensure transactions were properly transferred and recorded. This increases the risk of error or fraud.

We identified three housing personnel with access rights that were inconsistent with proper segregation of duties. These individuals have full system access rights to the housing system, allowing them to enter and change rates, post charges to student accounts and transmit information to the financial accounting system. One of these individuals also has responsibility as the security administrator over access to this system. These functions and related computer access should be segregated so that no one individual has the ability to control all aspects of a transaction. There were no formal procedures in place for granting and managing these access rights. In addition, there was no reconciliation performed of data transmitted between the housing and financial accounting system to ensure transactions were properly transferred and recorded.

Recommendation: The University should improve internal control and establish policies and procedures over granting and managing access to the housing system and

data and establish controls that ensure data are properly transmitted to the financial accounting system.

University's Response: The University agrees with the recommendation and will work to satisfy the recommendation to the fullest extent practical.

Security has been narrowed to align access more closely with primary job functions. We will continue to assess staffing needs and security assignments and will pursue alternative processes and personnel in light of available resources to improve controls and segregation of duties. In addition, the process which was being followed to monitor the transmission of data between the housing and financial systems as has been changed to assure all transactions are recorded and accounted for.

3. DEFICIENCIES IN FINANCIAL REPORTING

The financial statements prepared by the University contained misstatements that were corrected as a result of our audit. Without these corrections, the financial statements could have been misleading to users. Misstatements noted in our audit included:

- The invested in capital assets, net of related debt net asset balance was understated by \$33,765,411.12. The net asset balance restricted for debt service was overstated by the same amount.
- Current year capital asset disposals of \$613,096.55 and related accumulated depreciation of \$399,805.22 were reported as a prior period adjustment. As a result, current year transactions were omitted from the capital asset disclosure. The amount reported as other nonoperating expense was understated by \$213,291.33, representing the loss on disposal of capital assets that should have been reported in the current year. The net asset restatement was understated by the same amount.
- The pledged future revenues disclosure in the long-term liabilities note did not include all current year revenues net of expenses. As a result, current year revenues net of expenses were understated by \$1,676,634.53 and the estimate of percentage of revenues was overstated by 10 percentage points.
- The University's equity position in the State Treasurer's Short-Term Investment Fund was understated by \$525,219.21 in the deposits and investments disclosure. The carrying amount of the University's deposits not with the State Treasurer was overstated by \$360,127.05. The total investments disclosure was missing from the note.

There is a lack of adequate controls surrounding the financial reporting process to prevent material misstatements in the financial statements. For example, there is no documented evidence the final statements were reviewed and approved, and we noted that 11 percent of the year-end journal entries prepared by the University included no documented evidence of review and approval.

Recommendation: The University should implement effective internal controls to ensure the accuracy of the financial statements and related notes.

University's Response: The University agrees with the recommendation and will work to strengthen existing processes and provide documented evidence of review. Preparation of the University's financial statements is done with limited staff, to the extent that separation of the preparation and approval process involves to a degree simply an exchange of work. Specifically, it is necessary for staff that under optimum

circumstances would be providing only review to assist in the preparation of statements and to provide interim review throughout the preparation process. Resources have been provided and additional personnel have been added to the accounting staff in an effort to provide additional support for daily and yearend financial activities. We will work diligently to develop these resources and provide adequate time for thorough, independent preparation and review of the financial statements and accompanying footnotes.

4. DEFICIENCIES IN BANK RECONCILIATIONS

The University does not have an adequate procedure in place to ensure the complete and accurate reconciliation of individual bank accounts. In addition, there is no documented evidence of review and approval of the reconciliations that were performed. This increases the risk that errors or misappropriations could occur and not be detected.

We attempted to reconcile total cash by individual bank account; however, we were unable to completely reconcile each account. In the process, we identified a misstatement of cash on the financial statements in the amount of \$89,580.

Recommendation: The University should improve internal control to ensure all bank accounts are reconciled to the general ledger completely, accurately, and timely. Any discrepancies should be promptly investigated and resolved. Reconciliations should be reviewed and approved by an appropriate level of management.

University's Response: The University agrees with the recommendation and will continue to dedicate resources to ensure bank reconciliations are done both timely and accurately.

During the year, the University dedicated significant resources to redefine the reconciliation process previously in place that had proven to be inadequate for both Banner and the increase in electronic banking applications. The reconciliation process was further complicated by staff turnover and the transition of new staff. The Controller and numerous staff members were significantly involved in this process to the extent that approval of the reconciliations became implied, resulting in documented review and approvals often being overlooked.

We acknowledge that the cash updates and reconciliation between the Banner bank control fund and the individual Banner funds were not working properly and have and will continue to dedicate resources to resolve this issue.

Significant progress has been made and the University will continue to refine the reconciliation process.

2. The University of North Carolina at Pembroke: – (Financial Audit): One Audit Finding

Report URL:

<http://www.ncauditor.net/EpsWeb/Reports/Financial/FIN-2008-6082.pdf>

Matters Related to Financial Reporting

The following audit finding was identified during the current audit and describes conditions that represent significant deficiencies in internal control.

1. INAPPROPRIATE INFORMATION SYSTEM ACCESS

The University allowed information system access rights inconsistent with adequate internal control. As a result, there was an increased risk of error or misappropriation.

We identified three employees who continued to have system access after their termination and 12 employees who had system access rights inconsistent with their job duties. Prudent internal control principles require that users be given access only to the specific computer resources needed for their job duties, and upon termination, access should be revoked to prevent unauthorized access to university data.

Recommendation: The University should improve internal control over computer system access. Personnel should only be granted the necessary system access to perform their job duties, and access should be revoked in a timely manner upon termination of employment.

University Response: The University of North Carolina at Pembroke agrees that three terminated employees' system access had not been deleted and twelve employees had system access inconsistent with job duties. System access for each employee has been updated to comply with the recommendation. To control access University wide procedures in Banner Finance and Accounts Receivable have been implemented to ensure that system access is promptly deleted after termination and employees are granted the least amount of system access to adequately perform job duties. Two employees in the Controller's office have been assigned responsibility to ensure that the new procedures are implemented and to coordinate issues related to terminating access and granting access. They will also periodically monitor employee access to ensure compliance with system access procedures.

