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University of South Carolina  
BOARD OF TRUSTEES

Audit and Compliance Committee

October 7, 2011

The Audit and Compliance Committee of the University of South Carolina met on Friday, October 7, 2011, at 10:00 a.m. in the 1600 Hampton Street Board Room.

Members present were: Mr. J. Egerton Burroughs, Chairman; Mr. W. Lee. Bussell, Sr.; Mr. Hubert F. Mobley; Dr. C. Dorn Smith, III; Mr. Thad H. Westbrook; Mr. Mack I. Whittle, Jr.; Mr. Charles H. Williams; Mr. Miles Loadholt, Board Chairman; and Mr. Eugene P. Warr, Jr., Board Vice Chairman.

Other Board members present were: Mr. Herbert C. Adams; Jr.; Mr. Thomas C. Cofield; Mr. William C. Hubbard; Mr. Toney J. Lister; Ms. Leah B. Moody; and Mr. John C. von Lehe, Jr.

Others present were: President Harris Pastides; Secretary Thomas L. Stepp; Chief Financial Officer Edward L. Walton; Vice President for Student Affairs and Vice Provost for Academic Support Dennis A. Pruitt; Vice President of Development and Alumni Relations Michelle D. Dodenhoff; Vice President for Human Resources Chris Byrd; Vice President for Communications Luanne Lawrence; General Counsel Walter (Terry) H. Parham; Associate Vice President for Finance and Budget Director Leslie Brunelli; Associate Vice President for Business Affairs, Finance and Planning Division, Helen T. Zeigler; Vice Provost and Executive Dean for Extended Campus Chris P. Plyler; Senior Vice Provost and Director of Strategic Planning Christine W. Curtis; Executive Dean and Senior Associate Dean for Graduate Education, College of Arts and Sciences, Roger H. Sawyer; University Treasurer Susan D. Hanna; Controller Patrick M. Lardner; University Architect Derek S. Gruner; Director of the Department of Internal Audit Phil Iapalucci; Chair of the Faculty Senate Patrick Nolan; Newly appointed Faculty Senate Chairman Sandra Kelly; Associate Professor in the Department of Educational Leadership and Policies, College of Education, Zach Kelehear; Director of State Relations Trey Walker; Associate Vice President for Student Life and Development, Division of Student Affairs, Jerry Brewer; Associate Vice President for Transportation and Logistical Relations Derrick Huggins; Special Assistant to the President J. Cantey Heath, Jr.; Director of Accounting, Controller's Office, Mary T. Peak; Deputy Athletics Director Marcy Girton; Director of Governmental and Community Relations and Legislative Liaison Shirley D. Mills; external auditors from Elliott Davis, LLC, Tom McNeish, Laura Self, and Brian D'Amica; Director of Media Relations, Office of Communications, Margaret Lamb; Student Government Association President Joe Wright; Executive Assistant, Facilities Planning and Construction, Donna Collins; Board staff members Terri Saxon, Vera Stone and Karen Tweedy; and members of the media.

Chairman Burroughs called the meeting to order, welcomed those in attendance and asked them to introduce themselves. Ms. Lamb introduced members of the media who were present.

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

I. Receipt of June 30, 2011, financial Audit: Chairman Burroughs called on Mr. Walton who stated the Committee's Fall Retreat would be held on October 28<sup>th</sup> and he would give a more in-depth presentation. Today's presentation would not be detailed but was more for the purpose of getting committee and Board approval to accept the auditor's work so they could move on with their financial reporting through the state system and other users. He stated that members had received a draft copy of the financial statement and the draft management letter. Page 2 of the auditor's report gave a "clean opinion". Also, Mr. Walton gave an overview of the Management's Discussion and Analysis report. Total Assets of the University increased by \$131 million. Current assets increased \$75.5 million, primarily due to the increase in unrestricted net asset of \$35 million which was attributed mainly to tuition increases and higher student enrollment. Mr. Walton discussed the comments and suggestions of issues identified for the year ended June 30, 2010 by the auditors. There were approximately 10 comments (7 had been dispatched and three were left for resolution). Those three were things which would require the University to make some deeper changes in the way they do business; some were currently already underway. Mr. Walton commented that the University was moving away from basic financial statements to comprehensive annual financial reports.

Mr. Walton called on the External Auditor Tom McNeish who stated that the audit was 99 percent complete. There were no significant changes. The draft of the financial statement had been submitted to officials at the Controller General's Office for their review. The Controller General's Office sent back some limited comments which would be addressed but this would not change the draft. These few items needed to be addressed so they would not become "red flags". Today with board approval, they were ready to issue the main financial statements for USC Upstate so they could meet the SACS deadline.

A member inquired as to the possibility of holding firm on tuition. Mr. Walton responded that the University would look at what the expenses would be next year and how those expenses would be financed. The administration would look at the resources and determine how to finance those expenses. He said he did not want to say we will not raise tuition and then not have enough revenues to pay the bills. It was suggested that this issue could be discussed further during the Retreat.

Mr. Loadholt made a motion to accept the June 30, 2011 Financial Audit as submitted in the materials for the meeting. Mr. Warr seconded the motion. The vote was taken, and the motion carried.

Chairman Burroughs thanked the administration for sending the draft so that members had adequate time to read, study and make comments. He requested that every Board member have a copy of the draft.

II. Other Matters: Secretary Stepp stated that he would send members another email on Monday regarding the Committee's Fall Retreat because he had not heard back from several members. He stressed that Chairman Burroughs would like to have 100 percent committee attendance.

Chairman Burroughs commented that the Retreat was open to anyone who wanted to attend and not just committee members.

There being no further business to come before the Committee, Chairman Burroughs declared the meeting adjourned.

Respectfully submitted,

Thomas L. Stepp  
Secretary