Ward Russell called the meeting to order at 9:00 a.m.

Minutes of the meeting February 17, 2016 were presented by Ward Russell. Motion for the minutes to be approved was seconded and all approved.

**Discussion Items:**

Skeen presented the following Information Items:

**Internal Audits Performed**

- **Contracts and Grants:** The objective of this audit is to assess compliance with the established internal control policies and procedures, along with state, federal, and grant agreement requirements. The scope is limited to grants subject to the close-out process from January 1, 2015 through September 30, 2015. A sampling of individual grants and transactions was selected for analysis. No substantive findings were reported.

- **Purchasing Card Program:** The objective of this audit is to assess compliance with the established internal control policies and procedures of the university’s purchasing card program. The scope is limited to purchasing card transactions included in the monthly bankcard statement of September 2015. All transactions for that period were scanned to identify possible instances of noncompliance relative to transaction amounts limits and sales tax exemption. Minor exceptions were identified:
  1. **Transaction amount limits** – Five occurrences of splitting payment for a single purchase to avoid the default limit of $2,500. The transactions were allowable expenditures, supported by proper documentation, but did not comply with the small purchase limit.
  2. **Unallowable PCard expenditure** – Two instances of gasoline purchases for state-owned vehicles. While this is an allowable expenditure, it cannot be made via purchase card. Gas purchases should be made via a travel form. Purchasing is reviewing this policy.
  3. **PCard transaction approval report** – Three reconciliations were inadequate relative to the required approval signatures.

Additionally, Skeen presented the internal audit plan for fiscal year 2017. The primary function of internal audit is the evaluation of internal controls to help ensure the reliability of financial reporting, compliance with applicable laws and regulations, and effectiveness and efficiency of operations. Risk assessment provides a planning framework for the evaluation of internal controls. Internal audit obtained risk information from the following:
• Institutional Risk Management Initiative – enlists executive staff to identify significant risks. Broad risks areas are considered strategic, reputational, hazard, compliance, operational, and/or financial. Internal audit emphasizes financial and compliance risks.
• Assessment of internal controls over financial reporting – provides internal audit an overview of finance-related controls from document presented annually to the Office of the State Controller. Five components addressed are the control environment, risk assessment, control activities, information and communication, and monitoring functions.
• Evaluation of significant processes related to financial statements – focus on processes related to moderate or high risk financial statement accounts and includes evaluation of controls and weaknesses.

Annual reviews included in the internal audit plan include the Weatherspoon Arts Foundation and Intercollegiate Athletics.

The committee noted that a revision of the charge of the Audit Committee will be up for discussion at the next meeting of the Board of Trustees. The revision will include risk management and compliance.

With no further business for the committee, Ward Russell moved to adjourn and Susan Safran seconded. All approved and the meeting adjourned at 9:23 a.m.

Respectfully submitted,

Shannon Bennett
Associate Chief of Staff and Board Liaison