UNC GENERAL ADMINISTRATION **INTERNAL AUDIT CHARTER**

Purpose

Internal Audit conducts reviews of UNC General Administration records and operations and reports the results of these reviews to management. The mission of Internal Audit is to assist management by providing independent, objective analyses of UNC General Administration and its sub-agencies' activities, to provide consulting services designed to add value and to improve the organization's operation, both fiscally and through strong internal controls. Internal Audit helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Audit Standards and Code of Ethics

All Internal Audit projects will be conducted in keeping with the [International Standards for the Professional Practice of Internal Auditing](#) and the Code of Ethics issued by The Institute of Internal Auditors. Internal Audit is expected to consistently demonstrate high standards of conduct and ethics as well as appropriate judgment, independence, and discretion.

Scope

The scope of work of Internal Audit is to determine whether the organization's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Audit findings are addressed and rectified and then followed up on to assure continuation of adequate controls/processes.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the organization's control process.
- Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately.

As audits are performed, to accomplish goals set forth above, Internal Audit will discuss the results of each project with staff in the area being reviewed. These meetings help ensure that findings and recommendations are valid and understood. When appropriate, these issues will be presented in a written report after a project is complete. Management will have an opportunity to review draft reports and to comment, in writing, relative to final reports. Such comments will be included in the final version of the report. Written reports will be addressed to the Chief of Staff and the Vice President of Finance, with copies provided to management of the area audited, the Associate Vice President for Finance, and other appropriate officials.

Authority

To the extent permitted by law, the Director and staff of Internal Audit are authorized to:

- Have full and complete access to all UNC-General Administration books, records (both manual and electronic), property, and personnel.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the organization under review.

The Director and staff of Internal Audit are not authorized to:

- Perform any operational duties for the organization or its affiliates.
- Initiate or approve accounting transactions external to Internal Audit.
- Make decisions that are the responsibility of management.

The Director of Internal Audit, in the discharge of his/her duties, shall be accountable to the Board of Governor's Audit Committee to:

- Provide annually the internal audit plan for the upcoming fiscal year.
- Provide annually an assessment on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
- Report significant issues related to the processes for controlling the activities of the organization and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Quarterly, provide information on the status and results of the annual audit plan and the sufficiency of the internal audit department resources.
- Coordinate and provide oversight of other controls and monitoring functions such as risk management, compliance, security, legal, ethics, environmental, and external audits.

Independence

Internal Audit reports directly to the Associate Vice President of Finance and the Chairman of the Board of Governor's Audit Committee. The Director of Internal Audit reports administratively to the Associate Vice President of Finance for audit related matters. These reporting relationships promote independence and assure adequate consideration of audit findings and recommendations. The Director shall have full and independent access to the Associate Vice President of Finance and the Chairman of the Board of Governors Audit Committee.

The internal audit activity should be free from interference in determining the scope of internal auditing, performing work, and communicating results. To provide for the independence of Internal Audit, the Director of Internal Audit, reports administratively to the Associate Vice President of Finance and functionally to the Board of Governor's Audit Committee. The Director shall have full and independent access to the Associate Vice President of Finance and the Audit Committee.

Approved by the Board of Governors of the University of North Carolina

Chair

Summary Report of Associated Entities

Campus	Fiscal Year End	Unqualified Audit Opinion	Audit Performed By	Management Letter/Report Issues	Basis for Statement Preparation	Total Net Assets	Reporting Status	Memorandum of Understanding
Appalachian State University								
ASU Foundation, Inc.	6/30/08	Yes	McGladrey & Pullen, LLP	Yes ⁵	GAAP ¹	\$87,376,937	Discretely Presented	Yes
ASU Student Housing Corporation	6/30/08	Yes	Apple, Kocaja, & Associates, PA	No	GAAP ¹	\$6,112,857	Discretely Presented	Yes
East Carolina University								
ECU Alumni Association, Inc.	6/30/08	Yes	McGladrey & Pullen, LLP	No	GAAP ¹	\$1,191,123		Yes
ECU Educational Foundation, Inc.	6/30/08	Yes	McGladrey & Pullen, LLP	No	GAAP ¹	\$20,914,652		Yes
ECU Foundation, Inc. and Consolidated Affiliate	6/30/08	Yes	McGladrey & Pullen, LLP	No	GAAP ¹	\$80,438,752	Discretely Presented	Yes
The Medical Foundation of ECU, Inc.	6/30/08	Yes	McGladrey & Pullen, LLP	No	GAAP ¹	\$31,145,322		Yes
Elizabeth City State University								
ECSU Foundation, Inc. and Subsidiary	6/30/08	Yes	Thomas & Gibbs CPAs, PLLC	Yes ⁵	GAAP ¹	\$6,485,347	Blended	Yes
ECSU National Alumni Association	12/31/08	Yes	The Wesley Peachtree Group	No	GAAP ¹	\$110,280		Yes
Fayetteville State University								
FSU Athletic Club	6/30/08	Yes	N-Vision Enterprises, Inc. ³	No	Modified Cash ²	\$10,394		Yes
FSU Development Corporation	6/30/08	Yes	Buie, Norman, & Company, PA	No	GAAP ¹	\$914,467		Yes
FSU Foundation, Inc. and Subsidiary	6/30/08	Yes	Buie, Norman, & Company, PA	No	GAAP ¹	\$3,168,785	Discretely Presented	Yes
FSU National Alumni Association, Inc.	6/30/08	Yes	Buie, Norman, & Company, PA	No	GAAP ¹	\$51,986		Yes
The Fayetteville State University Housing Foundation, LLC	6/30/08	Yes	Buie, Norman, & Company, PA	No	GAAP ¹	(\$2,064,799)		Yes

¹GAAP - Accounting Principles Generally Accepted in the United States of America

²Modified Cash - This basis of accounting can take many forms. However, the typical differences of this basis of accounting versus General Accepted Accounting Principles is that certain revenues would be recognized when received instead of when earned and certain expenses would be recognized when paid instead of when incurred.

³Ba - N-Vision Accounting & Management Services This is not a CPA firm but an Accounting firm.

⁵Findings and actions taken found on page 20 of Attachment 4 of the August 13, 2009 Minutes.

