MINUTES  
The University of North Carolina at Greensboro  
Board of Trustees  
Audit Committee September 3, 2014  
Teleconference

MEMBERS PRESENT BY PHONE: Lee McAllister (Chair), Brad Hayes, Randall Kaplan, Ward Russell

MEMBERS ABSENT WITH NOTICE: Harriett Small

OTHERS PRESENT: Charlie Maimone, Bonita Brown, Imogene Cathey, Don Skeen, Rollin Donelson, Kathy Fair.

Lee McAllister called the meeting to order at 9:02 a.m.

Minutes of the April 29, 2014 meeting were approved.

Information Items:

Don Skeen presented three summaries of internal audits performed:

1) Weatherspoon Arts Foundation – As background, Foundation assets consist of the art collection of the Weatherspoon Art Museum (more than $22,000,000 book value, market value roughly 8 times book value). In accordance with generally accepted accounting principles, the art collection is blended within the University’s financial statements at book value. There were no audit findings.

2) Travel Expenditures – As background, an efficiency measure approved by the Office of the Chancellor on April 3, 1996, exempted senior administrators from advance travel authorization or approval by their supervisors. Travel by these individuals was subject to review upon submission of the Travel Authorization/Expense Report to Accounts Payable. The Office of the Internal Auditor scheduled an annual review of these travel transactions as a compensating control. On April 15, 2014, the Office of the Chancellor rescinded the practice of waiving advance authorization and reimbursement review for senior administrators in accordance with the recommendation of the Office of the State Auditor. There were minor findings regarding timeliness of filing travel reports and each individual received a written reminder from the Office of the Chancellor. The Board confirmed that these minor findings regarding timeliness are not unusual.

3) Travel Process (compliance with travel authorization policies) - As background, North Carolina General Statute §116-30.1 requires special responsibility constituent institutions, such as the University, to make satisfactory progress in resolving audit findings within a three-month period following receipt of the auditor’s report or management letter. There were no audit findings and the review indicated that the corrective action taken by management was effectively implemented.

The first of the following two summaries of external audits performed helps to explain the preceding internal audit summary:

1) A review was conducted by the North Carolina Office of the State Auditor (report of June 5, 2014) in response to a hotline complaint. The report states that the University practice of exempting senior administrators from supervisory approval of travel expenses conflicts with its official travel policy as well as the Office of State Budget & Management policy. As background, over the last eighteen years and as an efficiency measure, the university has exempted senior administrators from obtaining this supervisory approval. One of the A compensating control was for the internal auditor to do an annual review, sampling some of the transactions to
assure proper requests for reimbursement of travel expenses. These internal reports were submitted to the State Auditors each year relative to conducting the financial statement audit of the University. There were no concerns regarding the purpose of the travel expenses. As of April 15, 2014, the University accepted and implemented the State Auditor’s recommendation that all senior administrators obtain written authorization and subsequent approval of travel expenses from their immediate supervisors.

2) SERVE, Inc. (an affiliated entity excluded from the University’s basic financial statements) – A financial audit was conducted by Bernard Robinson & Company, LLP (report of June 10, 2014) for fiscal year ended November 30, 2013. As background, SERVE, Inc. was created in 1991 to promote precollege education in connection with the SERVE Center (affiliated with UNCG and supported by contracts and grants). Initially there was a federal contract for the Southeastern Regional Vision for Education. This contract is no longer in place, but SERVE has continued and now has assets of $350,000 and annual revenue of $100,000. The independent auditor’s letter to the board of directors communicated no significant audit findings.

Attachments were noted related to compliance with requirements of the Board of Governors. The following documents have been forwarded via the General Administration liaison to the audit committee of the UNC Board of Governors.

A. Internal audit plan summary for fiscal year 2015.
B. Internal audit plan summary for fiscal year 2014.
C. Board of Trustees Audit Committee certification letter.
D. Director of Internal Audit certification letter.

The Board asked about items within the Internal Audit plan for the past year that had been deferred. Skeen explained that it is not unusual for items to be deferred due to time pressures. These items may not always be the first priority in the subsequent year, due to other issues being identified as more urgent by senior administrators. General Administration has not raised concerns over these deferrals.

Vice Chancellor & Chief of Staff Bonita Brown led a discussion regarding university compliance. Currently at UNCG compliance is managed in a very decentralized manner. Almost every department has a person that is responsible for some aspect of compliance for their subject area. What we have not historically had is a centralized person or department that is responsible for promulgating a culture of compliance: someone to ensure that everyone is indeed complying with the rules for their area or to serve as a resource for individuals responsible for compliance. A Director of Compliance will not perform the day-to-day compliance work, but will provide oversight for all Title IX compliance. UNC Charlotte is the first school in the UNC system to hire a director for compliance. A search is underway to recruit a director of compliance for UNCG. The Audit Committee will possibly act as a compliance and risk management committee in addition to audit. The Board asked for a copy of the job description to consider further how a combined committee would work, or if it is appropriate.

With no further business for the committee, McAllister adjourned the meeting at 9:34 am.

Respectfully submitted

Bonita Brown
Assistant Secretary to the Board