

Minutes of the August 12, 2010 Meeting
of the Board of Governors' Audit Committee

The Audit Committee met in the Board Room of the UNC General Administration-Spangler Center in Chapel Hill, North Carolina on Thursday, August 12, 2010, at 4:00 p.m.

Members in attendance were Mr. John M. Blackburn, Dr. Laura W. Buffalo, Mr. Frank Daniels, Jr., Mr. Walter C. Davenport, Mr. Ronald C. Leatherwood, Dr. Franklin E. McCain, and Dr. Irvin A. Roseman. Others in attendance were Chancellors Kenneth Peacock (Appalachian State University), Harold L. Martin, Sr. (North Carolina A&T State University), Anne Ponder (The University of North Carolina at Asheville), and Linda Brady (The University of North Carolina at Greensboro); Interim Vice Chancellor for Information Technology Barbara Ellis, Director of IT Security and Audits Lisa Warren, and Vice Chancellor for Business and Finance Robert Botley (NCA&T); and UNC General Administration staff.

Chair Roseman welcomed everyone to the meeting. On the motion of Dr. McCain, seconded by Mr. Davenport, the minutes of June 10, 2010 were approved.

Chair Roseman reviewed The UNC Policy Code Section 301G., the jurisdiction of the Audit Committee, and introduced an Audit Committee worksheet (see attachment) to inform the voting members of the responsibility of the Committee and to make suggestions for other actions necessary or appropriate to assure the integrity of the finances of the University.

Next, Mr. Jeff Henderson introduced Ms. Jan-Rae Castillo, Internal Auditor for UNC General Administration. Ms. Castillo was a recent graduate of UNC Wilmington with a Master's Degree in Accounting. She had been working with the Internal Auditor at UNC Wilmington for the last several months and she gained useful experience in Internal Auditing. Ms. Castillo's responsibilities would primarily be the Internal Auditor for UNC General Administration and would also assist the constituent institutions with Internal Auditing issues.

Then, Ms. Gwen Canady gave an update on the UNC Finance Improvement and Transformation (UNC FIT) Project (see attachment).

- The UNC FIT team had been working with Winston-Salem State University and North Carolina A&T State University to transition off the State's Central Payroll system under the current methodology. Both had successfully implemented Banner bi-weekly payroll and were working toward the monthly transition to the UNC Shared Services Payroll solution.
- By the end of October 2010, five of the nine campuses would be completely off the State's Central Payroll system.
- The UNC FIT team had been working with Fayetteville State University and North Carolina Central University to begin the transition off Central Payroll.
- The team would continue to monitor and refine the business process standards for the General Accounting area to eliminate redundancy to clarify existing language.

- UNC FIT had begun to focus on the next processes (Capital Assets and Student Accounts Receivable) that would be addressed on the campuses.
- Finally, the Committee received a demonstration of how the Dashboards of the Key Performance Indicators worked and how they were intended to help the campuses (see attachment).

Vice President Ernie Murphrey provided the Committee with a summary (see attachment) of the audit findings reported over the last three years and how the UNC FIT standards addressed these findings. If these standards would be fully implemented by the campuses, most of the audit findings reported by the Office of the State Auditor would not occur.

Next, Mr. Jeff Henderson discussed four external audit reports that had been released since the Board's June meeting (see attachment).

- The financial audit reports for North Carolina Central University and UNC Charlotte were released with no audit findings.
- The financial audit report for UNC Asheville was released with three audit findings. Chancellor Ponder responded to the findings and answered questions from the Committee.
- An Information Systems General Controls audit report for North Carolina A&T State University was released with five audit findings. In addition, a sensitive letter was released. Those findings would be discussed in Closed Session. Chancellor Martin answered questions from the Committee as well.
- In all instances where findings were reported, the institutions had either resolved or were in the process of resolving the findings reported by the Office of the State Auditor.

The Committee received a summary report (see attachment) on the private foundations and associations known as Associated Entities. These Associated Entities were required to comply with a series of UNC policies and were required to have an annual independent audit. Of the 110 Associated Entities in the UNC System, 106 had met the annual audit requirements for 2009.

On the motion of Dr. McCain, seconded by Mr. Daniels, the Committee went into closed session to prevent the disclosure of privileged information under North Carolina General Statue 147-64(c)(18) and North Carolina General Statue 132-6.2(c).

CLOSED SESSION

The Committee returned to open session.

There being no further business, the meeting was adjourned.

Dr. Irvin A. Roseman
Chair of the Audit Committee

Dr. Franklin E. McCain
Secretary of the Audit Committee

UNC Shared Services Payroll Project Update

The UNC FIT team continued its implementation of the UNC Shared Services Payroll solution for the nine campuses that have been a part of the State's Central Payroll System. To date, we have five of the nine campuses live on Banner Payroll. Three of these five campuses have successfully migrated completely off of Central Payroll (UNC Pembroke, UNC Asheville and Western Carolina University). Two of these five have implemented Banner bi-weekly payroll and are working on implementation of monthly payroll (North Carolina A&T State University and Winston-Salem State University).

Banner Bi-Weekly Payroll for Students and Temporaries

The UNC FIT team along with project teams from NCA&T and WSSU successfully implemented Banner bi-weekly payroll during the month of July. NCA&T included implementation of web time entry for their students and temporaries as part of their bi-weekly implementation. WSSU went live with paper time entry, but will be rolling out web time entry during the month of August.