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Campus	Fiscal Year End	Unqualified Audit Opinion	Audit Performed By	Management Letter/Report Issues	Basis for Statement Preparation	Total Net Assets	Reporting Status	Memorandum of Understanding
North Carolina A & T State University								
Friends of the School of Education								Yes
NCA&T National Aggie Club, Inc.	6/30/08	Yes	John S. Fitzgerald, CPA	Yes ⁵	Modified Cash ²	\$253,751		Yes
NCA&T University Alumni Association, Inc.	6/30/08	Yes	James E. Avent, Jr., CPA	Yes⁵	GAAP¹	\$2,399,894		Yes
NCA&T University Foundation, Inc.	6/30/08	Yes	Oliver W. Bowie, CPA	Yes ⁵	GAAP ¹	\$8,247,590	Discretely Presented	Yes
The Victory Club Foundation, Inc.	6/30/08	Yes	Oliver W. Bowie, CPA, PA	No	GAAP ¹	\$1,246,922		Yes
North Carolina Central University								
NCCU Alumni Association, Inc.	6/30/08	Yes	Claude M. Bogue, CPA, PLLC	Yes ⁵	GAAP ¹	\$574,243		Yes
NCCU Educational Advancement Foundation, Inc. (‘Eagle Club’)	6/30/08	Yes	Ty Cox & Co., CPAs, PLLC	No	GAAP ¹	\$173,710		Yes
NCCU Foundation, Inc.	6/30/08	Yes	McGladrey & Pullen, LLP	Yes ⁵	GAAP ¹	\$11,619,903	Discretely Presented	Yes
NCCU Real Estate Foundation	6/30/08	Yes	Blackman & Sloop, CPAs, PA	No	GAAP ¹	(\$1,780,285)	Blended	Yes
North Carolina School of Science and Mathematics								
NCSSM Foundation	6/30/08	Yes	McGladrey & Pullen, LLP	Yes ⁵	GAAP ¹	\$7,078,636		Yes
NCSSM Student and Constituent Support Services, Inc.	6/30/08	Yes	Thomas E. Spivey, CPA, PA	Yes ⁵	GAAP ¹	\$114,039		Yes

¹GAAP - Accounting Principles Generally Accepted in the United States of America

² Modified Cash - This basis of accounting can take many forms. However, the typical differences of this basis of accounting versus General Accepted Accounting Principles is that certain revenues would be recognized when received instead of when earned and certain expenses would be recognized when paid instead of when incurred.

⁵Findings and actions taken found on page 21 of Attachment 4 of the August 13, 2009 Minutes.

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Campus	Fiscal Year End	Unqualified Audit Opinion	Audit Performed By	Management Letter/Report Issues	Basis for Statement Preparation	Total Net Assets	Reporting Status	Memorandum of Understanding
North Carolina State University								
The Friends to NC State Baseball, LLC	12/31/08	Yes	Internal Audit	No	GAAP ¹	\$19,936		Yes
N.C. Agricultural Foundation, Inc.	6/30/08	Yes	Williams, Overman, Pierce, LLP	No	GAAP ¹	\$33,742,939		Yes
N.C. State Alumni Club, Inc.	12/31/08	Yes	Batchelor, Tillery, & Roberts, LLP	Yes ⁵	GAAP ¹	\$200,703		Yes
N.C. State Engineering Foundation, Inc.	6/30/08	Yes	Williams, Overman, Pierce, LLP	No	Modified Cash ²	\$53,105,611		Yes
N.C. State Forestry Foundation, Inc.	6/30/08	Yes	Williams, Overman, Pierce, LLP	No	Modified Cash ²	\$15,153,217		Yes
N.C. State Investment Fund, Inc.	6/30/08	Yes	Williams, Overman, Pierce, LLP	No	GAAP ¹	\$340,344,235	Blended	Yes
N.C. State University Alumni Association	6/30/08	Yes	Williams, Overman, Pierce, LLP	No	GAAP ¹	\$25,253,220		Yes
N.C. State University Foundation, Inc.	6/30/08	Yes	Williams, Overman, Pierce, LLP	No	GAAP ¹	\$95,607,481	Discretely Presented	Yes
N.C. State University Partnership Corporation	6/30/08	Yes	Williams, Overman, Pierce, LLP	No	GAAP ¹	\$4,575,808	Blended	Yes
N.C. State Centennial Development, LLC	6/30/08	Yes	Williams, Overman, Pierce, LLP	No	GAAP ¹	\$4,142,098		Yes
N.C. State Residence, LLC	6/30/08	Yes	Williams, Overman, Pierce, LLP	No	GAAP ¹	\$435,616		Yes
N.C. State UPFIT, LLC ⁶	6/30/07	Yes	Williams, Overman, Pierce, LLP	No	GAAP ¹	(\$100)		Yes
N.C. State University Physical & Mathematical Sciences Foundation, Inc.	6/30/08	Yes	Williams, Overman, Pierce, LLP	No	Modified Cash ²	\$20,387,171		Yes
N.C. Textile Foundation, Inc.	6/30/08	Yes	McGladrey & Pullen	Yes ⁵	Modified Cash ²	\$30,193,087		Yes
N.C. Tobacco Foundation, Inc.	6/30/08	Yes	Williams, Overman, Pierce, LLP	No	Modified Cash ²	\$4,266,199		Yes
N.C. Veterinary Medical Foundation, Inc.	6/30/08	Yes	Williams, Overman, Pierce, LLP	No	Modified Cash ²	\$23,084,071		Yes
NCSU Student Aid Association, Inc. and Subsidiary ⁷	6/30/08	Yes	Koonce, Wooten, & Haywood, LLP	Yes ⁵	GAAP ¹	\$77,147,482	Discretely Presented	Yes
North Carolina State University Club	12/31/08	Yes	Batchelor, Tillery, & Roberts, LLP	No	GAAP ¹	\$1,788,355		Yes
Pulp and Paper Foundation, Inc.	6/30/08	Yes	Williams, Overman, Pierce, LLP	No	Modified Cash ²	\$10,315,577		Yes
The University of North Carolina at Asheville								
The North Carolina Arboretum Society	6/30/08	Yes	Gabler Molis & Company, PA	No	GAAP ¹	\$720,271		Yes
The University Botanical Gardens at Asheville, Inc.	12/31/08	Yes	Crawley, Lee, & Company, PA	No	GAAP ¹	\$770,497		Yes
UNC Asheville Foundation, Inc.	6/30/08	Yes	Burleson Eanley & Keel, PLLC	No	GAAP ¹	\$27,357,443	Discretely Presented	Yes

¹GAAP - Accounting Principles Generally Accepted in the United States of America

²Modified Cash - This basis of accounting can take many forms. However, the typical differences of this basis of accounting versus General Accepted Accounting Principles is that certain revenues would be recognized when received instead of when earned and certain expenses would be recognized when paid instead of when incurred.

