

The official minutes of the University of South Carolina Board of Trustees are maintained by the Secretary of the Board. Certified copies of minutes may be requested by contacting the Board of Trustees' Office at trustees@sc.edu. Electronic or other copies of original minutes are not official Board of Trustees' documents.

University of South Carolina

BOARD OF TRUSTEES

Fiscal Policy Committee

March 5, 2008

The Fiscal Policy Committee of the University of South Carolina Board of Trustees met on Wednesday, March 5, 2008, at 10:30 a.m. in the 1600 Hampton Street Board Room.

Members present were: Mr. Eugene P. Warr, Jr., Chairman; Mr. John W. Fields; Ms. Darla D. Moore; Mr. John C. von Lehe, Jr.; Mr. Michael J. Mungo; Mr. Othniel H. Wienges, Jr.; Mr. Herbert C. Adams, Board Chairman; and Mr. Miles Loadholt, Board Vice Chairman. Mr. Mack I. Whittle, Jr. was absent.

Other Trustees present were: Mr. Mark W. Buyck, Jr.; Mr. William W. Jones, Jr.; Mr. Toney Lister; and Mr. M. Wayne Staton.

Others present were: President Andrew A. Sorensen; Secretary Thomas L. Stepp; Executive Vice President for Academic Affairs and Provost Mark P. Becker; Vice President for Research and Health Sciences Harris Pastides; Vice President for Student Affairs and Vice Provost for Academic Support Dennis A. Pruitt; Vice President and Chief Financial Officer Richard W. Kelly; Vice President for Human Resources Jane M. Jameson; Vice Provost and Executive Dean for Regional Campuses and Continuing Education Chris P. Plyler; General Counsel Walter (Terry) H. Parham; Associate Vice President for Research, Office of the VP Research and Health Sciences, Rosemarie Booze; Associate Vice President of Finance and Budget Director Leslie Brunelli; Associate Vice President for Business and Facilities Helen Zeigler; Associate Vice President for Finance and Personnel, Division of Student Affairs, Stacey Bradley; Associate Vice President for Student Life and Development, Division of Student Affairs, Jerry Brewer; Assistant Treasurer Susan D. Hanna; Assistant Vice Provost for Academic Affairs William T. Moore; Vice Provost for Faculty Development Christine Curtis; Director of Athletics Eric Hyman; Interim Vice Chancellor for Academic Affairs, USC Upstate, Marsha Dowell; Director of the Department of Internal Audit Alton McCoy; Controller Patrick Lardner; Bursar Joseph Taylor; Purchasing Director Venis Manigo; Director of Academic Services and Life Skills, Department of Athletics, Raymond Harrison; Coordinator of Undergraduate Research, Office of Research and Health Sciences, Julie Morris; Associate Athletics Director of Administration Marcy Girton; Coliseum Director Sidney Kenyon; Coliseum Business Director Julie Carter; Professor in the School of Medicine Robert G. Best;

Special Assistant to the President and Athletics Director John D. Gregory; Director of the Office of University Communications, Division of University Advancement, Russ McKinney, Jr.; Office of Media Relations Broadcast Journalist, Division of University Advancement, Frenche Brewer; Board staff members Terri Saxon, Vera Stone, and Karen Tweedy; and members of the media.

Chairman Warr called the meeting to order, welcomed everyone, and asked Board members to introduce themselves. Mr. McKinney introduced the members of the media who were in attendance.

Chairman Warr stated that notice of the meeting had been posted and the press notified as required by the Freedom of Information Act; the agenda and supporting materials had been circulated to the Committee; and a quorum was present to conduct business.

I. Audit Tracking Report:

Chairman Warr called on Mr. McCoy who reported that since the last meeting, the Campus Recreation Audit findings had been resolved, except for the cash handling finding. He explained that following a recent robbery, a change of procedures was implemented and that his staff would follow up with the Department to ensure compliance with the new procedures.

All findings in the College of Hospitality, Retail, and Sport Management Audit had been resolved, except for the two findings regarding the Financial Aid Scholarship Policy, and the awarding of those scholarships. The Scholarship Committee was scheduled to meet on March 17th to make awards for the upcoming academic year. Following that meeting, his staff planned to review the scholarships to ensure they were awarded according to the policy.