Banner Monthly Payroll for Permanent Employees

The dual implementation of both bi-weekly and monthly payroll at NCA&T did not occur in July, as targeted. Issues with the conversion, technology and staffing capacity, coupled with the large number of employees at NCA&T, required additional time for configuration, testing and training during the bi-weekly implementation. This delayed some monthly implementation tasks, including the successful parallel testing of monthly payroll. Due to significant campus activity that will occur in August in order to begin the fall semester, NCA&T is now scheduled to go live with monthly employees in September. WSSU is scheduled to go live with monthly employees in October. Adjustments to the schedule have extended our implementations for the remaining campuses to April 2011. (See attached)

Next Campuses

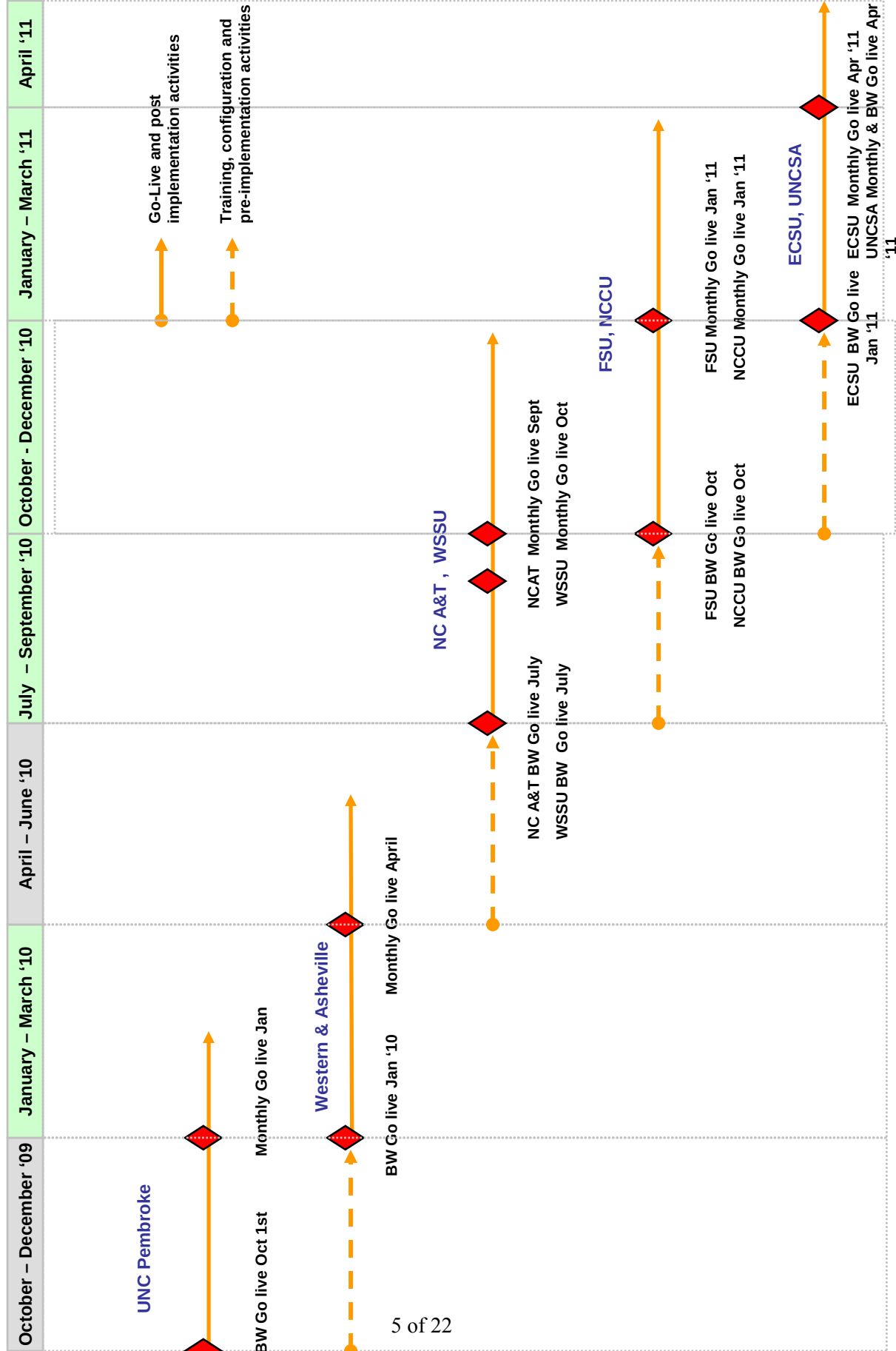
The UNC FIT Leadership team met with the campus leadership teams at Fayetteville State University and North Carolina Central University during July to kickoff the next round of campus implementations. Both campuses have begun preliminary work in preparation for their implementations. UNC FIT team members will begin working onsite with these campuses in August with the goal of implementing Banner bi-weekly payroll in October and monthly payroll in January.

Other Activities

Annual reviews of the Change Management and Configuration procedure, as well as the Campus Service Level Agreements are in progress and will be modified during August. The Shared Services Center cost recovery model was put in place effective July 1st for those campuses who are completely live on Banner payroll. The Shared Services Center is actively recruiting for their fourth and final payroll analyst position. The UNC FIT team is working with the Office of State Controller on transition plans for calendar year 2011.

UNC Finance Improvement & Transformation Banner Shared Services Payroll Project Implementation

Revised 7/15/10



UNC Finance Improvement and Transformation Project Update Business Process Improvements and Financial Monitoring

The UNC Finance Improvement and Transformation (UNC FIT) Business Process Improvements during June and July included refinements to the General Accounting standards, further review of the next two areas for business process improvements and implementation of the Self-Assessment of Internal Controls document. Financial Monitoring initiatives included the implementation of the Institutional Action Plan for those campuses experiencing problems meeting acceptable ranges in the reporting of Key Performance Indicators (KPIs).

