AGENDA
Executive and Audit Committee
Board of Trustees Meeting
Harvey Hall, Murphy Center
May 5, 2006

Report Items

Acted on by the Full Board since the last meeting:

--Request for Approval of Tenure for Dr. Evelyn C. Brown, Associate Professor of Engineering, and Dr. Saeed Maoveni, Professor and Associate Dean for Academics, College of Technology and Computer Science; and Dr. Joseph C. Buddo, Director and Professor, School of Music.

--Request for Approval of Initial Appointment of Mickey Dowdy, Vice Chancellor for University Advancement.

--Request for Approval of the Nomination of Dr. Andrew Best to Receive the Jarvis Medal.

Acted on by the Executive and Audit Committee since the last meeting:

--None.

Discussion/Action Items

1) Approval of Minutes
   --February 24, 2006 (Full Board Meeting)
2) Part VII of the Faculty Manual
3) Internal Audit Quarterly Report
   Internal Audit Reports (Stacie Tronto)
4) Separate Audit Committee
5) ECU Automobile Policy

Information Item

Employment of Related Persons
MEMORANDUM
Via fax

TO: ECU Board of Trustees

FROM: John Durham
Assistant Secretary to the Board

DATE: March 20, 2006

RE: Approval of Recommendations

I respectfully request that you consider the recommendations for approval for appointment with permanent tenure for Dr. Evelyn C. Brown, Associate Professor of Engineering, and Dr. Saeed Maoveni, Professor and Associate Dean for Academics, both for the College of Technology and Computer Science, as well as Dr. Joseph C. Buddo, Director and Professor, School of Music. In keeping with our conversation at the December Board meeting, action on these recommendations is needed before our May 5 meeting. They have been endorsed by Chancellor Ballard and Provost Smith and details are attached.

Please call (252-328-6105) or fax (252-328-0129) your reply to me.

Many thanks for your consideration of these requests.

_____ Yes, I approve of the request for Dr. Evelyn C. Brown.

_____ No, I do not approve.

_____ Yes, I approve of the request for Dr. Joseph C. Buddo.

_____ No, I do not approve.

_____ Yes, I approve of the request for Dr. Saeed Maoveni.

_____ No, I do not approve.

________________________
signature
March 16, 2006

MEMORANDUM

TO: ECU Board of Trustees
FROM: James LeRoy Smith

RE: Request for Approval of Tenure for: Dr. Evelyn C. Brown Dr. Joseph C. Buddo Dr. Saeed Moaveni

I am writing to request the urgent approval of tenure for three new faculty members:

Dr. Evelyn C. Brown, Associate Professor of Engineering for the College of Technology and Computer Science;
Dr. Joseph C. Buddo, Professor and Director of the School of Music; and
Dr. Saeed Maaveni, Professor of Engineering and Associate Dean for Academies for the College of Technology and Computer Science.

Each of these individuals was selected after national searches and each has a long and distinguished career as faculty members and scholars. Both Dr. Buddo and Dr. Maaveni also have outstanding academic administrative experience; all the above named individuals’ background, education and experience warrant their recommended ranks with associated tenure.

While they wish to provide their current employers with sufficient notice of their departure, each has tentatively accepted their respective positions here at East Carolina University contingent upon the conferral of tenure. Therefore, a tenure decision is necessary at the earliest possible date in order to keep from losing these highly qualified individuals to other institutions which have also been recruiting them.

I would appreciate your timely consideration of this request.

Sincerely,

James LeRoy Smith
Provost and Vice Chancellor

Approved

Steven C. Ballard
Chancellor
Personnel Action Requiring Approval
of the Board of Trustees
This form is designed for submitting all personnel requests that require BOT approval.

Name of Institution: East Carolina University

Name of Appointee: Evelyn Brown

Department: Technology Systems College: Technology and Computer Science

Current UNC Rank or Title: (if applicable) Proposed Rank: Associate Professor

Indicate Type of Action: (select all that apply)

- Administrative Appointment: □
- New Faculty Appointment: X
- Promotion: □
- *Salary Increase in Excess of 15%: □
- Conferral of Tenure: X
- Other: (describe)
- Distinguished Professorship:
  (provide name of professorship)

Effective Date of Action: August 2006

Contract Period: Administrative Appointment: 9 mo. □ 12 mo. □
  Faculty Appointment: 9 mo. X 12 mo. □

Salary: $90,000 Source(s): State Funds: $90,000 *Non-State Funds: $

*Indicate Sources of non-state funds generically (i.e., grants, receipts, trust funds, endowments, medical faculty practice plan, etc.):

Justification for Salary increase in excess of 15%:

Salary as of June 30, 2002: $ Current Salary: Proposed Salary: Percentage of increase: %

Source(s): State Funds: $ *Non-State Funds: $

*Indicate Sources of non-state funds generically (i.e., grants, receipts, trust funds, endowments, medical faculty practice plan, etc.):

Salary Range (where applicable): $ to $

For ALL other actions, please complete items 1-7
1. **Education Background:** *(indicate degree, date earned and institution, note additional study & training)*

PhD Systems Engineering, University of Virginia, Charlottesville, VA, 1996
MS Operations Research, North Carolina State University, Raleigh, NC, 1992
BS Mathematics, Furman, 1989

2. **Teaching and other professional experience:** *(Show inclusive dates, rank and/or title, institution or agency, and indicate first appointment at current institution with rank and any changes to date)*

2005 present: Department of Business Information Technology, Virginia Tech, Blacksburg, VA, Associate professor
1999-2005 Department of Business Information Technology, Virginia Tech, Blacksburg, VA, Assistant professor
1997-1999: BaaN Prime, Change Management Department, Nortel Networks, Research Triangle Park, NC
1992-1996: Doctoral Student, University of Virginia

3. **Scholarly & Creative Activities:**

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4. **Prior Recommendations/Personnel Actions:** *(please check appropriate responses)*

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<td>Board of Trustees</td>
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5. **Membership in professional organizations:**

- American Production and Inventory Control Society (APICS)
- Institute of Industrial Engineers (IIIE)
- Decision Science Institute (DSI)

6. **Professional service on campus:**

- New Faculty Member

7. **Professional service off campus:**

- Reviewer for six journals
- Track chair, Decision Science Institute 2005
- Panel discussant, Decision Science Institute 2004
- Track chair, Decision Science Institute 2001
- Panel discussant, Decision Science Institute 2000
- Editorial board: Engineering applications of Artificial Intelligence 2004-present
Personnel Action Requiring Approval
of the Board of Trustees
This form is designed for submitting all personnel requests that require BOT approval.

Name of Institution: East Carolina University
Name of Appointee: Joseph Christopher Buddo
Department: School of Music
Current UNC Rank or Title: (if applicable) N/A
College: Fine Arts and Communication
Proposed Rank: Professor & Director

Indicate Type of Action: (select all that apply)

- Administrative Appointment: X
- New Faculty Appointment: X
- Promotion:
- *Salary Increase of 15% AND $10,000 or more:
- Other: (describe)
- Distinguished Professorship: (provide name of professorship)
- Conferral of Tenure: X

Effective Date of Action: June 1, 2006

Contract Period:

- Administrative Appointment: 9 mo. □ 12 mo. X
- Faculty Appointment: 9 mo. □ 12 mo. □

Salary: $108,000 Source(s): State Funds: $108,000 Non-State Funds: $
*Indicate Sources of non-state funds generically (i.e., grants, receipts, trust funds, endowments, medical faculty practice plan, etc.):

Justification for Salary increase of 15% AND $10,000 or more:

Salary as of June 30, 2005: $
Current Salary: $
Proposed Salary: $
Percentage of Increase: %

Source(s):
State Funds: $ Non-State Funds: $
*Indicate Sources of non-state funds generically (i.e., grants, receipts, trust funds, endowments, medical faculty practice plan, etc.):
Salary Range (where applicable): $ to $

For ALL other actions, please complete items 1-7
1. **Education Background:** *(indicate degree, date earned and institution, note additional study & training)*

DMA, University of Iowa, 1992  
MA, University of Iowa, 1986  
BM, James Madison University, 1984

2. **Teaching and other professional experience:** *(Show inclusive dates, rank and/or title, institution or agency, and indicate first appointment at current institution with rank and any changes to date)*

Associate Professor and Associate Dean for Administrative Affairs and Director of the Division of Ensembles,  
School of Music, Baylor University, 1998-Present

Director of the Division of Ensembles and Assistant to the Dean, School of Music, Baylor University, 1996-98

Assistant Professor, School of Music, Baylor University, 1994-98

Instructor, School of Music, Baylor University, 1990-94

Instructor, Augustana College, 1988-90

Principal Conductor, Waco Symphony Youth Orchestra, 2004-Present

Principal Bass, Waco Symphony Orchestra, 1996-Present

3. **Scholarly & Creative Activities:**

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<td>Board of Trustees</td>
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5. **Membership in professional organizations:**

International Society of Bassists  
Texas Bass Symposium  
National Association of Schools of Music

6. **Professional service on campus:**

N/A

7. **Professional service off campus:**

N/A
Personnel Action Requiring Approval
of the Board of Trustees
This form is designed for submitting all personnel requests that require BOT approval.

Name of Institution:  East Carolina University

Name of Appointee:  Saeed Moaveni

Department:  N/A  College:  College of Technology and Computer Science

Current UNC Rank or Title:  (if applicable)
Proposed Rank:  Associate Dean for Academics Professor

Indicate Type of Action:  (select all that apply)

- Administrative Appointment:  ☒
- New Faculty Appointment:  ☒
- Promotion:
- *Salary Increase of 15% AND $10,000 or more:  ☐
- Other:  (describe)
- Distinguished Professorship:  (provide name of professorship)

Effective Date of Action:  July 1, 2006

Contract Period:
- Administrative Appointment:  9 mo.  12 mo.  ☒
- Faculty Appointment:  9 mo.  12 mo.

Salary:  $130,000  Source(s):  State Funds:  $130,000  *Non-State Funds:  $

*Indicate Sources of non-state funds generically (i.e., grants, receipts, trust funds, endowments, medical faculty practice plan, etc.):

Justification for Salary increase of 15% AND $10,000 or more:

Salary as of June 30, 2005:  $  Current Salary:
Proposed Salary  Percentage of Increase:  %

Source(s):  State Funds:  $  *Non-State Funds:  $

*Indicate Sources of non-state funds generically (i.e., grants, receipts, trust funds, endowments, medical faculty practice plan, etc.):

Salary Range (where applicable):  $  to  $  

For ALL other actions, please complete items 1-7
1. **Education Background:** *(indicate degree, date earned and institution, note additional study & training)*
   - PhD  Mechanical Engineering  Colorado State University  1987
   - MS  Engineering Systems  University of Louisiana  1981
   - BSME  Mechanical Engineering  University of Louisiana  1980

2. **Teaching and other professional experience:** *(Show inclusive dates, rank and/or title, institution or agency, and indicate first appointment at current institution with rank and any changes to date)*
   - **Minnesota State University (15 1/2 years)***
     - Chair of the Dept. of Mechanical and Civil Engineering  2000-present
     - Graduate Coordinator  1997-1999
     - Professor  1997
     - Associate Professor  1993
     - Assistant Professor  1990

3. **Scholarly & Creative Activities:**

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5. **Membership in professional organizations:**

   - Registered Professional Engineer (P.E.) in the state of New York, License No. 068410  1991-present

6. **Professional service on campus:**

7. **Professional service off campus:**
MEMORANDUM

TO: ECU Board of Trustees

FROM: John Durham
        Assistant Secretary to the Board

DATE: April 24, 2006

RE: Approval of Vice Chancellor Nomination

Chancellor Ballard has asked that I seek your approval of his appointment of Mickey Dowdy as Vice Chancellor for University Advancement. Mr. Dowdy currently serves as President of the Medical Foundation and Chief Development Officer of the Medical Campus at Virginia Commonwealth University. A copy of his application letter and resume are attached.