⁵Findings and actions taken found on page 22 of Attachment 4 of the August 13, 2009 Minutes.

⁶No activity for 2008

⁷Wolfpack Club Student Housing Foundation, LLC - member of Student Aid Assoc.

Summary Report of Associated Entities

Campus	Fiscal Year End	Unqualified Audit Opinion	Audit Performed By	Management Letter/Report Issues	Basis for Statement Preparation	Total Net Assets	Reporting Status	Memorandum of Understanding
The University of North Carolina at Chapel Hill								
Botanical Garden Foundation, Inc.	6/30/08	Yes	Blackman & Sloop, CPAs, PA	No	GAAP	\$10,700,288		Yes
Carolina for Kibera, Inc.	12/31/07	Yes	William F. Roberson, CPA PLLC	Yes ⁵	GAAP ¹	\$1,339,063		Yes
Morehead-Cain Scholarship Fund	6/30/08	Yes	Batchelor, Tillery & Roberts, LLP	No	GAAP ¹	\$12,901,122		Yes
The Denial Foundation of N.C., Inc.	6/30/08	Yes	Koonce, Wooten, & Haywood, LLP	No	GAAP ¹	\$34,288,197		Yes
The Educational Foundation, Inc.	6/30/08	Yes	KPMG, LLP	No	GAAP ¹	\$47,709,290		Yes
The Educational Foundation Scholarship Endowment Trust	6/30/08	Yes	KPMG, LLP	No	GAAP ¹	\$213,388,933	Discretely Presented	Yes
The Kenan Flagler Business School Foundation	6/30/08	Yes	Bernard, Robinson, & Company, LLP	No	GAAP ¹	\$96,808,586	Blended	Yes
The James B. Hunt, Jr. Institute for Educational Leadership and Policy Foundation, Inc.	6/30/08	Yes	Dixon Hughes, PLLC	No	GAAP ¹	\$3,379,833		Yes
The Medical Foundation of N.C., Inc.	6/30/08	Yes	Blackman & Sloop, CPAs, PA	Yes ⁵	GAAP ¹	\$234,501,085	Discretely Presented	Yes
The Pharmacy Foundation of N.C., Inc.	6/30/08	Yes	Koonce, Wooten, & Haywood, LLP	No	GAAP ¹	\$40,620,772		Yes
The School of Education Foundation, Inc.	6/30/08	Yes	Blackman & Sloop, CPAs, PA	Yes ⁵	GAAP ¹	\$2,405,646	Blended	Yes
The School of Government Foundation, Inc.	6/30/08	Yes	Blackman & Sloop, CPAs, PA	Yes ⁵	GAAP ¹	\$13,913,253		Yes
The School of Journalism & Mass Communications Foundation of North Carolina, Inc.	6/30/08	Yes	Blackman & Sloop, CPAs, PA	No	GAAP ¹	\$18,152,272		Yes
The School of Social Work Foundation, Inc.	6/30/08	Yes	Blackman & Sloop, CPAs, PA	Yes ⁵	GAAP ¹	\$9,047,672		Yes
The University of North Carolina at Chapel Hill Arts & Sciences Foundation, Inc.	6/30/08	Yes	Blackman & Sloop, CPAs, PA	Yes ⁵	GAAP ¹	\$179,977,754	Discretely Presented	Yes
UNC Investment Fund, LLC	6/30/08	Yes	KPMG, LLP	No	GAAP ¹	\$2,531,625,855	Blended	Yes
The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc.	6/30/08	Yes	KPMG, LLP	No	GAAP ¹	\$2,224,446,865	Blended	Yes
The University of North Carolina at Chapel Hill Foundation, Inc.	6/30/08	Yes	KPMG, LLP	No	GAAP ¹	\$270,462,909	Blended	Yes
The University of North Carolina at Chapel Hill School of Nursing Foundation, Inc.	6/30/08	Yes	Blackman & Sloop, CPAs, PA	No	GAAP ¹	\$7,981,989		Yes

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⁵ Findings and actions taken found on page 23 of Attachment 4 of the August 13, 2009 Minutes.