Business Process Standards

The General Accounting team has completed a review of the standards with proposed revisions to remove some redundancy, provide some clarification and eliminate some of the prescriptive language. These are currently under review by the campus controllers.

The next two business process areas to be addressed in FY 2011 are Capital Assets and Student Receivables. Potential sub-processes within each of these areas were shared with the Chief Financial Officers (CFOs) from all campuses for feedback in July. A process lead for each of these areas, along with a Process Advisory team, will be established by September to begin developing standards in each area. Input from the CFOs was requested for potential representatives to serve on the process improvement teams.

Self-Assessments of Internal Controls

By statute all state entities have to certify annually to the State Controller that they have performed an annual review of the internal controls over financial reporting as of June 30th. This certification must be supported by, and consistent with, the results of the entity's annual evaluation of internal control. During FY2011, the UNC FIT Team developed a Self Assessment of Internal Controls template tailored specifically for the universities. While most campuses used this new assessment template for the reporting of internal controls this year, all campuses will be required to use this template for FY 2011. Campuses will submit their assessments to UNC General Administration for review as part of the UNC FIT monitoring effort.

Institutional Action Plans for Key Performance Indicators (KPIs)

As campuses continue to report on the Key Performance Metrics associated with the first three standards implemented, an Institutional Action Plan has been developed to monitor problem areas. Any campus that reports three consecutive red KPI ratings is now required to submit an Action Plan report to Associate Vice President for Finance Lynne Sanders. The Action Plans include the campus resolution plan, responsible party and completion date. Monthly review of these plans by Vice President for Finance Ernie Murphrey, Ms. Lynne Sanders and Ms. Gwen Canady will result in follow up with campuses, as needed, to get further information, clarification and/or updates. The benchmark for completeness and resolution of these items will be three consecutive months of green.

UNC FIT Key Performance Indicators June 2010 (Reported on July 20, 2010)																							
General Accounting KPIs																							
ID #	Frequency	Goal	Green Range	Yellow Range	Red Range	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
GA01	Monthly	20	1-20	21-30	>30	12	11	6	4	5	7	7	8	8	15	12	12	6	6	4	6	16	2
GA02	Monthly	40	1-40	41-60	>60	0	2	0	0	0	0	1	0	0	0	11	0	28	30	0	9	NR	0
GA03	Monthly	10	1-10	11-15	>15	NR	10	16	22	3	12	9	12	10+	20	6	13	15	18	NR	NR	5	9
GA07	Monthly					34%	1%	0%	0%	23%	0%	60%	30%	0%	38%	29%	0%	0%	0%	39%	0%	8%	20%
GA08	Monthly					45%	20%	14%	5%	56%	0%	60%	50%	0%	59%	29%	54%	3%	35%	70%	7%	23%	33%
GA09	Monthly	Yes	Yes		No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
GA10	Annually	Yes	Yes		No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
GA11	Monthly	Yes	Yes		No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
GA12	Monthly	Yes	Yes		No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
GA13	Monthly	Yes	Yes		No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

UNC FIT
Key Performance Indicators
(As of July 20, 2010 Submission)

ID #	General Accounting KPIs										Frequency		Current Month Comment											
	Average # of Business Days to Reconcile Bank Accounts	Monthly	20	1-20	21-30	>30	12	12	12	10	12	10	10	10	10	12	9	9	11					
GA01	Average # of Business Days to Reconcile Bank Accounts	Monthly																						
GA02	Average # of Business Days to Resolve Bank Account Reconciliation Discrepancies	Monthly	40	1-40	41-60	>60	3	0	1	2	1	2	1	1	1	1	0	1	2					
GA03	# of Business Days to Certify NCAS Balances	Monthly	10	1-10	11-15	>15	7	9	9	7	7	7	7	8	7	6	10							
GA04	# of Calendar Days to Submit and Certify CAFR Package	Annually	62	1-62	63-67	>67		62																
GA05	# of Calendar Days to Complete Annual Financial Statements	Annually	92	1-92	93-122	>122			92															
GA06	% of Student Refunds Made by ACH	Semesterly						82%									92%							
GA07	% of AP ACH Payments for the Month (excluding student refunds)	Monthly					1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%						
GA08	% of AP Vouchers Processed Using Pcard or E-Payment Transactions for the Month	Monthly					13%	12%	15%	19%	16%	19%	20%	25%	27%	24%	20%							
GA09	Is a Month End Close Checklist Utilized?	Monthly	Yes	Yes		No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes						
GA10	Is a Year End Plan / Checklist Utilized?	Annually	Yes	Yes		No										Yes	Yes	Yes						
GA11	Are Journal Entry Guidelines Utilized?	Monthly	Yes	Yes		No								Yes	Yes	Yes	Yes	Yes						
GA12	Are Trust Fund Guidelines Utilized?	Monthly	Yes	Yes		No								Yes	Yes	Yes	Yes	Yes						
GA13	Are Spending Guidelines Utilized?	Monthly	Yes	Yes		No								No	No	No	Yes	Yes						
GA14	Current Ratio Calculation	Annually						4.1																

UNC FIT
Key Performance Indicators
(As of July 20, 2010 Submission)

Contracts and Grants KPIs													Frequency													Current Month Comment																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
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UNC FIT
Key Performance Indicators
(As of July 20, 2010 Submission)

