

## **AUDIT COMMITTEE**

Minutes: January 10, 2014 at 8:00 a.m.  
Spangler Center, Executive Conference Room, Chapel Hill, North Carolina

### **OPEN SESSION**

The following members were present: Mr. Roger Aiken, Dr. Fred N. Eshelman, Mr. Thomas J. Harrelson, Mr. W. Louis Bissette, Mr. Rodney E. Hood, Dr. Joan Perry, Mr. Richard F. Taylor, and Mr. George A. Sywassink. Necessarily absent was Mr. W. Marty Kotis.

The following staff were present: Chief Operating Officer Charles E. Perusse, Vice President of Legal Affairs and General Counsel Tom Shanahan, Deputy UNC FIT Program Management Officer Lynne Sanders, Chief Information Officer John Leydon, Associate Chief Information Officer Paul Hudy, other UNC FIT staff, other General Administration staff and other staff from the universities. Also in attendance from the Office of the State Auditor were State Auditor Beth Wood and audit supervisors, Katie Thigpen and Robert Pitney.

1. On the motion from Mr. Hood, seconded by Mr. Aiken, the minutes of the November 8, 2013 meeting were approved.
2. Report from Lynne Sanders and Stacie Tronto on Internal Audit Shared Services Study (Attachment):

The Internal Audit Shared Services Study is complete and contains recommendations as well as a proposed implementation plan to address resource needs for internal audit as well as the best model for internal audit service delivery for the University. The Internal Audit Advisory Team (IAAT) conducted this study. The team was comprised of five Chief Audit Officers within the University – Stacie Tronto (ECU), Cecile Hinson (NCSU), Monique Taylor (UNCA), Kelley Horton (UNCP) and Stefanie Powell (UNCW). The Internal Audit Advisory Team presented recommendations from the study that identified the need for additional internal audit positions (twenty one) as well as to retain the current model for the way internal audit services are currently provided with a phased-in deployment of additional resources to support one person internal audit shops and to regionally place specialized resources to provided internal audit expertise in the areas of information technology, investigations and data analytics. In addition, to promote continued quality and excellence in internal audit, the following will be defined and implemented:

- Establishing a technology strategy to include the use of computer assisted auditing tools (CAAT's)
- Implement standard key performance indicators (KPI's) across internal audit functions
- Develop and implement an internal audit best practices manual
- Financially support training and membership resources for the internal auditors

The internal audit advisory team conducting the study outlined a possible implementation strategy for these recommendations that cover an eighteen month period:

- Phase I (within six months) would secure 5 new internal audit positions to be added to campuses that only have one-person internal audit shops. Also, an internal audit best practice manual would be completed and implemented.
- Phase II (within twelve months) would secure 5 more positions. Three would be to support specialized internal audit needs (IT, investigations, data analytics) and add two positions to North Carolina State University. Also, CAAT's and KPI's would be defined.
- Phase III (within eighteen months) would see the implementation of CAAT's and KPI's. In addition, the Internal Audit Advisory team would like to have a chance to evaluate the effect of new resources and evaluate future resource needs for internal audit.

### 3. Discussion of Financial Related Topics:

State Auditor Beth Wood greeted the Committee and introduced Audit Supervisors, Robert Pitney and Katie Thigpen. Auditor Wood outlined the duties and responsibilities of the State Auditor which included discussing the types of audits performed by her office. In addition to the routine annual financial statement audits and state federal compliance audits, the Office of the State Auditor conducts financial related audits as well.

Auditor Wood summarized some potential topics of financial related audits that would possibly be planned over the next several years. They included:

- IT Security and Processing
- Stewardship of Resources
- Unreasonable charges of senior management (i.e. travel)
- Abuse of Overtime
- Efficient Use of Faculty (workload) and space
- Campus Security, violence prevention
- Strategic plan – performance metrics
- UNCGA Policy compliance
- Use of Internal Auditors

### 4. UNC-GA Audit Report-Banner Hosting Services

(Attachment):

John Leydon introduced himself, greeted the Committee, and briefly explained Banner Hosting Services. Currently fourteen institutions operate Banner as their ERP system. Seven of those campuses are included in the Banner Hosting Services and two additional institutions have requested to join Banner Hosting Services.

State Auditor Beth Wood introduced Robert Pitney, Audit Supervisor, who discussed the four audit findings presented in the public report. To discuss the content and findings included in the Sensitive Letter issued by OSA, Chair Eshelman made a motion seconded by Mr. Aiken, that the Committee go into closed session to prevent the disclosure of privileged information under

North Carolina General Statute 116-40.7(c) and to consult with our attorney to preserve the attorney-client privilege under North Carolina General Statute 143-318.11(a)(3).

CLOSED SESSION  
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On the motion of Mr. Aiken, seconded by Mr. Hood, the Committee returned to open session.

**Open Session**

5. Financial Statement Reports Issued by the Office of the State Auditor  
(Attachment):

Lynne Sanders reported that since the last meeting of the Audit Committee of the Board of Governors, fourteen financial statements audit reports have been released by the Office of the State Auditor. All fourteen reports have no audit findings.

6. Update from Winston-Salem State University

Upon request by the audit committee, Interim Vice Chancellor for Finance and Administration, Dr. Randy Mills appeared before the committee to provide an update on corrective actions taken related to an investigative audit issued at Winston-Salem State University in September 2013. Dr. Mills stated that the university has taken corrective action on all recommendations made by the State Auditor.

On the motion of Mr. Aiken, seconded by Mr. Lampe, the meeting was adjourned.

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Dr. Fred N. Eshelman  
Chair of the Audit Committee

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Mr. Richard F. Taylor  
Secretary of the Audit Committee