Summary Report of Associated Entities

Campus	Fiscal Year End	Unqualified Audit Opinion	Audit Performed By	Management Letter/Report Issues	Basis for Statement Preparation	Total Net Assets	Reporting Status	Memorandum of Understanding
The University of North Carolina at Chapel Hill (cont'd)								
UNC Law Foundation, Inc.	6/30/08	Yes	McGladrey & Pullen, LLP	Yes ⁵	Modified Cash ²	\$33,003,618	Blended	Yes
UNC Management Company, Inc.	6/30/08	Yes	KPMG, LLP	No	GAAP ¹	\$11,398,720	Blended	Yes
The University of North Carolina at Chapel Hill Public Health Foundation, Inc.	6/30/08	Yes	Blackman & Stoop, CPAs, PA	Yes ⁵	GAAP ¹	\$66,968,608		Yes
The University of North Carolina at Charlotte								
The Athletic Foundation of The University of North Carolina at Charlotte	6/30/08	Yes	Greer & Walker, LLP	No	GAAP ¹	\$15,622,101		Yes
The Ben Craig Center	6/30/08	Yes	Greer & Walker, LLP	No	GAAP ¹	\$724,121		Yes
The University of North Carolina at Charlotte Foundation, Inc.	6/30/08	Yes	Greer & Walker, LLP	No	GAAP ¹	\$39,818,203	Discretely Presented	Yes
The University of North Carolina at Charlotte Facilities Development Corporation, Inc.	6/30/08	Yes	Greer & Walker, LLP	No	GAAP ¹	\$855,250	Blended	Yes
The University of North Carolina at Charlotte Investment Fund, Inc.	6/30/08	Yes	Greer & Walker, LLP	No	GAAP ¹	\$0	Blended	Yes
University Research Park, Inc. (new, no activity)	10/31/08	Yes	Greer & Walker, LLP	No	GAAP ¹	3,344,721		Yes
University of North Carolina at Greensboro								
Capital Facilities Foundation, Inc.	6/30/08	Yes	McGladrey & Pullen	No	GAAP ¹	\$429,790	Blended	Yes
Gateway University Research Park	6/30/08	Yes	Dixon Hughes, PLLC	No	GAAP ¹	\$7,015,573		Yes
Serve, Inc.	11/30/08	Yes	Bernard, Robinson, & Company, LLP	No	GAAP ¹	\$472,636		Yes
The Alumni Association of the University of North Carolina at Greensboro, Inc.	6/30/08	Yes	Bernard, Robinson, & Company, LLP	No	Modified Cash ²	\$2,986,129		Yes
The UNC Excellence Foundation	6/30/08	Yes	McGladrey & Pullen	No	GAAP ¹	\$83,796,432	Blended	Yes
The UNCG Human Environmental Sciences Foundation, Inc.	6/30/08	Yes	McGladrey & Pullen	No	GAAP ¹	\$7,934,994	Blended	Yes
The Weatherspoon Art Foundation	6/30/08	Yes	Internal Audit ⁶	No	N/A	\$21,047,802	Blended	Yes
The Weatherspoon Art Museum Association	6/30/08	Yes	McGladrey & Pullen	No	GAAP ¹	\$485,564		Yes
UNCG Investment Fund, Inc.	6/30/08	Yes	McGladrey & Pullen	No	GAAP ¹	\$184,017,562	Blended	Yes

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³ Findings and actions taken found on page 23 of Attachment 4 of the August 13, 2009 Minutes.

⁶ Internal audit reviewed the value and internal controls over the art work owned by the foundation. This foundation's only assets are the works of art. The art values are based on cost if purchased or fair value at the time of donation, if donated.

Summary Report of Associated Entities

Campus	Fiscal Year End	Unqualified Audit Opinion	Audit Performed By	Management Letter/Report Issues	Basis for Statement Preparation	Total Net Assets	Reporting Status	Memorandum of Understanding
The University of North Carolina at Pembroke								
The UNCP University Foundation, LLC	6/30/08	Yes	Reznick Group	No	GAAP ¹	(\$2,712,100)	Discreetly Presented	Yes
UNCP Foundation, Inc.	6/30/08	Yes	Nelson, Price & Associates, PA	No	GAAP ¹	\$5,668,931	Discreetly Presented	Yes
UNCP Student Housing, LLC	6/30/08	Yes	Nelson, Price & Associates, PA	No	GAAP	\$12,780,245	Discreetly Presented	Yes
The University of North Carolina School of the Arts								
N.C. School of the Arts Foundation, Inc.	6/30/08	Yes	Butler & Burke, LLP	No	GAAP ¹	\$24,906,621	Discreetly Presented	Yes
NCSA Housing Corporation	6/30/08	Yes	Butler & Burke, LLP	No	GAAP ¹	(\$335,604)	Blended	Yes
NCSA Program Support Corporation	6/30/08	Yes	Butler & Burke, LLP	Yes ⁵	GAAP ¹	\$1,220,033	Blended	Yes
River Run Film Festival	6/30/08	Yes	Butler & Burke, LLP	No	GAAP ¹	\$123,726		Yes
The Foreign Art Study Foundation of North Carolina, Inc.	6/30/08	Yes	Butler & Burke, LLP	No	GAAP ¹	\$737,298		Yes
The Semans Art Fund, Inc.	6/30/08	Yes	Butler & Burke, LLP	No	GAAP ¹	\$563,312		Yes
The Student Creative Arts Foundation of North Carolina, Inc.	6/30/08	Yes	Butler & Burke, LLP	No	GAAP ¹	\$718,112		Yes
The University of North Carolina at Wilmington								
Cameron Foundation	Waived ⁷	Waived ⁷	Waived ⁷	Waived ⁷	Waived ⁷	Waived ⁷		Yes
Donald R. Watson Foundation, Inc.	6/30/08	Yes	Michael Durham, CPA	No	GAAP ¹	1,631,677		Yes
Friends of UNCW	6/30/08	Yes	Internal Audit	No	GAAP ¹	\$5,365		Yes
The Foundation of UNCW, Inc.	6/30/08	Yes	McGladery & Pullen, LLP	Yes ⁵	GAAP ¹	\$6,693,876		Yes
The UNCW Alumni Association	6/30/08	Yes	McGladery & Pullen, LLP	Yes ⁵	GAAP ¹	\$618,175		Yes
The UNCW Student Aid Association	6/30/08	Yes	McGladery & Pullen, LLP	Yes ⁵	GAAP ¹	\$1,818,973		Yes
UNCW Corporation	6/30/08	Yes	McGladery & Pullen, LLP	No	GAAP ¹	(\$120,203)	Discreetly Presented	Yes

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⁵Findings and actions taken found on page 24 of Attachment 4 of the August 13, 2009 Minutes.

⁷Waived based on foundation characteristics per letter from President Bowles dated July 30, 2007.