ID #	Financial Aid KPIs				Frequency		Current Month Comment									
	100%	98%< FA01 <100%	<98%	99%	99%	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
FA01	% of Electronic Funds Transfer (EFT) Federal Family Education Loan Program (FFELP) Loans Disbursed Within 13 Business Days (Timeliness of Disbursement) - CALCULATED FIELD	Monthly	100%													
FA02	\$ of Total EFT FFELP Loan Amounts Received (Timeliness of Disbursement)	Monthly														
FA03	\$ of EFT FFELP Loan Amounts Not Disbursed Within 13 Business Days (Timeliness of Disbursement)	Monthly														
FA04	# of Total Aid Applicants	Annually or Semesterly														
FA05	# of Aid Applicants Who Were Initially Determined SAP Non-Compliant (Ability to Identify and Follow Up with Students)	Annually or Semesterly														
FA06	% of Aid Applicants Who Were Initially Determined Satisfactory Academic Progress (SAP) Non-compliant (Ability to Identify and Follow Up with Students) - CALCULATED FIELD	Annually or Semesterly														
FA07	# of Students Who Appealed SAP (Ability to Identify and Follow Up with Students)	Annually or Semesterly														
FA08	% of Students Who Appealed SAP (Ability to Identify and Follow Up with Students) - CALCULATED FIELD	Annually or Semesterly														
FA09	# of Students Appeal Approved (Ability to Identify and Follow Up with Students)	Annually or Semesterly														
FA10	% of Students Appeal Approved (Ability to Identify and Follow Up with Students) - CALCULATED FIELD	Annually or Semesterly														
FA11	% of students with Federal loan history notified of Exit Counseling within 30 days of graduating, withdrawing or dropping below half time.	Semesterly	100%	98%< FA10 <100%	<98%									100%		

Legend	
	Goal or range is not applicable due to nature of KPI
NR	KPI not reported or data provided is insufficient; need to follow-up on outstanding data
N/A	KPI may not be applicable for campus for the current reporting period based on campus process or policy
	Within acceptable range
	Within marginal range; may warrant further attention
	Outside acceptable range; requires further attention

UNC FIT and State Audit Findings Financial and Federal Compliance

<u>Finding Description</u>	<u>Number of Findings</u>			<u>UNC FIT Process Area</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	
Deficiencies in Financial Reporting	6	8	1	General Accounting
Bank Reconciliations	3	2	0	General Accounting
System Access	8	7	5	General Accounting
Fully Depreciated Assets/Estimated Useful Lives	3	2	1	2010-2011 UNC FIT Area
Financial Aid	14	13	8	Financial Aid
Other	<u>21</u>	<u>6</u>	<u>6</u>	
Total	55	38	21	

Note: Two audit reports for 2009 have not yet been issued.

The 2009 numbers could change if these audits are released with findings.

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.	6/30/09	Yes	McGladrey & Pullen, LLP	No	GAAP ¹	\$79,532,211	Discretely Presented	Yes
ASU Student Housing Corporation	6/30/09	Yes	Apple, Kocaja, & Associates, PA	No	GAAP ¹	\$7,419,809	Discretely Presented	Yes
East Carolina University								
ECU Alumni Association, Inc.	6/30/09	Yes	Clifton Gunderson, LLP	No	GAAP ¹	\$1,055,107		Yes
ECU Educational Foundation, Inc.	6/30/09	Yes	Clifton Gunderson, LLP	No	GAAP ¹	\$19,503,745		Yes
ECU Foundation, Inc. and Consolidated Affiliate	6/30/09	Yes	Clifton Gunderson, LLP	No	GAAP ¹	\$65,389,872	Discretely Presented	Yes
The Medical Foundation of ECU, Inc.	6/30/09	Yes	Clifton Gunderson, LLP	No	GAAP ¹	\$25,454,975		Yes
Elizabeth City State University								
ECSU Foundation, Inc. and Subsidiary	6/30/09	Yes	Thomas & Gibbs CPAs, PLLC	Yes ⁴	GAAP ¹	\$5,860,951	Blended	Yes
ECSU National Alumni Association, Inc.	12/31/09	Yes	The Wesley Peachtree Group	Yes ⁴	GAAP ¹	\$122,087		Yes
Fayetteville State University								
FSU Athletic Club	6/30/09	Yes	N-Vision Enterprises, Inc. ³	No	Modified Cash ²	\$8,527		Yes
FSU Development Corporation	6/30/09	Yes	Bule, Norman, & Company, PA	No	GAAP ¹	\$963,152		Yes
FSU Foundation, Inc. and Subsidiary	6/30/09	Yes	Bule, Norman, & Company, PA	No	GAAP ¹	\$2,382,519	Discretely Presented	Yes
FSU National Alumni Association, Inc.	6/30/09	Yes	Bule, Norman, & Company, PA	No	GAAP ¹	\$63,893		Yes
The Fayetteville State University Housing Foundation, LLC	6/30/09	Yes	Bule, Norman, & Company, PA	No	GAAP ¹	(\$2,475,071)		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.

