The Board of Trustees of The University of Alabama met in Moonlight Ballroom A&B in The Battle House Renaissance Hotel & Spa in Mobile on June 17, 2011. Trustee Finis E. St. John IV chaired the meeting. Michael A. Bownes served as Secretary.

On roll call, the following Trustees were present:

The Honorable Angus R. Cooper II, Trustee from the First Congressional District

The Honorable Marietta M. Urquhart, Trustee from the First Congressional District

The Honorable Joseph C. Espy III, Trustee from the Second Congressional District

The Honorable W. Davis Malone III, Trustee from the Second Congressional District

The Honorable Vanessa Leonard, Trustee from the Third Congressional District

The Honorable James W. Wilson III, Trustee from the Third Congressional District

The Honorable Finis E. St. John IV, Trustee from the Fourth Congressional District

The Honorable William Britt Sexton, Trustee from the Fourth Congressional District

The Honorable Ronald W. Gray, Trustee from the Fifth Congressional District

The Honorable Joe H. Ritch, Trustee from the Fifth Congressional District
The Honorable Paul W. Bryant, Jr., Trustee from the Sixth Congressional District

The Honorable John J. McMahon, Jr., Trustee from the Sixth Congressional District

The Honorable Karen P. Brooks, Trustee from the Seventh Congressional District

The Honorable John H. England, Jr., Trustee from the Seventh Congressional District

The Honorable Andria Scott Hurst, Trustee from the Seventh Congressional District

The following Trustees were unable to attend:

The Honorable Robert Bentley, Governor

The Honorable Dr. Joseph B. Morton, State Superintendent of Education

The meeting also was attended by: UA System Chancellor and UAHuntsville Interim President Malcolm Portera; UA President Robert E. Witt; UAB President Carol Z. Garrison; staff members from the Office of the Chancellor, the three campuses, and the UAB Health System. Also in attendance were Student Representatives to the Board of Trustees Grant Cochran from UA and Ravi Patel from UAHuntsville. Faculty Representatives to the Board in attendance were Dr. Clark Midkiff from UA and Dr. Jennifer M. English from UAHuntsville.

Kellee Reinhart, Vice Chancellor for System Relations, introduced media representatives Jonathan Reed from The Crimson White, Wayne Grayson from The Tuscaloosa News, and Rena Havener Phillips from The Mobile Press Register.
Chairman St. John thanked everyone for their attendance and said today we convene in the city of Mobile for the first time in this Board’s history. We are here to renew and strengthen the bonds our three universities have in this beautiful and important part of the state. At UA, UAB, and UAHuntsville, we currently enroll almost 2,400 students from Mobile and Baldwin Counties, and we have almost 15,000 living alumni in those two counties.

The first medical college in the state, which later became The University of Alabama School of Medicine, began in 1859 in Mobile as the Alabama College of Medicine. He said that Trustee Cooper would provide some historical background on that in a few minutes.

Chairman St. John went on to say that in 1941 the University opened what was called The University of Alabama Center in Mobile, an extension service which eventually served as many as 1,500 students each year who were working toward their degrees from The University of Alabama. The Center closed in 1964, and a number of administrators went on to lead the newly created University of South Alabama.

Many students in our System from Mobile and Baldwin Counties have gone on to become great leaders in the state, too many to mention. Many outstanding student-athletes from this area have participated on the university teams at our three schools and will into the future. In fact, Coach Bryant’s first game as head coach of The University of Alabama took place in Mobile in 1958 against LSU on a day that will always be remembered as the game when the bleachers fell down.
Over the years, we have benefitted from the service of some of our finest Trustees from this area. Congressman Jack Edwards was President pro tem of this Board and served from 1988-1999; Ollie Delchamps was a Trustee from 1983-2003; the late Massey Bedsole from 1979-1988; Daniel T. McCall, Jr., from 1965-1979; and during a tenure when it is fairly clear that the current term limits was not in effect, Gessner T. McCorvey served from 1923-1965, for a period of 42 years as a member of this Board of Trustees.

Chairman St. John went on to say today we benefit from the service of two great citizens of this area, Angus Cooper and Marietta Urquhart. We are honored to be here for this meeting. While this event may not rank with Lafayette’s visit to Mobile in 1825, we hope it will be as meaningful to the citizens of Mobile as it is to us.

He then recognized Trustee Angus Cooper for his remarks.

Trustee Cooper said Mobile has long been a kindred spirit to The University of Alabama System. Many professionals have graduated from our campuses to return to Mobile, where they became important state leaders. The medical profession, as Chairman St. John noted, is one such example. Dr. Nott founded the Mobile College of Medicine in 1859. In 1907, the name was changed to The University of Alabama Medical School. In 1920, the school moved to Tuscaloosa, and in 1945, it was moved to Birmingham. As you can see, Mobile was a cradle for organized medicine. Mobile had the first health department in 1816, and it was 100 years later before any other county had a health department.

Trustee Cooper went on to say there have been many Presidents of the Alabama Medical Alumni Association from this area, including one who will be recognized during
this meeting. Not only is he current President of the Medical Alumni Association, but his father was captured in World War II, and Eisenhower sent him to Huntsville where he was one of the team who launched America’s space program.

Mobile is a seaport. Years ago, there was only an eight-foot draft in Mobile Bay. So you would have to take lighters of barges to the mouth of Mobile Bay to load the sailing vessels. That has changed dramatically, and today we can do eight barge tows. The entire river system, whether you are in Huntsville, on the Warrior River in Tuscaloosa, or the Alabama River in Montgomery, all those goods have to come down or go up the river to feed America.

During World War II, Alabama Dry Dock and Ship Building Company was turning out a victory or liberty ship every five or six days. John B. Waterman started Waterman’s Steam Ship Company in Mobile, which the McLanes bought in 1955. Malcolm McLane was the father of containerization. Today when you see boxes on a truck chassis with the “K” Line for Kawasaki or some other designation, that is the result of Malcolm McLane’s idea, which changed the world.

What does the Port of Mobile do today? They do two things really well and are beginning to do another one, which is coal export. The Drummonds never would have had the success they have had if they couldn’t get the coal in and out of the Port of Mobile. This is also the largest paper port in the world, exporting and importing wood pulp, wood chips, and many other commodities.

He said in 1906, the President of The University of Alabama presented the Board of Trustees with a fundraising plan so the University would not be solely dependent on
the Legislature for money. Thank goodness he did that and thank goodness for the people in these communities who contribute so much money to our System. This community is enormously proud of our three campuses. In closing, he said that he and Trustee Urquhart really appreciate the Board holding a meeting in Mobile.

Chairman St. John thanked Trustee Cooper for his remarks.