Summary Report of Associated Entities

Campus	Fiscal Year End	Unqualified Audit Opinion	Audit Performed By	Management Letter/Report Issues	Basis for Statement Preparation	Total Net Assets	Reporting Status	Memorandum of Understanding
Western Carolina University								
Western Carolina University Foundation	6/30/08	Yes	Burleson, Earley, PA	No	GAAP ¹	\$20,960,317	Blended	Yes
Western Carolina University Research and Development Corporation	6/30/08	Yes	Burleson, Earley, PA	No	GAAP ¹	\$633,761	Discretely Presented	Yes
Development Foundation for N.C. Center for Advancement of Teaching	6/30/08	Yes	Burleson Earley, PA	Yes ⁵	GAAP ¹	\$1,149,759		Yes
The Highlands Biological Foundation, Inc.	5/31/08	Yes	Curtis J. Matthews, CPA PC	No	GAAP ¹	1,128,247		Yes
Winston-Salem State University								
Simon Green Atkins Community Development Corporation	6/30/08	Yes	Preston, Sims, & Darden, PA	Yes ⁵	GAAP ¹	\$77,455		Yes
Winston-Salem State University Foundation, Inc. and Subsidiary	6/30/08	Yes	Butler & Burke, LLP	No	GAAP ¹	\$12,326,607	Discretely Presented	Yes
Winston-Salem State University National Alumni Association, Inc.	6/30/08	Yes	Butler & Burke, LLP	No	GAAP ¹	\$234,024		Yes
The University of North Carolina-General Administration								
The North Carolina Public Television Foundation, Inc.	6/30/08	Yes	McGladrey & Pullen, LLP	Yes ⁵	GAAP ¹	\$743,745		Yes
The University of North Carolina Foundation, Inc.	6/30/08	Yes	Koonce, Wooten, & Haywood, LLP	No	GAAP ¹	\$279,149		Yes

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⁵Findings and actions taken found on page 8 of Attachment 4 of the August 13, 2009 Minutes.

Summary Report of Associated Entities

Campus	Findings	Corrective Actions
Appalachian State University Appalachian State University Foundation, Inc.	(1) Properly Recording Transactions based on Donor Agreement	(1) Policy of recording gift annuities, trusts, and contributed real estate be evaluated to ensure it results in the proper net asset designation upon receipt of the contributions. If the donor has permanently restricted the Foundation's use of its contribution, it should be classified as an increase in permanently restricted assets. Also, the CFO should continue to independently review the donor agreements which the Foundation enters into and analyze the agreements to ensure these amounts are properly classified and valued in the financial statements. These recommendations have been implemented.
Elizabeth City State University: ECSU Foundation, Inc.	(1) Application of SFAS 136 (2) Account Reconciliations (3) Commingled Accounting Functions (4) Pledges Receivable (5) Gift Revenue (6) Audit Adjustment	(1) Recommendation: Management needs to review all transactions as they occur to determine the appropriate accounting treatment within the framework of SFAS 136. This continuous process will reduce the risk of errors. (2) Recommendation: Reconciliations be performed for all accounts as soon after each month as possible. (3) Recommendation: Use of separate accounts and accounting systems for the Foundation. (4) Recommendation: Management review the contributions receivable listing for significant and/or unusual donor balances on a monthly basis and reconcile the general ledger and pledge status report on a quarterly, if not monthly basis. (5) Recommendation: Management reconcile two subsystems of Banner (production and financial) as part of the month-end and year-end close process. (6) Recommendation: Management should post all audit adjustments and analyze general ledger accounts to ensure that the impact of adjustments on current year accounts is reasonable prior to the commencement of the annual audit. Response: Move the Foundation's assets to a separate general ledger system. Also, separate its cash and investments into non-commingled accounts.
North Carolina A & T State University: NCA&T Alumni Association, Inc.	(1) The association failed to adopt and implement ten of the UNC policy requirements enumerated in UNC Policy 600.2.5.2[R]. (These are repeated comments from June 30, 2006 and June 30, 2007).	(1) Recommendation: The Alumni Association should retain legal counsel to assist in updating its bylaws, policies and procedures to ensure full compliance with UNC policy immediately. Since this is a repeat finding from the two previous audits, UNC-GA staff will be working with University Management to get this corrected.
NCA&T National Aggie Club, Inc.	(1) Bank Account Reconciliations (2) Cash Receipts Detail Report	(1) Recommendation: Reconciliations for all bank accounts be properly prepared on a monthly basis. (2) Recommendation: Monthly cash receipts detail report be reconciled to the appropriate general ledger accounts.
NCA&T University Foundation, Inc.	(1) Conference Invoicing (2) Processing Fees (3) Housing Revenue Projections	(1) Recommendation: Management, Board Chairman, and Finance Chairperson develop a procedure that assures that the University's Housing Office invoices conference sponsors no later than five business days after check-out and revenue(s) should be forwarded to Foundation weekly. (2) Recommendation: The University remit processing fees to the Foundation on a weekly basis as those fees are collected. (3) Recommendation: Management, Board Chairman, and Finance Chairperson of the Foundation meet with the University officials to develop a system whereby Foundation Housing will achieve 95% plus occupancy on a consistent basis.

