

Minutes of the November 5, 2010 Meeting
of the Board of Governor's Audit Committee

The Audit Committee met in the Executive Conference Room at the UNC General Administration-Spangler Center in Chapel Hill, North Carolina on Friday, November 5, 2010 at 8:00 a.m.

Members in attendance were Mr. John Blackburn, Mr. Frank Daniels, Jr., Mr. Walter C. Davenport, Ms. Hannah D. Gage, Mr. Ronald C. Leatherwood, and Dr. Irvin A. Roseman. Necessarily absent were Dr. Laura W. Buffaloe and Dr. Franklin E. McCain. Chancellor Kenneth Peacock (Appalachian State University); and UNC General Administration staff were in attendance.

Chair Roseman welcomed everyone to the meeting. On a motion from Mr. Daniels, seconded by Mr. Leatherwood, the minutes of October 7, 2010 were approved.

Chair Roseman introduced N.C. State Auditor Beth A. Wood.

Ms. Wood explained the duties and responsibilities of the State Auditor at the universities. She also summarized the scope and the results of the audits for the universities covered during the fiscal period July 1, 2008 through June 30, 2009. Below are the audits that were performed:

- 16 financial statements audits
- Five Institutions (Elizabeth City State University, North Carolina Central University, UNC School of the Arts, UNC Pembroke, and Winston-Salem State University) had student financial aid cluster audits
- Four information systems general controls audits
- Three investigative audits

Ms. Wood briefly explained the State Auditor's Office used various ways to communicate the results of the audits:

- All reports can be accessed on the State Auditor's website (www.ncauditor.net)
- Management letters were sent and exit conferences to discuss findings were held
- Upon request, her office reports to institutions' audit committees
- Conclusion letters were sent to those charged with governance on all financial statement audits. These include information on any adjustments proposed by the auditor, but not posted by management (not material adjustments, but above trivial), information on accounting changes and significant estimates, and any difficulties that may have been encountered with management.

Lastly, Auditor Wood discussed areas of interest/concerns. In addition to the Annual Financial Statement audits the 2010 Scope of Audits would include:

- Student financial aid audits at three institutions
- Two research and development cluster audits
- Information systems (IS) general control audits partnership with financial auditors only. No full IS general controls audits were scheduled

- Fiscal control audits were not scheduled to date due to insufficient resources.

Some of the concerns mentioned:

- *Lack of “ownership” of financial statements.* Responsibility for ensuring accuracy of financial statement is with the institution.
- *Comparison of audit procedures and results.* Institutions appear to be comparing their audit questions and results with other institutions. Very rarely are the circumstances exactly the same at the institutions.
- *Reporting results.* Findings are based on the criteria in auditing standards.
- *User interest increasing.* Accreditation bodies appear to be reviewing changes more closely (i.e., change in unrestricted net assets).

Mr. Jeff Henderson reviewed one external audit report released since the October meeting. The information systems audit report for Appalachian State University was released with one audit finding (see attachment).

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

- Seven of nine campuses are now live on Banner bi-weekly payroll. Work has started at the remaining two campuses – Elizabeth City State University and UNC School of the Arts.
- Four of nine campuses have gone live with Banner monthly payroll. In addition, Winston-Salem State University was to go live in October. Fayetteville State University and North Carolina Central University were scheduled to go live in January 2011. Elizabeth City State and the UNC School of the Arts were scheduled to go live in April 2011.
- Advisory teams had been formed to address the two new business sub-processes - Capital Assets and Student Accounts Receivable. Roll-out of the standards for these processes would begin in early 2011.

On the motion by Dr. McCain, seconded by Mr. Daniels, the Committee went into closed session to prevent the disclosure of privileged information under North Carolina Statue 147-64.6(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

*Note: The attachments for the November 5, 2010 meeting are not included due to size. They are posted on the Board of Governors' January 2011 meeting site; they are on file in the Finance Division and available upon request.