The chancellor’s offer to Mr. Dowdy would include:

- Annual salary of $209,000 (within the range specified by the Board of Governors).
- Start date of June 26, with Mr. Dowdy being permanently in Greenville by July 10.
- Annual automobile allowance of $7,985.
- Annual cell phone allowance of $720.
- Actual relocation expenses up to $15,000.
- Initiation fees and monthly dues for one area country club.

Please call 252-328-6105 or fax this page to us at 252-328-0129 as soon as possible to register your vote. Let me know if you have questions. The chancellor will also be happy to answer questions; he is traveling today, but we can get a message to him.

Check one:

_____ I approve the appointment of Mickey Dowdy as Vice Chancellor for University Advancement.

_____ I do not approve the appointment of Mickey Dowdy as Vice Chancellor for University Advancement.

_________________________________________
Signature
November 11, 2005

Members of the Search Committee
Vice Chancellor for University Advancement
East Carolina University
Greenville, NC

I am pleased to submit my credentials for consideration in your search for the right person to serve as Vice Chancellor for University Advancement. There are many reasons for my interest in the position. Among these, East Carolina University is clearly an institution on the move with a proud record of service to the citizens of North Carolina. Having served as a vice president for advancement earlier in my career, I am ready to return to a position of overall responsibility for the advancement enterprise.

I believe that I possess many of the skills and traits required of the successful applicant, including:

- Significant development leadership experience in a complex, decentralized setting
- Considerable medical center development experience
- Prior experience in a president’s cabinet level position with responsibility for all advancement areas
- Strong record of accomplishment and completion of challenging assignments
- The ability to recruit and retain individuals to fill important positions
- Persistence

While my current position still offers many challenges and opportunities, I would welcome the chance to learn more about East Carolina’s plans and advancement program aspirations. Thank you for reviewing my information.

Sincerely,

[Signature]

Michael B. Dowdy
President, Medical Foundation
Chief Development Officer, Medical Campus
Virginia Commonwealth University
MICHAEL B. DOWDY
Medical College of Virginia Foundation
Virginia Commonwealth University
POB 980234 • Richmond, VA 23298-0234 • 804/828-9734 (mdowdy@vcu.edu)

PROFESSIONAL EXPERTISE:

• More than 20 years experience and a consistent record of accomplishment leading higher education development programs
• 12 years successful experience within a very complex, decentralized development environment at Virginia Commonwealth University
• Considerable experience with capital campaigns and securing critical leadership gifts
• Ability to enlist and staff volunteer leadership at the highest levels
• Ability to work with others to set and meet strategic objectives within specified time frames
• Ability to serve institutions effectively for periods of time exceeding the average tenures of most senior development professionals

EXPERIENCE:

Medical College of Virginia Foundation, October, 1993-Present  

President and CEO of the Foundation and Chief Development Officer, Medical Campus, Virginia Commonwealth University

With total assets of $265 million, the Foundation’s mission is to inspire and steward philanthropy across Virginia Commonwealth University’s Medical Campus Schools of Allied Health Professions, Dentistry, Medicine, Nursing and Pharmacy; MCV Hospitals; and Massey Cancer Center. Position reports to a 55-member board of trustees with indirect reporting relationships to University and Medical Center senior leadership. A team of 25 foundation staff and medical campus unit-based development officers report directly or indirectly to this position. Called upon to create strategic partnerships with and between independent units throughout the complex environment of the academic medical center.

Accomplishments Include:

• Integrating the work of the Foundation and all other medical campus partners toward fulfillment of medical center and university strategic objectives
• Leadership role during the development and operation of the current $330 million Campaign for VCU. The medical campus goal of $200 million is 95% complete with two years to go.
• Building a spirit of teamwork and pride among medical campus development officers
• In partnership with medical campus development associates and senior leadership, increasing medical campus new gifts and pledge commitments from an average of $9.0 million during the 1990’s to an average of $35.0 million per year since 2000, including a high of $45 million in 2003.
• Playing a major role in developing and implementing the university-wide leadership prospect management system
• Establishing a comprehensive medical campus planned giving program with a rapidly growing Medical College of Virginia Society membership of over 350 members, representing more than $100 million in future support.
• Expanding the Foundation board from 25 to 55 trustees and enlisting key corporate and alumni representatives to create a cadre of benefactors and volunteers to fill leadership positions across the medical campus
• Financing and renovation of historic property on medical campus to create a permanent home and increased visibility for the Foundation

University of Mary Washington, Fredericksburg, VA

July, 1984 – September, 1993

Vice President for University Advancement and Executive Director of the University Foundation

Reported to the President and managed a division comprised of 22 people in the areas of alumni programs, development, publications, and public relations. Served as a member of the President’s Cabinet. Provided staff service to the Advancement Committee of the University’s publicly appointed governing board, the Board of Visitors. Served as executive director of the University’s private foundation with a 30-member board of directors. The University’s development program was recognized by the Council for Support and Advancement of Education and Ford Motor Company as the most improved program in the country for the period 1986-90. In 1992 the University completed its very first capital campaign two years ahead of schedule and 25% over its goal. Instrumental in securing the University’s first million dollar commitments. The University experienced dramatic increases in philanthropic support and academic reputation during this period.

University of Richmond, Richmond, VA

August, 1979-August, 1984

Director of the Metro Richmond Campaign

1983-1984

Managed successfully the Richmond area segment of the University’s $55 million “Cornerstones for the Future” program. This segment was co-chaired by former First Lady of Virginia Eddy P. Dalton and business leader C. Porter Vaughan, Jr.
Director of Annual Giving and Special Projects 1982-1983

Directed the Annual Fund to record dollar and participation totals for this period. Was responsible for the Rector's Club, comprised of $1,000 donors, and the Society of Families Steering Committee.

Director of Alumni and Parent Programs 1979-1982

Managed the Alumni Chapter program, Reunions, Homecoming Weekend, Family Weekend, Alumni Leadership Conference, Alumni Tours, and the Corporate Partnership Program. Staffed two alumni boards of directors during this assignment.

EDUCATION:

M.B.A., University of Mary Washington 1987

B.A., Psychology and Sociology, University of Richmond 1973

AFFILIATIONS:

Association of American Medical Colleges Group on Institutional Advancement (presenter, 2005 national conference); President, Virginia Gift Planning Council; Past President, Central Virginia Chapter of the Association for Fund-raising Professionals; Council for the Advancement and Support of Education; Estate Planning Council of Richmond; Virginia Association of Fund-Raising Executives; Adjunct faculty member, University of Richmond Philanthropy Institute

AWARDS:

1999 recipient of the Nina Abady Award for achievement and leadership in the field of development presented by the Virginia Association for Fund-Raising Executives.

October, 2005
MEMORANDUM

TO: Board of Trustees

FROM: John Durham
Assistant Secretary to the Board

DATE: April 18, 2006

RE: Jarvis Medal Nomination

Chancellor Ballard has asked me to seek your approval of the nomination of Dr. Andrew Best to receive the Jarvis Medal at Spring Commencement. Dr. Best, who died in February, played a major role for decades in Greenville, Pitt County and East Carolina University. He was a member of the ECU Board of Trustees and the UNC Board of Governors and was a key behind-the-scenes figure in the establishment of the medical school at ECU.

Chancellor Ballard and the Executive Council have carefully evaluated this nomination since Dr. Best’s death and are confident that he is an important part of the ECU story and a worthy candidate for the Jarvis Medal. A full rationale for his nomination is attached.

The Jarvis Medal is presented by the Trustees of East Carolina University in recognition of extraordinary service to the University or to society. Previous honorees include Gov. Thomas Jordan Jarvis, Robert Wright, Leo Jenkins and Sen. Robert Morgan.

Please call 252-328-6105 or fax this page to us at 252-328-0129 as soon as possible to register your vote. Let me know if you have questions.

Check one:

I approve the nomination of Dr. Best to receive the Jarvis Medal.

I do not approve the nomination of Dr. Best to receive the Jarvis Medal.

_________________________
signature
Dr. Andrew Best

Dr. Andrew Best, a Greenville physician for fifty years, played an important and integral role in various programs and activities at East Carolina University. His life exemplified the characteristics of a servant leader. He believed that we have an obligation "...to do service for the sake of service, not for any accolades that we might receive." ECU's motto is "To Serve." We believe we are the university for North Carolina. Dr. Best exemplifies this spirit, this service and, therefore, we recommend him to receive the Jarvis Medal in 2006.

One of the most significant legacies left by Dr. Best was his behind-the-scenes support for the establishment of the Brody School of Medicine. He knew quite well of the need for more physicians and other health-care personnel in the east. He was an early and ardent advocate for the new school and worked with key legislative committees to encourage their critical votes to bring about the legislation and appropriation for the school of medicine to serve eastern North Carolina and that emphasized serving underrepresented populations in the student mix. According to Dr. Best, the medical school at East Carolina University "was the greatest thing that has happened to eastern North Carolina in the past 100 years." His quiet, critical and wise involvement with the establishment of the school of medicine at East Carolina shows his service to his state and region and to his fellow man.

A native of Kinston, Dr. Best received his undergraduate degree from North Carolina A & T State University and his medical degree from Meharry Medical College in Nashville, Tennessee. His early medical training included what was then called an internship at the American Army Hospital in Tacoma, Washington, with a subsequent assignment at the Ft. Bragg Hospital in Fayetteville, North Carolina. Dr. Best gave service to his country through his military service in World War II for which he was awarded both the Purple Heart and the Bronze Star.

Upon his discharge from military service, he began his private practice in Greenville in 1954 and continued that practice for half a century, retiring in 2004. When he began, he was the only African-American physician in the city. Along with the efforts of his colleague, Dr. Malene Irons, he helped to change what were then racial discriminatory practices at the Pitt County Hospital. He is remembered for giving service to his profession.

Among Dr. Best's many accomplishments was his devotion to equality and justice for all citizens, and particularly, for those citizens who had been the object of discrimination and inequality. Among his greatest legacies was his conversation and strategizing with former ECU Chancellor Leo Jenkins to manage a successful and peaceful integration of the university by African-American students. He unselfishly gave service to the cause of justice and equality. His legacy of achievement is based not only on all that he accomplished, but also on how he accomplished these feats -- by always trying to ask and answer the question, "What is the right thing to do."
An involved leader, Dr. Best served in many leadership roles including his tenure as one of the first African-American members of the University of North Carolina Board of Governors and the first African-American member of the East Carolina University Board of Trustees. He gave *service to the state’s university system and to East Carolina University.*

Dr. Best gave outstanding *service to his community.* He helped found the North Carolina Council on Health and Citizenship which promotes healthcare for the state’s underserved residents. He was a founding member of the Pitt County Interracial Committee, now called the Greenville Human Relations Council. Through this organization, he and others worked extensively for the civil rights of our community’s citizens. Quite fittingly, the Greenville Human Relations Council named the annual humanitarian award in honor of Dr. Best and his colleague Dr. Malene Irons.