Summary Report of Associated Entities

Campus	Findings	Corrective Actions
North Carolina Central University: North Carolina Central University Alumni Association, Inc.	(1) Bank Account Reconciliations - The Assistant Treasurer reconciled the bank accounts but some of the reconciliations were not always completed on a timely basis. This is attributed to the fact that data was not always entered into the QuickBooks system in a timely matter. (2) Employee vs. Independent Contractor Classification During the audit, it was observed that two individuals, an administrative assistant and a membership data-base assistant, that worked for the Association. The Association treated these individuals as independent contractors. The IRS Code mandates certain criteria for determining the proper classification of workers. The IRS could assess penalties if this matter was ever brought before them and it was concluded that this individual should have been treated as an employee. (3) Coordination with NCCU Foundation - The Foundation holds various funds in trust on behalf of the Association. These accounts have not been reconciled on a regular basis. The new Treasurer is now receiving regular reports from the NCCU Foundation.	(1) This issue has been corrected. Recommendation-Reconciliations need to continue to be completed within twenty days of receiving the bank statements. (2) Recommendation- The Association consult with a tax expert in order to ensure the these individuals are properly classified in accordance with the IRS Code. (3) Recommendation-Each account held by the Foundation on behalf of the Association should be reconciled on a monthly basis and so documented.
North Carolina Central University Foundation, Inc.	(1) Scholarship funds recorded as contribution revenue rather than reduction of scholarship expenses, resulting in an overstatement of revenue of approximately \$58,000. (2) Segregation of Duties - The Foundation employs few individuals to handle all accounting functions, which was found does not support an adequate segregation of duties. (3) Authorization of Disbursements - The Foundation maintains numerous operating accounts, and as a result, there are numerous Fund Authorities. There is no comprehensive database detailing all Funds Authorities. (4) Role of the Foundation-The general purpose of the Foundation is broad and allows the Foundation to enter into a wide range of activities in support of the University.	(1) Recommendation-These types of refunds should be reflected as a reduction in scholarship expense to more accurately reflect the nature of the transaction. (2) Recommendation- The Foundation should continue to review its procedures and controls related to assignment of duties and information technology access rights, and implement further compensating controls in the areas in which one individual is responsible for more than one activity. (3) Recommendation-Management needs to institute a robust system to track all Fund Authorities, including initial operating account setup and changes in status. (4) Recommendation-Management should review its policies and procedures to determine the best method of supporting the University while maintaining compliance with its own policies. Also, management should continue to review its unrestricted financial and cash flow position prior to making loans or advances if such activity continues.
North Carolina School of Science and Mathematics: The School of Science and Mathematics Foundation	(1) Investment Journal Entries (2) Alternative Investments	(1) Recommendation: Management record the reclassification of permanently restricted endowment revenue to unrestricted and temporarily restricted revenue in accordance with FAS 117 and include this on a closing checklist which is reviewed independently by a member of the audit committee at year end. (2) Recommendation: Management and the investment committee continue to perform ongoing monitoring of alternative investment funds.
NCSSM Student & Constituent Support Services, Inc.	(1) Lack of written inventory instructions of physical counts taken through the year (2) Preparation of budget and comparing with actual results of operation. (3) Unqualified personnel as a Bookkeeper. (4) Outdated software.	(1) Recommendation: Written inventory instructions be prepared by management, distributed to any persons, involved in the count, and reviewed with them in advance. The written instructions should also include as a minimum include comments pertaining to segregation, or proper notation of slow-moving, obsolete, or damaged goods. (2) Recommendation: Budgets be incorporated into the organization's financial reporting system to allow it to measure actual performance versus budgeted performance. (3) Recommendation: The Board of Directors should elect a qualified bookkeeper as soon as possible and also the organization hire or contract with someone who has the appropriate knowledge to apply generally accepted accounting principles to the financial statements and take responsibility for the financial statements. (4) Corrective Action: A consolidated program is being used.

Summary Report of Associated Entities

Campus	Findings	Corrective Actions
North Carolina State University: NC State Alumni Club, Inc.	(1) Cash Bar (2) Accounts Payable (a) Banquet Invoicing (b) Accounts Receivable Aging Reports	(1) Corrective Action: Procedure in place in which the Accounting Department is responsible for issuing both the cash bank and a series of numbered tickets. Also, the Accounting Department will secure the tickets and record the sales verified by the tickets. (2) Corrective Action: (a) Procedure in place whereby the General Manager issues a copy of the Weekly Function Sheet to the Accounting Department after it has been finalized. As each event is invoiced, the Accounting Department will write the invoice number beside the entry on the Weekly Function Sheet. At the end of the month before the final statements are run, the Accounting Department will check to make sure that all events on the Function Sheets have been invoiced. (b) The accounting Department will begin printing a copy of the Accounts Receivable Aging Report in the Club Office statement-printing software at the end of each month for purposes of comparison and reconciliation to QuickBooks, the General Ledger software.
NCSU Student Aid Association, Inc.	(1) Organization Structure (2) Financial Reporting Process (3) Cash Receipts (4) Credit Card Processing (5) Resident Accounts Receivables	(1) No response required (2) Management does not have the personnel to value interest rate swaps w/o assistance or the unrealized gains or losses on investments. All functional expense allocations are being properly made. (3) Instituted changes require cash receipts be deposited daily unless the amount received is miniscule. No significant receipts are held more than one day. (4) Changes have been made to correct credit card processing by comparing the amounts reported by the credit card processor, initially recorded by membership employees responsible with the crediting the receipts to the individual WPC member, with the general ledger entries, which is recorded by the business manager. All discrepancies are reconciled. (5) An adjustment has been made by Allen and O'Hara, the management company currently operating the facility, to remove all accounts over ninety days old from the accounts receivable list. Collection of these accounts will be pursued vigorously. At this time, no one is living in the facility that owes more than thirty days rent. Allen and O'Hara is considerably more proficient at leasing the facility as well as collecting the rent due than was the previous manager.
N.C. Textile Foundation, Inc.	(1) Segregation of Duties and Access (2) Financial Reporting (3) Reconciliations	(1) Per the Exec. Director, this was an oversight but does not represent a systemic problem. (2) Per the Exec. Director, an active search is planned for an accounting firm that can meet the accounting needs.
Wolfpack Club Student Housing Foundation, LLC	(1) Organization Structure (2) Financial Reporting Process (3) Resident Accounts Receivables	(1) Management does and will continue to review and monitor all financial reporting activities to mitigate the lack of segregation of duties, including reviewing bank reconciliations, general journal entries, and tracing investment amounts to investment statements. (2) Over the past year, the Foundation's accounting needs have become more sophisticated and detailed. The Foundation has begun an active search, through a competitive process, for an accounting firm that can meet those needs. Working with a new accounting service, we can employ a period close checklist to ensure that all necessary adjustments have been identified and posted in a timely manner. In addition, a disclosure checklist will be used to ensure the completeness of the financial statement disclosures. (3) The quarterly reconciliation that they suggest we employ has already been implemented for the current year, with reports prepared for the first quarter of fiscal year 2009. These quarterly reconciliations were reviewed by Management and Board members at the fall Board meeting.

