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University of South Carolina

BOARD OF TRUSTEES

Fiscal Policy Committee

February 18, 2005

The Fiscal Policy Committee of the University of South Carolina Board of Trustees met on Friday, February 18, 2005, at 10:00 a.m. in the Capstone House Campus Room.

Members present were: Mr. Robert N. McLellan, Chairman; Ms. Rita M. McKinney; Mr. Michael J. Mungo; Mr. John C. von Lehe, Jr.; Mr. Eugene P. Warr, Jr.; Mr. Mack I. Whittle, Jr.; Mr. Othniel H. Wienges, Jr.; Mr. Herbert C. Adams, Board Chairman; and Mr. Miles Loadholt, Vice Chairman. Ms. Darla D. Moore was absent. Other Trustees present were: Mr. James Bradley; Mr. Samuel R. Foster, II; Mr. William W. Jones, Jr. and Mr. M. Wayne Staton.

Others present were: President Andrew A. Sorensen; Secretary Thomas L. Stepp; Vice President and Chief Financial Officer Richard W. Kelly; Vice President for Research and Health Sciences Harris Pastides; Vice President for Information Technology and Chief Information Officer William F. Hogue; Vice President for Advancement T.W. Hudson Akin; Vice President for Student Affairs Dennis A. Pruitt; Vice Provost and Executive Dean for Regional Campuses and Continuing Education Chris P. Plyler; Vice President for Human Resources Jane M. Jameson; General Counsel Walter (Terry) H. Parham; Dean of USC Lancaster John Catalano; Dean of USC Union James W. Edwards; Associate Provost for Budget and Operations William T. Moore; Senior Associate Athletics Director for Business and Development Brad Edwards; Assistant to the Vice President, Office of Business and Finance, Ken Corbett; Director of the Richard L. Walker Institute of International Studies Gordon B. Smith; Director of the Internal Audit Department Alton McCoy; Consultant to the University Controller and Chief Financial Officer, Controllers Office, John H. Campbell; Associate Dean of Administration and Financial Services, USC Sumter, Bruce K. Blumberg; Director of International Programs for Students Patricia P. Willer; Assistant Treasurer Susan D. Hanna; Public Information Officer, Office of Media Relations, Karen Petit; and Director of University Communications, Division of University Advancement, Russ McKinney, Jr; and members of the media.

Mr. McLellan called the meeting to order and welcomed everyone present. Mr. McKinney introduced members of the press who were in attendance. Mr. McLellan 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.

Open Session

I. Audit Tracking Report: Mr. McLellan called on Mr. McCoy who reported on the following audit reports.

A. Payroll: Mr. McCoy stated that the University required all employees to participate in direct deposit of payroll checks and, as of January 1, 2005, all employees but one had complied. Mr. McCoy stated that the next step in the process would involve employees retrieving their pay stubs on line; for those employees who did not have access to a computer, the department manager would download the information.

B. Printing Services: Mr. McCoy reported that the Printing Department had experienced a loss last year because of one-time purchases of special equipment; it was projected that the department would make a profit this year and there was an adequate fund balance to cover the loss.

C. International Students: Mr. McCoy stated that Dr. Pruitt had coordinated a Task Force, as recommended by President Sorensen, to study the International Students Program. The Task Force had performed a tremendous amount of work; however, there were various legal issues which needed to be addressed. The Administration will retain an attorney who specialized in international students and will compose a policy which would benefit the University as well as other institutions in the state.

D. Colonial Center: Mr. McCoy reported that as of this date, the University and Global Spectrum did not have a contract. Initially, the proposal stated that Global Spectrum would operate in the Colonial Center for three years; the proposal will expire in June 2005. Mr. McCoy recommended that the University obtain a signed contract as soon as possible and prior to the expiration date of the proposal.

E. Human Resources: Mr. McCoy stated that Human Resources had developed a background check policy. The following amendments were requested by the committee: Mr. von Lehe requested that under Section I(A), Job Reference Checks, Paragraph I, the word "integrity" be added. In addition, Mr. McLellan requested that under Background Checks, Section C, Background Checks, Paragraph I, "Drivers License" be added as (e.). Mr. McLellan stated that this report was received for information.

II. Internal Audits:

A. USC Union: Mr. McCoy stated that nearly all financial and operational activities at the Union campus were in compliance, with the exception of one item involving the Trio Program. Some student files in the Trio Program did not reflect that certain actions had been taken; USC Union had since purchased new software which would enable them to manage this problem in the future.

B. USC Sumter: Mr. McCoy stated that there were no audit findings.

C. Walker Institute of International and Area Studies: Mr. McCoy reported that the auditors had reviewed business practices and expenditures in the department. Of concern was whether an employee's travel was considered beneficial to the University. The department and the General Counsel's office will work together to determine whether the matter should be pursued. In addition, to prevent this type of situation from happening in the future, the department head had drafted policies and procedures to scrutinize travel prior to authorization.

Mr. McLellan stated that before employees travel anywhere, especially internationally, they should be informed of all regulations and limitations that apply.

D. Parking: Mr. McCoy stated that there was an extra \$1.5 million generated in parking revenue and that it would be used to fund University operations. Minor audit findings had been corrected by the Director of Parking Services.

Mr. McLellan commented on the \$131,152 in write-offs and asked if there was a better way to monitor and reduce the accumulation of write-offs. Mr. Huggins, Director of Parking Services, and Mr. Kelly responded that efforts had been made to reduce write-offs and that a collections company will start collecting on these accounts.

Mr. McLellan stated these audit reports were received for information.

III. Questions or Comments on Audits and Financial Reports Separately Distributed to Full Board:

A. KPMG Audit of the University of South Carolina for Fiscal Year Ended June 30, 2004

B. Athletics Department Audit for Fiscal Year Ended June 30, 2004

Mr. McLellan stated that the above-listed audits had been mailed to Board members and the University was in compliance. Mr. McLellan referenced the external auditor's letter of comments, wherein, he stated that "during the examination of the financial statements of the Athletics Department, there were a couple of issues that needed to be addressed: 1) there were some old travel advances that needed to

be cleared from the accounting records of the Athletics department; 2) "more care should be exercised in the preparation of the ticket reconciliation reports and the handling of the 'deadwood tickets.'" Mr. McLellan asked Mr. McCoy to explain the term "deadwood" tickets and the reconciliation process.

Mr. McCoy stated that "deadwood" tickets were unsold tickets. Tickets were generated using the University's internal system; once tickets were printed and there was a final computer accounting that manifested from the printer, the number of tickets sold minus the number of tickets left should be accounted for in the face value of the tickets. Mr. McCoy stated that auditors had not placed much emphasis in the area of ticket reconciliation; however, President Sorensen had requested that an audit of ticket reconciliation be conducted in the Athletics Department every three years; an audit was scheduled for this year and the reconciliation of tickets would be a part of the process.

IV. University Endowment Report: Mr. McLellan stated that this item would be added to a future Committee agenda.

Since there were no other matters to come before the Committee, Mr. McLellan declared the meeting adjourned at 10:30 a.m.

Respectfully submitted,

Thomas L. Stepp  
Secretary