

**AUDIT COMMITTEE OF THE BOARD OF TRUSTEES**  
North Carolina Agricultural and Technical State University  
Greensboro, NC

February 22, 2013

---

**MINUTES**

The Audit Committee of the Board of Trustees convened on Friday, February 22, 2013 at 12:07 pm in the Alumni-Foundation Event Center, Room 102. Mr. Spence Broadhurst called the meeting to order and then paused for a moment of meditation.

Roll Call revealed the following:

Present:	Mr. Spence Broadhurst, Chair Mrs. Pamela McCorkle Buncum Dr. Bertram Walls
Others Present:	Mr. Larry Kreiser, Internal Audit Director Dr. Harold L. Martin, Sr., Chancellor Mr. Robert Pompey, Jr., VC for Business & Finance Mr. Marc Williams, Deputy General Counsel Mrs. LaShonna Frederick, Recorder, Internal Audit
Excused Absence:	Mr. Tim Rice

Mr. Spence Broadhurst deferred the approval of the minutes until there was a quorum of Committee members present. The meeting was yielded to Mr. Larry Kreiser.

The open session and closed session activity reports were provided to the committee members prior to the meeting. These reports were broken down by scheduled and unscheduled audits. Mr. Kreiser discussed the open session activity report. The reporting period was November 1, 2012 to January 31, 2013.

**Scheduled Audits**

There were two scheduled audits completed since the last committee meeting.

**FY 2012-13 2<sup>nd</sup> Qtr Surprise Cash Counts**

**OSA Statewide Federal Compliance Audit Procedures Report Follow-Up Review**

## **Unscheduled Audits**

There were two unscheduled audits completed since the last committee meeting.

### **OSA - Allegations of the Mistreatment of a Student**

**Employee Morale Issues in a University Division** – A University-wide approach to the issues was taken due to the fact that the same type of conditions could exist in other departments on campus. Mrs. Pamela McCorkle Buncum asked whether the University was still on schedule with the dates given for the Request for Proposal (RFP) in the response. Mr. Robert Pompey responded that the Employee Engagement RFP was progressing as planned.

The OIA issued one other report which will be included in the reports for the next audit committee meeting. Committee members had questions about this review.

**Purchasing Policies Being Violated at the University Farm** – Mrs. Buncum stated that the report was not clear about the approval process for the purchases or why the proper documentation was not presented. She wanted to know how many eyes were looking at this. Mr. Broadhurst stated that the audit report tells us what we plan to do going forward but looking back over our shoulders, how did this happen. Mr. Kreiser explained the process. The order goes through an approval process. The department will receive the goods/services and sign off on the invoice. Accounts Payable will make payment based on the certification of that person saying that we have received the goods and services and we can now pay the bill. The University Farm was certifying that goods and services had been delivered but they had arranged with the vendor to defer the delivery to a later date. There was one person authorized to acknowledge the receipt of the item(s).

Mr. Broadhurst stated that coming from a banking perspective, if this happened in the banking world, the employee would no longer be employed. What is the University doing in this case? The Chancellor responded that in this situation, the responsibility was not placed on the individual but on the organization and processes – the Farm Superintendent, School of Agriculture & Environmental Sciences (SAES) Finance Administration, Dean – SAES, and the Division of Business & Finance. The responsibility to fix this will be on the Dean and the Division of Business & Finance. Mr. Broadhurst summed it up by stating that the University will fix the policies and procedures; and with the things that we're doing, this should not happen again.

There were no questions concerning the open session activity report. The Committee now had a quorum for the approval of the minutes. A motion for the approval of the open session minutes of the last meeting, held November 16, 2012, was offered by Dr. Bertram Walls and seconded by Mrs. Buncum. The motion was unanimously carried and the minutes were approved.

With no additional questions or comments, in accordance with N.C.G.S. 143-318.11, Mrs. Buncum made the motion to go into Closed Session. It was seconded by Dr. Walls.

There were five scheduled and three unscheduled audits in process. These audits, which were in various stages, were discussed in Closed Session.

Following the discussion, Mrs. Buncum made the motion to resume Open Session. It was seconded by Dr. Walls and unanimously carried.

### **Other Business**

Mr. Kreiser shared information about a Quality Assessment Review with the Committee members. The Office of Internal Auditing (OIA) is required by Internal Auditing (IA) standards to have a quality assessment review every 5 years. The OIA has not had one within the last 5 years. Other universities in the UNC system have not had an assessment either. An external review is costly – around \$15,000. The other option is to have an internal review (state agencies). The cost of an internal review should be minimal - time and travel expenditures. UNC President Tom Ross sent a letter to the State Controller committing that the UNC system will be in compliance with the IA standards. Mr. Kreiser stated that he has committed that the OIA will have a peer review performed and be in compliance by October 2013. The OIA is in compliance with all other IA Standards.

Mr. Broadhurst asked what makes up an internal assessment. Is this auditing the auditing department? Mr. Kreiser responded basically, yes. A team would come and assess whether we are performing audits the way that they should be performed. The review team would look at the OIA's charter, supervision of work, workpaper reviews, etc. The OIA has a charter but the Audit Committee does not have a charter. Mr. Kreiser plans to establish a charter for the Audit Committee and obtain approval. Dr. Walls asked Mr. Kreiser that after we've had the peer review, will it be good for 5 years. Mr. Kreiser responded yes. Mr. Kreiser told the Committee that this was built into this year's audit plan.

Chancellor Martin gave some final comments. He was very pleased with where the University was in terms of the processes put into place that allow us to capture situations timely when we believe employees are misbehaving. We are taking steps to improve the efficiencies on our campus. Employees are responding very effectively to the great level of openness on our campus and they are providing feedback when they think that something is going on and someone needs to examine.

With no further business, the meeting adjourned at 12:42 pm.

Recorded by:

*LaShonna Frederick*