Summary Report of Associated Entities

Campus	Findings	Corrective Actions
The University of North Carolina at Chapel Hill: Carolina for Kibera, Inc.	(1) The lack of segregation of duties (2) Lack of knowledge of generally accepted accounting principles	Corrective Actions: Receipt of funds and all accounting functions is now being handled through the central accounting system of UNC-Chapel Hill in accordance with their finance policies and procedures. Also, a Program Coordinator has been hired, based at UNC to work in coordination with the University staff on all financial matters. Integration into UNC-CH's finance system in combination with this new staff position will provide a clear segregation of duties.
The Medical Foundation of North Carolina, Inc.	(1) Preparation of Financial Statements (2) Segregation of Accounting Duties (3) Permanently Restricted Contributions and Cumulative Earnings	(1) Corrective Actions: The Foundation added a CPA on April 1, 2008 to the staff as the Foundation Controller. On the same date, the accountant retired leaving limited records. The Controller was able to prepare a large amount of the materials for the financial statements but Blackman & Sloop's assistance was needed to complete them. The Foundation is confident that it's financial statements will be totally prepared by the foundation staff. (2) Over 18 months ago, a policy was put in place concerning which staff members could prepare check requests and which staff could approve those requests. In no instance was it to be the same person. The employee who violated that rule is no longer an employee of the Medical Foundation. All accounting related employees are aware of the policy and are following policies and procedures. (3) Current Medical Foundation staff fully understand the need to track the permanently restricted contributions on all funds. The Foundation is currently in the process of researching principal contributions and cumulative earnings in the funds under management at both SunTrust and UNCIF. This is a large project, but it should be completed prior to the audit for FY'09.
The University of North Carolina at Chapel Hill Arts and Sciences Foundation, Inc.	(1) Preparation of Financial Statements	(1) Recommendation: Management and the Board continue to evaluate whether it is cost effective to hire a person with qualifications to prepare the financial statements.
The University of North Carolina at Chapel Hill School of Education, Inc.	(1) Preparation of Financial Statements	(1) Recommendation: Management continue the full implementation of the policies and procedures to ensure proper controls over financial reporting are maintained.
The School of Government Foundation, Inc.	(1) Review of UNC Accounting Monthly Reports (2) Preparation of Financial Statements	(1) Recommendation: A member of management needs to scan the monthly transaction reports of Foundation activities for unusual vendors, transactions, or amounts and any unusual items be investigated for appropriateness. (2) Recommendation: Management and the Board needs to continue to evaluate whether it is cost effective to appoint a person with qualifications to prepare the financial statements.
The University of North Carolina at Chapel Hill Public Health Foundation, Inc.	(1) Temporarily Restricted Gifts (2) Audit Committee Meetings	(1) Recommendation: Policies should be developed to address investment options for future temporarily restricted gifts. (2) Recommendation: Minutes of each meeting should be taken to clearly document all decisions made and recommendations submitted to the Board. The minutes should also be retained as evidence of the meeting and related actions.
The School of Social Work Foundation, Inc.	(1) Preparation of Financial Statements (2) Accounting Policies and Procedures Manual	(1) The Foundation Board has discussed the feasibility of hiring an employee or consultant to prepare financial statements independent of Blackman & Sloop. Because of current budgetary concerns, it is not possible at this time to hire someone to carry out this duty. However, we feel confident that our internal controls are effective in preventing errors in the preparation of financial statements.
UNC Law Foundation, Inc. UNC School of Law	(1) New Accounting Pronouncements	(1) Recommendation: The Organization needs to develop a policy for identifying and implementing new accounting pronouncements. Response: Management will work with McGladrey & Pullen to identify websites and publications that will assist in identifying new accounting pronouncements applicable to the Foundation. McGladrey & Pullen agrees to contact management on a quarterly basis to discuss topics and trends that relate to the Foundation.

Summary Report of Associated Entities

Campus	Findings	Corrective Actions
The University of North Carolina at Wilmington: The Foundation of The UNCW, Inc.	(1) Not all gifts had been properly recorded and classified. All gifts and pledges of gifts, including gifts-in-kind, should be properly evaluated and recorded. Currently, gifts are maintained by the UNCW department of advancement, and the gift detail does not reconcile directly to the accrual-basis financial statements maintained by the Office of Associated Entities.	(1) Recommendation: Maintaining adjusted accrual basis subsidiary records and reconciling these records to the general ledger on a monthly basis.
The UNCW Alumni Association	(1) Not all gifts had been properly recorded and classified. All gifts and pledges of gifts, including gifts-in-kind, should be properly evaluated and recorded. Currently, gifts are maintained by the UNCW department of advancement, and the gift detail does not reconcile directly to the accrual-basis financial statements maintained by the Office of Associated Entities.	(1) Recommendation: Maintaining adjusted accrual basis subsidiary records and reconciling these records to the general ledger on a monthly basis.
UNCW Student Aid Association, Inc.	(1) Not all gifts made by the Student Aid Association to UNCW were properly recorded as such, resulting in the material misclassification of expenses. All expenditures made to or on behalf of UNCW, qualifying as gifts, should be evaluated and properly classified in the financial statements. (2) There was not a complete and accurate trail balance provided. A contributing factor may be the significant turnover in the Office of Associated Entities.	(1) Recommendation: The Student Aid Association needs to improve its internal control processes over the review of expenditures and income statement items to identify and record gifts. (2) Recommendation: Personnel should be hired specifically for Associated Entity recordkeeping, which included the Student Aid Association.
The University of North Carolina School of the Arts: NCSA Program Support Corporation	(1) Appropriateness of accounting policies and their application. (2) Bank Reconciliations	(1) Recommendation: Management was advised about the appropriateness of accounting policies and their applications. (2) Recommendation: Bank reconciliations be performed on a timely basis.
Western Carolina University: Development Foundation of N.C. Center for Advancement of Teaching	(1) The size of the Organization's staff makes it impossible to segregate duties so that there is a working set of checks and balances on each employee. (2) The Organization does not have a person on staff that is experienced in the preparation of financial statements in accordance with generally accepted accounting principles.	(1) The Organization will change procedures to utilize business operations staff (2) The Organization has changed the external accounting firm preparing financial statements. They have also hired staff who have accounting expertise.
Winston-Salem State University: Simon Green Atkins Community Development Corporation	(1) Insufficient segregation of duties -The size of the Organization's office staff limits the extent of separation of duties, however, certain steps can be in place to separate incompatible duties.	(1) Recommendation - two signatures are required for all cash disbursements, and only officers of the Board of Directors and the outsourced accountant are authorized check signers. Also, primary general ledger and payroll processing duties are outsourced to an independent CPA. It is recommended that Board supervision and review continue.
The University of North Carolina General Administration: The North Carolina Public Television Foundation, Inc.	(1) Segregation of Duties (2) Financial Reporting Functions	1) So no one individual handles a transaction from its inception to its completion, UNC TV's Director of administration and business ventures, will continue to review and supervise the activities of the accounting clerk to mitigate the segregation of duties. 2) Management and staff together will review for potential accounting issues that require adjusting entries at year-end and will book these adjustments to the trial balance.