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

⁴Findings and actions taken found on page 8

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
North Carolina A & T State University								
Friends of the School of Education								Yes
NCA&T National Aggie Club, Inc.	6/30/09	Yes	John S. Fitzgerald, CPA	Yes ³	Modified Cash ²	\$284,944		Yes
NCA&T University Alumni Association, Inc.	6/30/09	Yes	James E. Avent, Jr., CPA	Yes ³	GAAP ¹	\$1,966,462		Yes
NCA&T University Foundation, Inc.	6/30/09	Yes	Oliver W. Bowie, CPA	No	GAAP ¹	\$5,881,449	Discretely Presented	Yes
The Victory Club Foundation, Inc.	6/30/09	Yes	Oliver W. Bowie, CPA, PA	No	GAAP ¹	\$1,264,134		Yes
North Carolina Central University								
NCCU Alumni Association, Inc.	6/30/09	Yes	Claude M. Bogue, CPA, PLLC	Yes ³	GAAP ¹	\$554,963		Yes
NCCU Educational Advancement Foundation, Inc.	6/30/08	Yes	Ty Cox & Co., CPAs, PLLC	No	GAAP ¹	\$173,710		Yes
NCCU Foundation, Inc.	6/30/09	Yes	McGladrey & Pullen, LLP	No	GAAP ¹	\$9,002,604	Discretely Presented	Yes
NCCU Real Estate Foundation	6/30/09	Yes	Blackman & Sloop, CPAs, PA	No	GAAP ¹	(\$1,440,181)	Blended	Yes
North Carolina School of Science and Mathematics								
NCSSM Foundation	6/30/09	Yes	McGladrey & Pullen, LLP	No	GAAP ¹	\$6,475,847		Yes
NCSSM Student and Constituent Support Services, Inc.	6/30/08	Yes	Thomas E. Spivey, CPA, PA	Yes ³	GAAP ¹	\$114,039		Yes

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³Findings and actions taken found on page 8.

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
North Carolina State University								
N.C. Agricultural Foundation, Inc.	6/30/09	Yes	Williams, Overman, Pierce, LLP	No	GAAP ¹	\$88,050,096		Yes
N.C. State Alumni Club, Inc.	12/31/09	Yes	Batchelor, Tilley, & Roberts, LLP	No	GAAP ¹	\$233,860		Yes
N.C. State Centennial Development, LLC	6/30/09	Yes	Williams, Overman, Pierce, LLP	No	GAAP ¹	\$5,489,295		Yes
N.C. State Engineering Foundation, Inc.	6/30/09	Yes	Williams, Overman, Pierce, LLP	No	Modified Cash ²	\$43,084,756		Yes
N.C. State Forestry Foundation, Inc. ⁵	6/30/08	Yes	Williams, Overman, Pierce, LLP	No	Modified Cash ²	\$15,153,217		Yes
N.C. State Investment Fund, Inc.	6/30/09	Yes	Williams, Overman, Pierce, LLP	No	GAAP ¹	\$259,009,826	Blended	Yes
N.C. State Natural Resources Foundation, Inc. ⁵	6/30/09	Yes	Williams, Overman, Pierce, LLP	No	Modified Cash ²	\$20,072,980		Yes
N.C. State Residence, LLC	6/30/09	Yes	Williams, Overman, Pierce, LLP	No	GAAP ¹	\$575,301		Yes
N.C. State University Alumni Association	6/30/09	Yes	Williams, Overman, Pierce, LLP	No	GAAP ¹	\$17,822,583		Yes
N.C. State University Foundation, Inc.	6/30/09	Yes	Williams, Overman, Pierce, LLP	No	GAAP ¹	\$76,146,769	Discretely Presented	Yes
N.C. State University Partnership Corporation	6/30/09	Yes	Williams, Overman, Pierce, LLP	No	GAAP ¹	\$6,058,378	Blended	Yes
N.C. State University Physical & Mathematical Sciences Foundation, Inc.	6/30/09	Yes	Williams, Overman, Pierce, LLP	No	Modified Cash ²	\$14,001,070		Yes
N.C. State UPLIFT, LLC ⁴	6/30/07	Yes	Williams, Overman, Pierce, LLP	No	GAAP ¹	(\$100)		Yes
N.C. Textile Foundation, Inc.	6/30/09	Yes	Koonce, Wooten, & Haywood, LLP	Yes ³	Modified Cash ²	\$26,431,012		Yes
N.C. Tobacco Foundation, Inc.	6/30/09	Yes	Williams, Overman, Pierce, LLP	No	Modified Cash ²	\$4,025,021		Yes
N.C. Veterinary Medical Foundation, Inc.	6/30/09	Yes	Williams, Overman, Pierce, LLP	No	Modified Cash ²	\$21,435,414		Yes
NCSU Student Aid Association, Inc.	6/30/09	Yes	Koonce, Wooten, & Haywood, LLP	Yes ³	GAAP ¹	\$74,514,924	Discretely Presented	Yes
North Carolina State University Club	12/31/09	Yes	Batchelor, Tilley, & Roberts, LLP	No	GAAP ¹	\$2,453,312		Yes
Pulp & Paper Foundation, Inc. ⁵	6/30/08	Yes	Williams, Overman, Pierce, LLP	No	Modified Cash ²	\$10,315,577		Yes
The Friends of NC State Baseball, LLC	3/1/10	Yes	Internal Audit	Yes ³	GAAP ¹	-\$1,160		Yes
Wolfpack Club Student Housing Foundation, LLC	6/30/09	Yes	Koonce, Wooten, & Haywood, LLP	No	GAAP ¹	(\$5,361,998)		Yes
The University of North Carolina at Asheville								
The North Carolina Arboretum Society	6/30/09	Yes	Gabler Molls & Company, PA	No	GAAP ¹	\$991,189		Yes
The University Botanical Gardens at Asheville, Inc.	12/31/09	Yes	Crawley, Lee, & Company, PA	No	GAAP ¹	\$928,218		Yes
UNC Asheville Foundation, Inc.	6/30/09	Yes	Burleson Earley & Keel, PLLC	No	GAAP ¹	\$27,994,263	Discretely Presented	Yes

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³Findings and actions taken found on page 9.

⁴No activity for 2009

⁵Pulp and Paper Foundation, Inc. - merged with The NC Forestry Foundation, Inc. effective July 1, 2008. At the same date the name of the NC Forestry Foundation changed its name to the NC State Natural Resources Foundation, Inc. and the Pulp & Paper Foundation, Inc. was dissolved.