Chairman St. John said the Board is honored today to have some special guests with us. He first introduced Congressman Jo Bonner, currently serving his fifth term representing this Congressional District, who is a member of the House Appropriations Committee, and Chairman of the House Ethics Committee for the 112th Congress. Congressman Bonner is known as a tireless and effective advocate for his constituents and we are honored that he is at the meeting today. Even more importantly, he is the “much older” brother of Dr. Judy Bonner, our Provost at UA.

Congressman Bonner was recognized and thanked everyone for coming to Mobile for this Board meeting.

He said whether you are from the Shoals, the Wiregrass, or any other part of this state, we all love The University of Alabama. The people of Mobile and South Alabama deeply appreciate what the University System does day-in and day-out, not only in the education arena, but also in the service to our state and nation.

The oil spill that occurred on April 20, 2010, caused the largest environmental impact in the history of America. One of the first groups to step forward and ask how can we help our friends and neighbors in Southwest Alabama and in Mobile and Baldwin Counties was The University of Alabama System. Congressman Bonner said he wanted
to tip his hat to Chancellor Portera, with whom he had the pleasure of taking a few classes. He said Dr. Portera would tell you that he was a good B student. He thanked Dr. Portera for what he, Dr. Witt, Dr. Garrison, and others throughout the University family did to help show support for our area during a very difficult time.

He said Angus Cooper did a great job of highlighting some of the history of our area. This city is over 300 years old, older than the State of Alabama. Congressman Bonner said he was grateful to hear Chairman St. John talk about members of the Board of Trustees who have represented this area, including his predecessor and good friend Jack Edwards, Ollie Delchamps, Judge McCall, Mr. Massey Bedsole, and others who have given so much of their heart and life to make The University of Alabama System what it is today. Everyone is very proud that Marietta and Angus are continuing to carry on in their tradition of love and service to the University and to the state.

On a personal note, he thanked Dr. Witt for giving his “younger” sister, for purposes of this conversation, an opportunity to be a part of the senior administrative team at the Capstone. He echoed what Chairman St. John said about what this University System means not only to the State of Alabama but also to the nation. It is invaluable. We appreciate what all of you are doing to make for a better Alabama.

In closing, he went on to say we currently have three new members of Congress. For the first time in the history of Alabama, the citizens elected two outstanding female Congresswomen, Terri Sewell from Birmingham and Martha Roby from Montgomery. Your Congressional delegation has always enjoyed the support of this System and we
have always tried, in turn, to provide strong support for your mission of service to build a better Alabama and a better nation.

Chairman St. John thanked Congressman Bonner for his remarks and said the citizens of this district are fortunate to have his service.

He then introduced Dr. Gerhard Boehm, President of The University of Alabama Medical Alumni Association. Chairman St. John said he has had the great pleasure of working with him as he has led that organization into a new era of support and service to our Medical School. Many of the great things that have happened at the Medical Alumni Association could not have occurred without Dr. Boehm’s leadership. A tireless worker on our behalf, he is a friend of this Board and this University System.

Dr. Boehm thanked Chairman St. John for inviting him to the meeting today and thanked the entire Board for all the interest they have shown in The University of Alabama Medical Alumni Association. We have a much stronger organization because of the interest of Trustee St. John and other members of this Board as well as Chancellor Portera and UAB President Carol Garrison. He said Chairman St. John was kind enough to attend the annual Medical Alumni meeting in February, where he gave a spell-binding talk about Bryce Hospital. It was extremely well delivered and we all enjoyed it so much.

Trustee Angus Cooper’s interest in our organization is probably greater than most of our own members. He gave a very generous gift to our medical student scholarship program recently which the Dean matched. Angus actually spearheaded that as the first
donor to the new program that our newly appointed Vice President of Medicine and Dean of the School of Medicine Ray Watts instituted.

Dr. Watts has been a real inspiration to the Medical Alumni Association. He has taken the time to make trips to Mobile, Dothan, Tuscaloosa and Huntsville. Just two days ago, Dr. Boehm said, he joined him in Atlanta where Dr. Watts spoke to alumni. He gives a wonderful talk and emphasized his striving for excellence in all departments of the UAB Medical Center. He has given his top people directives to make them number one in the nation. Dr. Boehm said he is delighted to know him and work with him.

Dr. Boehm said on the morning after the April 27 tornados in Tuscaloosa and Birmingham, they sent out a single e-mail to alumni asking for donations to the Medical Student Assistance Fund. The response was tremendous. There was an almost 67 percent growth in available funds, and some alumni also offered cars and housing for affected medical students to use. The very next day they were able to give medical students who needed money a check in the full amount they requested. Dr. Boehm said he was enormously proud of how the organization came together to help during this disaster.

He thanked the Board for allowing him to appear today and thanked them for the honor.

Chairman St. John thanked Dr. Boehm for his remarks.

Chairman St. John said a draft of the April 8, 2011, minutes has been sent to all Trustees. After discussion, and on motion of Trustee McMahon, seconded by Trustee Wilson, the minutes were approved.
Chairman St. John then recognized Chancellor and Interim UAHuntsville President Malcolm Portera for a report from The University of Alabama System.

My remarks today will be brief. I want to introduce another contribution from Mobile to The University of Alabama System, Ravi Patel, who has joined us as Student Representative to this Board from UAHuntsville. A graduate of Davidson High School here in Mobile, he is majoring in Industrial and Systems Engineering, and will graduate in 2012. Ravi has been very active in student government at The University of Alabama in Huntsville and served as an Ambassador as well as Vice President of the Ambassadors. He is a fine young man and a great example of the caliber of students who at UAHuntsville.

Chairman St. John then recognized President Witt to introduce his new Student and Faculty Representatives to the Board. President Witt said he was pleased to introduce Dr. Clark Midkiff, the new President of the UA Faculty Senate. A member of the faculty of the College of Engineering, Dr. Midkiff came to The University of Alabama in 1986. He currently serves as a Professor of Mechanical Engineering and Director of the Center for Advanced Vehicle Technology. Dr. Midkiff earned a B.A. in Economics from Yale University, and a Bachelors of Science, Master’s of Science, and a Ph.D. in Mechanical Engineering from the University of Kentucky. He is a member of several academic honoraries.

Dr. Witt said he was also pleased to introduce the new SGA President, Grant Cochran, who is a junior in the College of Engineering, pursuing a Bachelor’s degree in Biochemistry with a minor in the Computer Based Honors Program. Prior to becoming SGA President, he served as Vice President for External Affairs as well as a Senator. Grant is a member of the University Honors Program and was named Outstanding Undergraduate Researcher in the Computer Based Honors Program in both 2009-2010
and 2010-2011. In the history of the program, he is the first student to win that prestigious honor in back-to-back years. Grant serves on a number of campus committees, is a member of several honorary societies, and is President of his fraternity, Pi Kappa Phi.

Chairman St. John welcomed the new Representatives to the Board.