His tireless efforts, his unwavering commitment, his strong convictions, his personal and professional sacrifices all speak volumes about him as a model for *service* and meet the criteria for selection as a recipient of the Jarvis Medal:

(a) Contributions of time, talent, or resources to the University that advance the University in an extraordinary manner normally rendered over a number of years in a variety of ways.
(b) Extraordinary contributions in public or professional life
(c) A combination of (a) and (b)
Executive and Audit Committee Meeting
Executive Summary
February 24, 2006

All Trustees were present. Mr. Redwine participated by conference call.

Chairman Showfety called the committee to order at 11:50 a.m. and stated that the committee consisted of Mr. Brody, Mr. Greczyn, Mr. Hill, Mr. Kelly and Mrs. Ward. He asked for approval of the committee minutes of December 16, 2005. Mr. Greczyn moved approval and Mr. Brody offered the second.

Mr. Showfety called on Dr. Garrie Moore for a briefing on the Agreement for Police Cooperation and Extended Jurisdiction.

Dr. Moore stated that this agreement was important for several reasons: 1) our students live all over the city; 2) we own property all over the city; and 3) our officers are trained to work with students in a special way. ECU tries to educate students as they get into trouble and educate them out of it so that it does not reoccur. This way the students can be retained and make productive citizens out of them. He cited an example of the ECU police having to visit a classroom in order to locate a student that they were not able to locate otherwise. If these officers had the jurisdiction to go into the community to locate this student, the class would not have had to be interrupted.

The ECU police officers work cooperatively with the Sherriff’s Department and the Greenville city police and this will only improve the relationship.

Dr. Moore concluded his remarks by saying ECU continues to expand their facilities by creating the north recreation facility, the freshmen parking lot near the hospital, warehouses across the river and this agreement will better serve the students.

Chairman Showfety asked if Chief of Police Robert Stroud would like to make any comments. Mr. Stroud said he was available for questions and remarked there was one agreement already in place but it only covered a part of the campus. He also stated when people in the community look at the ECU officers, they do not differentiate and ECU officer from a Greenville officer. All they see is an officer of the law and expect someone to take action. Currently when an ECU officer leaves ECU property they are basically a citizen but people don’t realize that. If intervention is needed, it would be nice for it to be done as a police officer.
Mr. Tipton added that a lot of money was being spent on downtown Greenville and from what he had heard, a lot of people are currently afraid to go downtown at night. This would be an added benefit.

Chairman Showfety reiterated that this clearly was a safety issue and what was driving this was the geographic disbursement of our students. We are constantly asked to do more with less, unfortunately, and we can't accept Greenville’s responsibility to keep our students safe as well but this partnership is a step in the right direction.

Chairman Showfety thanked Chief Stroud for his comments and his efforts. He then asked Provost Smith to address the issue of out of state scholarships.

Dr. Smith stated that the legislature had made it an option for various campuses to consider out of state students for in state tuition and most of the campuses had passed a resolution similar to the one presented to the Board today. Dr. Smith asked Henry Peel if he had anything to add.

Dr. Peel noted that any student with a full scholarship would now be counted as an in state student. Therefore, the scholarship would cost ECU less as long as non-state funds were used.

Mr. Showfety commented that this issue was studied very carefully from an administrative standpoint with great caution and action would be taken at the full Board meeting.

Chairman Showfety asked Kevin Seitz for a quick briefing on the Endowment Fund Board.

Mr. Seitz explained that along with the endowment that we have in the foundations we also have an endowment with the university which is about $12 million. The ECU endowment is combined with the foundation endowment and is managed with an investment group that handles the investment of those funds for both entities. It has worked out very well and it is a way to reduce our administrative costs and to have good involvement from the two boards. We are looking at recommending a similar approach with the medical foundation – bringing their endowment in and investing it in along with the other two endowments. They stay separated so we keep track of each of the endowments separately but it does allow us to perform the management and investment of them with one group and overall we think this is a much more efficient and effective way to proceed.

The Board is comprised of six members. Mr. Showfety as Trustee Board Chairman, Dr. Ballard as Chancellor, the Vice Chairman of the Trustees and/or the Chair of the Advancement and Naming Committee, and three elected members of the Board of Trustees. Mrs. Ward currently is serving as one of those members so two additional members are needed.
Chairman Showfety stated we would need to take action on this item from a compliance standpoint and asked as a matter of continuity that chairs or certain people representing certain areas automatically become affiliated with this group membership, unless there were other suggestions.

Mr. Seitz commented that the time commitment was not extensive. The Investment Committee meets four times a year (two times in person, two times by phone) and there may be some business between meetings but it was fairly limited.

Mr. Showfety called on Provost Smith for the next item, Centers and Institutes Policy.

Dr. Smith said this idea began sometime ago with Gretchen Batille and a discussion with the Board of Governors concerning the approximately 120 centers and institutes across the UNC system, many of which had a lack of accountability. A policy was developed by the Board of Governors directing each campus to develop procedures or a policy approved by the Board of Trustees. Dr. Smith drew attention to a handout with descriptions and definitions of these centers and institutes developed with the deans with accountability built into the document. The committee responsible would have essentially three functions: 1) to evaluate the merits initially, ensure that there is no overlap with existing units and will consider the resources available; 2) to keep an ongoing review of that center for accountability; and 3) to review the center for continued viability.

Dr. Smith concluded his remarks by saying this policy would allow us to keep tabs on places where they was previously no accountability and encouraged the adoption by the Board.

Hearing no questions, Chairman Showfety commented that this was for refinement and standardization which is sorely needed. He then asked Stacie Tronto for her audit report.

Mrs. Tronto said the report was not put in the Board materials this time but rather passed out this morning and asked if there were any questions. She confirmed that the Executive and Audit Committee had received the report via email previously and asked to make a few additions at this time.

One of the employees had passed their exam and was now certified as an Information Systems Auditor. Mrs. Tronto then stated that a question they were asked quite often was who audited the auditor. The bid has been awarded for their quality assurance assessment and will take place over the next few months. Some of the Trustees may be contacted by that team for their input and Mrs. Tronto encouraged everyone to be very forthcoming with their input. A report will be sent to the Trustees in June or July.
Chairman Showfety thanked Mrs. Tronto for her report and commented that this department had been very active and he appreciated her service to the university.

The next topic was the Board retreat. Mr. Showfety reminded the Trustees that in June the Board had endeavored to define their responsibilities and there was currently a lot of preparation for the retreat in conjunction with the strategic plan – which is increasingly important with a new President of the UNC system. He asked for any questions, comments or suggestions.

Mr. Lucas asked if a location had been set and Mr. Showfety replied that it had not. It may depend on the support personnel needed but historically retreats have been off campus.

Mr. Lucas stated that he was a new Board member, read the materials sent to him, and was pleased with the access that the administration had provided to him but he had very little interaction with the students. He recalled when he was a student thinking that the Trustees were out of touch and didn’t know what was really going on. He would like some interaction with a cross section of students at the retreat and learn what issues were important to them and see what they are thinking.

Mrs. Ward agreed with Mr. Lucas and suggested the students be invited to a Thursday or Friday night event of each Trustee meeting focusing on different groups. She suggested that the retreat, with the strategic plan along with other issues, would not allow for meetings with the students.

Mr. Showfety concurred with Mrs. Ward’s suggestion and stated that the retreat historically has been focused on accomplishing a specific piece of business. He asked Dr. Moore to take this discussion and extend ourselves on an informal basis on campus whereby Trustees would be available at Wright Auditorium and post it in the newspaper to encourage dialog and interaction with the students. He said Mr. Lucas’s message was valuable and should be followed through.

Mr. Cole Jones said a State of the University Address was being planned at this time in which Chancellor Ballard would give his regards and this may be a good opportunity for student interaction. An invitation to the Board would be forthcoming.

Chairman Showfety stated he was seeking permission of the group to refine the plans for the retreat and report back to the Board in early March if possible in order for the Trustees to make appropriate plans.

Mr. Showfety then called on Provost Smith regarding the possibility of a separate audit committee.

Dr. Smith shared that his comments would be based on an experience he, the Chancellor and Stacie Tronto had at General Administration a few weeks ago.
The Inaugural Board of Governors Audit Committee met hosted by George Burnette, who oversees the internal auditors on a matter which is under Dr. Smith's management. Dr. Smith saw the wisdom in this type of committee, hopes that the Trustees would feel the same and asks their permission for a draft to be prepared for consideration at the next Trustee meeting. He further stated he thought ECU was the leader in the system a few years ago in terms of getting the Internal Auditor to have a relationship with the Trustees.

Mr. Seitz added that he was sure the Trustees were aware of the problems with accounting practices in the private sector and the resulting legislation which has led to more of an awareness in the public sector and not for profit sector which is why he thinks this is such a good direction for the future.

Mr. Greczyn gave his support and stated he thought there may be some challenges since the Trustees do not control the appointments to the Board in meeting the definition of financial expert unless we had someone who was a CPA or who had actual experience in that field.

Mr. Showfety agreed that the Board of Governors had raised the consciousness of this fact but ECU had indeed taken the initiative to address some of these general concerns and said this was something we needed to follow-up on.

Mr. Brody suggested that someone from the College of Business might be willing to be a consultant to the new committee to provide the technical expertise to the Board members needed.

Mr. Showfety asked that this be explored and Chancellor Ballard responded that Rick Niswander had two experts ready to go at any moment.

Mr. Bodenhamer asked how many of the 16 constituent institutions followed ECU's lead in having the audit committee report to the chair versus the chancellor.

Mrs. Tronto responded that there were a few but she did not have a number.

Mr. Bodenhamer gave a brief background to the newer Trustees on why we went to our new format and added that he was on board with this idea.

Chairman Showfety explained that the next order of business was patterned on the recent approval of an idea from the Board of Visitors of preserving the experience that their chairman had in leading that group by organizing – in a formal manner – a way to keep them engaged. He would like to do that with former chairs of the Board of Trustees and remarked that there were not as many chairs as he had thought due to no term limitations in the past. However, Wayne Peterson, Craig Souza and Phil Dixon have gone on to the Board of Governors and we need a vehicle to bring their expertise back to the Trustees. A "Resolution for Former BOT Chairs" was distributed by John Durham for their approval.
Mr. Greczyn asked if it would be considered at this meeting or the May meeting since he thought the wording needed some work.

Mr. Showfety responded that the May meeting would be fine. He wanted to continue to seek the support of this group especially with the centennial campaign coming up. Their support would be invaluable in their respective locations.

The final piece of committee business was the recognition of advertising awards that ECU recently won. Mr. Durham stated the four ads were produced in house by the marketing department and shared them with the group.

Mrs. Ward asked if Clint Bailey was responsible for the ads and Mr. Durham responded that he was.

Consensus was that the ads looked wonderful and were a credit to ECU.

Chairman Showfety concluded the meeting at 12:25 p.m. and approved a short lunch break before convening the full Board meeting.