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.		6/30/09	Yes	Blackman & Sloop, CPAs, PA	Yes ³	GAAP	\$4,504,743		Yes
Carolina for Kibera, Inc.		12/31/08 ⁴	Yes	William F. Roberson, CPA PLLC	No	GAAP ¹	\$1,339,063		Yes
Morehead-Cain Scholarship Fund		6/30/09	Yes	Batchelor, Tillery & Roberts, LLP	No	GAAP ¹	\$10,827,349		Yes
The Dental Foundation of N.C., Inc.		6/30/09	Yes	Koonce, Wooten, & Haywood, LLP	No	GAAP ¹	\$28,441,656		Yes
The Educational Foundation, Inc.		6/30/09	Yes	KPMG, LLP	No	GAAP ¹	\$33,237,412		Yes
The Educational Foundation Scholarship Endowment Trust		6/30/09	Yes	KPMG, LLP	No	GAAP ¹	\$172,440,029	Discretely Presented	Yes
The Kenan Flagler Business School Foundation		6/30/09	Yes	Bernard, Robinson, & Company, LLP	No	GAAP ¹	\$82,810,589	Blended	Yes
The James B. Hunt, Jr. Institute for Educational Leadership and Policy Foundation, Inc.		6/30/09	Yes	Dixon Hughes, PLLC	Yes ³	GAAP ¹	\$2,517,561		Yes
The Medical Foundation of N.C., Inc.		6/30/09	Yes	Blackman & Sloop, CPAs, PA	Yes ³	GAAP ¹	\$193,439,949	Discretely Presented	Yes
The Pharmacy Foundation of N.C., Inc.		6/30/09	Yes	Koonce, Wooten, & Haywood, LLP	No	GAAP ¹	\$31,101,527		Yes
The School of Education Foundation, Inc.		6/30/09	Yes	Blackman & Sloop, CPAs, PA	Yes ³	GAAP ¹	\$2,619,055	Blended	Yes
The School of Government Foundation, Inc.		6/30/09	Yes	Blackman & Sloop, CPAs, PA	Yes ³	GAAP ¹	\$11,593,250		Yes
The School of Journalism & Mass Communications Foundation of North Carolina, Inc.		6/30/09	Yes	Blackman & Sloop, CPAs, PA	No	GAAP ¹	\$14,113,791		Yes
The School of Social Work Foundation, Inc.		6/30/09	Yes	Blackman & Sloop, CPAs, PA	Yes ³	GAAP ¹	\$6,081,557		Yes
The University of North Carolina at Chapel Hill Arts & Sciences Foundation, Inc.		6/30/09	Yes	Blackman & Sloop, CPAs, PA	No	GAAP ¹	\$146,004,759	Discretely Presented	Yes
UNC Investment Fund, LLC		6/30/09	Yes	KPMG, LLP	No	GAAP ¹	\$2,255,222,057	Blended	Yes
The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc.		6/30/09	Yes	KPMG, LLP	No	GAAP ¹	\$1,783,741,170	Blended	Yes
The University of North Carolina at Chapel Hill Foundation, Inc.		6/30/09	Yes	KPMG, LLP	No	GAAP ¹	\$212,574,137	Blended	Yes
The University of North Carolina at Chapel Hill School of Nursing Foundation, Inc.		6/30/09	Yes	Blackman & Sloop, CPAs, PA	No	GAAP ¹	\$6,624,822		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.

³Findings and actions taken found on page 9.

⁴Carolina For Kibera, Inc. is changing its accounting period to a June 30 year-end effective with the year June 30, 2010.

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 of North Carolina, Inc.	6/30/09	Yes	McGladrey & Pullen, LLP	No	Modified Cash ²	\$27,415,264	Blended	Yes
UNC Management Company, Inc.	6/30/09	Yes	KPMG, LLP	No	GAAP ¹	\$8,989,953	Blended	Yes
The University of North Carolina at Chapel Hill Public Health Foundation, Inc.	6/30/09	Yes	Blackman & Stoop, CPAs, PA	no	GAAP ¹	\$59,148,091		Yes
The University of North Carolina at Charlotte								
The Athletic Foundation of The University of North Carolina at Charlotte	6/30/09	Yes	Greer & Walker, LLP	No	GAAP ¹	\$16,312,841		Yes
The Ben Craig Center	6/30/09	Yes	Greer & Walker, LLP	No	GAAP ¹	\$564,685		Yes
The University of North Carolina at Charlotte Foundation, Inc.	6/30/09	Yes	Greer & Walker, LLP	No	GAAP ¹	\$84,755,548	Discretely Presented	Yes
The University of North Carolina at Charlotte Facilities Development Corporation, Inc.	6/30/09	Yes	Greer & Walker, LLP	No	GAAP ¹	\$1,383,695	Blended	Yes
The University of North Carolina at Charlotte Investment Fund, Inc.	6/30/09	Yes	Greer & Walker, LLP	No	GAAP ¹	\$0	Blended	Yes
University of North Carolina at Greensboro								
Capital Facilities Foundation, Inc.	6/30/09	Yes	McGladrey & Pullen	No	GAAP ¹	\$2,945,223	Blended	Yes
Gateway University Research Park	9/30/09	Yes	Dixon Hughes, PLLC	No	GAAP ¹	\$13,045,646		Yes
Serve, Inc.	11/30/09	Yes	Bernard, Robinson, & Company, LLP	No	GAAP ¹	\$379,657		Yes
The Alumni Association of the University of North Carolina at Greensboro, Inc.	6/30/09	Yes	Bernard, Robinson, & Company, LLP	No	Modified Cash ²	\$2,416,569		Yes
The UNCG Excellence Foundation	6/30/09	Yes	McGladrey & Pullen	No	GAAP ¹	\$66,233,925	Blended	Yes
The UNCG Human Environmental Sciences Foundation, Inc.	6/30/09	Yes	McGladrey & Pullen	No	GAAP ¹	\$6,190,641	Blended	Yes
The Weatherspoon Art Foundation	6/30/09	Yes	Internal Audit ³	No	N/A	\$21,361,726	Blended	Yes
The Weatherspoon Art Museum Association	6/30/09	Yes	McGladrey & Pullen	No	GAAP ¹	\$324,363		Yes
UNCG Investment Fund, Inc.	6/30/09	Yes	McGladrey & Pullen	No	GAAP ¹	\$152,256,230	Blended	Yes

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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.