Chairman St. John said one of the pleasant aspects of driving from North Alabama to Mobile is that, about half way down the highway, you stop seeing blown down buildings and trees from what occurred on April 27. That series of storms had a serious effect on all three of our campuses and he thought this would be an appropriate occasion to ask the Presidents to report on the aftermath of the storms and the recovery process.

President Witt said the campus and the community are recovering well from the devastating impact of the tornado. In the hours before the storm struck Tuscaloosa, the University was in extensive contact with students, faculty, and staff and with the City of Tuscaloosa. Shortly after the tornado impacted, they were able to reach out to the community in a variety of ways. About half of the campus’s sworn patrol officers were assigned to the city to work with traffic control and search and rescue. The University Police Department assumed a substantial amount of responsibility for search and rescue in the Cedar Crest and Forest Lake areas. They also deployed a large number of University vehicles to assist in the aftermath.

Bryant-Denny Stadium served as home for over 200 utility, National Guardsmen and Red Cross workers. UA opened the Student Recreation Center to provide shelter for students, faculty, and staff who were in need of temporary housing. As soon as the
students went home, which was a matter of just a few days after the tornado, one residence hall was made available for university personnel.

Dr. Witt said UA students who remained in the city after the storm cooked and delivered over 52,000 hot meals to the citizens of Tuscaloosa. Meanwhile, the lines of communication with parents remained very strong. In the immediate aftermath, a sizable number of parents were unable to make contact with their sons and daughters because cell phone service was disrupted and land lines were down. Campus officials served as intermediaries with those families.

On an ongoing basis, UA continues to work closely with the City of Tuscaloosa. Those efforts include clean-up as well as preparing joint grant proposals for funds which will strengthen both the ability of our community and the University to respond to future events like this should they occur.

Chairman St. John asked about the status of outreach to applicants to reassure them about the status of the University. President Witt said campus officials were mindful that media depictions of the area’s devastated neighborhoods might give the public an erroneous assumption that Tuscaloosa and the campus were, in effect, destroyed. In reality, less than five percent of the total community was impacted by the tornado. They have put a video on line and have directed parents of incoming students, incoming students, and high school counselors to view the video. They feel they have been able to substantially reassure the incoming freshman class that our campus is fully operational and looking forward to welcoming them this fall.
Chairman St. John thanked President Witt and recognized President Garrison for her comments. Dr. Garrison said she would focus her comments on two or three specific outcomes. Many of the things that President Witt talked about, UAB was also doing, but one thing the Board might be most interested in was the response of the hospital.

Dr. Garrison said Board members who are also on the UAB Health System Board heard Dr. Michael Waldrum give an emotional account of what the 24-48 hours around that incident entailed. From early in the morning before the tornados actually hit, the hospital was getting ready. They cancelled all elective surgeries and sent everyone home who did not need to be a patient at that moment. Hospital personnel implemented their emergency plan, calling in hundreds of workers who would not normally be scheduled for that day.

As the tornado approached, there were predictions the storm would take a direct hit on downtown Birmingham. They moved everyone who was ambulatory down to the basement, and if they could not walk, they moved their beds into the hall. They closed every blind in the hospital in case the windows were broken. There were erroneous reports that both DCH and the Cullman hospital had taken direct hits, so the hospital staff was preparing both a metro Birmingham and a statewide trauma plan. Fortunately, those reports proved not to be true.

Dr. Garrison said in the hours after the tornados hit, they received patients from all over the state. In accordance with the trauma system and the triage system, they took in the most severely injured storm victims. In a matter of hours, they had 134 severely injured patients in the Emergency Room. They had to set up a separate emergency/ICU
unit to be able to handle those patients and they had the ORs going straight for 48 hours trying to handle the emergency surgeries.

She said the staff did an amazing job. Of course, many wanted to be at home with their own families, which was not possible. They need to be complimented for the quality of the service that they delivered. That level of service has not stopped. Through the Health System and many of the academic departments, UAB still has outreach clinics in place to serve those in need. For example, the School of Optometry has a van out in the affected areas to provide eyeglasses for people whose belongings were lost.

One of the first things they did after the storms was to call Tuscaloosa Mayor Walt Maddox, who is a UAB alum, to ask what UAB could do to help. He told Dr. Garrison there was an urgent need for Spanish translators. Within a matter of hours, UAB’s Department of Foreign Languages assembled a team of volunteers to go to Tuscaloosa and help.

UAB’s faculty and staff came together and within a very short period of time, they raised $100,000 to be added to the benevolent fund to be used for faculty, staff and students who were impacted by the tornados and needed some immediate relief. To date, 112 individuals have been helped through that fund.

She also noted that a group of anonymous donors stepped forward and created the UAB Tornado Relief Forgivable Loan Program. They have contributed over $250,000. This loan program is a partnership with the UAB School of Business, the UAB Educational Foundation, Regions Bank, and Balch and Bingham. The program is being
administered by students from across the University, from their MBA program to the University Honors Program.

The very first recipient to receive aid from this program was a woman with a family of three and an annual income of $16,000, who had lost absolutely everything. Dr. Garrison said this program has been quite amazing and she thinks it is a real testament of the power of community-wide partnerships.

Chairman St. John thanked President Garrison for her remarks and recognized Interim UAHuntsville President Portera for his comments. Dr. Portera said they have a fairly large climate program at UAH. As a result, they were able to track the storm’s path as it came eastward into the state. They got notification out on their campus almost immediately and closed campus midmorning on the day of the storm. Dr. Portera said he was with a student who was receiving an award and he received notification on his cell phone three times while they were giving him the award.

There was no physical damage to the UAHuntsville campus. They did lose electricity and telephones. In some cases in Madison County, electricity was off as long as ten days. The campus lost electricity for about four to four-and-a-half days. UAHuntsville’s facilities people did a fantastic job. They were using about $16,000 a day of diesel fuel to fuel the generators serving campus research buildings so that laboratory experiments would not be affected.

As with UA, the Huntsville campus made the decision to delay Commencement until August and to work with students regarding final semester grades. Regular daily morning meetings were held with senior staff, faculty, and students, to deal with issues.
At one point, they held a couple of mass meetings in the University Center where they had Deans, department heads, faculty, and student leaders all come together to counsel and provide guidance for students because they had been given the option of taking the grade they had on the day of the storm or to take exams. He said at one time, they had as many as 250 or 300 students in there.

UAHuntsville students have been very active assisting in and around the campus.

Dr. Portera said the facilities staff and police did a marvelous job in dealing with a situation where they had no electricity and no telephones.

Chairman St. John thanked Dr. Portera for his comments.

