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University of South Carolina

BOARD OF TRUSTEES

Fiscal Policy Committee

June 17, 2004

The Fiscal Policy Committee of the University of South Carolina Board of Trustees met on Thursday, June 17, 2004, at 2:00 p.m. in the Carolina Plaza Board Room.

Members present were: Mr. M. Wayne Staton, Chairman; Mr. Robert N. McLellan; Ms. Darla D. Moore; Mr. James Shuford, III; Mr. John C. von Lehe, Jr.; Mr. Eugene P. Warr, Jr.; Mr. Othniel H. Wienges, Jr.; Mr. Mack I. Whittle, Jr., Board Chairman; and Mr. Herbert C. Adams, Board Vice Chairman. Mr. Michael J. Mungo was absent. Other Trustees present were: Mr. James Bradley; Mr. Mark W. Buyck, Jr.; Dr. C. Edward Floyd; Mr. Miles Loadholt and President-elect of the Alumni Association Ms. Rita M. McKinney and Trustee-elect Mr. William W. (Wes) Jones.

Others present were: President Andrew A. Sorensen; Secretary Thomas L. Stepp; Vice President and Chief Financial Officer Richard W. Kelly; Vice President for Information Technology and Chief Information Officer William F. Hogue; Vice President for Student Affairs Dennis A. Pruitt; Vice President for Advancement T. W. Hudson Aiken; Director of the Office of Budget, Division of Business and Finance, William P. Bragdon; Assistant to the Vice President, Office of Business and Finance Ken Corbett; Vice President for Human Resources Jane M. Jameson; General Counsel Walter (Terry) H. Parham; Chancellor of USC Aiken Thomas L. Hallman; USC Columbia, Student Government Association President Zachery Scott; Chair, Office of Faculty Senate Professor James R. Augustine; Director of the Internal Audit Department Alton McCoy; USC Aiken, Director of Operations Tony Ateca; USC Aiken, Associate Chancellor for Business & Finance Virginia S. Steel; USC Spartanburg, Vice Chancellor for Business Affairs Robert Connelly; USC Spartanburg, Vice Chancellor for University Advancement John Perry; Executive Director of the Alumni Association (Division of University Advancement) Marsha A. Cole; Associate Budget Director Glenda Ridgely; Assistant Treasurer Susan D. Hanna; and Director of University Communications, Division of University Advancement, Russ McKinney, Jr.

Chairman Staton called the meeting to order. He welcomed everyone present and invited them to introduce themselves. Mr. McKinney indicated that no members of the press were in attendance. Chairman Staton 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. Designated Fund Budget, 2004-2005: Chairman Staton stated that the budget had been mailed and the numbers were identical to last year with the exception of an increase of \$20,000 in scholarships which was funded through Trademark and Licensing fees. The Board had previously approved the transfer of additional dollars from this account into the scholarship fund which was used to help pay for various scholarship costs, particularly to the regional campuses.

Mr. McLellan made a motion to approve the Designated Fund Budget for FY 2004-2005. Mr. Shuford seconded the motion. A vote was taken and the motion carried.

II. Audit Tracking Report: Chairman Staton called on Mr. McCoy who stated that there were five audits with outstanding findings that were more than six months old; all of the departments involved had been contacted and progress had been made toward resolution.

A. Human Resources: A Background Check Policy was still being drafted and would be presented to the President and then to the Board for approval.

B. Spartanburg Daycare Center: The Center was still operating at a loss and would use some of its departmental accounts to fund this year then reevaluate the entire process and make a final decision as to how it would be financed in the future.

C. Payroll Department: The department was currently in the process of having all employee checks direct deposited. This policy would be mandatory for new employees and other employees would be phased in over a period of time.

D. Student Health Services: A recommendation had been made that the Student Health Services Department reconcile their perpetual inventory account to their sales records; the automated system would enable them to do this with minimal effort.

E. USC Salkehatchie: The school had a few audit findings and had promised to have them implemented by this year.

Chairman Staton stressed the importance of the departments resolving these outstanding findings as soon as possible.

III. Internal Audits: Chairman Staton stated the Internal Audit budget had been previously mailed to the Board. There were no questions or concerns from any of the Board members.

Mr. Shuford made a motion to approve the proposed Internal Audit budget to be included as part of the overall FY 2005 University Budget proposal as recommended

by the Executive Committee. Mr. Wienges seconded the motion, which was adopted unanimously.

Chairman Staton called on Mr. McCoy to discuss the following audits:

A. Alumni Association: Mr. McCoy stated that a comprehensive audit of the Alumni Association had been conducted and the audit included financial statements that consolidated all the sources of revenues and expenses for the Alumni Association. It was recommended that the Alumni Association develop policies and procedures governing those expenses not covered by University policies, such as entertainment expenses.

A second finding noted that several deposits including cash were not supported by a university-issued cash receipt; the Association had obtained a cash receipts book from the Bursar's Office and would write receipts from this pre-numbered book for all cash received.

Finally, the last item involved the Alumni Association's entering into a contract with a wine company to sell specialty wines with the University's logo on it. The University would receive commissions from the sales. The audit revealed that the contract had not been signed by the Secretary of the Board of Trustees as required. It was recommended that this and all contracts be forwarded to the Secretary as required.

B. Dining Services Renovation: Mr. McCoy stated that the University had entered into a fifteen year contract with Sodexho to provide food services for the University. Two audit findings were cited. First, the general contractor did not purchase performance or payment bonds for the project. In the future, management would ensure that the proper process was followed. Mr. Kelly had received an agreement from the contractor that the University would be reimbursed \$4,200 as a result of this finding.

Secondly, the pricing of change orders regarding labor, sales taxes, insurance, bond premiums, profit and overhead were inconsistent. The University had recovered approximately \$200,000 in funds as a result of this finding. It was recommended that, in the future, the University should negotiate the standard rates upfront and then adhere to those rates.

Since there were no other matters to come before the Committee, Chairman Staton declared the meeting adjourned at 2:50 p.m.

Respectfully submitted,

Thomas L. Stepp
Secretary