



Item: AF: A-M

AUDIT AND FINANCE COMMITTEE

Tuesday, December 9, 2014

**SUBJECT: ROLL CALL AND APPROVAL OF THE DRAFT MINUTES FOR THE
OCTOBER 21, 2014 AUDIT AND FINANCE COMMITTEE MEETING.**

PROPOSED COMMITTEE ACTION

Initiate roll call to document member participation to ensure appropriate quorum numbers are achieved and to approve the minutes of the October 21, 2014 Audit and Finance Committee meeting.

COMMITTEE MEMBERS

Mr. Thomas Workman, Jr., Chair	_____
Mr. David Feder, Vice Chair	_____
Mr. Anthony Barbar (ex-officio)	_____
Mr. Abdol Moabery	_____
Mr. Robert Rubin	_____
Mr. Robert Stilley	_____

BOT MEMBERS

Mr. Michael Cepeda	_____
Mr. Daniel Cane	_____
Dr. Jeffrey Feingold	_____
Ms. Mary Beth McDonald	_____
Dr. Ronald Nyhan	_____
Mr. Paul Tanner	_____
Dr. Julius Teske	_____



**AUDIT AND FINANCE COMMITTEE
DRAFT MINUTES
Tuesday, October 21, 2014**

AF: A-M. Roll Call and Approval of the Draft Minutes for the June 5, 2014 BOT Audit and Finance Committee Meeting.

Mr. Thomas Workman, Chair of the Board of Trustees (BOT) Audit and Finance Committee (AFC), convened this meeting at 11:14 a.m. Roll call commenced with the following Committee members, in addition to Mr. Workman, participating: Mr. David Feder, Vice Chair; Mr. Anthony Barbar (ex-officio) and Mr. Robert Stilley.

Other Trustees attending the meeting included: Mr. Daniel Cane, Mr. Michael Cepeda, Dr. Jeffrey Feingold, Ms. Mary Beth McDonald (via phone), Dr. Ronald Nyhan, Mr. Paul Tanner and Dr. Julius Teske.

The following University officials participated: Dr. John Kelly, President; Ms. Dorothy Russell, Vice President for Financial Affairs; Dr. Corey King, Interim Vice President for Student Affairs; and, Mr. Morley Barnett, Inspector General.

Upon call, a motion was made and seconded to approve the minutes of the June 5, 2014 AFC meeting without change or correction. **The motion passed unanimously.**

AF: A-1. Review and Approval of the 2015-16 Projected Housing Budget and Proposed Rental Rates.

Dr. Corey King presented to the board several immediate actions that have been put into place to increase occupancy in 2014-15 on-campus housing based on the recommendations of Capstone On-campus Management. The utilization of Capstone On-campus Management as a consultant for housing occupancy management, restructuring of the occupancy database (Adirondack) to reflect real-time data, increase in the frequency of processing room assignments, development of a new marketing strategy (visibility at new student orientation, personal phone calls, social media campaign) and staffing and budget modifications to streamline assignments/contract processes have all resulted in increasing occupancy for Fall 2014 from 73% (2,960) in May 2014 to the current occupancy of October 2014 at 86.6% (3,512).

A request was made to provide housing occupancy at this time last year for comparison. Dr. King presented the slide in his presentation regarding occupancy evaluation, which showed that occupancy was at 88.2% last year, compared with this year at 86.6%.

Dr. King provided additional information about the Capstone On-campus Management group. The organization is comprised of housing professionals focused on providing management and consulting services for student housing owned by non-profits, colleges, universities, and foundations, with corporate headquarters in Birmingham, Alabama. As a result of their focus, Capstone has become the leading provider of third-party management services to non-profit owners, currently managing 23,780 beds, serving 25 campuses nationwide. FAU has partnered with Capstone since 2011, yet FAU currently utilizes their expertise in the admissions process.

Dr. King explained several changes that will be made for the upcoming year to increase occupancy:

- Freshman requirement to reside in on-campus housing if they live more than 30 miles away from campus.
- Innovation Village South (IVAS) will be renovated to install washers and dryers in each individual room, which Innovation Village North (IVAN) already has. IVAN fills up very quickly during the re-contracting process and with this change to IVAS, Dr. King is confident that it will fill up quick as well.
- All community washers and dryers in all halls will not require coin operation any longer; the cost will be bundled into the housing rate and students will not have to pay to do laundry.
- 24-hour desk coverage will be implemented.
- Weekend mail retrieval will be added.
- 12-month contracts will be established.
- A storage plan for personal belongings could be added so students will not have to take them home every spring semester.

With the exception of an increase of 10% for Algonquin Hall, housing rate increases range from 1.4% to 6.3%. Dr. King further explained that the 10% increase in Algonquin Hall, which is made up of 80 single rooms, is due to the very high demand for this type of room and occupancy is always 97-100%. The increase in IVAS is due to the renovation for adding washers and dryers to the individual rooms and the small increases in the other halls is mostly due to bundling in the laundry services.

Discussion continued regarding the rate increases and board members stated their opinions on the issue. Dr. King indicated that at 90% occupancy, the rate increases would generate \$1.8M in additional revenue. Capstone believes that increasing occupancy is a 2-3 year process and the rate increases are a step in the right direction.

Upon question, Dr. King stated that FAU is ranked 4th out of 8 state universities when comparing our rental rates. A request was made by a board member for information on where we would

stand next year with these rate increases compared to the 8 other universities and Dr. King will provide that information once he has access to new rates from the other universities on the list.

With no further questions or comments, a motion was made and seconded to recommend BOT approval of the proposed increase to the 2015-16 Housing Rental Rates as presented. **The motion passed by majority vote.**

AF: I-1. Review of Fourth Quarter Financial Report, July 1, 2013 – June 30, 2014.