³Internal 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	6/30/09	Yes	Reznick Group	No	GAAP ¹	(\$3,428,350)	Discretely Presented	Yes
UNCP Foundation, Inc.	6/30/09	Yes	Nelson, Price & Associates, PA	No	GAAP ¹	\$5,814,295	Discretely Presented	Yes
UNCP Student Housing, LLC	6/30/09	Yes	Nelson, Price & Associates, PA	No	GAAP	\$11,347,091	Discretely Presented	Yes
The University of North Carolina School of the Arts								
N.C. School of the Arts Foundation, Inc.	6/30/09	Yes	Butler & Burke, LLP	No	GAAP ¹	\$20,089,642	Discretely Presented	Yes
NCSA Housing Corporation	6/30/09	Yes	Butler & Burke, LLP	No	GAAP ¹	(\$286,166)	Blended	Yes
NCSA Program Support Corporation	6/30/09	Yes	Butler & Burke, LLP	No	GAAP ¹	\$1,223,174		Yes
River Run Film Festival	6/30/09	Yes	Butler & Burke, LLP	No	GAAP ¹	\$139,672		Yes
The Foreign Art Study Foundation of North Carolina, Inc.	6/30/09	Yes	Butler & Burke, LLP	No	GAAP ¹	\$591,698		Yes
The Semans Art Fund, Inc.	6/30/09	Yes	Butler & Burke, LLP	No	GAAP ¹	\$388,725		Yes
The Student Creative Arts Foundation of North Carolina, Inc.	6/30/09	Yes	Butler & Burke, LLP	No	GAAP ¹	\$572,512		Yes
The University of North Carolina at Wilmington								
Cameron Foundation	Waived ²	Waived ²	Waived ²	Waived ²	Waived ²	Waived ²		Yes
Donald R. Watson Foundation, Inc.	6/30/09	Yes	Michael Durham, CPA	No	GAAP ¹	1,220,143	Blended	Yes
Friends of UNCW	6/30/09	Yes	Internal Audit	No	GAAP ¹	\$15,010		Yes
The Alumni Association of The University of North Carolina at Wilmington	6/30/09	Yes	Michael Durham, CPA	No	GAAP ¹	\$505,506		Yes
The Foundation of UNCW, Inc.	6/30/09	Yes	McGladery & Pullen, LLP	No	GAAP ¹	\$6,693,876		Yes
The UNCW Student Aid Association	6/30/09	Yes	Fisher & Company, CPAs	No	GAAP ¹	\$1,748,495		Yes
UNCW Corporation	6/30/09	Yes	McGladery & Pullen, LLP	No	GAAP ¹	\$0	Discretely Presented	Yes
UNCW Corporation II	6/30/09	Yes	McGladery & Pullen, LLP	No	GAAP ¹	(\$365,036)		Yes
UNCW Research Foundation	6/30/09	Yes	McGladery & Pullen, LLP	No	GAAP ¹	(\$125)		Yes

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

²Waived 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	6/30/09	Yes	Burleson, Earley, PA	No	GAAP ¹	\$18,711,034	Blended	Yes
Western Carolina University Research and Development Corporation	6/30/09	Yes	Burleson, Earley, PA	No	GAAP ¹	\$1,100,958	Discretely Presented	Yes
Development Foundation for N.C. Center for Advancement of Teaching	6/30/09	Yes	Burleson Earley, PA	No	GAAP ¹	\$921,464		Yes
The Highlands Biological Foundation, Inc.	5/31/09	Yes	Curtis J. Matthews, CPA PC	No	GAAP ¹	925,590		Yes
Winston-Salem State University								
Simon Green Atkins Community Development Corporation	6/30/09	Yes	Preston, Sims, & Darden, PA	Yes ²	GAAP ¹	\$106,764		Yes
Winston-Salem State University Foundation, Inc. and Subsidiary	6/30/09	Yes	Butler & Burke, LLP	No	GAAP ¹	\$17,704,663	Discretely Presented	Yes
Winston-Salem State University National Alumni Association, Inc.	6/30/09	Yes	Butler & Burke, LLP	No	GAAP ¹	\$239,025		Yes
The University of North Carolina-General Administration								
The North Carolina Public Television Foundation, Inc.	6/30/09	Yes	McGladrey & Pullen, LLP	No	GAAP ¹	\$707,263		Yes
The University of North Carolina Foundation, Inc.	6/30/09	Yes	Koonce, Wooten, & Haywood, LLP	No	GAAP ¹	\$279,335		Yes

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²Findings and actions taken found on page 10

