University of South Carolina

BOARD OF TRUSTEES

Fiscal Policy Committee

October 24, 2008

The Fiscal Policy Committee of the University of South Carolina Board of Trustees met on Friday, October 24, 2008, at 11:30 a.m. in the 1600 Hampton Street Board Room.

Members present were: Mr. Eugene P. Warr, Jr., Chairman; Mr. Chuck Allen; Mr. J. Edgerton Burroughs; Ms. Darla D. Moore; Mr. Michael J. Mungo; Mrs. Amy E. Stone; Mr. John C. von Lehe, Jr.; Mr. Miles Loadholt, Board Chairman; and Mr. Samuel R. Foster II, Board Vice Chairman. Mr. Mack I. Whittle, Jr. was absent.

Other members of the Board present were: Mr. Herbert C. Adams; Mr. James Bradley; and Mr. Othniel H. Wienges, Jr.

Others present were: President Harris Pastides; Secretary Thomas L. Stepp; Executive Vice President for Academic Affairs and Provost Mark P. Becker; Vice President and Chief Financial Officer Richard W. Kelly; Vice President for Human Resources Jane M. Jameson; Vice President for Student Affairs and Vice Provost for Academic Support Dennis A. Pruitt; Vice President for Information Technology and Chief Information Officer William F. Hogue; Vice President for Planning William T. Moore; Vice Provost and Executive Dean for System Affairs and Extended University Chris P. Plyler; Interim Vice President for Advancement Michelle D. Dodenhoff; General Counsel Walter (Terry) H. Parham; Associate Vice President for Business and Facilities Helen Zeigler; Associate Vice Provost for Academic Resources, Edward L. Walton; University Treasurer Susan D. Hanna; Director of the Department of Internal Audit Alton McCoy; Assistant to the President and Athletics Director John D. Gregory; Director of Accounting Services, Division of Business and Finance, Mary T. Peak; Chair of the Faculty Senate Robert G. Best; Campus Dean of the South Carolina College of Pharmacy Randall C. Rowen; Deputy Director of Vehicle Management and Parking Services, Division of Business and Finance, Derrick E. Huggins; General Manager of the University Bookstore, Division of Business and Finance, Andy Shaffer; Director of Media Relations, Division of University Advancement, Margaret Lamb; President of the Student Government Association Andrew T. Gaeckle; University Technology Services Production Manager, Justin Johnson; Board staff members Terri Saxon, Vera Stone, and Karen Tweedy.

Chairman Warr called the meeting to order, welcomed everyone, and asked Board members to introduce themselves. Ms. Lamb introduced the members of the media who were in attendance.

Chairman Warr 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.   Audit Tracking Report:

Chairman Warr called on Mr. McCoy who reported that the following audits had been
resolved since the last meeting: Housing; Environmental Health & Safety; Moore School
of Business; Purchasing; and McKissick Museum. USC Lancaster had one outstanding
finding related to the operation of their wellness center which was in the process of
being resolved.

II.   Internal Audits:

Chairman Warr called on Mr. McCoy to report on the following three audits.

A.   Bookstore: It was concluded that Barnes and Noble was meeting the
contractual obligations as required and the commissions were being paid according to
the contract. One minor finding was brought to the attention of Business Affairs and
was resolved.

In addition, a financial statement from 2001-2008 reflecting the Bookstore sales
and commissions was included in the audit. The report showed an increase in the sales
and commissions during that time period. For Fiscal Year 2007-2008 the University
received $1,579,907 in commissions for scholarships.

Mr. Mungo asked for an explanation of criteria and distribution for the
Bookstore scholarship money. Dr. Pruitt responded that $800,000 of the funds was
distributed on a "need based aid."

Mr. Gaeckle asked if consideration was being given to the potential for
decreases in commissions for scholarships, which could result from increased on-line
book purchase options for students. Mr. Kelly replied that although they recognized
the fact that on-line sales were an option for students, currently they had not
noticed a decrease in the University Bookstore sales. However, they understood the
reality that the commission source of funds could "dry up."

Mr. Wienges asked who selected the scholarship recipients. Dr. Pruitt responded
that the University's Institutional Financial Aid and Scholarship Committee establish
yearly award parameters that the Admissions Office, in consultation with the Financial
Aid Office, used to determine scholarship recipients. Dr. Pruitt noted that he and the
Director of Admissions provided significant input in the process.

Mr. Adams expressed his concern that students did not always receive adequate
advanced notice of required textbooks in order to have them prior to the start of
classes, and he hoped efforts were underway to correct the situation. Mr. Kelly
explained that the situation had improved due to increased communication with the
faculty.

Mr. Mungo asked about the process for selection of required textbooks. President
Pastides responded that the selection was made by each professor, and submitted to the

Department Chair. Mr. Mungo expressed the need for consistency to retain the continued use of books, to allow for availability of used books. Mr. Gaeckle noted that the average cost per year per student was approximately $900.

Dr. Best noted that the Faculty Senate, twice in the past year, held presentations to urge the faculty to be sensitive to the issue of textbook selection, and found that the majority of them were.

B.   <u>South Carolina College of Pharmacy – Columbia Campus</u>: A review of VISA Purchasing Cards noted several split purchases. University policy and state law set a per-transaction limit of $2,500 on the Purchasing Cards without receipt of written quotations from vendors.

In the future, the College of Pharmacy would review Purchasing Card policies and procedures with all cardholders; cardholders who repeatedly split purchases would have their card taken away.

Mr. Gaeckle asked who decided which departments were audited, and how they made that decision. Mr. McCoy responded that it was "subjective for the most part," based on a five-year schedule; but they prioritized the ones with the highest risks. Also, audits were conducted when a Dean or a major department head changed. Chairman Warr noted that it was important not to establish an audit schedule, in an effort to encourage departments to "remain on their toes" by not knowing when they might be audited.

C.   <u>Transportation Services</u>: Three findings were noted in this audit: Fuel Reconciliations; State Fuel Credit Card Activity; and Visa Procurement Cards.

The first audit finding cited discrepancies between daily fuel inventory reports and dispensed fuel reports for diesel fuel; Vehicle Management agreed with the recommendations and would implement appropriate changes immediately.

The second audit finding noted that the majority of departments did not submit receipts with trip logs; therefore, errors on the monthly billing were not being reconciled. Vehicle Management would contact departments when receipts were not accounted for and request written documentation.

The third audit finding cited non-compliance with policies and procedures governing the VISA procurement card; Vehicle Management had dedicated an employee to ensure that all recommendations were implemented immediately.

III.   <u>Adjournment</u>:

Since there were no other matters to come before the Committee, Chairman Warr declared the meeting adjourned at 12:00 noon.

<div align="center">Respectfully submitted,</div>

Thomas L. Stepp
Secretary