Ms. Russell informed the Board of Trustees of the financial condition of the University. This report presented year-end expenditures for each of the budgetary components of the University: Educational and General; Auxiliary Enterprises; Sponsored Research/Grants and Contracts; Financial Aid; Student Government/Student Activities; Athletics; and, Concessions.

A five-year comparison of FAU's Educational and General Operating Budget status showing a decline in General Revenue in the State of Florida and increasing reliance on Student Tuition and Fees. An update on each of the budget components was given with year-end financial data summarized as follows:

Category	Fund Type	2012-13				2013-14			
		Actual	Adj. Budget	Remainder	% of Actual to Budget	Actual	Adj. Budget	Remainder	% of Actual to Budget
REVENUE									
	Educational & General	\$253,322	\$238,369	\$ 14,953	106.3	\$298,808	\$282,157	\$16,651	105.9
	Auxiliary Enterprises	96,637	101,272	(4,635)	95.4	94,775	117,322	(22,546)	80.8
	Student Financial Aid	192,523	193,791	(1,268)	99.3	196,463	197,907	(1,444)	99.3
	Student Activities	9,176	8,978	198	102.2	8,974	9,287	(313)	96.6
	Athletics	18,389	17,556	833	104.7	18,085	18,626	(541)	97.1
	Stadium	2,588	6,483	(3,895)	39.9	2,337	7,030	(4,693)	33.2
	Sponsored Research/Grants	57,097	65,477	(8,380)	87.2	52,818	67,889	(15,070)	77.8
	Concessions	589	480	109	122.7	418	480	(62)	87.0
	TOTAL REVENUE	\$630,321	\$632,406	\$ (2,085)	99.7	\$672,679	\$700,698	(\$28,018)	96.0
EXPENDITURES									
	Educational & General	\$250,964	\$238,369	(\$12,595)	105.3	\$267,633	\$273,529	\$5,896	97.8
	Auxiliary Enterprises	93,758	107,309	13,551	87.4	103,394	123,564	20,170	83.7
	Student Financial Aid	192,736	193,986	1,250	99.4	196,528	203,036	6,508	96.8
	Student Activities	9,813	10,542	729	93.1	9,369	10,706	1,337	87.5
	Athletics	17,278	18,522	1,244	93.3	18,219	19,928	1,709	91.4
	Stadium	2,588	5,303	2,715	48.8	2,337	5,228	2,890	44.7
	Sponsored Research/Grants	54,403	64,753	10,350	84.0	54,769	67,715	12,946	80.9
	Concessions	501	480	(21)	104.4	408	480	73	84.9
	TOTAL EXPENDITURES	\$622,041	\$639,264	\$17,223	97.3	\$652,657	\$704,186	\$51,529	92.7

Upon question, Ms. Russell noted that the Affordable Care Act has not had an impact on the budget at this time, although approximately \$1M was set aside to accommodate any costs associated with it.

AF: I-2. Office of the Inspector General's Report of Annual Activities for Fiscal Year Ended June 30, 2014.

In accordance with the Office of Inspector General's Internal Audit Charter, an annual report is issued to communicate the office's activities of the previous fiscal year. Mr. Barnett stated that the report summarizes internal audits, follow-up on prior audit recommendations, investigations, and consulting activities, as well as goals and challenges for the upcoming fiscal year.

AF: I-3. Review of Summary of Follow-up on Audit Recommendations Scheduled to be Implemented During the Period of October 1, 2013 through June 30, 2014.

Mr. Barnett stated that in total, 697 hours were spent on efforts to determine the implementation of prior audit recommendations made by the Florida Auditor General's Office and the Office of Inspector General. Of 23 items subject to follow-up, 19 were fully implemented and the remaining 4 were partially implemented.

AF: I-4a. Review of Audits: FAU 13/14-5, Audit of Travel for the Period October 1 through December 31, 2013.

The primary objectives of this audit were to determine: 1) the adequacy and effectiveness of internal controls over the travel function to ensure all official university travel was appropriately authorized, and travel expenditures were properly approved and supported, and processed in an accurate and timely manner, and 2) whether travel operations were conducted in compliance with applicable laws, rules and regulations, university policies and procedures, and sound business practices.

Based on the audit, Mr. Barnett found that the university's travel operations needed to be consistently conducted in compliance with all applicable laws, rules, regulations and policies and procedures and sound business practices. There were no improper expenditures. Four recommendations were made to address our findings. Three of four recommendations were scheduled to be implemented by September 30, 2014 and the fourth by December 31, 2014.

Mr. Barnett explained that management believes that the ability to improve travel controls and functions will be greatly enhanced with the implementation of Workday in the near future.

AF: I-4b. Review of Audits: FAU 13/14-6, Audit of Student Accounts Receivable for the Period July 1, 2013 through March 31, 2014.

Mr. Barnett explained that the primary objectives of this audit were to determine adequacy and effectiveness of internal controls over collection follow-up efforts; referrals to the collection agency; and, account write-offs for delinquent student accounts receivable; and reasonableness and propriety of the allowance for doubtful student accounts receivable.

The composition of a student's past due balance include a wide range of unpaid charges such as matriculation fees, tuition differential fees, local fees, non-refundable fees such as late payment and transportation access fees, and library fines. Three recommendations were made to improve administration of FAU's collection activities. Management agreed to implement one audit recommendation by July 1, 2014 and the remaining two by September 30, 2014.

Upon question, Ms. Russell confirmed that the University does collect 100% of what the student owes when accounts are turned over to a collection agency and the collection agency fee is added on top of what the student owes the University.

With no further questions or comments put forth, a motion was made and seconded to adjourn the meeting. **The meeting was adjourned at 12:18 p.m.**