

AUDIT COMMITTEE

Minutes: November 8, 2013 at 8:00 a.m.
North Carolina State University, Hunt Library

OPEN SESSION

The following members were present: Mr. Roger Aiken, Mr. W. Louis Bissette, Dr. Fred N. Eshelman, Mr. Thomas J. Harrelson, Mr. Rodney E. Hood, Mr. W. Marty Kotis, Dr. Joan Perry, and Mr. Richard F. Taylor. Necessarily absent was Mr. Scott Lampe. Other board member in attendance was Ms. Hannah D. Gage.

The following staff were present: Chief Operating Officer Charles E. Perusse, Vice President Tom Shanahan, UNC FIT Program Management Officer Ken Craig, Deputy UNC FIT Program Management Officer Lynne Sanders, and other UNC FIT staff, other General Administration staff and other faculty/staff from the universities. Also in attendance were State Auditor Beth Wood and Deputy State Auditor Linda Hollar.

On the motion from Mr. Hood, seconded by Mr. Kotis, the minutes of the October 11, 2013 meeting were approved.

1. Report from State Auditor Beth A. Wood: Auditor Wood greeted the Committee and introduced Deputy State Auditor Linda Hollar. Auditor Wood outlined the duties and responsibilities of the State Auditor.

She also summarized the scope and campus results of financial audits for the fiscal period July 1, 2011 through June 30, 2012. They included:

- Eighteen financial statement audits, sixteen of eighteen without findings
- Six Federal Compliance Audits (Two Higher Education Grants audits, four Student Financial Aid Audits)
- Five Investigative Audits (Since the last report to the Board of Governors)

She stated seventeen of eighteen institutions' audits were completed by December 31, 2012 for fiscal year 2012. The remaining institution was not fully completed by the end of the year because the foundation reports had not been completed. All audit reports were made available on the State Auditor's website.

Auditor Wood closed her report commenting that her office has streamlined the process of releasing the Universities' Financial Statement audits, and in the future, she would be able to give her report to the Board of Governors in March or April. Questions were answered throughout her report

On the motion of Chair Eshelman, seconded by Mr. Aiken, the Committee went into closed session to prevent the disclosure of privileged information under North Carolina General

Statute 116-40.7(c), to consult with our attorney to preserve the attorney-client privilege under North Carolina General Statute 143-318.11(a)(3), to plan, conduct or hear reports concerning investigations of alleged criminal conduct under North Carolina General Statute 143-318.11(a)(7) and to consider the qualifications, competence, performance, condition of appointment of a public officer or employee under North Carolina General Statute 143-318.11(a)(6).

CLOSED SESSION

On the motion of Mr. Bissette, seconded by Mr. Hood, the Committee returned to open session.

Open Session

2. Annual Report of the Audit Committee: The Committee reviewed the Annual report of the Audit Committee (See Attachment).

Dr. Fred N. Eshelman
Chair of the Audit Committee

Mr. Richard F. Taylor
Secretary of the Audit Committee

Annual Report for 2012-2013

Audit Committee

The Audit Committee is responsible for reviewing annual and other audit reports of the constituent institutions and affiliated entities of the University, reviewing a summary of the internal audit plans and work of the audit committees of the constituent institutions, serving as the Audit Committee for the UNC General Administration internal auditor, reviewing the required elements for University associated entities, meeting with the State Auditor annually, and taking such other actions as are necessary or appropriate to assure the integrity of the finances of the University. This report summarizes the work of the Audit Committee from August 2012 through June 2013.

The list below shows the membership of the committee at the beginning of this period.

Walter C. Davenport, Chair

Phillip D. Walker, Vice Chair

Hari H. Nath, Secretary

W. Louis Bissette, Jr.

John M. Blackburn

Fred N. Eshelman

Thomas J. Harrelson

Franklin E. McCain

Richard F. Taylor

Review of Audit Reports of the Constituent Institutions

The Office of the State Auditor performs audits of all Universities in the UNC system.

- All financial and compliance audits for the fiscal year ending June 30, 2012 have been completed and released.
- The audit reports included eleven findings this year. This is up from 3 in 2011 and 8 in 2010, but still well below the 27 in 2009 and 38 in 2008.

Review of the Internal Audit Plans of the Constituent Institutions

During the year, the Audit Committee reviewed the internal audit plans from all seventeen constituent institutions and the plan for UNC General Administration.

Review of a Summary of the Work of the Internal Auditors of the Constituent Institutions

The Audit Committee reviewed a summary of the results of the work of the campus internal auditors from the prior year.

Review of UNC GA Internal Audit Charter

The Audit Committee reviewed and updated the Internal Audit charter. The charter will continue to be reviewed annually.

Review of Reports from the UNC GA Internal Auditor

The internal auditor for UNC General Administration, who also served as the internal auditor for North Carolina School of Science and Mathematics, completed and released a report on the review of President, Vice Presidents, and Chief of Staff Expenses (Report Issued 9/18/12)

A review of UNC GA's Self-Assessment of Internal Controls over Financial Reporting for FY13 was also performed. As of June 30, 2013, a UNC-TV Pcard review was in process.

Review of Summary of Annual Financial Audit Reports and Findings of University Associated Entities

The Audit Committee received an annual update on the status of the audit reports performed on each institution's affiliated entities. Most of the entities have had their June 30, 2012 financial audit, and the reports have been provided to us. Of the 108 affiliated entities, 106 have provided their audits to us. We are continuing to work with the institutions to obtain all the required financial audits.

Meeting with the State Auditor

In November, State Auditor Beth Wood met with the Audit Committee to provide an overview of the duties and responsibilities of the Office of the State Auditor as well as an overview of the University audits performed by her office for fiscal year 2011. In addition, she gave an overview of areas that would be audited for fiscal year 2012.

Review of Audit Committee Charter

- The Audit Committee reviewed its charter and made changes based on legislative actions and the changing needs of the Committee.
- The Audit Committee reviewed the requirements set forth by its charter and is pleased to report that it is meeting all these requirements.

University of North Carolina Finance Improvement and Transformation Project (UNC FIT)

Highlights of the UNC FIT project for fiscal year 2013 were:

- The Shared Services Payroll initiative produced accurate and quality payrolls for the nine campuses it served.
- The Human Resources Data Mart (HRDM) continued to rollout additional functional elements and enhancements.
- The Business Process Improvements and Financial Monitoring program developed a composite index score for each campus to recognize areas of achievement as well as areas for improvement.
- Successfully implemented WSSU and ECSU outsourcing of 2013-2014 academic year financial aid verifications in partnership with College Foundation under their School Servicing Center.
- Launched an E-Commerce initiative to expand UNC's electronic commerce capacity.