Mr. McCoy explained that his staff was waiting on the Director of the TRIO Programs to return from sick leave to follow up on their Audit findings.

II. Internal Audits:

A. Controller's Office: There were seven audit findings cited: Unresolved Reconciling Items; Unreconciled USC Operating Account; Payroll Bank Reconciliation; Accounting Discrepancies; Authorizations for Cash Adjustments; Bursar's Office Reconciliations; and Bursar's Office Deposit Shortages.

Review of the Controller's Office bank reconciliations and the Bursar's Office deposit shortages revealed bank errors of \$22,160.82 as follows:

\$17,293.32	Deposit shortages - encoding errors (Fall 2006)
\$ 2,667.50	Bank error (October 2000)
<u>\$ 2,200.00</u>	Bank error (June 2003)
\$22,160.82	

Mr. Kelly explained that they were in the process of filling a new cash manager position, to help prevent these types of errors in the future.

Ms. Moore directed staff to see that the bank pay the University interest lost over the last seven years as a result of the bank's errors.

Mr. von Lehe stated that he did not think the \$22,160.82 in errors over the last seven years justified the cost of a salary for a new position to address the errors. Mr. Kelly responded that in his opinion, it was not the amount of money of the errors, but rather the need to improve the reconciliation process.

Mr. McCoy explained that the Unreconciled USC Operating Account Finding, originally identified in the December 2004 prior audit of Student Registration and Fee Allocation noted that the USC Revenue Clearing Account held by the State Treasurer was out of balance and unreconciled. A finding was issued to the Controller's Office and the unreconciled difference in the Revenue Clearing Account was subsequently transferred to the USC Operating Account. The Controller's Office continues to research and resolve the remaining \$49,261.99 balance.

Mr. Kelly noted that, since the audit, the unreconciled balance had been reduced to approximately \$28,000. Also, the money was not missing, but actually in the State Treasurer's Account until it could be determined how to enter it on the University's accounts.

Following summarization of the encoding and banking reconciliation errors in the audit findings, Mr. McCoy emphasized the need for errors to be identified and adjusted in a more timely manner.

Also recommended in the audit was for the Controller's Office to include the following statement on all bank reconciliations to be signed by both the accountant reconciling the account and the reviewer.

I attest that I have reviewed the enclosed bank reconciliation and bank statements and the reconciled balance agrees to the University's accounting records. I further certify that all reconciling items are properly researched, documented, explained, and the accounts of the University have been appropriately adjusted.

Ms. Moore asked where cash management fit in the organizational chart. Mr. Kelly explained it fell under the Controller's Office and that the new cash manager position would report to the Controller, who reported to the Associate Vice President of Finance and Budget Director, who reported to him. Ms. Moore stated that from a "prudent financial standpoint," it was essential to have someone in charge of cash management, and that attention to this matter should have been addressed much earlier.

B. Purchasing: There were three findings cited: Unrestricted Procurement Cards; Direct Expenditure Vouchers (DEV); and Approval of Purchase Requisitions and DEV's. Mr. McCoy explained the findings and stated that steps had been taken to correct them.

C. Housing: Two audit findings were cited. The first involved three business practices at the Capstone Conference Center, which the staff was working to correct.

The second finding noted that Housing Facilities Management did not have a policy to deal with disposal of scrap metal. Since scrap metal was a potential source of revenue for the University, the staff was directed to develop and implement a policy.

D. Coliseum: Mr. McCoy stated that there were no audit findings. His staff did prepare an income statement which detailed the actual cost of operating the Coliseum; the statement showed that it cost the University \$1,187,161.19 to operate the Coliseum per year.

Mr. Kelly noted that in addition to serving as an entertainment venue, the Coliseum also housed two major colleges of the University.

III. Questions or Comments on Audits and Financial Reports for the Year Ended June 30, 2007:

Chairman Warr asked members if they had any questions or comments regarding the Audits and Financial Reports for the Year Ended June 30, 2007, which they had been sent in advance of the meeting. There were no questions or comments received.

IV. Adjournment:

Since there were no other matters to come before the Committee, Chairman Warr declared the meeting adjourned at 11:00 a. m.

Respectfully submitted,

Thomas L. Stepp
Secretary