Transcribed by Linda B. June-Fowler and Respectfully submitted by

[Signature]
John Durham
Assistant Secretary to the Board of Trustees

APPROVED: ___________________________
Stephen D. Showfety
Chairman of the Committee
FACULTY GOVERNANCE COMMITTEE REPORT
Proposed revisions to the ECU Faculty Manual,
Part VII. Research Information, Section II. Patent Procedures of East Carolina University

The Faculty Governance Committee proposes the following new text for Part VII., Section II. replacing all of the old text.

East Carolina University Faculty Manual
PART VII.
RESEARCH INFORMATION

II. PATENT PROCEDURES OF EAST CAROLINA UNIVERSITY
A. General
1. As defined by the patent and copyright policies of the Board of Governors,* to which these procedures are expressly subject, East Carolina University has an interest in all inventions of University personnel (Disclosing Party) that are conceived or first actually reduced to practice as a part of or as a result of University research, activities within the scope of the Disclosing Party’s employment by the University, or activities involving the use of University time, facilities, staff, materials, University information not available to the public, or funds administered by the University.
2. The University may also have an interest in inventions under the terms of contracts, grants, or other agreements. Faculty, staff, and students whose inventions are made on their own time and without University facilities, materials, or resources and which inventions are, therefore, their exclusive property as specified by the patent and copyright policies may avail themselves of the opportunity to submit the invention to the University for consideration of possible patenting and/or commercial exploitation and management under terms to be agreed between the Disclosing Party and the University.
3. The provisions of the patent procedures are subject to any applicable laws, regulations, or specific provisions of the grants or contracts, which govern the rights in inventions made in connection with sponsored research.
4. Under the terms of certain contracts and agreements between the University and various agencies of government, private and public corporations, and private interests, the University is or may be required to assign or license all patent rights to the contracting party. The University retains the right to enter into such agreements whenever such action is considered to be in the best interest of the University or the public. Ordinarily the University will not agree to assign rights in future inventions to private corporations or businesses.

B. Responsibilities of University Personnel

1. University personnel who, either alone or in association with others, make and/or conceive an invention within the scope of their University employment, in which the University has or may have an interest, shall disclose such inventions in a timely manner on forms provided for this purpose by the Office of Technology Transfer [http://www.research2.ecu.edu/ott/inventors/inventors1default.htm](http://www.research2.ecu.edu/ott/inventors/inventors1default.htm). The Office of Technology Transfer will promptly acknowledge its receipt of completed disclosure forms and will distribute such forms as soon as practicable to the University Patent/Intellectual Property Committee (Committee) for consideration. The Committee will strive to preserve the right to timely publication by faculty.

The Committee will review each written disclosure promptly. The Disclosing Party or his or her representative shall be allowed to examine all written materials submitted to the Committee in connection with his or her disclosure and to make a written and, where practical, oral presentation to the Committee. The Committee will decide on the proper disposition of the invention to secure the interest of the University, the Disclosing Party, the sponsor, if any, and the public. The Committee’s decision may include, but is not limited to, one or a combination of the following:

a. to submit the disclosure for review by a patent or invention management firm;
b. to make inquiries of potential licensees that may have an interest in the invention, including the financing of a patent application, where applicable;
c. to study the practicality of applying for a patent with available University resources;
d. in proper cases, to release its rights to the Disclosing Party subject to an agreement to protect the interests of the University, the sponsor if any, and the public, including an obligation to pay to the University a percentage of future royalties; and
e. to dedicate the invention to the public.

The Committee will strive to review and consider the merits of each disclosure as soon as practicable given the circumstances surrounding the disclosure, but not longer than within three months from the time of disclosure to the University. The Disclosing Party will be notified in writing of the decision of the Committee on (1) the equities involved including financial participation, (2) whether the University plans to file a patent application, or (3) whether the University will accept assignment of the invention for patenting, licensing and/or commercial handling as applicable. If the University chooses neither to file a patent application or otherwise make available commercially nor to dedicate to the public an invention in which it asserts its rights, the invention, at the Committee’s discretion, may be released in writing to the Disclosing Party, with the permission of the sponsor, if any.

If, after the University has filed a patent application, it decides to abandon the patent, the Disclosing Party will be promptly notified in writing, and all rights at the Committee’s discretion may be released by written agreement to the Disclosing Party, with the permission of the sponsor, if any.

In those cases in which the University has obtained a patent without obligation to sponsors and, if no arrangement has been made for commercial development within a reasonable period from the date of the issuance of the patent, the Disclosing Party may request in writing a release of the University’s patent rights. The Committee will promptly either grant the request or will advise the Disclosing Party of the University’s plans for the development of the invention.
As to any invention in which the University has an interest, the Disclosing Party, upon request, shall execute promptly all contracts, assignments, waivers, or other legal documents necessary to vest in the University or its assignees any or all rights to the invention, including complete assignment of any patents or patent applications relating to the invention.

2. University personnel may not:
   a. sign patent agreements with outside persons or organizations which may abrogate the University's rights and interests as stated in the patent policy or as provided in any grant or contract funding the invention or
   b. without prior authorization use the name of the University or any of its units in connection with any invention in which the University has an interest.

C. Publication and Public Use
The University strongly encourages scholarly publication of the results of faculty and student research. Though the patent and copyright policies do not limit the right to publish, except for short periods of time necessary to protect patent rights, publication or public use of an invention constitutes a statutory bar to the granting of a United States patent for the invention unless a patent application is filed within one year of the date of first publication or public use. Publication or public use also can be an immediate bar to patent ability in many foreign countries.

In order to preserve rights in unpatented inventions, it shall be the duty of the Disclosing Party, or of his or her supervisor, if the Disclosing Party is not available to report immediately to the Office of Technology Transfer any publication, submission of manuscript for publication, sale, public use, or plans for sale or public use, of an invention. All disclosures of a University invention or unpublished research data supporting an invention to non-University individuals or organizations shall be preceded first by execution of a confidentiality agreement and/or materials transfer agreement through the Office of Technology Transfer. In all instances a written record shall be maintained containing the date and extent a disclosure was made, the name and address of the person to whom the disclosure was made, and the purpose of the disclosure.

After disclosure to the Committee, the Disclosing Party shall promptly notify the Office of Technology Transfer of the acceptance for publication of any manuscript describing the invention or of any sale or public use made or planned by the Disclosing Party.

D. Requests for Waiver of University Rights by the Disclosing Party
If the Disclosing Party believes that the invention was made outside the general scope of his or her University duties and does not choose to assign the rights of the invention to the University, the Disclosing Party shall, in the invention disclosure, request that the Committee determine the respective rights of the University and the Disclosing Party in the invention and shall also include in the disclosure information on the following points:
1. the circumstances under which the invention was made and developed;
2. the employee's official duties at the time of the making of the invention;
3. whether he or she requests waiver or release of any University claims or acknowledgment that the University has no claim;
4. whether he or she wishes a patent application to be prosecuted by the University, if it should be determined that an assignment of the invention to the University is not required under the patent and copyright policies; and
5. the extent to which he or she would be willing voluntarily to assign domestic and foreign rights in the invention to the University if it should be determined that an assignment of the invention to the University is not required under the patent and copyright policies.

E. Revenue Sharing

1. The University shall share revenue, which it receives from patents or inventions with the Disclosing Party. As noted in the section above, specific provisions of grants or contracts may govern rights and revenue distribution regarding inventions made in connection with sponsored research; consequently, revenues the University receives from such inventions may be exclusive of payments of revenue to sponsors or contractors. Moreover, the University may contract with outside persons or organizations for the obtaining, managing, and defending of patents, and any revenue contractually committed to such persons or organizations may be deducted before revenues accrue to the University, unless a license agreement otherwise specifies reimbursement of such expenses by the licensee.

2. The Office of Technology Transfer shall strive to require the licensee to pay for all past, present, and future patent expenses, in addition to negotiate fees and/or royalties for each invention. All remaining revenues after payment of these expenses (net income) (per the preceding paragraph) shall be distributed to the disclosing party in a manner consistent with the University License Income Distribution Policy, which can be found at http://www.research2.ecu.edu/ott/inventors/incomedistrib.htm but in an amount no less than a distribution of 50 percent of the first $100,000 net and 25 percent net thereafter. Applicable laws, regulations or provisions of grants or contracts may, however, require that a lesser share be paid to the Disclosing Party. In no event shall the share payable to the Disclosing Party in the aggregate by the University be less than 15 percent of gross revenues received by the University.

3. To the extent practicable and consistent with State and University budget policies, the remaining revenue received by the University from an invention will be dedicated to research purposes, including research in the Disclosing Party’s department or unit, if approved by the Chancellor upon recommendation of the Committee.

F. Administration

1. The University recognizes that the evaluation of inventions and discoveries and the administration, development, and processing of patents and licensable inventions involve substantial time and expense and require talents and experience that may not be available within the University, therefore the University may contract with non-University third party experts in technology licensing.

2. The Committee shall be represented by at least one representative from each academic school or college. Administrative oversight shall be provided by the Vice Chancellor for Research and Graduate Studies. The Committee shall review and recommend to the Chancellor or his or her delegate changes in these procedures, decide upon appropriate disposition of invention disclosures, resolve questions of invention ownership, recommend to the chancellor the expenditure of license revenues, and make such recommendations as are deemed appropriate to encourage disclosures and assure prompt and effective handling, evaluation, and prosecution of invention opportunities and to protect the interests of the University and the public."
Approved: pending
Faculty Senate Resolution #06-15

Established: UNC Board of Governors, March 1984
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INTRODUCTION

The Office of Internal Audit and Management Advisory Services is committed to the mission of the University and assisting management in the effective discharge of their responsibilities and duties. With that in mind, the Internal Audit team has committed themselves to a very aggressive annual audit plan and strategic plan. The Internal Audit team is also committed to the four core values or principles considered essential to the effective practice of internal auditing: integrity, objectivity, confidentiality, and competency.

The following pages summarize the progress of our commitment to the annual audit plan and other internal audit activities for the period January 1, 2006 to March 31, 2006.
For the quarter ending March 31, 2006, we completed and/or initiated the following engagements, follow-ups, and special reviews for a total of 1556 staff auditor hours, which is 65% of total staff auditor hours for this period. Please note that actual auditor hours of the completed engagements will not equal the total auditor hours for the period because an engagement may have been initiated in the previous fiscal year or quarter. The annual audit plan for fiscal year 2006 can be found in Appendix A. The completed engagements are highlighted in yellow and the active engagements that have been started but not yet completed are highlighted in blue.

The annual audit plan is a dynamic document that may change during the fiscal year as circumstances dictate. Requests from management and changes in the University’s organization or operations may result in changes to the plan and priorities. The annual audit plan for FY 2005-2006 originally budgeted 7,974 auditor hours. As of March 31, 2006, the budget has increased to 11,798 auditor hours, which is a 48% increase. This increase can be attributed to the number of special reviews that have been initiated or requested since the original audit plan was developed.