Summary Report of Associated Entities

Campus	Findings	Corrective Actions
Elizabeth City State University: ECSU Foundation, Inc.	(1) Application of SFAS 136 (2) Account Reconciliations (3) Commingled Accounting Functions (4) Pledges Receivable (5) Timeliness of financial reporting (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 should enhance the Foundation's ability to provide accurate and timely documents to support its financial reporting function. (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.
ECSU National Alumni Association, Inc.	(1) Opening Balances (2) Insurance Coverage (3) Land held for Resale	(1) Recommendation: The Association record all audit adjusting entries before the books are closed. The beginning balances should be traced to the prior year audit report to ensure that they match. (2) Recommendation: This coverage is strongly suggested to minimize personal liability to the Association's directors and officers. (3) Recommendation: The Association obtain a current appraisal on the land which should improve their financial position.
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 as June 30, 2006, June 30, 2007, and June 30, 2008). (2) Delay in Securing Minutes of the Organization	(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. (2) Recommendation: The Organization should take appropriate action to ensure that minutes of the Organization are promptly recorded by its designated recording secretary and approved by its Board of Directors, so that official acts are appropriately documented.
NCA&T National Aggie Club, Inc.	(1) Bank Account Reconciliations (2) Cash Receipts Detail Report (3) Basic Financial Statements	(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. (3) Recommendation: QuickBooks generated financial statements be prepared and reviewed on an interim basis.
North Carolina Central University: North Carolina Central University Alumni Association, Inc.	(1) Meeting Minutes-It did not appear to be sets of meeting minutes for each month or quarter. (2) Statement of Income and Expenditures-The chapters of the NCCU Alumni Association, Inc. submit an annual Statement of Income and Expenditures which reflects various financial data. For the year ended June 30, 2009, the documents were submitted by the following chapters: -Northern Piedmont -District of Columbia -Wilmington, Delaware -New Jersey -Philadelphia -South Florida -Sampson County -Hampton Roads -Metropolitan St. Louis -Baltimore, Maryland -Atlanta, Georgia	(1) Recommendation: Meeting minutes should continue to be typed and catalogued in an official three-ring notebook at the Alumni office. In addition, the minutes should be signed and dated by the individual that recorded them. Also, the record briefly and clearly indicate the months and/or quarters when meetings are not held. (2) Recommendation: The Treasurer continue to require this document be prepared and submitted to the national office every year.

Summary Report of Associated Entities

Campus	Findings	Corrective Actions
North Carolina School of Science and Mathematics: 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 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.
North Carolina State University: The Friends of N.C. State Baseball, LLC	(1) Minor errors with written checks	(1) Recommendation: Rally Club check signers should be diligent in reviewing checks before they sign them to ensure that no inaccuracies are present. Response: Rally Club has been reminded of the checking signing authority of the proper procedures and check signing requirements, and are putting additional effort in diligence in the accounting and bookkeeping for deposits and other financial matters.
NCSU Student Aid Association, Inc.	(1) Organization Structure (2) Financial Reporting Process (3) Cash Receipts (4) Credit Card Processing (5) Resident Accounts Receivables	(1) Recommendation: Continue to apply review procedures and that the Association's Officers continue to exercise these oversight practices in connection with its fiduciary responsibility. (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) Corrective Action: It was noted no such instances during the June 30, 2009 audit. (4) Update 2009: New policies have been implemented relating to the processing and reconciliation of credit card charges and related fees. (5) Corrective Action: The Foundation has been able to improve the aging of receivables through better collection procedures and quicker notification of delinquency to the lease guarantors. Recommendation: The Foundation continues to pursue collections and review receivables on a regular basis.
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.
The University of North Carolina at Chapel Hill: The Botanical Garden Foundation, Inc.	Preparation of Financial Statements	Recommendation: Management and the Board continue to evaluate whether it is cost effective to appoint a staff person to prepare the financial statements.
The James B. Hunt, Jr. Institute for Educational Leadership & Policy Foundation, Inc.	Accounts Payable/Journal Entries	Recommendation: Management should implement controls and monitor existing controls to ensure journal entries are being properly reviewed and procedures are in place to ensure proper cut-off of accounts payable.
The Medical Foundation of North Carolina, Inc.	(1) Promises to Give (2) Grant Disbursement Policies (3) Supervisory Review (4) General Ledger Policies	(1) Corrective Actions: Reconciling of pledge balances between the Foundations' pledge detail and the UNC Development pledge detail will be performed quarterly beginning April 1, 2010. (2) Correction Action: Documentation is being collected from the disbursing authorities as to who has been delegated authority to transfer and request cash disbursements on the disbursing authorities' behalf. (3) Corrective Action: Bank reconciliations will be reviewed by the VP of Finance once the Accountant position is filled. In the interim, the President of the Foundation will review the bank reconciliation monthly. (4) The Foundation accounting system will close monthly by the 10th work day of the preceding month. Balances will be reconciled to supporting ledgers on a monthly basis.

Summary Report of Associated Entities

Campus	Findings	Corrective Actions
The University of North Carolina at Chapel Hill (cont'd): The University of North Carolina at Chapel Hill School of Education, Inc.	(1) Coding of Expenditures (2) Reconciliation of Accounting and Development Reports (3) Transfers to the UNC School of Education (4) Preparation of Financial Statements	(1) Recommendation: A listing of the proper coding of nonroutine transactions be maintained and utilized by all personnel responsible for coding expenditures. (2) Recommendation: Foundation personnel reconcile the accounting and development reports monthly to ensure significant contributions and gifts have been properly recorded in the general ledger. (3) Recommendation: A review procedure be implemented to ensure all transfers to the School are made timely and in the correct fiscal period. (4) 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) Preparation of Financial Statements	(1) 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 School of Social Work Foundation, Inc.	Preparation of Financial Statements	Recommendation: Management and the Board continue to evaluate whether it is cost effective to appoint a staff person to prepare the financial statements. Response: 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.
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.