

Minutes of the April 8, 2010 Meeting  
of the Board of Governors' Audit Committee

The Audit Committee met in the H.M. Michaux, Jr. School of Education Building, Room 1011 at North Carolina Central University in Durham, North Carolina on Thursday, April 8, 2010, at 4:15 p.m.

Members in attendance were Mr. Brent Barringer, Mr. John M. Blackburn, Mr. Frank Daniels, Jr., Mr. Walter C. Davenport, Mr. Phillip R. Dixon, Mr. Fred G. Mills, Dr. Gladys Ashe Robinson, Dr. Irvin A. Roseman, and Mr. David W. Young. Others in attendance were Board of Governors member Dr. Laura W. Buffaloe, Mrs. Hannah Gage, Ms. Clarice Cato Goodyear; Chancellor Kenneth Peacock (ASU); Chancellor Charlie Nelms, Interim Vice Chancellor for Finance and Administration Yolanda Banks Deaver, Director of Internal Audits Loretta Hayes, Assistant Vice Chancellor Cynthia Carter and Director of Public Affairs Cynthia Fobert (NCCU); Vice Chancellors John Pierce (UNCA) and Reade Taylor (UNCG); and UNC General Administration staff.

Chair Young welcomed everyone to the meeting and introduced Mr. Ernie Murphrey, the new Vice President for Finance at UNC General Administration. On the motion of Mr. Blackburn, seconded by Mr. Barringer, the minutes of February 11, 2010 were approved.

Ms. Gwen Canady updated the committee on the UNC Finance Improvement and Transformation Project (see attachment 1) and reported campus monitoring visits were completed on March 24. Staff from the Office of the State Controller participated in several of the visits. The dashboard with trending analysis was scheduled to be completed by the end of April. The UNC Finance Improvement and Transformation team had completed a tiered risk assessment for the universities and identified control gaps in other process areas. The areas were reviewed and endorsed by the General Accounting Advisory team and would be submitted to the leadership at General Administration, along with a two-year implementation timeline that would follow a similar approach used with the first set of standards. The team also prepared a draft internal control assessment document that was under review by the Advisory team, which would be a tool for campus use in preparing the annual internal control certification to the Office of the State Controller.

The University of North Carolina at Pembroke was the first campus to fully transition off the State's Central Payroll System. Both UNC Asheville and Western Carolina University were successful with processing their bi-weekly payrolls with the UNC Shared Services Payroll solution. Both were on target to go live with monthly employees in April. The remaining campuses were scheduled to have full implementation of the UNC Shared Services solution by January 2011.

Next, Mr. Jeff Henderson reported nine audit reports were released since the Board's February meeting. The financial audit reports for The University of North Carolina at Chapel Hill and the University of North Carolina at Wilmington were released with no audit findings. The financial audit reports for the University of North Carolina at Pembroke and North Carolina A&T State

University were released with one audit finding each. The financial audit reports for Appalachian State University and Winston-Salem State University were released with two audit findings each. The Federal Compliance audit reports for Elizabeth City State University and Winston-Salem State University were released with two and four findings, respectively. An investigative audit report for Elizabeth City State University was released with one audit finding. In all the instances reported, the institutions either had resolved or were in the process of resolving the findings reported by the Office of the State Auditor.

Lastly, Chancellor Nelms addressed the concerns of an internal audit that was reported. The audit was suspended. The Office of the State Auditor was contacted and would continue to investigate the issues noted by the internal auditors. Questions were answered throughout the discussion.

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 Finance Improvement and Transformation Project Update Process Improvement Initiatives**

The UNC Finance Improvement and Transformation Project initiatives implemented this past fiscal year for the areas of Contracts and Grants, Financial Aid and General Accounting are in the monitoring and reporting phase. The UNC Finance Improvement and Transformation Project team members have completed monitoring visits to each campus, reviewing the campus compliance documentation and key performance indicators (KPIs) as well as discussing outstanding challenges. There is ongoing coordination with the Office of State Controller on the adoption of the UNC Finance Improvement and Transformation Project Initiatives as the University's solution to the EAGLE program. The new Internal Auditors Advisory Team has met to outline their role in the UNC Finance Improvement and Transformation Project initiative and develop an agenda for their activities.

