

AUDIT COMMITTEE OF THE BOARD OF TRUSTEES

North Carolina Agricultural and Technical State University
Greensboro, NC

September 12, 2014

MINUTES

The Audit Committee of the Board of Trustees convened on Friday, September 12, 2014 at 12:01 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
 Mr. Spence Broadhurst
 Mrs. Karen Collins
 Mr. William Dudley
 Dr. Bertram Walls

Others Present: Mrs. LaShonna Frederick, Interim Internal Audit Director
 Mr. Robert Pompey, Jr., VC for Business & Finance
 Mrs. Carolyn Morrison, Recorder, Internal Audit

Excused Absence: Ms. Laura Meagher

Mrs. Buncum introduced Mrs. Carolyn Morrison, Information Technology Auditor, as the Recorder for the Audit Committee meeting. A motion for the approval of the open session minutes of the last meeting held April 25, 2014 was offered by Mr. Spence Broadhurst and seconded by Dr. Bertram Walls. The motion was unanimously carried and the minutes were approved. Mrs. Buncum yielded the meeting to Mrs. LaShonna Frederick.

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. Mrs. Frederick discussed the open session activity report. The reporting period was April 16, 2014 to August 31, 2014.

Scheduled Audits

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

The **FY 2013-14 3rd Quarter Surprise Cash Counts, FY 2013-14 4th Quarter Surprise Cash Counts, FY 2013-14 Treasurer's Office Year-End Cash Count, and FY 2013-14 Year-End Inventories** were self-explanatory.

NCAA Compliance Review

This review was performed to determine whether the Athletics Department was in compliance with NCAA rules and regulations governing camps and clinics, playing and practice seasons, rules education, governance and organization, and commitment of personnel to rules compliance. There were six audit issues. Mrs. Buncum wanted to know whether the issues that were in the report fell under the previous Compliance Officer. Mrs. Frederick responded that the audit period covered July 1, 2010 to December 31, 2011, which was the transition period from the former Compliance Officer to the current Compliance Officer. Some of the issues fell under the former Compliance Officer.

Mrs. Buncum was concerned with the audit issue related to funds collected for the summer camps and wanted background on this past summer's camps/clinics. During past summers, Athletics has limited their summer camps to 2-3 camps (normally football and basketball). This past summer, several camps and clinics were held that covered the majority of the sports. Athletics worked with Campus Enterprises to create an on-line payment method. In instances where parents showed up with their kids for camp, Athletics had a university-issued receipt book, which they used to receipt funds. The OIA has not followed up with Athletics to determine how the process went this summer. Mr. Pompey added that financial managers are involved in the process now and things went a lot better this year. There is a much greater hold on Athletic finances today. The financial managers in Campus Enterprises follow-up and reconcile those funds now.

Follow-Up – Allegations of Purchasing Policies Being Violated at the University Farm

This was a follow-up review from a 2013 report that was issued. The University Farm prepaid vendors for feed for the animals on the farm. The University Farm also allowed a vendor to maintain credits for crops that the University sold to them. The OIA followed up to determine whether they were doing what was recommended for them to do. There were no issues noted.

Unscheduled Audits

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

Hotline – Various Allegations Against the Chairperson of an Academic Department

There were 18 hotline complaints against a Chairperson in an academic department. Most of the issues were employee relations and personnel issues. The Division of Human Resources led a team that included the OIA and Legal Affairs that investigated the issues. The team did not have any evidence that could substantiate the hotline complaints. The team did determine that the Chairperson did not complete an External Activities for Professional Pay form for outside employment. There was not a form on file. Anytime, a faculty member has outside employment, this form should be completed. Mrs. Buncum was concerned that the complaints were made to the Chairperson but no action was taken, particularly with the complaints about the mold. Mrs. Frederick responded that the mold complaints were addressed upon notification. The OIA followed up with the Environmental Health & Safety office to look at the timeline for handling the issue and it was handled in a timely manner. Facilities worked with the Chairperson to get the situation remedied. Mr. Pompey added that

these complainants were upset about a lot of things. With this situation, the complaints were bubbling up to the Dean and the complainants felt like the Dean did not handle the things. Their next resolution was turning to the hotline. Mrs. Buncum, asked whether the Chairperson submitted the document for outside employment. Mrs. Frederick responded that he has.

Special Review – Resolution of OSA Statewide Federal Compliance Audit Procedures Audit Finding

The Office of the State Auditor cited the University for not including all students when it notified students and parents about the disbursement of their direct loan. Corrective actions were taken and the OIA performed a follow-up review. The University received a letter from UNC-General Administration stating that satisfactory progress has been made and that they will recommend that the University maintain its special constituent institution designation.

Hotline – Allegation that an Employee Misused Federal Funds

It was alleged that an employee used federal funds to pay for the employee's parents' wedding anniversary party and a retirement celebration for a co-worker. The OIA could not substantiate that any University funds were used in that manner. We did find that some of the retirement celebration expenses were paid for using funds from a contracts and grants account. The funds should not have been in the contract and grants account. The sources of the funds were honorariums that the employee received for speaking engagements and workshops. The employee used the contracts and grants account to place the funds. The Contracts and Grants Office worked with the department to establish a new account to place those type of funds.

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

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, Mr. Dudley made the motion to resume Open Session. It was seconded by Dr. Walls and unanimously carried.

Other Business

Annual Audit Plan & Staffing

The OIA's annual audit plan was presented to Mrs. Buncum for review and approval. The Chancellor has reviewed and approved it. In reviewing the FY 2014-15 audit plan, Mrs. Buncum noted that the OIA has fewer budgeted hours this year. This was understandable due to the Audit Director vacancy and the smaller audit staff. The amount of unscheduled audits/reviews has increased and there has been some big audits happening over time. Mrs. Buncum also noted that the role of the department is so important. Through the budget cuts, the University has been able to maintain a clean audit and more has to be done with much less. How much longer can we continue to put that much stress on the department and expect the same results? Larry Kreiser's replacement should be selected as soon as possible.

As the FY 2014-15 audit plan was circulated for the committee to review, Mrs. Frederick commented that last year's audit plan included the hours for the Audit Director, as well as the auditor that was RIF'd. Mr. Dudley commented that this seems to be the kind of thing where you put your resources upfront because bigger things could happen. On the other hand, things should be noted early on and taken care of. Dr. Walls asked about the difference in hours of the FY 2013-14 audit plan and the FY 2014-15 audit plan. Mrs. Frederick responded that there are two less FTE's than the previous year's audit plan. Dr. Walls wanted to know whether the OIA had flexibility in hiring temporary personnel. Mrs. Frederick responded that in the past, hiring temporary personnel has been a bit of a hindrance – learning curve, flight risk, taking time away from our assignments to train, confidentiality of information, etc. Auditor Frederick commented that maybe we could use a student from the School of Business & Economics to perform some of our cash counts or smaller projects. Hopefully, that's something that the new Audit Director would be interested in.

Internal Audit Director Search Update

Mrs. Buncum asked for a timeline for hiring an Internal Audit Director. Mrs. Frederick responded that the position is currently posted and that the Chancellor would like for the position to be filled by December 15th.

With no further business, Mr. William Dudley made a motion to adjourn the meeting. It was seconded by Mr. Broadhurst. The meeting adjourned at 12:46 pm.

Recorded by:

Carolyn Morrison