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University of South Carolina
BOARD OF TRUSTEES

Fiscal Policy Committee

March 23, 2010

The Fiscal Policy Committee of the University of South Carolina Board of Trustees met on Tuesday, March 23, 2010, at 10:00 a.m. in the 1600 Hampton Street Board Room.

Members present were: Mr. J. Egerton Burroughs, Chairman; Mr. Chuck Allen; Mr. Greg Gregory; Ms. Leah Moody; Ms. Darla D. Moore; Mrs. Amy E. Stone; Mr. Miles Loadholt, Board Chairman; and Mr. Eugene P. Warr, Jr., Board Vice Chairman. Mr. Michael J. Mungo and Mr. Mack I. Whittle, Jr. were absent.

Other members of the Board present were: Mr. Herbert C. Adams; Mr. William W. Jones, Jr.; Mr. Toney J. Lister; and Mr. John C. von Lehe, Jr.

Others present were: President Harris Pastides; Secretary Thomas L. Stepp; Vice President for Academic Affairs and Provost Michael D. Amiridis; Vice President Finance and Planning William T. Moore; Vice President for Human Resources Jane M. Jameson; Vice President for Student Affairs and Vice Provost for Academic Support Dennis A. Pruitt; Vice President for Information Technology and Chief Information Officer William F. Hogue; Vice President for Advancement Michelle D. Dodenhoff; Interim Vice President for Communications and Public Affairs and Dean of the College of Mass Communications and Information Studies Charles Bierbauer; General Counsel Walter (Terry) H. Parham; University Treasurer Susan D. Hanna; Executive Dean of the South Carolina College of Pharmacy Joseph DiPiro; Vice President for Medical Affairs Donald J. DiPette; Interim Dean of the College of Engineering and Computing Harry J. Ploehn; Campus Dean of the South Carolina College of Pharmacy, USC Campus, Randall C. Rowen; Associate Vice President for Resource Planning, Division of Finance and Planning, Edward L. Walton; Associate Vice President for Finance and Budget Director, Division of Finance and Planning, Leslie Brunelli; Interim University Bursar Venessa Samuel; Interim Chair of the Department of Sport and Entertainment Management, College of Hospitality, Retail, and Sport Management, Franklin R. Roach; Associate Vice President for Information Technology and Deputy CIO, University Technology Services, Jeff Farnham; Director of Budgets and Human Resources, Office of Information Technology, Chris Byrd; Associate Vice President for Student Life and Development Jerry Brewer; Director of Human Resource Programs and Services, Division of Human Resources, Jeff Cargile; Vice Provost for Academic Affairs and the Dean of Undergraduate Studies Helen I. Doerpinghaus; Assistant Provost for Academic Programs Kristia H. Finnigan; Director of Athletics Eric C. Hyman; Director of the Department of Internal Audit Alton McCoy; Special Assistant to the President J. Cantey Heath; Chief Financial Officer, Department of Athletics, Jeff Tallant; General Manager, Colonial Life Arena, Tom

Paquette; Director of Finance, Colonial Life Arena, Chris Asouzu; Vice Chancellor for Business and Finance, USC Aiken, Ms. Ginger Hudock; Director of Governmental and Community Relations and Legislative Liaison Shirley D. Mills; Associate Director of Governmental Affairs and Legislative Liaison Casey Martin; Faculty Senate Chair Patrick D. Nolan; Director of Media Relations, Division of University Advancement, Margaret Lamb; President of the Student Government Association Ebbie Yazdani; USC distinguished professor emeritus Travis Pritchett; former officer with the US Department of Labor Shannon Davis; Sue Odom, Nexsen Pruettt; Tom McNeish, Elliott Davis; University Technology Services Production Manager, Justin Johnson; and Board staff members Terri Saxon, Vera Stone, and Karen Tweedy.

Chairman Burroughs called the meeting to order, welcomed everyone, and asked Board members to introduce themselves. Ms. Lamb stated that no members of the media were present.

Chairman Burroughs 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.

Chairman Burroughs stated that there were matters about which it was appropriate to receive legal advice in Executive Session. Mrs. Stone moved to enter into Executive Session and Mr. Loadholt seconded the motion. The vote was taken and the motion carried.

Chairman Burroughs invited the following persons to remain: President Pastides, Secretary Stepp, Dr. Amiridis, Dr. Moore, Dean Bierbauer, Mr. Parham, Mrs. Hanna, Mr. Heath, Mr. Walton, Ms. Brunelli, Mr. McCoy, Sue Odom, Travis Pritchett, Shannon Davis, Tom McNeish, and Mrs. Lamb.

Return to Open Session

Chairman Burroughs took a moment to explain the responsibilities of the Fiscal Policy Committee in detail. He said that once the new Board of Trustees members were appointed this year, he planned to schedule a Fiscal Policy Committee retreat to update the University's Internal Audit Department's Charter and to review the role and responsibilities of the Committee. Also this year, the Committee would work to find a Director of Internal Audit.