### **Monitoring/Campus Visits**

Campus monitoring visits were completed on March 24th. Staff from the Office of State Controller participated in several of these visits. Campus project managers as well as campus internal auditors were engaged and are key partners in the ongoing monitoring of these process improvements. A summary report of common themes will be developed.

### **Key Performance Indicators (KPIs)**

Campuses began reporting KPIs in September. A proposed dashboard of indicators for chancellors and UNC GA was developed and shared with the chancellors in December. The process advisory teams refined the KPI reporting template, a revised template was distributed to the campus teams and workshops were held. In February, some campuses recast data for previous months and began reporting with the revised template. Beginning with the March submissions, we will have consistent data to conduct trending analysis. An updated dashboard with trending analysis will be prepared by the end of April. The KPIs will be expanded over time and continue to be used as a monitoring tool for the UNC Finance Improvement and Transformation Project standards and other areas of financial accountability.

### **UNC Finance Improvement and Transformation Project /EAGLE Next Steps**

The team has completed a tiered risk assessment for the universities and identified control gaps in other process areas. These areas have been reviewed and endorsed by the General Accounting Advisory Team and will be submitted to the leadership at General Administration, along with a two-year implementation timeline that would follow a similar approach as used with the first set of standards. The team has also prepared a draft internal control assessment document that is currently under review by the Advisory group which would be a tool for campus use in preparing the annual internal control certification to the Office of State Controller. Briefing sessions will be held with the Office of State Controller and the Office of State Auditor during the month of April.

## **UNC Payroll Project Update**

UNC Pembroke has successfully processed payrolls with the UNC Shared Services Payroll solution for monthly employees in January, February and March. It is the first campus to completely transition off of the State's Central Payroll System. UNCA and WCU continue to successfully process payrolls with the UNC Shared Services Payroll solution for bi-weekly employees. They are still on target to transition their monthly employees in April 2010. The UNC Finance Improvement and Transformation Project team has begun working with NCA&T and has completed an assessment visit with WSSU to initiate activities on the campus for a go-live date of July 2010. The UNC Finance Improvement and Transformation Project team will be working with the remaining campuses to prepare them for implementation of the UNC Shared Services Payroll solution by the end of the year.

### **Shared Services Center**

The SSC staff members continue to contribute to the development and further refinement of various back-end processes, including documentation of controls and reporting. The SSC Payroll Director and analysts have successfully supported several production payroll runs while also actively participating in many test runs and analyzing results for parallel payroll processing.

### **Banner Bi-Weekly Payroll for Students and Temporaries**

Both UNCA and WCU have successfully produced bi-weekly payrolls since implementing in January, and UNCP continues to successfully run bi-weekly payrolls for students and temporaries. The HR, Payroll, Finance and IT staff members from all of the campuses are continuing to review and refine their internal process flows and suggest enhancements to documentation.

### **Banner Monthly Payroll for Permanent Employees**

As a result of the hard work and dedicated effort put forth by the UNCP and UNC Finance Improvement and Transformation Project, UNCP has successfully produced monthly payrolls since implementing in January. We are currently working through a transition plan with UNCP to be self-sufficient by April 30th.

The UNCA and WCU campuses are on track and scheduled to go live with their permanent monthly employees in April, 2010. The campuses have been successfully processing parallel test payrolls and working through processes.

The timeline for the remaining campuses has been adjusted to reflect these shifts. NCA&T and WSSU are scheduled to go live with both bi-weekly and monthly employees in July. We are evaluating the timeline for UNCSA for a likely shift to October. ECSU, FSU and NCCU will follow the staggered approach with their bi-weekly implementations scheduled for October, 2010 and their monthly implementations effective January 1, 2011.