COMPLETED ENGAGEMENTS, FOLLOW-UPS, AND SPECIAL REVIEWS

Operational:

Brody School of Medicine
Expert Witness Fees
Issued: 01/04/06
Budgeted Hours: 100
Actual Hours: 88

Management requested the Office of Internal Audit review the practice of transferring/depositing expert witness fees into the Medical Foundation of East Carolina University. Management had already determined these fees should not be transferred or deposited into the Medical Foundation and Internal Audit concurred with management. Management stated they would formally revise the “Expert Witness Policy” to reflect this change.
SUMMARY OF COMPLETED AND PENDING ENGAGEMENTS

Special Reviews:

Brody School of Medicine
SPA Employee Timekeeping Practices
Issued: 01/05/06
Budgeted Hours: 100
Actual Hours: 76

In September of 2005, the Department of Human Resources requested the review of timekeeping practices for SPA employees in the Office of Clinical Skills Assessment. In summary, the Office of Internal Audit found the timekeeping practices for the office’s SPA employees were not consistent with established policies and procedures. The practices led to inaccurate records of employee work time, and ultimately excessive overtime pay for a particular employee. Management stated they understand the timekeeping policies and procedures and will ensure they are followed. Management will further require the employee in question to repay overtime paid but not earned as well as accurately update the vacation leave records.

Facilities Services
Scrap Materials
Issued: 01/17/06
Budgeted Hours: 100
Actual Hours: 61

In November of 2005, the Office of Internal Audit received a claim that an employee in Facilities Services removed for personal use materials associated with a capital project. In summary, it was found that an employee of Facilities Services accepted scrap materials from a vendor for personal use. Management stated they would take the appropriate personnel action with regard to this incident and remind employees they should not accept scrap materials from vendors.

University Advancement
Misuse of University Resources
Issued: 01/17/06
Budgeted Hours: 256
Actual Hours: 148

Management requested the review of a former University Advancement employee regarding the misuse of University resources. In summary, evidence was found to support the misuse of the computer network and telephone. The misuse was reported to the University Attorney.
SUMMARY OF COMPLETED AND PENDING ENGAGEMENTS

Brody School of Medicine
Effort Reporting
Issued: 02/08/06
Budgeted Hours: 100
Actual Hours: 44

In September of 2005, an employee located in the Department of Internal Medicine raised concerns with regard to their effort reporting certification. The Office of Internal Audit reviewed the concerns raised and ensured the employee’s effort that was reported was accurately reflected in University records. During the review it was found that a principal investigator authorized a secretary to utilize the principal investigator’s user account and password for the Effort Reporting system. A recommendation was made to remind employees their user accounts and passwords should not be shared.

Facilities Services
Conflict of Interest
Issued: 02/15/06
Budgeted Hours: 100
Actual Hours: 232

In September of 2005, the Office of Internal Audit received an allegation regarding a Facilities Services employee’s relationship with a vendor that performs contractual services for the University and the bidding process with regard to this vendor. In summary, based on a sample of bid awards reviewed with regard to this vendor, it was found that Facilities Services was in compliance with the bidding policies and procedures. However, evidence was found to support a perceived conflict of interest between the employee in question and the vendor. Management is aware of the conflict of interest and states they will implement proper procedures to manage the potential conflict of interest.

Brody School of Medicine
Department of Surgery
Issued: 03/15/06
Budgeted Hours: 50
Actual Hours: 61

In March of 2005, the Office of Internal Audit received an allegation from a former employee regarding the Department of Surgery. The allegation claimed: (1) falsification of time and effort with regard to a clinical trial, (2) medical assistant performing duties of a registered nurse without the proper training, and (3) physician allowing a medical assistant to utilize the physician’s Logician account. In summary, based on the information reviewed, no evidence was found to support the intentional falsification of time and effort; however, erroneous recordkeeping was found. The Brody School of Medicine Director of Risk
SUMMARY OF COMPLETED AND PENDING ENGAGEMENTS

Management reviewed the allegation concerning the medical assistant performing duties of a registered nurse and found the medical assistant was performing their duties based on the instructions of the physician and under the physician’s guide, which is within North Carolina Medical Board guidelines. It was found that the physician allowed a medical assistant to utilize the physician’s Logician account. Management has stated they are in the process of providing education to employees with regard to time and effort. Further, management stated they will take the appropriate personnel action with regard to the physician sharing their user account and password with an assistant.

Follow-Up on State Auditor Issues:

Follow-Up on State Auditor Minor Issues FY 2004-2005
Issued: 02/28/06
Budgeted Hours: 100
Actual Hours: 92

The Office of the State Auditor conducts a financial audit of East Carolina University each fiscal year. For fiscal year 2004-2005, there were four minor audit issues. The Office of Internal Audit has been given the responsibility to follow-up on the minor audit findings. In summary, one minor issue has been satisfactorily resolved and satisfactory progress has been made concerning the other three issues. The three outstanding issues include: (1) review of void transactions log, (2) graduate assistant employment contracts, and (3) University travel pre-approval policy. The Office of Internal Audit will conduct another follow-up review in approximately 30 days from the date of this report on the three outstanding audit issues.

Follow-Up on State Auditor Management Letter Condition FY 2004-2005
Issued: 02/28/06
Budgeted Hours: 100
Actual Hours: 20

For fiscal year 2004-2005, the Office of the State Auditor had a management letter condition with regard to the financial audit. This condition concerned the inadequate reconciliation of Federal Pell Grants. In summary, it was found that satisfactory progress has been made with regard to resolving this issue. The Office of Internal Audit will perform another follow-up review in May of 2006.
SUMMARY OF COMPLETED AND PENDING ENGAGEMENTS

Follow-Up on State Auditor Reportable Condition FY 2004-2005  
Issued: 02/28/06  
Budgeted Hours: 100  
Actual Hours: 223

The Office of the State Auditor issued a reportable condition for the FY 2004-2005 financial audit. This condition concerned the inadequate controls over financial aid awards. In summary, it was found that the reportable condition has been satisfactorily resolved.

Follow-Up Reviews:

ECU Police Department – Vehicle Mileage Log  
Issued: 02/01/06  
Budgeted Hours: 20  
Actual Hours: 17

The primary purpose of this follow-up was to assess the adequacy of the corrective actions taken with regard to the implementation of vehicle mileage logs with the ECU Police Department. In summary, this observation has been satisfactorily resolved.

School of Music – Compliance with FLSA  
Issued: 02/14/06  
Budgeted Hours: 20  
Actual Hours: 55

A follow-up review was conducted to ensure the School of Music was in compliance with the Fair Labor Standards Act. No instances of non-compliance were found.

PENDING ENGAGEMENTS, FOLLOW-UPS, AND SPECIAL REVIEWS

The following is a list of engagements, follow-ups, and special reviews that have been initiated but not yet completed:

Operational:  
DEC - Pediatrics  
Joyner Library  
Patient Revenue Cycle  
Financial Aid
SUMMARY OF COMPLETED AND PENDING ENGAGEMENTS

Compliance:

Chancellor’s Discretionary Account 2005-2006
HIPAA Security Review

Information Technology:

IT Disaster Recovery Test - 2006

Special Reviews:

Bank Account
Financial Aid
Campus Living Time Reporting
Friends of Joyner Library
Suzuki Music Bank Account
Physics
Baseball Players and Scholarships
Hazing
SPO Time Records
Vendor Allegations
Telecommunications Process Review
Cell Phone Misuse
NLM Federal Audit Resolution
Maritime Studies
Telefund Computer Review

Follow-Ups:

Athletics
ECU Police
Summer Abroad
MCNC Grant
University Housing
Department of Psychiatry
Recurring Contractual Payments
Besides performing engagements, follow-ups, and special reviews, the Internal Audit department is also involved in other activities that supports the mission of the University, adds value to the University, and assists management in the effective discharge of their responsibilities and duties. A complete list of internal audit activities by category and the percentage of time expended on each category can be found in Appendix B. The following provides more detail of these activities:

INTERNAL AUDIT STRATEGY

The internal audit profession is undergoing a significant transformation. Issues facing the profession and risks confronting the University must be understood. Because of this transformation an effective internal audit strategy driven by the Standards for the Professional Practice of Internal Auditing is essential. Therefore, a five year internal audit strategy has been developed for the Office of Internal Audit for fiscal years 2003 through 2007. The Internal Audit Strategy along with the approximate and actual completion dates can be found in Appendix D. This is a dynamic document that may change as circumstances dictate.

For this period, the Office of Internal Audit has initiated a quality assurance review. This review is being performed by the Institute of Internal Auditors and should be completed by June, 2006. The objective of this review is to: (1) evaluate the efficiency and effectiveness of the internal audit activity, (2) offer potential “best practice” applications to improve efficiency and effectiveness of the internal audit function, and (3) determine compliance with the International Standards for the Professional Practice of Internal Auditing (Standards). Once the review has been completed a report will be issued outlining the results of the review.

CONSULTATIONS

Internal Audit provides consultation and management advisory services to administrative and academic units. For this period, we provided 20 consultations for a total of 167 hours or 6% of total auditor hours to a variety of departments. A complete list of consultations for this quarter can be found in Appendix C.

PROFESSIONAL DEVELOPMENT/TRAINING

The Internal Audit department is committed to continuing education. We continue to provide staff development and career counseling to all members of the Internal Audit team to ensure that each person is in the process of becoming certified in at least one audit-related discipline and can consistently provide the level of service expected by the University. For this quarter, the Internal Audit
REPORT OF OTHER INTERNAL AUDIT ACTIVITIES

team expended a total of 58 hours towards professional development, which includes on-line research, reading periodicals and textbooks, and attending training events.

COMMITTEES

It is very common and highly encouraged that internal auditors sit on key management and project committees as ad-hoc, non-voting members who participate in the meetings by offering commentary and insights. Hopefully, by building rapport with senior management, Internal Audit will be invited in the future to sit on key management committees. Currently, the Internal Audit department is represented on the following committees:

• Information Resources Coordinating Council
• Banner Steering Committee
• HIPAA Oversight Committee
• HIPAA Security Implementation Committee
• Brody School of Medicine Risk Management and Compliance Committee
• Chancellor’s Cabinet
• University Security Council

This concludes our report for the quarter ending March 31, 2006. If you should have any questions or comments, please contact the Office of Internal Audit at 252-328-9025.
## Appendix A
### Annual Audit Plan FY 2005-2006
#### As of 03/31/06

<table>
<thead>
<tr>
<th>Description</th>
<th>Management Requested</th>
<th>Budget Status</th>
<th>Actual Status</th>
<th>Budgeted Hours</th>
<th>% of Total</th>
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## Appendix A
### Annual Audit Plan FY 2005-2006
#### 3QFY06
As of 03/31/06

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<th>Description</th>
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<th>Actual Status</th>
<th>Budgeted Hours</th>
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A-2
### Internal Audit Activities

#### 3QFY06

01/01/06 - 03/31/06

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<th>Director Hours</th>
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<th>% of Total Hours</th>
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<td>2%</td>
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<td>43</td>
<td>9%</td>
<td>71</td>
<td>2%</td>
</tr>
<tr>
<td>Special Projects</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>1%</td>
<td>3</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2392</strong></td>
<td><strong>100%</strong></td>
<td><strong>470</strong></td>
<td><strong>102%</strong></td>
<td><strong>2862</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