I. Audit Tracking Report:

Chairman Burroughs called on Mr. McCoy who reported that the Athletics Contracts audit had been resolved since the last meeting. It was agreed that the one outstanding finding in the USC Upstate audit involving reconciliation of travel advances would be "written off" since the length of time which had passed since the actual travel, made retrieval of the receipts impossible.

Mr. McCoy stated that the Southern Association of Colleges and Schools (SACS) Re-Accreditation Team requested that the external audits of the University include a full independent audit of each of the University's other four-year campuses.

II. Internal Audits:

Chairman Burroughs called on Mr. McCoy to report on the following seven audits in the following order which differed from their listing on the meeting agenda.

A. Human Resources: Mr. McCoy stated that with the Committees' consent, he would begin his report with the fourth audit finding.

Through a competitive agreement the University established with Travelers Insurance, home and auto insurance options would be provided to benefits-eligible employees. Thus, Travelers distributed flyers and postcards to those employees regarding updated benefit options via intra-campus mail at no cost to Travelers. This audit finding recommendation to discontinue use of University Postal Services was based on interpretation of University Policy BUSA 4.00, Section II., related to use of the University Postal Services. The University Postal Services agreed with the recommendation. However, neither Human Resources, nor the Associate Vice President for Business Affairs, who supervises the University Postal Service agreed with the recommendation, since in their opinion distribution of the materials was "official University business."

The "Background Checks" and "Exit Interviews" audit findings were being addressed by Human Resources, and they were in the process of updating two outdated policies, as noted in an additional finding.

Mr. Adams asked what the University's contract term was with Travelers Insurance. Mr. McCoy responded that it was a continuous three year contract, with a clause whereby either party could end the contract with a 90-day notice. Travelers Insurance was selected through the University "Request for Proposal" process. Mr. Adams stated that the optional employee insurance benefits contract should be rebid every three years, and that not doing so was to do the employees an "injustice." President Pastides stated

that contract for these benefit options would be rebid.

B. Colonial Life Arena: The one audit finding involved "Co-Promoted Settlements." Following Mr. McCoy's detail discussion of the one finding, President Pastides clarified that the issue at hand was not "co-promotion," but "receipts and he cited the Athletics Departments' response to the one finding:

We agree with the auditor's recommendations that all co-promoted events should be documented in writing as to how the event will be settled. All documentation used to settle the event should be maintained by Global Spectrum and made available for review upon request. We are working with University General Counsel, Global Spectrum, and the Internal Audit Department to insure that all details are included in the co-promoted event agreements and that the University is not subject to any legal risk.

C. Russell House University Union and Campus Life: The audit revealed two findings. In response to the "Cash Receipts and Depositing" finding, changes had already been implemented to ensure compliance with university policy, and staff trained.

The second audit finding was a "Missing Cash Receipt." The University Police investigated the finding, but decided to "administratively close the case," due to a lack of evidence and the nominal dollar amount of \$273.

D. Aiken Campus Athletics Department: There were no findings.

E. Office of the Bursar - Depository: This audit was requested, since the University was in the process of changing Bursars. There were three findings: check control log; special receipt books; and checks. The Department concurred with the findings and had already begun addressing them.

F. Gamecock Apple Hub: In keeping with their mission to support the teaching, research, and service goals of the University, University Technology Services (UTS) entered into an agreement with Apple to become an Authorized Campus Sales Center. In December 2008, an Apple retail store for the University community was opened in the Russell House.

An audit of the retail operation revealed six specific issues: Cash Receipts, Invoices, Inventory Count, Inventory Controls, Returns, and "E" Funds.

UTS noted in its response to the audit that effective March 29, 2010, the Gamecock Apple Hub service model would change to the "Apple on Campus" program. Under this new program, Apple Hub would no longer be a retail operation that carried inventory or conducted direct financial transactions with customers; but would continue to allow UTS to continue to meet the needs of the Apple community on campus under a simpler, more streamlined business model.

G. College of Engineering and Computing: Two findings dealt with use of University issued VISA cards. The Dean responded that they would review cardholder responsibilities with the cardholders, and see that future transactions were in compliance with the University's Purchasing Card Procedures.

The third finding dealt with financial activities related to the College's Computer Science Summer Institute. Steps had already been taken to correct actions noted in this finding.

Chairman Burroughs stated that the internal audit reports were received as information.

III. Other Matters:

Chairman Burroughs called for any other matters to come before the Committee.

IV. Adjournment:

Since there were no other matters to come before the Committee, Chairman Burroughs adjourned the meeting at 11:45 a.m.

Respectfully submitted,

Thomas L. Stepp
Secretary