Chairman St. John said the Administrative Report has been distributed to all Trustees. After discussion, and on motion of Trustee Brooks, seconded by Trustee Ritch, the Board accepted the Administrative Report. (Exhibit B)

Chairman St. John recognized Trustee Marietta Urquhart for a report from the Academic Affairs, Student Affairs, and Planning Committee. Trustee Urquhart said the Academic Affairs, Student Affairs, and Planning Committee met yesterday afternoon, Thursday, June 16, 2011, at 2:45 p.m., with other Trustees present. The Committee considered 16 items for consideration for recommendation to the Board for action: two individual action items and 14 administrative action items. There was one Information Item. She said the Committee recommends approval of the items identified on the Board Agenda as E.1. through E.3.n.

After discussion, and on motion of Trustee Urquhart, seconded by Trustee Wilson, the Board adopted the following resolutions, separately and severally:
Trustee Urquhart asked on behalf of the Committee that they suspend the rules and amend the Agenda in order to consider an additional item from UAHuntsville, a resolution granting final approval of a Bachelor of Fine Arts (C.I.P. Code 50.0701). She noted that a copy of the resolution was at each place.

On motion of Trustee Hurst, seconded by Trustee England, the Board agreed to suspend the rules and amend the Agenda in order to consider this item.

After discussion, and on motion of Trustee Urquhart, seconded by Trustee Wilson, the Board approved the following resolution:

(Insert Resolution)

Chairman St. John thanked Trustee Urquhart for her report and recognized Trustee John England, Jr., for a report from the Finance Committee. Trustee England said the Finance Committee met today, June 17, with other Trustees in attendance. The Committee reviewed and approved one action item and two administrative items. The action item was mailed separately and the administrative items are in the Board book on pages 73-75. The Committee recommends these items for approval.

After discussion, and on motion of Trustee England, seconded by Trustee Gray, the Board adopted the following resolutions, separately and severally:

(Insert Resolutions)

Chairman St. John thanked Trustee England for his report and recognized Trustee Karen Brooks for a report from the Physical Properties Committee. Trustee Brooks said the Physical Properties Committee met yesterday and considered 16 resolutions for action
by the Board, which are included in the Board book on pages 76-110. The Committee
thoroughly reviewed and approved all 16 resolutions and recommends approval of these
items identified on the Board Agenda as G.1.a.1) through G.3.b.1).

After discussion, and on motion of Trustee Brooks, seconded by Trustee Urquhart,
the Board adopted the following resolutions, separately and severally:

(Insert Resolutions)

Trustee Brooks said the Committee also heard a presentation outlining the storm
damage to UA timbers and was notified that the 2011-2012 Annual Consolidated Capital
Projects and Facilities Reports have been provided by each campus and the Health
System as required by Board Rule 415.

Chairman St. John thanked Trustee Brooks for her report and recognized Trustee
Jim Wilson for a report from the UAB Health System Board Liaison Committee. Trustee
Wilson said the UAB Health System Board Liaison Committee met yesterday afternoon
and considered two resolutions for action by the Board which are included in the Board
book on pages 111-112. The Committee thoroughly reviewed and approved these
resolutions and now recommends the approval of these items identified on the Board
Agenda as H.1. and H.2.

After discussion, and on motion of Trustee Wilson, seconded by Trustee Brooks,
the Board adopted the following resolutions, separately and severally:

(Insert Resolutions)

Chairman St. John thanked Trustee Wilson for his report and recognized Trustee
John McMahon, Jr., for a report from the Investment Committee. Trustee McMahon said
the Investment Committee met in Birmingham on May 19. The Committee heard a review of the investments by Cambridge Associates and a review of the spending program by Tom Gale. No action was taken at this meeting and no approval is required.

Chairman St. John thanked Trustee McMahon for his report and recognized Trustee Vanessa Leonard for a report from the Audit Committee. Trustee Leonard said the Audit Committee met this morning and reviewed the proposed fees for PricewaterhouseCoopers for the 2011 fiscal year. The Committee then reviewed and approved the resolution on page 113 of the Board book appointing PricewaterhouseCoopers as external auditors for The University of Alabama System for the 2010-2011 fiscal year.

After discussion, and on motion of Trustee Leonard, seconded by Trustee Urquhart, the Board adopted the following resolution:

(Insert Resolution)

Trustee Leonard said the Audit Committee also reviewed proposed revisions to Board Rule 407. Auditing Operations and 408. Internal Audit Policies and Standards. The resolution is on page 114 of the Board book.

After discussion, and on motion of Trustee Leonard, seconded by Trustee Wilson, the Board adopted the following resolution:

(Insert Resolution) -attached at the end of the document

Chairman St. John thanked Trustee Leonard for her report.

Chairman St. John said the Administrative Action Items are listed on the Agenda and are normally acted upon as a unit, separately and severally. He said anyone who wished to speak to any of these items should feel free to do so.
After discussion, and on motion of Trustee Hurst, seconded by Trustee Ritch, the Board adopted the following resolutions, separately and severally:

(Insert Resolutions)

Chairman St. John recognized Trustee Andria Scott Hurst for a report from the Honorary Degrees and Recognition Committee. Trustee Hurst said the Honorary Degrees and Recognition Committee met a few minutes ago. The Committee considered one resolution: Approving naming the new Headquarters Building for The University of Alabama System Sidney McDonald Hall. The Committee unanimously approved the adoption of this resolution.

After discussion and on motion of Trustee Hurst, seconded by Trustee Cooper, the Board adopted the following resolution:

(Insert Resolution)

Chairman St. John recognized Chancellor Portera for a presentation. Chancellor Portera asked Emeritus Trustee Sidney McDonald to join him at the podium. Chancellor Portera said this is a great honor. Ten years ago this fall, Mr. McDonald, who was President pro tem of the Board at that time, called him when he was President at Mississippi State and asked him if he was ready to come home. He said he told Mr. McDonald he was from Mississippi and he was home. Mr. McDonald told him no, he was in a place where he lived, but the Board wanted him to come to his real home.

Chancellor Portera said Mr. McDonald occupies a place of great honor in The University of Alabama System. He served with distinction on the Board of Trustees for 16 years, including three terms as President pro tem. He helped shepherd the growth of
the UA System during a pivotal period of accelerated momentum from his initial election in 1992, until he retired in 2008. To give you a sense of perspective, when Mr. McDonald was pro tem, the System was approximately a $2.2 billion a year operation. Today, with all of our affiliates, (including Baptist Medical System in Montgomery, UAB Medical West, the Physicians Practice Plan) we are an operation of over $4.5 billion. It was estimated recently that our System has an annual economic impact of over $8 billion on the State of Alabama.

He said Mr. McDonald has been a tireless advocate for students, faculty, and staff at UA, UAB, UAHuntsville, and in the UAB Health System. These entities comprise the largest higher education enterprise in the State of Alabama. Mr. McDonald has maintained an unwavering commitment to excellence in research, instruction, and in public service. He is a highly respected civic and business leader whose contributions to the State of Alabama includes terms in elected office in both chambers of the Alabama Legislature, as well as serving two years as the State’s Finance Director. He devoted eight years of leadership and participation actively on the Alabama Commission on Higher Education, as well as many years of participation on boards and entities across the entire state.

