

AUDIT COMMITTEE OF THE BOARD OF TRUSTEES

North Carolina Agricultural and Technical State University
Greensboro, NC

February 21, 2014

MINUTES

The Audit Committee of the Board of Trustees convened on Friday, February 21, 2014 at 12:06 pm in the Alumni-Foundation Event Center, Executive Boardroom. Mrs. Pamela McCorkle Buncum called the meeting to order.

Roll Call revealed the following:

Present: Mrs. Pamela McCorkle Buncum, Chair
 Mrs. Karen Collins
 Mr. William Dudley
 Dr. Bertram Walls

Others Present: Mr. Larry Kreiser, Internal Audit Director
 Mr. Robert Pompey, Jr., VC for Business & Finance
 Mrs. LaShonna Frederick, Recorder, Internal Audit
 Mrs. Lynne Forrest, Office of the State Auditor

Excused Absence: Ms. Laura Meagher

A motion for the approval of the open session minutes of the last meeting held November 22, 2013 was offered by Dr. Bertram Walls and seconded by Mr. William Dudley. The motion was unanimously carried and the minutes were approved.

Mrs. Lynne Forrest, Regional Supervisor for the Office of the State Auditor (OSA), gave the Audit Committee an update on the financial statement audit for fiscal year ending June 30, 2013. There were no findings or deficiencies noted. The audit was performed in accordance with generally accepted auditing standards and government auditing. Mrs. Forrest stated that the OSA does not give absolute assurance because they audit on a test basis. The OSA also performed an audit of the student financial aid cluster as part of the single audit. There was one finding noted due to noncompliance issues. As of today, the audit has not been released. It will be released when the state single audit is released. The finding has been addressed by the University and corrective action has been made. Mrs. Forrest opened the floor to any questions that the Audit Committee wanted to ask. At this time, Mr. Robert Pompey dismissed himself from the meeting. Today was Mrs. Forrest's last day of work. She has audited A&T for the last 25 years and she was retiring.

Mrs. Buncum asked Mrs. Forrest what had she seen or observed that has made the most difference in improving the campuses as it comes to audits. Mrs. Forrest responded that the leadership at the top

makes the most difference. A&T has very good leadership now in Chancellor Martin and Mr. Pompey. It makes a difference when leadership values the financial aspect of the University and not only the academic side. That is a big plus. When the OSA does have a finding, A&T is very responsive to the finding and takes corrective actions. Mr. Kreiser's group and the financial group are very responsive.

Mrs. Buncum asked Mrs. Forrest whether their office handled the hotline issues. She responded that a different office, the Investigative Unit, handled the hotline issues. Sometimes, when the Investigative Unit receives a call, they will refer it to the Internal Auditor. Other times, they will come on-site and investigate themselves. On a few occasions, they may refer it to the Financial team in the regional offices. Generally, the calls are handled through the Raleigh office, where the Investigative team resides. The Audit Committee thanked Mrs. Forrest for her years of service and were appreciative of the work done at the University.

There were no other questions, so Mr. Pompey returned to the meeting. Mr. Pompey added that the financial statement audit report should be officially accepted by the Audit Committee. During the April meeting, the official report will be presented to and accepted by the Audit Committee. Mrs. Forrest and Mr. Pompey excused themselves from the meeting.

Mrs. Buncum yielded the meeting 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 16, 2013 to February 15, 2014.

Scheduled Audits

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

2nd Quarter Surprise Cash Count

The OIA visited seven remote receipting locations and there were no issues noted.

Review of CJ LEADS

The OIA reviewed the University Police Department's internal control structure to determine whether they were complying with policies and procedures related to CJLEADS. There were no issues noted.

Unscheduled Audits

There was one unscheduled audit completed since the last committee meeting.

International Telephone Calls

During a 2 ½ year period, there were a total of \$9,600 in international calls made from the University. The news media requested this information for all state agencies, not just the universities. They were looking for abuse and whether any personal international calls were made. The University could not confirm all of the calls but a good percentage of the calls were legitimate business-related calls. Between the OIA and senior management, there were some calls identified as personal. These calls were reimbursed to the University. There were issues noted, but no recommendations were made. The University has established a better control system because of the switch from the old centrex phone

system to the voice over internet protocol (VoIP) system. It is now easier to identify who made telephone calls. The VoIP system has good monitoring capabilities. Supervisors are being trained on how to monitor call activity for their department.

Mrs. Collins stated that the University made \$9,600 in international calls and wanted to know what the typical telecommunications expense was. Mr. Kreiser responded that he did not know the answer to the question but added that international call rates fluctuate and can be expensive.

There were no additional questions or comments. Mr. Kreiser read the language to go into closed session in accordance with N.C.G.S. 143-318.11(a) 1. Mrs. Karen Collins made the motion to go into Closed Session. It was seconded by Dr. Walls.

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

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

Other Business

QAR Update

The Audit Committee congratulated the OIA on the results of the QAR. The QAR happens once every five years, so it will not come up again for a while. It was very time consuming to pull all of the data together, complete lengthy questionnaires and prepare for the week long on-site visit. Mr. Kreiser stated that he was still committed to performing QAR work for another state agency in order to pay for A&T's QAR.

Mrs. Buncum stated that the QAR took time away from the regular work of the OIA and the staff has been reduced by one person. She asked Mr. Kreiser how things were. Mr. Kreiser responded that there is no guarantee that we won't have things to come up like a hotline situation. We are having to adjust and delay work on audits that we have in process. Mrs. Buncum added that the University cannot continue to make cuts in areas like internal audit and expect the same results. If you continue to put so much on people and departments, you cannot expect a clean audit each year.

Mrs. Buncum stated that during the QAR process, she was questioned about how much input that the Audit Committee had when a search for the Director of Internal Auditing was done. She could not answer that question. In Mr. Kreiser's role, reporting to the Chancellor and to the Board of Trustees, the Audit Committee should have input. Mrs. Buncum stated that she would start the conversation and determine what is required to make this formal.

Ethics & Compliance Employee Hotline Update

The OIA received 30 original incident reports via the hotline for calendar year January 2013 to December 2013. Nineteen of the thirty original incident reports received were all related to one academic department. The OIA received 21 original incident reports via the hotline for calendar year January 2012 to December 2012. When looking at the substance of the hotline reports, the comparison is really 12 in calendar year 2013 and 21 in calendar year 2012. We did not have as many hotline reports as we normally have. Mr. Kreiser stated that he would provide the Audit Committee with the Hotline Summary Report, which gives detail of the breakdown of the calls.

Discussion

During the Audit Committee's last meeting, Ms. Meagher stated that the Audit Committee should have discussions with Mr. Kreiser, Mrs. Frederick and any other OIA staff members without University officials, so we can talk candidly and hear directly from them. Discussions were held about working relationships with the University departments, as well as responsiveness to the OIA's recommendations.

With no further business, Mr. Dudley made a motion to adjourn the meeting. It was seconded by Dr. Walls. The meeting adjourned at 1:05 pm.

Recorded by:

LaShonna Frederick