MINUTES
The University of North Carolina at Greensboro
Board of Trustees
Audit Committee

April 2, 2009

MEMBERS PRESENT: Richard Moore (Chair), Jean Davis (by telephone), Randall Kaplan, William Pratt, Gwynn Swinson (by telephone)

OTHER BOARD MEMBERS/GUESTS: Rebecca Adams, Mike Byers, Lucien Capone, Terri Cartner, John Gilberto (McGladrey & Pullen), Steve Gilliam, Jill Hillyer, Donna Honeycutt, Wayne Jones, David Matthews (McGladrey & Pullen), Sharlene O’Neil, Cindy Reed, Steve Rhew, Don Skeen, Reade Taylor

PROCEDINGS: Richard Moore called the meeting to order. The minutes of the February 19, 2009 meeting were approved as submitted.

Chair Moore began by mentioning the addition of an information item regarding a report on the state audit.

INFORMATION ITEMS:

Audit Reports – Intercollegiate Athletics and Affiliated Organizations

David Matthews of McGladrey & Pullen gave a summary of the Agreed-Upon Procedures Report. He explained that the NCAA requires all Division I schools to have an independent accountant perform certain agreed-upon procedures. This means that the university requested McGladrey & Pullen to perform certain procedures relative to revenues and expenses for UNCG’s NCAA athletic program. The procedures included are those recommended by the NCAA.

Areas of review include general revenue, ticket sales, student fees, away game sales and guarantees, contributions, third party support, direct state or other governmental support, institutional support, facilities and administrative support, NCAA and conference distributions, broadcast and television rights, program sales, royalties, sports camp revenues, scholarships, salaries, etc.

No exceptions were noted.

Summary of External Reviews

John Gilberto of McGladrey & Pullen led the committee through a PowerPoint document summarizing the external audits. He reviewed with the group the overall audit results, key auditing issues related to the various foundations, and the required auditor’s communication. He explained that McGladrey & Pullen performs audits on six entities at UNCG: the UNCG Investment Fund, Endowment Fund, HES Foundation, Capital Facilities Foundation, Excellence Foundation, and Weatherspoon Art Museum Association. All audits received an unqualified
opinion. On the first five entities mentioned above, the application of Government Auditing Standards was required. Audits were all performed as planned with no significant changes to the approach required. The audits were completed in accordance with GAS (Government Auditing Standards) and GAAS (Generally Accepted Auditing Standards) which provide for reasonable, rather than absolute, assurance that financial statements are free of material misstatement. No findings were noted in any of the audits. Mr. Gilberio added that there were no proposed audit adjustments this year, which speaks highly of the competency of UNCG’s staff.

Internal Audit Review

Don Skeen commented on internal audits as follows:

Contracted Services Procurement: Mr. Skeen explained that this item is in reference to an audit that was done by the State Auditor, reported in May 2008, related to a hotline complaint received by the Office of the State Auditor regarding an individual contracted by UNCG to assist with the implementation of the Banner Financial System. The Chancellor responded to the report. As required, Mr. Skeen issued a report in July 2008 stating the opinion that satisfactory progress in resolution of the audit findings had been made. A follow-up review was performed, fulfilling another requirement of General Administration.

Mr. Skeen noted three minor findings, as follows:

1) The School of Music did not submit a contracted personal services transaction to Purchasing for review for a $15,000 payment made to an orchestral administrator. New policies and procedures state that contracts should be provided to Purchasing for review for transactions in excess of $5,000, the threshold for competitive bidding.

2) A contracted personal services transaction of $20,000 was submitted to Purchasing by the Department of Theatre, but there was no evidence of University Counsel reviewing the contract.

3) The ACCESS Program did not submit a contracted personal services transaction for two payments that were made back-to-back to an individual to provide translation services. While the individual transactions were each below the $5,000 threshold, there was some concern by Mr. Skeen about the splitting of the total payments of $6,097.

Mr. Skeen commented that over all, the transactions were all properly authorized and documented.

In discussion regarding the above findings, Reade Taylor mentioned that he received Don Skeen’s report this week, as did Shannon Clegg in Purchasing and Wayne Jones in Accounting. A written response to Chancellor Brady is forthcoming pending further details and review of the university’s policies and procedures regarding contracted services procurement. Particularly in regard to situations like the third finding above, Mr. Taylor and Ms. Clegg have discussed the possibility of adding check boxes to the contracted personal services form for a department to indicate whether the transaction is a one-time payment or if multiple payments will occur over a period of time.

Chair Richard Moore told the committee that, in light of the current budget situation and potential layoffs and reorganizations at UNCG, it would be a good idea for committee members
to think about how we examine positions that are affected by layoffs and where they occur within departments to see if any gaps are caused in internal controls or backups. He added that we should look at this sooner rather than later.

State Audit

Reade Taylor told the committee that the State Auditor’s report for the year ended June 30, 2008 was received late last week. Once again, UNCG has a clean audit opinion. The only item that did appear in the report is a passed adjustment reducing unrestricted cash and increasing restricted cash.

Mr. Taylor mentioned a recent article that appeared in the Business Journal with a headline referring to “UNCG’s Increased Operating Loss.” He pointed out the misinterpretation of UNCG’s financial statement. Steve Gilliam stated that he attempted to discourage the publishing of inaccurate information after seeing a similar article about NCA&T, but he was not successful.

With no further business to come before the Committee, the meeting was adjourned.

Respectfully submitted,

Cindy Reed
Assistant to the Chancellor