Mr. McDonald was inducted into the Alabama Business Hall of Fame in 2010, and is recognized for his pioneering work in telecommunications, including the presidency of Brindlee Mountain Telephone Company, the founding of long distance carrier DeltaCom, and the chairmanship of Intergraph, a computer technology company in Huntsville.
Chairman Portera said it was a great pleasure to present a Board resolution recognizing Mr. McDonald’s contributions to this System and to this State. He said he wanted to say three things about Mr. McDonald that are real special, as far as he is concerned: his support is always significant; it always comes with no strings attached; and it always comes early. He said for anyone who has ever attempted to do anything, early in the process is critical. He said when Mr. McDonald recruited him to come back here, he made two commitments to him: you are going to have fun, and you will never have to look for work while you are here. Chancellor Portera said he has delivered on those two promises.

Mr. McDonald thanked Chancellor Portera and everyone for the very generous presentation and words. He said he received much more from his ordeal with The University of Alabama System than he ever gave it because there would have been no way for him to have equaled it. It was the most important, enjoyable, and challenging activity of his 40-odd years in different roles as he tried to be a good citizen and move his humble state forward.

He agreed with the example Chancellor Portera gave about how the University has grown. Whether one has a specific attachment to the University or not, everyone should applaud this great institution and what it does for our whole state and everybody in it, and there is much more to be done.

Mr. McDonald said the modest gift that he is making is a proper gift from his observation and experience with Dr. Portera and other officials. The new System Office building is needed for an important function, which is to move the Chancellor’s Office
staff all under one roof and give the Board and its staff a more identifiable and permanent
place. He hopes it will say to those who still might wish to move such operations to other
locations that it is harder to do with this new building to accommodate this great function.
It is a place for us all to have resolve that this Board, now regrouped in that place some
day, has to stay attuned to keeping the Board in its role. There are competing forces that
sometimes makes governing boards relax when they should be studious and anxious and
makes them dwell on the wrong things, but there is no one else to run this System but the
Board. He has attempted to say this in many ways over 16 years: we have all these
wonderful executives helping the Board but there is no one but the Board members that
can do that. They cannot give up on the leadership, function, and requirement of this
Board and each of its members.

He thanked everyone for the honor of taking his pledge and using it as they have
planned. He misses the University a lot; maybe if there is a building, he can ride by and
feel he is back at home. He said so nobody will make a news story out of the fact that the
University does not have a signed pledge, he would now hand-deliver it to Chancellor
Portera. He has signed it and it has been signed by Chancellor Portera, and more
importantly, all the lawyers have blessed it.

Chancellor Portera asked Mrs. Jane McDonald to stand, noting that she is a very,
very special person in all of this and she has agreed to help us make sure this project is
done right.

Chairman St. John said he believes all the Trustees will join him in saying they are
very fortunate to be a part of this process, glad it is happening, and happening now.
Chairman St. John then introduced Trustee Urquhart for any comments, as one of our host Trustees this week. Trustee Urquhart said she didn’t know if anyone knew this, but they call The Battle House Hotel “Mobile’s Living Room.” She said she would quickly say goodbye. The Board has honored our city with your presence. Please come again.

Chairman St. John thanked Trustee Urquhart for her comments. He thanked Trustees Cooper and Urquhart for all they have done in helping make the arrangements for this meeting. It has been wonderful and they played a big part in making this a very special week. He also thanked Chancellor Portera’s and Secretary Bownes’ staff and all the folks from Tuscaloosa who have executed a meeting in a different setting perfectly. It has been a very flawless presentation on their part.

There being no further business to come before the Board, the meeting was adjourned subject to call of the Chair.

Michael A. Bownes, Secretary
Draft Board Rule 407—
Auditing Operations

I. Introduction

The purpose of this Rule is to provide a mechanism whereby the Board, through its Audit Committee (the "Committee"), may exercise oversight over all internal and external audit functions of The University of Alabama System, including all campuses. This Rule describes the purpose, authority, composition, operations, and responsibilities of the Committee.

II. Committee Purpose

A. The purpose of the Audit Committee is to assist The Board of Trustees in fulfilling its oversight responsibilities for financial and operational reporting, risk management, internal control, internal audit functions, and compliance with laws, regulations and the codes of conduct.

III. Committee Authority

The Committee has the position authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

A. Recommend, in conjunction with the Chancellor, to the Board the appointment, removal or replacement of the chief audit executive (General Auditor).

B. Recommend the appointment of an independent nationally recognized accounting firm for external financial and its working relationship within The University of Alabama System—other required audits.

C. Resolve disagreements between management and internal or external auditors.
D. Pre-approve all audit and non-audit services provided by the responsibilities of external auditor.

E. Retain independent counsel, accountants, or others to advise the campuses to Committee or assist in the General Auditor conduct of an investigation, and

II. Audit

F. Meet with company officers, internal auditors, external auditors, outside counsel, or other employees, as necessary.

IV. Committee Composition

The Committee will consist of at least three members of The Board of Trustees. At least one member of the Committee will have financial expertise based on knowledge gained through education and/or experience.

V. Committee Operations (Meetings)

The Committee will meet at the call of the Chair of the Audit Committee. All Committee members are expected to attend each meeting. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

The Committee will invite members of management, internal and external auditors, or others to attend meetings and provide pertinent information as necessary. The Committee will hold executive sessions with internal and external auditors as appropriate.

VI. Committee Responsibilities

A. Internal Audit

In relation to internal auditing of The University of Alabama System, the Audit Committee shall carry out the following responsibilities:
1. Review with management and the General Auditor the charter, policies, standards, plans, activities, staffing, and organizational structure of the Internal Audit activity.

2. Review the effectiveness of the Internal Audit activity, and

3. Recommend for adoption by the Board the policies and standards by which the internal audit functions of the System will be governed.

B. External Audit

The Audit Committee, with the General Auditor to review and approve serving as liaison between the System and the external auditor, will carry out the following responsibilities:

   (a) planned Review the external auditors’ proposed audit scope of annual work to be undertaken;

   (b) staff and budget requirements necessary to implement the system audit plan. The system audit plan is the product of coordinating campus and Chancellor’s Office audit plans to address the audit concerns of the campus administrators, the Chancellor and the Board; approach;

   (c) significant variations from the previously approved audit plan;

   (d) summary of audits conducted and significant findings; and

   (e) problem areas encountered in the audit process.

3. Meet with Directors of Internal Audit annually and at other times as necessary.
B. External Audit

2. Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the System, including non-audit services and compensation practices, and discussing the relationships with the auditors.

