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University of South Carolina
BOARD OF TRUSTEES

Audit and Compliance Committee

June 4, 2013

The Audit and Compliance Committee of the University of South Carolina met by conference call at 3:00 p.m. Tuesday, June 4, 2013. The call was anchored from Osborne Building, Room 206B.

Members present were: Mr. J. Egerton Burroughs, Chairman; Mr. Robert E. "Eddie" Brown; Mr. Hubert F. Mobley; Dr. C. Dorn Smith, III; Mr. Thad H. Westbrook; Mr. Mack I. Whittle, Jr.; Mr. Charles H. Williams; Mr. Eugene P. Warr, Jr., Board Chairman; and John C. von Lehe, Jr., Board Vice Chairman. Mr. Chuck Allen was absent.

Other Board members present were: Mr. A. C. "Bubba" Fennell and Mr. William W. Jones, Jr.

Others present were: President Harris Pastides; Secretary Amy E. Stone; Vice President for Academic Affairs and Provost Michael D. Amiridis; Chief Financial Officer Edward L. Walton; General Counsel Walter (Terry) H. Parham; Associate Vice President for Finance and Budget Director Leslie Brunelli; Director of the Department of Internal Audit Phil Iapalucci; Special Assistant to the President J. Cantey Heath, Jr.; Interim Vice President for Communications Wes Hickman; and Board staff member Terri Saxon.

Chairman Burroughs called the meeting to order, welcomed those in attendance and asked them to introduce themselves. Mr. Hickman stated that no members of the media were in attendance.

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 and materials had been circulated to the Committee members; and a quorum was present to conduct business.

I. Designated Funds FY 2013-2014 Budget: Chairman Burroughs called on Ms. Brunelli, who reported that the FY 2014 Designated Funds Budget is \$ 3,934,900 allocated from auxiliary enterprise revenues with \$3,401,500 budgeted for University scholarships and \$533,400 budgeted for "R" funds, which are Board of Trustees' controlled funds from auxiliary enterprise operations. The FY2014 budget reflects a \$462,000 increase of 13.30 percent over FY2013. Of that amount, an additional \$435,000 is allocated to University Scholarships from increases in commissions from the Bookstore contract, Trademark & Licensing and ATM revenues. The increase to "R" funds is an additional \$25,000 for the

CFO and an additional \$2,000 for the Provost. Vending machine revenues are the primary source of the “R” funds budget. Ms. Brunelli noted that the vending revenue source had plateaued, if not declined. She explained that even though vending machines on campus were equipped with CarolinaCard readers, students use Sodexo dining facilities or other food service options over the vending machines.

Mr. Williams moved to recommend the budget to the Executive Committee for inclusion in the University’s FY 2013-2014 Budget. Mr. Westbrook seconded the motion. The vote was taken and the motion carried.

II. Internal FY 2013-2014 Audit Budget: Chairman Burroughs called on Mr. Iapalucci who stated that the proposed budget resources were consistent with prior year funding. He highlighted several budget matters related to the department’s continued effort to professionally evolve.

Mr. Iapalucci highlighted that the prior year budget emphasized the need to develop department capabilities regarding information technology (IT) and construction auditing. As a result of last year’s budget commitment, the audit function now has a dedicated IT auditor on staff as well as the professional capability to review large construction projects. In fact, the first formal construction audit report would be presented at the July 10, 2013, Audit and Compliance Committee meeting.

Mr. Burroughs inquired whether the audit function had sufficient resources to accomplish its mission. Mr. Iapalucci noted that he believed an additional IT auditor was likely needed, but preferred to delay that additional resource until the following year. Moreover, the additional resource had been discussed with both Ms. Brunelli and Mr. Walton. Further, Mr. Iapalucci noted the strong commitment of support from both the CFO and the Office of the President.

Chairman Burroughs called for a motion to approve the FY 2013-2014 Internal Audit Budget, as recommended, for inclusion in the Executive Committee’s budget presentation to the full Board. Mr. Whittle so moved. Dr. Smith seconded the motion. The vote was taken, and the motion carried.

III. Adjournment:

Since there were no other matters to come before the Committee, Chairman Burroughs called for a motion to adjourn. Mr. Whittle so moved and Mr. Westbrook seconded the motion. The vote was taken and the motion carried. The meeting was adjourned at 3:30 pm.

Respectfully submitted,



Amy E. Stone
Secretary