(1) Currently Internal Audit does not have an Administrative Assistant dedicated to performing administrative duties such as ordering supplies, maintaining leave records, filing, etc. The staff auditors are currently performing these duties.
<table>
<thead>
<tr>
<th>SECTION</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>Vendor setup in Banner</td>
</tr>
<tr>
<td>BSOM</td>
<td>AP Check Log - Process Changes with Banner</td>
</tr>
<tr>
<td>EEO Office</td>
<td>Retrieval of email documents</td>
</tr>
<tr>
<td>Foundation</td>
<td>Petty Cash in Alumni office</td>
</tr>
<tr>
<td>Health Ed &amp; Promotion</td>
<td>Requested research subjects be paid with gift card to promote participation</td>
</tr>
<tr>
<td>ITCS</td>
<td>Banner Access Approval and Configuration</td>
</tr>
<tr>
<td>Server SLA Requirements</td>
<td></td>
</tr>
<tr>
<td>Materials Management</td>
<td>Departmental PO Copies - Retention</td>
</tr>
<tr>
<td>Parking &amp; Transportation</td>
<td>IRS collection deposit</td>
</tr>
<tr>
<td>Police Department</td>
<td>Void tickets for PowerPark and TickeTrak</td>
</tr>
<tr>
<td>Student Health Services</td>
<td>Application of Holiday and Leave Time on Timesheets</td>
</tr>
<tr>
<td>Student Services-Transit</td>
<td>Leave Time</td>
</tr>
<tr>
<td>Sys Coord and ITCS</td>
<td>Faculty/Staff Account Balances-referred to Human Resources</td>
</tr>
<tr>
<td>University Attorney</td>
<td>Open Records Request</td>
</tr>
<tr>
<td></td>
<td>Leave Record Issue regarding related employees</td>
</tr>
<tr>
<td></td>
<td>Transit buses use for US Power Squadron meeting</td>
</tr>
<tr>
<td></td>
<td>Access to Production Banner Database</td>
</tr>
<tr>
<td></td>
<td>Review of e-mails</td>
</tr>
</tbody>
</table>
## Appendix D
### Internal Audit Strategy Matrix
**FY 2003 - 2007**
**As of 03/31/06**

<table>
<thead>
<tr>
<th>Task Number</th>
<th>Action Plan</th>
<th>Status</th>
<th>Approximate Completion Date</th>
<th>Actual Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Develop and implement evaluation plan for the Chief Auditing Executive and Internal Audit Function.</td>
<td>Complete</td>
<td>2Q05</td>
<td>2Q05</td>
</tr>
<tr>
<td>2</td>
<td>Restructure Internal Audit department staff.</td>
<td>Complete</td>
<td>3Q05</td>
<td>3Q05</td>
</tr>
<tr>
<td>3</td>
<td>Revise Internal Audit Website.</td>
<td>Complete</td>
<td>3Q05</td>
<td>3Q05</td>
</tr>
<tr>
<td>4</td>
<td>Recruit an IT auditor.</td>
<td>Complete</td>
<td>3Q05</td>
<td>2Q05</td>
</tr>
<tr>
<td>5</td>
<td>Training in computer forensics and the evaluation of ENCASE along with the development of &quot;Incident Response&quot; policies and procedures.</td>
<td>Complete</td>
<td>1Q06</td>
<td>1Q06</td>
</tr>
<tr>
<td>6</td>
<td>Implement risk based audit plans. (Annual audit plan will be risk-based beginning July of 2005.)</td>
<td>Complete</td>
<td>1Q06</td>
<td>2Q06</td>
</tr>
<tr>
<td>7</td>
<td>Obtain internal stakeholders’ input on their expectations of the Internal Audit Department and build rapport with each group.</td>
<td>Ongoing</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>8</td>
<td>Request a system-wide restudy of internal audit positions by the Office of State Personnel in order to align these positions with private industry.</td>
<td>Active</td>
<td>1Q06</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Develop and implement a yearly Internal Audit Activities report.</td>
<td>Inactive</td>
<td>1Q06</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Develop and implement an internal quality assurance assessment for internal audit.</td>
<td>Active</td>
<td>1Q06</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Evaluate and implement audit automation software.</td>
<td>Inactive</td>
<td>2Q06</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Request a quality assurance review from an external source. (Should be performed every 5 years.)</td>
<td>Active</td>
<td>3Q06</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Strive to obtain the Institute of Internal Auditor’s Quality Improvement Award.</td>
<td>Inactive</td>
<td>4Q06</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Address the application of Sarbanes-Oxley</td>
<td>Active</td>
<td>4Q06</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Develop and implement fraud awareness plan for the University.</td>
<td>Inactive</td>
<td>1Q07</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Implement internal control guide and provide internal control training to business units.</td>
<td>Inactive</td>
<td>1Q07</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Develop and implement customer satisfaction surveys.</td>
<td>Complete</td>
<td>2Q03</td>
<td>2Q03</td>
</tr>
<tr>
<td>18</td>
<td>Develop and implement project tracking system.</td>
<td>Complete</td>
<td>3Q03</td>
<td>3Q03</td>
</tr>
<tr>
<td>19</td>
<td>Develop and implement workpaper standards.</td>
<td>Complete</td>
<td>3Q03</td>
<td>3Q03</td>
</tr>
<tr>
<td>20</td>
<td>Implement the software package ACL along with utilization of Date Warehouse.</td>
<td>Complete</td>
<td>3Q03</td>
<td>3Q03</td>
</tr>
</tbody>
</table>
## Appendix D
### Internal Audit Strategy Matrix
#### FY 2003 - 2007
##### As of 03/31/06

<table>
<thead>
<tr>
<th>Task Number</th>
<th>Action Plan</th>
<th>Status</th>
<th>Approximate Completion Date</th>
<th>Actual Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>21</td>
<td>Group membership to the Institute of Internal Auditors (IIA) for the Internal Auditing (IA) staff. (Membership renewal required each year.)</td>
<td>Complete</td>
<td>3Q03</td>
<td>3Q03</td>
</tr>
<tr>
<td>22</td>
<td>Develop and implement follow-up tracking mechanism to ensure recommendations are implemented timely and accurately.</td>
<td>Complete</td>
<td>4Q03</td>
<td>4Q03</td>
</tr>
<tr>
<td>23</td>
<td>Develop and implement a quarterly internal audit activities report.</td>
<td>Complete</td>
<td>1Q04</td>
<td>1Q04</td>
</tr>
<tr>
<td>24</td>
<td>Change reporting structure of Internal Audit Department to report functionally to the Audit Committee of ECU Board of Trustees and administratively to the Chancellor.</td>
<td>Complete</td>
<td>2Q04</td>
<td>2Q04</td>
</tr>
<tr>
<td>25</td>
<td>Revise the current Internal Audit Charter to reflect the new definition of Internal Audit and the reporting structure.</td>
<td>Complete</td>
<td>2Q04</td>
<td>2Q04</td>
</tr>
<tr>
<td>26</td>
<td>Develop and implement an Audit Committee Charter.</td>
<td>Complete</td>
<td>2Q04</td>
<td>2Q04</td>
</tr>
<tr>
<td>27</td>
<td>Change the title of department from &quot;Office of the Internal Auditor&quot; to &quot;Office of Internal Audit and Management Advisory Services.&quot;</td>
<td>Complete</td>
<td>2Q04</td>
<td>2Q04</td>
</tr>
<tr>
<td>28</td>
<td>Implement Institute of Internal Auditor's Professional Practices Framework. (Annual review of compliance required each year.)</td>
<td>Complete</td>
<td>3Q04</td>
<td>4Q04</td>
</tr>
<tr>
<td>29</td>
<td>Develop and implement Internal Audit Activities Manual.</td>
<td>Complete</td>
<td>4Q04</td>
<td>4Q04</td>
</tr>
<tr>
<td>30</td>
<td>Revise audit reporting formats and evaluate the potential to deliver reports electronically.</td>
<td>Complete</td>
<td>3Q04</td>
<td>4Q04</td>
</tr>
<tr>
<td>31</td>
<td>Encourage professional development among staff members by attending local IIA sponsored meetings, reading internal auditing publications, and attending conferences and seminars.</td>
<td>Ongoing</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>32</td>
<td>Market the services provided by the Internal Audit department through presentations and brochures.</td>
<td>Ongoing</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>33</td>
<td>Continuously review industry best practices as it relates to Internal Audit and determine if applicable to the University.</td>
<td>Ongoing</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>34</td>
<td>Encourage staff to obtain a certified/professional designation such as CIA, CPA, CISA, or CFE.</td>
<td>Ongoing</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>
POSSIBLE SEPARATE AUDIT COMMITTEE
Executive and Audit Committee
May 5, 2006

Background:

- Situations at the UNC School of the Arts led to a 2005 BOG best financial practices task force.
- That task force recommended formation of a separate BOG audit committee.
- That BOG committee has now been formed (see BOG committee charter attached)
- That task force made Trustee committee-related recommendations (see attachment)
- At the February meeting, Trustees agreed to consider a separate BOT audit committee.

Recommendation:

Because ECU has been a leader in establishing proper reporting lines to the Trustees for internal auditing, because of the leadership shown by the Board of Governors in its task force recommendations and in forming its own audit committee, because of the national climate regarding best accounting practices (Sarbanes-Oxley), because of the basic fiduciary responsibility of the Board of Trustees to ensure compliance with General Statutes 116-30.2, 116-30.4, and 143-53.1 and to ensure an effective and independent internal audit function regarding which Trustees have understanding and oversight, the Administration recommends your study of background Attachments A, B and D and your review and discussion of Attachments C and E for any appropriate revisions and additions in preparation for final action on these matters at the July Trustee meeting.

Attachments:

A: Appendix U of the BOG February, 2006 Minutes: BOG Audit Committee Charter
B: BOG Financial Practices Task Force Recommendations
C: Draft ECU Trustee By-laws Revisions
D: Current ECU BOT Audit Committee Charter
E: Draft revised ECU Audit Committee Charter
Audit Committee Charter of the University of North Carolina Board of Governors

I. Background

All constituent institutions of the University of North Carolina, including UNC General Administration, are required by State law to have their financial audit conducted by the North Carolina Office of the State Auditor. Historically, the Office of the State Auditor has not performed non-audit services, including those prohibited by the Sarbanes-Oxley Act. The Office of the State Auditor determines staff assignments for individual audits, including rotation of Audit Managers for each audit client.

II. Purpose

To assist the UNC Board of Governors in fulfilling its responsibilities related to: ensuring that each constituent institution has an effective and independent internal audit function; ensuring that each constituent institution has an appropriate focus on ethical standards; ensuring compliance with General Statute 116-30.1; and ensuring compliance with UNC Board of Governors mandated requirements related to University-Affiliated Entities.

III. Organization

The Audit Committee shall be a standing committee of the UNC Board of Governors. The Chairman of the Board of Governors will select members of the Committee. There shall be a minimum of six (6) members. Each Committee member must be independent of management and free of any relationship that would impair such independence. Members may not receive consulting, advisory, or other fees from any of the constituent institutions or UNC General Administration.

If practicable, at least one member of the Committee should be a financial expert. A financial expert is someone who has an understanding of generally accepted accounting principles and financial statements, preferably relative to higher education; experience in applying such principles; experience in preparing, auditing, analyzing, or evaluating financial information; experience with internal controls and procedures for financial reporting; or an understanding of the audit committee function. If feasible, the role of financial expert will be rotated on an annual basis.

IV. Meetings

The audit committee shall meet no fewer than four (4) times a year. The Committee will invite representatives of the constituent institutions, external and internal auditors, representatives of the Office of the State Auditor, legal counsel, and others to attend the meetings and to provide pertinent information as requested.
V. **Duties and Responsibilities**

The following shall be the principal duties and responsibilities of this Committee:

- Monitor the internal control, management staffing, and audit finding resolution requirements set out in General Statute 116.30.1.

- Review the annual financial audits of the constituent institutions and other significant audit related communications from the State Auditor’s Office or other external audit groups.