The Board shall continue to appoint annually an independent nationally recognized accounting firm, if possible, to provide an external audit and to recommend improvements in the fiscal reporting and accounting policies and procedures within the University System. The General Auditor shall serve as liaison between the University System and the external auditor. The Audit Committee shall:

1. Review and approve the audit plan on a timely basis with the independent auditors to include:

   (a) scope of audit work to be performed;

   (b) extent of coordination with the General Auditor’s staff;

   (c) anticipated problem areas and concerns based on changes in the economy, governmental regulations, findings, and other such changes that may impact colleges and universities;

   (d) recent developments in reporting practices and external auditing standards.

2. Review audit findings with the independent auditors and through the General Auditor ensure that appropriate actions are taken.

3. Receive and execute the audit engagement letter from the independent auditors.
4. Review the independent auditors’ comments regarding internal control and other matters.

5. Recommend to the Board the appointment of independent auditors annually.

   a. The Board’s external auditing firm shall be authorized to perform audit and audit related services to the University System. “Audit related” is deemed to be federal audit support, internal control reviews and investigations, implementation of new accounting standards, review of income and other tax matters, internal financial reviews, due diligence procedures related to public debt offerings, and other transactions and audits of affiliated entities or special purpose audits.

7. The campuses are to request approval of the Audit Committee, through the General Auditor, for all additional services requested of the outside auditing firm appointed by the Board.

8-b. The Board’s external auditing firm may not provide the following services while serving as the external auditing firm: bookkeeping, financial information systems design and implementation, appraisal or valuation services, actuarial services, internal audits, management and human resource services, broker/dealer and investment banking services, and legal services; provided, however, that with the advance approval of the Audit Committee, such services may be provided, but only where there are extenuating circumstances.

The managing partner of the external auditing firm will be rotated (rotation is required every seven years, with a two-year timeout).
9. Review the performance of the external auditors and recommend to the Board the appointment, compensation, and discharge of two years the auditors.

5. Receive and execute the audit engagement letter from the external auditor.

6. Review with management and the external auditors the results of the audit and ensure that appropriate actions are taken, and

7. Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing standards including recent developments and reporting practices.

C. State and Federal Audits

The University of Alabama System shall continue to cooperate with State and Federal auditors in providing timely information requested in connection with such audits. The General Auditor shall be the principal liaison officer between the System and the State and Federal auditors. The Audit Committee shall:

The Audit Committee will carry out the following responsibilities:

• 1. Review the report and findings of the State Examiners of Public Accounts.

• 2. Maintain an awareness of significant Federal audit findings through the General Auditor.

External auditors, such as CPAs, Federal Inspectors General, State Examiner of Public Accounts, and the U.S. General Accounting Office, usually hold exit conferences to discuss their findings with the auditee prior to preparing their final reports. These conferences are very useful as they provide a forum for clarifying facts and discussing alternative solutions to problems. It is the policy of the Board to insist upon these conferences. The General Auditor or his or her designee, and such Audit Committee members as deemed desirable are to be invited to attend these conferences.

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D. General

Minutes should be recorded for all meetings of the Audit Committee. Reports and all supporting data submitted to the Committee shall at all times be available for inspection and review by any member of the Board. An Annual Report and Periodic Report, as appropriate, should be made by the Committee to the Board. To the extent possible, given the composition of the Board, there shall be at least one member of the Audit Committee with financial expertise, gained through education and/or experience.

III. Responsibilities of the General Auditor

The Board of Trustees has authorized creation of the position of General Auditor, who shall be appointed by the Board. The General Auditor shall be responsible for the appointment of internal auditors and staffing of the internal audit function. He or she shall perform such other duties as may be included in the description of the position of General Auditor and shall report administratively to the Chancellor, but shall ultimately be responsible through the Audit Committee to the Board.

The General Auditor is responsible for the administration of the overall internal audit function of The University of Alabama System and shall have authority over such functions. The General Auditor is also responsible for the internal audit services for the UAB Health System Operating Entities as described in the agreement between the Board and the Health System dated February 11, 1999, so long as it remains in force.

In this regard, the following are the operational guidelines for the General Auditor:

A. In consultation with appropriate campus officials, develop, for recommendation to the Committee, System-wide policies with regard to the internal audit function to be adopted by the Board.

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B. Monitor the implementation of Board audit policies on each campus.

C. Provide functional coordination and guidance of the System internal audit function.

1. After consultation with appropriate institutional and Chancellor’s Office officials, prepare an audit plan which considers the needs of the campuses and the overall System. The plans should outline the anticipated audit needs and projected staff requirements and should be approved for each fiscal year prior to the beginning of that year. The plans should also contain the flexibility necessary to respond to campus administration needs as they arise.

2. Consolidate the campus audit plans into a System audit plan. If the campus officials believe that the audit coverage is inadequate or other problems exist, and if they are unable to agree with the General Auditor on an acceptable solution, the Chancellor and the Audit Committee shall be notified of the respective positions of the campus officials and the General Auditor.

D. Meet with the Committee and review the planned scope of internal audit work to be undertaken, projected staff, and budget requirements, before implementation of the System audit plan.

E. Act as liaison between the University System and the independent auditors, and review the independent auditors’ plan and approve the scope for each campus. Such plan shall include a provision that the campuses supply assistance to independent auditors as appropriate, to keep external audit cost at a minimum and efficiency at a maximum.

F. Periodically prepare a summary of internal audits conducted on each campus; to highlight matters of interest to the Audit Committee.

G. Attend meetings of the Audit Committee as required.
H. Conduct such audits of the Chancellor’s Office as deemed advisable.

I. Assume direct responsibility for auditing the operations and policy implementation of the System-wide investment program under the management of the System-wide Investment Committee.

J. Undertake such special audits as directed by the Board or the Chancellor. The General Auditor shall inform the appropriate campus or Chancellor’s Office officials in advance of all such audits that involve campus or Chancellor’s Office personnel or records.

K. Act as liaison between the Board and the State and Federal auditors. The System audit plan should address, where practical, the audit needs of State and Federal auditors and coordinate the audit of various agencies. The General Auditor shall be notified of, and attend if he or she deems desirable, any meeting at which State and Federal auditors shall discuss and negotiate their findings with campus officials. The General Auditor shall receive a copy of all Federal and State reports issued and be kept informed of the related action taken by campus officials.

L. Report to the Committee any matters on which he or she has any disagreement with campus officials. After an opportunity for each party to state a position, the Committee shall either resolve the question with those involved, or make a recommendation to the Board for determination.

M. Discuss all audits with appropriate campus officials prior to their release to the Chancellor or to the Audit Committee.

3. N. Attend exit conferences with the General Auditor, as necessary, and,

4. Ensure that campus information is handled discreetly and appropriate actions are taken as a result of 1-3 above.
O. Acknowledge in any reports to the Audit Committee corrective action taken or planned by the campus.

