



INTERNAL AUDIT & COMPLIANCE SERVICES

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**Audit Committee**  
**Winston-Salem State University Board of Trustees**

Thursday, June 5, 2014  
10:00 – 11:30 AM  
Chancellor's Conference Room  
200 Blair Hall

**Audit Committee Members Present**

Karen McNeil-Miller  
Victor Johnson  
Pradeep Sharma

**Members Absent**

Keith Vaughan

**University Staff Present**

Chancellor Donald J. Reaves, Ph.D  
Shannon B. Henry, Chief Audit Officer  
Anthony Bennett, NCAA Compliance Officer  
Dr. Randy Mills, Interim Vice Chancellor for Finance and Administration  
Camille Kluttz-Leach, General Counsel  
Frank Lord, Controller  
Aaron Leftwich, Director, Environmental Health & Safety  
Stacy Sneed, Audit Manager

**I. Call to Order**

The meeting was called to order at 10:02 a.m. by Mr. Victor Johnson the motion was seconded by Mr. Pradeep Sharma.

**II. Approval of Minutes**

The Audit Committee approved the minutes of the March 20, 2014 meeting. Mr. Pradeep Sharma seconded the motion for the approval of the minutes.

**III. Discussion of External Audit Reports**

- Office of the State Auditor FY2014 Financial Statement Audit.

Auditor Henry shared that the 2014 Financial Statement Audit has commenced. The committee was informed that the State Audit team will be conducting a comprehensive review of the universities financial aid procedures. Chancellor Reaves added that this is a routine occurrence

and that every year they carve out certain Federal Compliance functions on which they will focus. Mrs. Henry informed the committee that the Student Financial Aid office will be notified prior to the auditor's arrival.

#### **IV. University Compliance Matters**

##### **1. Environmental Health & Safety updates**

Aaron Leftwich, Director, Environmental Health & Safety discussed new standards that will combine current occupational health & safety standards with existing risk management standards. Mr. Leftwich is educating himself in the risk management field and is preparing the University for compliance with the standards.

##### **2. NCAA Compliance updates**

Anthony Bennett shared a presentation with the committee regarding the WSSU NCAA Graduation Rates Report. The report includes an academic success rate of 66% of all student athletes. This includes students who have graduated or left the institution eligible to play at other institutions. Mr. Bennett let the committee know that the graduation rate of is 2% higher than in previous years. Mr. Bennett shared that they are coordinating with the Chancellors Office and Academic Affairs to ensure that those who are ineligible this year will have the proper funding needed to continue their education at WSSU.

#### **V. 2013-2014 Internal Audit Plan Activity Update & Completion**

Auditor Henry began by discussing various reports that have been issued since the last meeting.

The following information was shared with the committee:

- **P-Card Fraud: (Facilities)**

Recently there was a P-Card Fraud investigation that was conducted by campus police regarding the misuse of the P-Card by two employees for the personal benefit of both parties. These employees have since been dismissed and criminal charges have been filed against both. This instance was used by Internal Audit to review the controls that are in place to prevent these instances from occurring in the future. The audit noted deficiencies in the Universities P-Card policies and procedures related to P-Card management and departmental reconciliation.

The audit identified the following:

- The Facilities Management Department has inadequate review and reconciliation procedures to prevent and detect P-Card fraud.
- The Facilities Management Department's operational protocols are not sufficient to ensure that P-Card purchases for inventory and supplies are for legitimate business needs.
- University management has responded to the audit's recommendations and is in the process of implementing corrective measures.

- **P-Card Monitoring Reviews**

This review involved the use of automated analytics to test 100% of the P-Card transactions for compliance with the University policies and indications of fraud. Three months were selected for testing.

The audit identified the following:

- In some instances, controls are in place but not operating effectively.
- The audit also noted deficiencies in the University's P-Card policies and procedures related to P-Card management and departmental reconciliation.
- University management has responded to the audit's recommendations and is in the process of implementing corrective measures.

- **Athletic Fundraising**

The Office of Internal Audit received information regarding the University fundraising activity within the Department of Athletics. Various questions were raised about validity, appropriateness and accounting of the fundraising activities. Internal Audit reviewed the matter and identified the following:

- Personnel within the Athletics Department did not observe University policies when soliciting funds for charity from the campus community by obtaining approval from the appropriate administrators.
- University policies and procedures for student and/or staff groups' solicitation of funds from the general public, in the name of the University, are not readily available or widely publicized.
- The University's policies for solicitations do not address the appropriate accounting for the money raised.
- University management has responded to the audit's recommendations and is in the process of implementing corrective measures.

According to University Management, the Universities policies and procedures for fundraising and solicitation will be updated and distributed to all campus constituents prior to the 2014-2015 academic year. The updated policy will include accountability measures for any money raised.

- **Clery Audit**

Currently underway. At this time the fieldwork is complete and the audit team is in the review and report stage. They are working to be able to provide a more detailed update at the next meeting. Chancellor Reaves reiterated the recent interest in the Clery Act, as well as the importance of close monitoring of the topic. With the new legislation, a new fine system has been added. With every violation there is up to a 35K fine associated. The liability is stiff and WSSU is working to get in front of this.

- **Employee Relations Audit**

The audit fieldwork will begin in July 2014. The objective of the audit is to evaluate the effectiveness of the University's existing policies and procedures related to the administration of the Employee Relations function.

## **VI. Additional Discussion Items**

- **MOU with UNCSA**

The agreement between WSSU and UNCSA has been renewed for 5 more years with the right to renew for another five years. This agreement is the first of its kind within the UNC system.

- **Internal Audit Quality Assurance Review**

Preparation is underway – review will be conducted by the Office of Internal Audit of the NC Office of State Budget and Management and is tentatively scheduled to begin in August 2014.

- **UNC Internal Audit**

WSSU will maintain current model and establish reporting relationship with audit representative at UNC-GA.

- **Internal Audit Strategic Plan (2013-2015)**

With the addition of three new audit team members, the office has seen a significant increase in productivity.

## **Adjournment**

Mr. Sharma adjourned the meeting at 11:35 a.m.

The next WSSU Audit Committee meeting will be held on Thursday September 4<sup>th</sup>, 2014 at 10:00 a.m.

Submitted by:  
Deidra R. Gilliard