- Request an annual overview from the State Auditor or a designated representative.

- Review and approve an annual summary of the internal audit plans submitted by each constituent institution’s and UNC General Administration’s Director of Internal Audit.

- Review an annual summary of the work performed by the Audit Committee of each institution’s Boards of Trustees. This summary should incorporate a summary report of the audits, reviews, investigations or special assignments completed by each constituent institution’s and UNC General Administration’s internal audit department. This report should also contain identified material reportable conditions and how they were resolved.

- Be available to meet during the year with the State Auditor or his staff for consultation purposes or to discuss the Auditor's judgments about the quality, not just the acceptability, of any accounting principles and underlying estimates in the preparation of a constituent institution’s or UNC General Administration’s financial statements.

- Serve as the Audit Committee for the UNC General Administration Internal Auditor.

- Review an annual report on University-Affiliated Entities.

- Develop and maintain a system-wide code of ethics.

- Participate, when necessary, in training sessions related to system-wide internal controls and internal/external audit issues.

- Request, as needed, that the State Auditor rotate the Audit Manager assigned to a constituent institution or UNC General Administration financial statement audit.

- Consult with the UNC General Administration Legal Counsel to review any legal matters that may have a significant impact on a constituent institution’s or UNC General Administration’s financial statements, overall financial performance, or compliance with applicable state, local or federal statutes.
ATTACHMENT 1

The Committee may modify or supplement these duties and responsibilities as needed.

The Committee shall have the authority to engage, in accordance with state rules and regulations, independent counsel or other advisors as necessary to carry out its duties. UNC General Administration shall provide appropriate funding, as determined by the Committee, for payment to advisors employed by the Committee.

The Committee, with the assistance of the appropriate Vice President, should periodically review and assess the adequacy of the Audit Committee Charter.
The Task Force on Best Financial Practices makes the following recommendations.

**Establishment of a Board of Governors’ Audit Committee**

The Board of Governors should form a permanent Audit Committee that would meet four times a year. The Audit Committee must contain at least one member with significant financial knowledge and experience. The Audit Committee would be responsible for the following.

- Developing and maintaining a system-wide code of ethics. The Audit Committee should ensure that each constituent institution annually reminds each employee of the code of ethics and provides continuing education to ensure adherence to ethical standards.
- Developing a charter to define roles and responsibilities.
- Reviewing the annual financial reports prepared by the State Auditor for each of the sixteen constituent institutions and affiliated entities of the University.
- At the beginning of the audit cycle, reviewing and approving a summary of the annual internal audit plans for the sixteen constituent institutions and providing guidance, through the Vice President for Finance, to campus internal auditors on specific issues that should be incorporated in their audit programs.
- Reviewing an annual summary of the work performed by the Audit Committees of the institutional Boards of Trustees, including a report of the work of the campus internal auditor which indicates any identified material reportable conditions and how they were addressed.
- Reviewing an annual report on University-associated entities.
- Reviewing an annual financial report for the entire University.
- Meeting with the State Auditor or a designated representative annually.
- Participating in training sessions to better understand aspects of University finances.

**Audit Committees of Boards of Trustees**

The Task Force on Best Financial Practices recommends that the Board of Governors require that each campus Board of Trustees have an active Audit Committee, or alternatively a committee with the word “audit” in its title, that reports to the Board of Trustees and the Board of Governors annually on its activities. This Committee would be responsible for the following.

- Meeting with representatives of the State Auditor’s office to review the institution’s annual audit report and discuss corrective actions if needed.
- Reviewing audit reports of University-associated Entities.
- Receiving quarterly reports from the University’s internal auditor.
- The internal auditor will report to the chancellor but will also have a reporting relationship to the chair of the Audit Committee to enable the auditor to freely discuss professional issues with the Committee chair.
- Developing a charter to define roles and responsibilities. One of the responsibilities is the assurance that the institution is performing self assessments of operating risks and evaluations of internal controls on a regular basis.
- Internal audit functions will be carried out in a way that meets professional standards.
- At the beginning of the audit cycle, reviewing and approving a summary of the annual internal audit plan for the campus. At the end of the cycle, reviewing a comparison of the plan advanced to the internal audits performed.
- Prepare and forward to the Board of Governors an annual summary of the work performed by the Audit Committee, including a report of the work of the campus internal auditor which indicates any identified material reportable conditions and how they were addressed.

It will be the responsibility of the Board of Governors to insure that trustee appointments on each campus include individuals who understand financial data and can serve on the Audit Committee.

University-associated Entities
An internal working group with representatives from six campuses and the Office of the President has, under the leadership of Vice President and General Counsel Leslie Winner, drafted a set of required elements that should exist in the relationships between the University and university-associated entities. The Task Force on Best Financial Practices endorses the work of this internal working group and recommends that the President issue regulations to ensure that the constituent institutions adhere to the required elements (Attachment A).

Background Checks for Senior Officers
The Task Force on Best Financial Practices believes that senior officers in the university should be offered positions contingent upon successful criminal background investigations. Campuses should adopt guidelines to prevent them from hiring senior officers whose background indicates that they cannot be relied on to maintain the fiscal integrity of the institution.

Personal Loans
The Task Force on Best Financial Practices believes that neither campuses nor university-associated entities should make personal loans to trustees or executive officers regardless of the funding source. Any loans to other employees should only be from funds restricted for that purpose by donors. Loans to employees should be monitored by the Chief Financial Officer of the campus even if the loan is from a University-Associated Entity.
Section 103. Committees. The Board of Trustees shall create the following standing committees and shall delegate to such committees the power and duties enumerated:

A. EXECUTIVE AND AUDIT COMMITTEE. The Executive and Audit Committee shall be composed of the Chair, the Vice Chair, the Secretary and three (3) other members of the Board appointed by the Chair.

The Committee shall meet upon the call of the Chair, and a majority of the members of the Executive and Audit Committee shall constitute a quorum for the transaction of business.

The Chancellor shall consult with the Executive and Audit Committee on appointments of all Vice Chancellors, and other senior administrators as defined by the Board of Governors, and, in addition, on appointments of the Director of Athletics and the head coaches of basketball and football. The Executive and Audit Committee shall make its recommendations to the full Board concerning the Chancellor’s proposed appointments for such positions and on all personnel matters which require action by the Board of Governors. However, the Executive and Audit Committee may act for the Board between meetings of the Board with regard to recommendations from the Chancellor for the appointment of faculty and staff which require approval of the Board of Governors, and the approval of degree candidates recommended by the faculty and Chancellor. In addition, between meetings, the Committee may act for the Board in emergency situations when the Chancellor and the Chair jointly decide that it is impracticable for the full Board to act. The Executive and Audit Committee, however, cannot take any action which is inconsistent with the existing policies of the Board of Governors or the Board of Trustees.

The Chancellor shall also consult annually with the Executive and Audit Committee at the Board’s October meeting concerning East Carolina University’s efforts to assure the adequacy of management staff and the existence of sufficient fiscal controls to administer additional authorities authorized under G.S. 116-30.2, 116-30.4, and 143-53.1.

Minutes of the meetings of the Executive and Audit Committee shall be distributed promptly after each meeting to each member of the Board of Trustees. Further, the Committee shall report on all meetings and actions taken by it to the full Board at regular meetings.
PROPOSED REVISIONS FOLLOW:

Paragraph 4 of the current Executive and Audit Committee section would be deleted and made the last paragraph of the newly written Audit Committee section, which could be called B (see below), with all other committee letters being advanced by one throughout this section.

B. AUDIT COMMITTEE. The Audit Committee shall be composed of the Chair, the Vice Chair, and the Secretary and three (3) other members of the Board appointed by the chair. If practicable, at least one member of the Committee should be a financial expert. A financial expert is someone who has an understanding of generally accepted accounting principles and financial statements.

The duties and responsibilities of the Committee are: meeting with representatives of the State Auditor’s office to review the institution’s annual audit report and discuss corrective actions if needed; reviewing audit reports of University-associated entities; receiving quarterly reports from the University’s internal auditor, developing a charter to define roles and responsibilities, including the assurance that the institution is performing self assessments of operating risks and evaluations of internal controls on a regular basis; assuring that internal audit functions will be carried out in a way that meets professional standards; at the beginning of the audit cycle, reviewing and approving a summary of the annual internal audit plan for the campus; at the end of the cycle, reviewing a comparison of the plan advanced to the internal audits performed; preparing and forwarding to the Board of Governors an annual summary of the work performed by the Audit Committee, including a report of the work of the campus internal auditor which indicates any identified material reportable conditions and how they were addressed.

The internal auditor will report to the chancellor but will also have a reporting relationship to the chair of the Audit Committee to enable the auditor to freely discuss professional issues with the Committee chair.

The Committee shall meet upon the call of the Chair and a majority of the members of the Audit Committee shall constitute a quorum for the transaction of business. The Committee shall meet no fewer than four (4) times a year.

The Chancellor shall consult with the Audit Committee regularly concerning all matters related to the Committee’s responsibilities and annually at the Board’s fall meeting concerning East Carolina University’s efforts to assure the adequacy of management staff and the existence of sufficient fiscal controls to administer additional authorities authorized under G.S. 116-30.2, 116-30.4, and 143-53.1.
Audit Committee Charter

Purpose
The primary purpose of the Audit Committee is to assist the Board of Trustees in fulfilling its oversight of the university system of internal control, the audit process, compliance with laws and regulations, and accounting practices.

Committee Membership
The Audit Committee will consist of the Chairman, Vice Chairman, Secretary, and three other members of the Board of Trustees.

Meetings
The Audit Committee will meet at least four times a year and hold additional meetings, as circumstances require. The committee will invite members of management, auditors, legal counsel, and others to attend meetings and provide pertinent information as necessary. It will also hold private meetings with the Director of Internal Audit if deemed necessary. Meeting agendas will be prepared and provided in advance to committee members, along with appropriate briefing materials. Minutes of the meeting will be maintained.

Responsibilities
Responsibilities of the Audit Committee will include the following:

- Approve the annual internal audit plan and monitor progress quarterly.
- Review and accept internal audit reports when issued.
- Periodically review and revise the internal audit charter as needed.
- Confirm and assure the independence of the internal audit function.
- Review and concur in the appointment, replacement, or dismissal of the Director of Internal Audit and the compensation package.
- Review and assure the internal audit function has appropriate budget and staff resources.
- Meet privately with the Director of Internal Audit as deemed necessary.
- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors’ Standards for the Professional Practice of Internal Auditing.
- Resolve disagreements between internal audit and management concerning audit findings and recommendations.

Approved by Board of Trustees 10/24/03
East Carolina University
Draft Audit Committee Charter
05/05/06

Background

All constituent institutions of the University of North Carolina (UNC) are required by State law to have their financial audit conducted by the North Carolina Office of the State Auditor. Historically, the Office of the State Auditor has not performed non-audit services, including those prohibited by the Sarbanes-Oxley Act. The Office of the State Auditor determines staff assignments for individual audits, including rotation of Audit Managers for each audit client.

Purpose

To assist the East Carolina University Board of Trustees in fulfilling its oversight responsibilities for (1) the integrity of the University’s financial statements, (2) the University’s compliance with legal, regulatory, and ethical requirements, (3) the performance of the University’s internal audit function, and (4) the University’s compliance with the Best Financial Practices Guidelines adopted by the UNC Board of Governors in November of 2005.