P. Establish an anonymous reporting mechanism for questionable accounting, financial, and compliance matters.

Q. Perform such other duties as the Audit Committee may request.

IV. Campus Responsibilities

The President of each campus, or his or her designee, is responsible for:

A. Participating with the Office of Internal Audit in the formulation of the campus audit plan;

B. Meeting on a routine basis with the Office of Internal Audit to review the status of audit work to date and any adjustments made to the System audit plan;

C. Communicating to the Office of Internal Audit emergency or unanticipated audit needs as they arise which may necessitate a revision in the campus audit plan;

D. Reviewing with the Office of Internal Audit audit reports and implementation of recommendations;
E. Participating with the General Auditor in the presentation of the audit results to the Audit Committee when necessary;

F. Issuing an audit charter giving the Office of Internal Audit access to personnel, records and other property or information necessary to conduct audits;

G. Implementing audit recommendations. Where there is disagreement between campus management and the auditor as to the viability of the recommendation, attempts to compromise will be made in turn with the President, the Chancellor and the Audit Committee.
Draft Board Rule 408
Internal Audit Policies and Standards

I. Introduction

This Rule contains the policies and standards by which the internal audit functions of The University of Alabama System (System) will be governed.

II. Mission and Scope of Work

A. The mission of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the System’s operations. Internal Audit helps the System accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

B. The scope of work of the Internal Audit department is to determine whether the System’s risk management, control, and governance processes, as designed and represented by management, are adequate and functioning in a manner to ensure:

1. Risks are appropriately identified and managed,

2. Significant financial, managerial, and operating information are accurate, reliable, and timely,

3. Employee’s actions are in compliance with policies, standards, procedures, and applicable laws and regulations,

4. Resources are acquired economically, used efficiently, and adequately protected,

5. Programs, plans, and objectives are achieved,

6. Quality and continuous improvement are fostered in the control processes, and
7. Significant legislative or regulatory issues impacting the System are recognized and addressed properly.

III. Authority

The General Auditor and staff of the Internal Audit department are authorized to:

A. Have unrestricted access to all functions, records, property, and personnel.

B. Have full and free access to the Audit Committee.

C. Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives, and

D. Obtain the necessary assistance of personnel in units where they perform audits, as well as other specialized services from within or outside the System.

The General Auditor and staff of the Internal Audit department are not authorized to:

A. Perform any operational duties for the System or its campuses,

B. Initiate or approve accounting transactions external to the Internal Audit department, or

C. Direct the activities of any System or campus employee not employed by the Internal Audit department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the Internal Auditors.
IV. Accountability

The General Auditor shall report administratively to the Chancellor and functionally to the Audit Committee. In the discharge of his/her duties, the General Auditor shall:

A. Report significant issues related to the processes for controlling the activities of the System, including potential improvements to those processes, and

B. Provide information periodically on the status and results of the annual audit plan and the sufficiency of department resources.

V. General Auditor Responsibilities

The General Auditor, or his/her designee, will carry out the following responsibilities:

A. Develop a flexible annual audit plan using appropriate risk-based methodology (including any risks or control concerns identified by management) and submit the plan to the Chancellor and the Audit Committee for review,

B. Implement the annual audit plan as approved, including, and as appropriate, any special tasks or projects requested by management and the Audit Committee,

C. Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications,

D. Establish a quality assurance program,

E. Create a culture of support and accessibility to campus management; and assist management in meeting objectives by performing consulting services in addition to assurance services.
F. Issue periodic reports to the Audit Committee and management summarizing results of audit activities,

G. Serve as liaison between the System and the external auditor,

H. Assist in the investigation of significant suspected fraudulent activities within the System,

I. Consider the scope of work of external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the System, and

J. Coordinate with other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit), as appropriate.

VI. Campus Management Responsibilities

The President of each campus, or his or her designee, will carry out the following responsibilities:

A. Participate with Internal Audit to formulate the campus audit plan,

B. Meet routinely with Internal Audit to review the status of audit work,

C. Communicate to Internal Audit unanticipated audit needs as they arise,

D. Review with Internal Audit all audit reports and ensure all recommendations are implemented,

E. Provide requested information and assistance to external audit firm and keep General Auditor informed about status of audit requests and issues,

F. Participate with the General Auditor in presenting the audit results to the Audit Committee, when necessary, and
G. Issue an audit charter reinforcing Internal Audit access to personnel, records and other property or information necessary to conduct audits.

VII. Campus Management Acceptance of Risks

When a difference of opinion exists between Internal Audit and management, the General Auditor will exercise the following process until the difference is resolved.

A. The General Auditor and Campus President will meet to discuss the matter.

B. The General Auditor and Campus President will meet with the Chancellor to discuss the matter.

C. When the General Auditor believes that management has accepted a level of residual risk that may be unacceptable to the System, the General Auditor will discuss the matter with the Audit Committee.

VIII. standards. Usually the Standards of Audit Practice

Internal Audit will operate under standards promulgated by the that the Board has approved. Current standards are the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors, Inc., will be followed, and will disclose areas of noncompliance to the Audit Committee. On occasion, other standards such as the Governmental Government Auditing Standards will apply. Each audit report is to disclose which standards were followed. Regardless of the standards followed, there are certain matters the Board wishes to emphasize.

Internal auditors will uphold the principles of integrity, objectivity, confidentiality, and competency as defined in The Institute of Internal Auditors Code of Ethics.

II. Nature of Auditing

Internal Auditing is an independent appraisal activity established within The University March 2011
of Alabama System as a service to the organization. It is a control that functions by examining and evaluating the adequacy and effectiveness of other controls. For this appraisal function to be effective, it must have independence, objectivity, professional proficiency, and must operate under a code of ethics.

A. Independence

The Audit Committee reviews and approves the General Auditor’s budget to assure the adequacy of the resources committed to internal audit.

Each President is to issue an audit charter which notifies campus officials of the importance of the audit function and authorizes full access to the facilities, records, and personnel.

The General Auditor further ensures that the audit function has sufficient independence through quality control reviews.

The Audit Committee reviews the audit work schedule for the year.

B. Objectivity

Objectivity is an independent mental attitude which internal auditors should maintain in performing audits. Internal auditors are not to subordinate their judgment on audit matters to others.

Objectivity requires internal auditors to perform audits in such a manner that they have an honest belief in their work product and that no significant quality compromises are made. Internal auditors are not to be placed in situations in which they feel unable to make objective professional judgments. Drafting new procedures and designing and installing operating systems are tasks that are not compatible with audit functions. Performing such activities is presumed to impair audit objectivity.
C. Professional Proficiency

The internal auditing department should possess or should obtain the knowledge, skills, and disciplines needed to carry out its audit responsibilities.

The internal auditing staff should collectively possess the knowledge and skills essential to the practice of the profession within the University.

