



THE UNIVERSITY
of NORTH CAROLINA
at CHAPEL HILL

INTERNAL AUDIT
DEPARTMENT

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October 23, 2012

Dr. Holden Thorp, Chancellor
Campus Box 9100
South Building

Dear Dr. Thorp:

We have completed a review of expenses for the former Vice Chancellor for University Advancement and former Major Gifts Officer for Student Affairs and of other matters related to foundation credit cards used by those fundraisers. We initiated this review at your request after questions arose about travel by these two individuals. Our procedures included a review of applicable policies, evaluation of processes related to credit cards, examination of expenses incurred by these individuals and of documents supporting these expenses, and discussions with senior management about these expenses and the Office of University Development's (Development) financial practices. The period of our review was December 2008 to September 2012.

Based on the procedures we performed, we were able to identify and confirm the business purpose of most expenses incurred by these individuals and conclude that most were appropriate. However, we found approximately \$17,000 in expenses incurred between September 2009 and May 2012 for which a sufficient business purpose could not be established and which were not reimbursed at the time the expenses were incurred. All of the questioned expenses were incurred by the former Vice Chancellor for University Advancement, all were charged to funds belonging to The University of North Carolina at Chapel Hill Foundation, Inc., and all have been repaid. Refer to Attachment A for additional details.

We found a foundation policy stating that "incidental personal use of the credit cards is allowed, but only when the use facilitates payment of a joint expense..." and that "personal use should be reimbursed as soon as possible." However, it appeared that some cardholders may have assumed that, in general, personal use of the card was acceptable as long as the charges were reimbursed promptly. Our transaction review showed that several cardholders, including these two individuals, had reimbursed charges to their credit cards soon after these charges were made. (Charges reimbursed when incurred are excluded from the questioned cost amount.). This policy has been changed so that personal charges to these credit cards are no longer allowed under any circumstances.

In addition, we found that Development's expenditures were not being reviewed by a manager or, in the case of the Vice Chancellor for University Advancement, by someone outside of Development. We recommend that someone who has knowledge of Development activities review Development's expenditures before they paid. We have been advised that a new process requires the Vice Chancellor for University

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Advancement to review and approve Development expenses and the Chancellor or his designee to review and approve fundraising expenses for the Vice Chancellor for University Advancement before these expenses are paid.

We believe that no further audit work is necessary at this time. We will follow-up to determine the status of the issues identified about in a future review. If you have questions, please call me at 919-962-7883.

Sincerely,



Phyllis C. Petree

Director of Internal Audit

c: Karol Kain Gray
Julia Grumbles
Erin Schuettpelz
Leslie Chambers Strohm
UNC-CH Board of Trustees
UNC General Administration
Council of Internal Audit

Attachment

Attachment A
Development Review - Questioned Costs
September 2009 to May 2012

Date	Destination	Nature of Expenses	Questioned Amount
September 2009	Boston, MA	gift shop purchase	\$ 4.90
December 2009	New York, NY	airfare	216.20
January 2010	Pasadena, CA	airfare upgrade and airport parking	94.00
March 2010	New Orleans, LA	airfare, rebooking, ground transportation, meals, airport parking	1,330.26
July 2010	Nags Head, NC	airfare and rental car	2,180.18
December 2010	Louisville, KY	airfare and pilot expenses	2,411.42
January 2011	New York, NY	airfare and ground transportation	2,314.00
February 2011	South Bend, IN	airfare and fees	395.90
February 2011	Morgantown, WV	airfare and ground transportation	1,254.22
February 2011	South Bend, IN	airfare and fees, ground transportation, and airport parking	1,359.16
March 2011	New York, NY	portion of costs of lodging, airfare, and meals	2,676.62
March 2011	Charlotte, NC	airfare and ground transportation	980.40
April 2011	Chicago & South Bend	ground transportation and airport parking	156.51
August 2011	Wilmington, NC	airfare	393.60
various	various	meals not tied to business purpose	1,134.47
various	n/a	unidentified iTune Store and Amazon purchases	71.26
			\$ 16,973.10