Organization

The Audit Committee shall be a standing committee of the ECU Board of Trustees and will consist of the Chairman, Vice Chairman, Secretary and three other members of the ECU Board of Trustees. Each Committee member must be independent of management and free of any relationship that would impair such independence.

If practicable, at least one member of the Committee should be a financial expert. A financial expert is someone who has an understanding of generally accepted accounting principles and financial statements; experience in applying such principles; experience in preparing, auditing, analyzing, or evaluating financial information; experience with internal controls and procedures for financial reporting; and an understanding of the audit committee function. If feasible, the role of financial expert will be rotated on an annual basis.

Meetings

The audit committee shall meet at least four times a year and hold additional meetings as circumstances require. The Committee will invite representatives of management, auditors, legal counsel, and others to attend meetings and provide pertinent information as necessary. It will also hold private meetings with the Director of Internal Audit if deemed necessary. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes of the meetings will be prepared.
Duties and Responsibilities

The following shall be the principal duties and responsibilities of this Committee:

Per UNC-BOG:

- Meet at least quarterly during the year.
- Review the results of the annual financial audit with the North Carolina State Auditor or his designated representative.
- Discuss the results of any other audit performed and report/management letter (i.e. information system audits, investigative audits, etc.) issued by the North Carolina State Auditor with either the State Auditor or his staff, the Director of Internal Audit, or appropriate campus official.
- For any audit finding contained within a report or management letter issued by the State Auditor, review the institution’s corrective action plan and receive a report once corrective action has taken place.
- Discuss the results of any audit performed by independent auditors and, if there were audit findings, review the institution’s corrective action plan and receive a report once corrective action has taken place.
- Review all audits and management letters of University Associated Entities as defined in section 600.2.5.2[R] of the UNC Policy Manual.
- Receive quarterly reports from the Director of Internal Audit that, at a minimum, reports material (significant) reportable conditions, the corrective action plan for these conditions and a report once these conditions have been corrected.
- The Director of Internal Audit reports to the Chancellor with a clear, recognized reporting relationship to the chair of the BOT Audit Committee.
- Receives, reviews, and approves the annual audit plan for the internal audit department, which is based upon the results of an institutional risk assessment, testing of internal controls and audits as outlined by the UNC General Administration. The audit tests or worked required by UNC-GA includes:
  - A review of the Internal Control Questionnaire issued by the North Carolina Office of the State Controller and completed by the divisional and departmental managers.
  - An audit of institutional flexibility expenditures for the year and a report forwarded to the Chancellor for their review.
  - Audit work related to compliance with the misuse of state property statute (G.S. 114-15.1).
  - Some level of testing of institutional compliance with state and federal rules and regulations.
  - Some level of testing of receipts and expenditures.
  - Some level of testing of information and network systems general internal controls.
- Ensure that all internal audits were conducted in accordance with professional standards.
• Receive and review an annual summary of audits performed by the internal audit department.
• Forward copies of both the approved audit plan and summary of internal audit results to UNC General Administration in the prescribed format.

Other:
• Review and concur in the appointment, replacement, or dismissal of the Director of Internal Audit and the compensation package.
• Meet privately with the Director of Internal Audit as deemed necessary.
• Review and assure the internal audit function has appropriate budget and staff resources.
• Review and accept internal audit reports when issued.
• Periodically review and revise the internal audit charter as needed.
• Resolve disagreements between internal audit and management concerning audit findings and recommendations.

The Committee, with the assistance of the Director of Internal Audit should periodically review and assess the adequacy of the Audit Committee Charter.
# East Carolina University

**Policy & Procedure Statement**

<table>
<thead>
<tr>
<th>SUBJECT</th>
<th>RETRIEVAL NO.</th>
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</thead>
<tbody>
<tr>
<td>Automoble Policy</td>
<td>Approved by Executive Council 5/17/2005</td>
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<table>
<thead>
<tr>
<th>POLICY STATEMENT</th>
<th>POLICY DESCRIPTION</th>
</tr>
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<tbody>
<tr>
<td>Business and Finance</td>
<td>Automobile Policy and Allowances</td>
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<table>
<thead>
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<th>ORIGINATION DATE</th>
</tr>
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<tbody>
<tr>
<td>May 17, 2005</td>
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<table>
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<tr>
<th>ORIGINATOR</th>
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<tr>
<td>Financial Services</td>
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<tr>
<th>ISSUE DATE</th>
<th>SUPERCEDES NO.</th>
<th>PAGE</th>
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<tr>
<td>July 1, 2005</td>
<td></td>
<td>1 of 2</td>
</tr>
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</table>

## I. Purpose:

To establish a comprehensive automobile policy for East Carolina University, its Colleges, departments, and affiliated organizations in accordance with Section J of East Carolina University's Plan for Management Flexibility to Appoint and Fix Compensation, entitled "East Carolina University Policy on Non-Salary Compensation for Employees Exempt from the State Personnel Act (hereinafter referred to as "ECU Non-Salary Compensation Policy")."

## II. Automobile Allowances:

The automobile allowance for the Chancellor must be approved by the President and the allowance for Vice Chancellors must be approved by the Chancellor and the ECU Board of Trustees.

Associate Vice Chancellors, Deans, Foundation Presidents, and other designated staff who routinely travel representing the university and its affiliated organizations may also receive an allowance in accordance with the ECU Non-Salary Compensation Policy.

The automobile allowance will be based on the typical monthly lease payment for a fleet vehicle, plus insurance and taxes. A mileage allowance will be included to eliminate the need to keep a mileage log. The allowance will be adjusted to cover incremental tax liability. The allowance will be paid in equal semi-monthly installments via payroll. An attached schedule shows the recommended car allowance rates. (These rates will be periodically reviewed and adjusted). Funding for automobile allowances is to be made from Institutional Trust Funds or Foundation accounts. Any exceptions to the allowances on this schedule must be approved by the Vice Chancellor of Administration and Finance, the Chancellor and, when appropriate, by the Board of Trustees.
III. Leased or Purchased Vehicles:

The University, its colleges, departments, organizations, and foundations may not lease or purchase a passenger vehicle for the use of any individual or group of employees who travel on university business. Passenger vehicles to support athletics or other university programs may be an exception to this policy, with the prior written approval of the Vice Chancellor of Administration and Finance.

IV. Motor Pool Vehicles:

Associate Vice Chancellors, Deans, Foundation Presidents, and other key employees who routinely travel at least 1,000 miles per month may have a vehicle from the motor pool assigned to them for their business travel, with the prior written approval of the appropriate Vice Chancellor, with a copy to the Vice Chancellor for Administration and Finance.

V. Courtesy Cars

Car dealers often support University affiliated organizations through ECU affiliated Foundations by providing courtesy cars. Each employee receiving a courtesy car must establish a written reasonable basis for needing the car and the appropriate Vice Chancellor must approve it in writing with a copy to the Vice Chancellor for Administration and Finance. It is understood that the Pirate Club has a courtesy car program established with certain Pirate Club donors and that this program will continue. In all cases, employees will be required to maintain a mileage log for reimbursement of travel miles, and for the determination of business and personal miles traveled, for IRS reporting requirements.
EAST CAROLINA UNIVERSITY
AUTOMOBILE ALLOWANCE RATES
(Effective July 1, 2005)

**AUTOMOBILE ALLOWANCE RANGES:**

<table>
<thead>
<tr>
<th>ALLOWANCE RANGE</th>
<th>FOR</th>
<th>MILES</th>
<th>AUTOMOBILE ALLOWANCE RATES</th>
<th>MILEAGE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>Chancellor</td>
<td>10,000</td>
<td>$10,127</td>
<td>$1,200</td>
<td>$11,327</td>
</tr>
<tr>
<td>67%</td>
<td>Vice Chancellors</td>
<td>5,000</td>
<td>$6,785</td>
<td>$600</td>
<td>$7,385</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10,000</td>
<td>$6,785</td>
<td>$1,200</td>
<td>$7,985</td>
</tr>
<tr>
<td>50%</td>
<td>Assoc Vice Chancellors</td>
<td>5,000</td>
<td>$5,064</td>
<td>$600</td>
<td>$5,664</td>
</tr>
<tr>
<td></td>
<td>Deans and</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Foundation Presidents</td>
<td>10,000</td>
<td>$5,064</td>
<td>$1,200</td>
<td>$6,264</td>
</tr>
<tr>
<td>33%</td>
<td>Develop Officers</td>
<td>5,000</td>
<td>$3,342</td>
<td>$600</td>
<td>$3,942</td>
</tr>
<tr>
<td></td>
<td>&amp; Selected Staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>10,000</td>
<td>$3,342</td>
<td>$1,200</td>
<td>$4,542</td>
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**BASIS FOR AUTOMOBILE ALLOWANCE:**

<table>
<thead>
<tr>
<th></th>
<th>CROWN VICTORIA LEASE</th>
<th>PLUS MILEAGE 5,000 MI</th>
<th>PLUS MILEAGE 10,000 MI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Lease</td>
<td>$6,115</td>
<td>$*2.10/gal</td>
<td>$25 mi/gal</td>
</tr>
<tr>
<td>Insurance</td>
<td>$676</td>
<td>$=0.084/mi</td>
<td></td>
</tr>
<tr>
<td>License</td>
<td>$45</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax</td>
<td>$251</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Cost</td>
<td>$7,087</td>
<td>$420</td>
<td>$840</td>
</tr>
<tr>
<td>30% Tax Gross-up</td>
<td>$3,040</td>
<td>$180</td>
<td>$360</td>
</tr>
<tr>
<td>Allowance Amount</td>
<td>$10,127</td>
<td>$600</td>
<td>$1,200</td>
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## Proposed Automobile Allowances

**Effective January 1, 2005**

<table>
<thead>
<tr>
<th>Employee</th>
<th>New Rate</th>
<th>Former Rate</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vice Chancellor Moore</td>
<td>7,321</td>
<td>0</td>
<td>7,321</td>
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</table>

**Effective July 1, 2005**

<table>
<thead>
<tr>
<th>Employee</th>
<th>New Rate</th>
<th>Former Rate</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chancellor Ballard</td>
<td>11,327</td>
<td>10,632</td>
<td>695</td>
</tr>
<tr>
<td>Vice Chancellors Moore</td>
<td>7,385</td>
<td>7,321</td>
<td>64</td>
</tr>
<tr>
<td>Seitz</td>
<td>7,385</td>
<td>0</td>
<td>7,385</td>
</tr>
<tr>
<td>Sheerer</td>
<td>7,385</td>
<td>0</td>
<td>7,385</td>
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</table>

Note: The Chancellor’s allowance is based on 10,000 miles per year. The Vice Chancellors’ are based on 5,000 miles per year.
MEMORANDUM

TO: ECU Board of Trustees
FROM: Steve Ballard
        Chancellor
DATE: May 5, 2006
RE: Employment of Related Persons at East Carolina University

The Board of Governors policy on the UNC Employment of Related Persons requires that I report annually to the Board of Trustees at a time close to spring commencement East Carolina University’s compliance with this policy.

The policy requires that no family member be supervised by another family member. We are required to attest to the fact that either we have no such supervisory relationships or, if such supervisory relationships exist in any office, that alternative supervisory arrangements were arranged immediately.

East Carolina University is in compliance with this policy.