Internal audits should be performed with proficiency and due professional care. Professional proficiency is the responsibility of the internal auditing department and of each internal auditor. The department should assign to each audit those persons who collectively possess the necessary knowledge, skills, and disciplines to conduct the audit properly.

The General Auditor and the Directors of Internal Audit should provide assurance that the technical proficiency and educational background of internal auditors are appropriate for the audits to be performed.

Internal auditors are to maintain their technical competence through continuing education. The performance of each internal auditor is to be appraised at least once each year. Areas where improvement is desired should be identified during the performance appraisal. Goals should be established and training should be provided that will accomplish the desired improvement. Each professional is to meet the minimum standards required by the U.S. General Accounting Office.

The internal auditing department should provide assurance that internal audits are properly supervised. The Directors of Internal Audit are responsible for providing appropriate audit supervision.

III. Code of Ethics

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All internal auditors employed by The University of Alabama System belong to the Institute of Internal Auditors, Inc. The Code of Ethics of the Institute calls for high standards of honesty, objectivity, diligence, and loyalty to which all auditors within The University of Alabama System should conform. The articles of the Code are as follows:

B. Members shall exercise honesty, objectivity, and diligence in the performance of their duties and responsibilities.

C. Members shall exhibit loyalty in all matters pertaining to the affairs of the employer or to whomever they may be rendering a service. However, members shall not knowingly be a party to any illegal or improper activity.

D. Members shall not knowingly engage in acts or activities which are discreditable to the profession of internal auditing or of their organization.

E. Members shall refrain from entering into any activity which may be in conflict with the interest of their organization or which would prejudice their ability to carry out objectively their duties and responsibilities.

F. Members shall not accept anything of value from an employee, client, customer, supplier, or business associate of their organization which would impair or be presumed to impair their professional judgment.

G. Members shall undertake only those services which they can reasonably expect to complete with professional competence.

H. Members shall adopt suitable means to comply with the Standards for the Professional Practice of Internal Auditing.

I. Members shall be prudent in the use of information acquired in the course of their duties. They shall not use confidential information for any personal gain nor in any manner which would be contrary to law or detrimental to the welfare of their organization.

J. Members, when reporting on the results of their work, shall reveal all material facts known to them which, if not revealed, could either distort reports of operations under review or conceal unlawful practices.
K. Members shall continually strive for improvement in their proficiency and in the effectiveness and quality of their service.

L. Members, in the practice of their profession, shall be ever mindful of their obligation to maintain the high standards of competence, morality, and dignity promulgated by the Institute. Members shall abide by the Bylaws and uphold the objectives of the Institute.

IV. Objective and Scope of Internal Audit

The objective of internal auditing is to assist the campuses in the effective discharge of their responsibilities. To this end, internal auditing furnishes them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed. The audit objective includes promoting effective control at reasonable cost.

The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization’s system of internal control and the quality of performance in carrying out assigned responsibilities. The scope of internal auditing includes:

A. Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.

B. Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations, which could have a significant impact on operations and reports, and determining the organization is in compliance.

C. Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.

D. Appraising the economy and efficiency with which resources are employed.

E. Evaluating the method of utilizing resources (personnel, property, space, etc.) in an economical and efficient manner. The causes of any inefficiencies or uneconomical practices should be determined and recommendations to correct the problems should be presented. This includes consideration of the:
• need for goods or services provided or procured;
• reasonableness of costs incurred or expenditures made;
• proper utilization of resources;
• adequacy of revenue for goods or services provided.

Such matters are pursued primarily from the standpoint of improvements needed—usually by identifying avoidable costs or waste, possibilities for increased revenues, and alternative procedures for producing similar results at lower costs or better results at the same or lower costs.

F. Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

V. Communicating Results

Internal auditors should report the results of their audit work.

A. A signed, written report should be issued after the audit examination is completed. Interim reports may be written or oral and may be transmitted formally or informally.

B. The internal auditor should discuss conclusions and recommendations at appropriate levels of management before issuing final written reports.

C. Reports should be objective, clear, concise, constructive, and timely.

D. Reports should present the purpose, scope, and results of the audit; where appropriate, reports should contain an expression of the auditor’s opinion.

E. Reports should include recommendations for improvements and acknowledge satisfactory performance and corrective action.

F. The auditee’s views about audit conclusions or recommendations should be included in the audit report.

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G. The Directors of Internal Audit should review and approve the final audit report before issuance and should decide to whom the report will be distributed.

VI. Audit Report Follow-up

It is the responsibility of each campus President to institute a follow-up process which will ensure appropriate action has been taken on each audit recommendation. Disagreements occasionally occur during the audit. The Director of Internal Audit and the affected management should attempt to reconcile any disagreement during the audit field work process. Otherwise, affected management should state the reason(s) for disagreement with the audit finding(s). If differences persist, the Director of Internal Audit should attempt to reconcile these differences with campus management, and ultimately the President. If a compromise cannot be reached with campus officials, the disagreement should be referred to the General Auditor for resolution. Disagreement with an audit finding or recommendation constitutes management’s decision to accept responsibility for any identified control weakness.

VII. Management of the Internal Auditing Department

The General Auditor and the Directors of Internal Audit should properly manage the Internal Audit Department so that:

A. Audit work fulfills the general purposes and responsibilities approved by The Board of Trustees.

B. Resources of the internal audit department are efficiently and effectively employed.

C. Audit work conforms to The University of Alabama System Standards for the Practice of Internal Auditing.

VIII. Quality Assurance

The purpose of a quality assurance program is to provide reasonable
assurance that audit work conforms with the established Standards, the internal audit department's statement of purpose, authority, and responsibility, and other applicable auditing standards. A quality assurance program consists of three major parts:

- Supervision
- Internal reviews
- External reviews

The Directors of Internal Audit are responsible for the supervision of the work of internal auditors, which should be carried out continually to assure conformance with internal auditing standards, methods, and audit programs.

The General Auditor will perform periodic reviews to appraise the overall quality of departmental operations. The frequency of such reviews may vary among internal audit departments, but such reviews are important to encourage compliance with the University's audit policies. External reviews will be commissioned in accordance with Institute of Internal Auditors, Inc., standards.

The General Auditor must report on the quality of the audit function at least annually to the Audit Committee.

IX. Coordination

Audits are to be conducted in such a manner as to make one audit serve as many purposes as possible. Adherence to this standard serves the dual purpose of providing maximum audit coverage and minimizing disruption of the auditee's activities. Groups whose work should be coordinated are the Department of Examiners of Public Accounts, the external auditors, and various federal auditors including the federal cognizant audit agency.

X. Coordination with Other Campuses

To the extent possible and practical, audits of a given functional area will be conducted at all three institutions. This coordination should promote opportunities to exchange ideas among the campuses, leading to more effective administration and providing the...
Board, through the Audit Committee, with more comprehensive information.