



MINUTES
AUDIT AND FINANCE COMMITTEE MEETING
Wednesday, May 7, 2008

(NOTE: The AFC Meeting was Rescheduled Due to Emergency University Closure on April 30, 2008)

AF: A-M. Roll Call and Approval of Minutes for the February 20, 2008 BOT Audit and Finance Committee Meeting.

Ms. Blosser, Chair of the Audit and Finance Committee, convened this meeting at 2:12 p.m. Roll call commenced with the following Committee members participating:

Mr. David Feder, Mr. Tony Teixeira, and Mr. Thomas Workman.

The following Board of Trustees members also participated:

Mr. Scott Adams, Mr. Armand Grossman, Mrs. Lalita Janke, Mrs. Sherry Plymale and Dr. Eric Shaw.

The following University officials participated:

Mr. Frank T. Brogan, President; Dr. Kenneth A. Jessell, Vice President for Financial Affairs; Mr. Morley Barnett, Inspector General, Mr. Glenn Thomas; Dr. Charles Brown, Vice President for Student Affairs, and Mr. David Kian, General Counsel.

Chair Blosser called for comment or correction to the minutes of the February 20, 2008 BOT Audit and Finance Committee meeting and with none forthcoming, a motion was made and seconded to approve the minutes without change. The motion passed unanimously.

Chair Blosser noted for the record her ascendency to Chair of the Board of Trustees effective April 1, 2008. With the complexities of year-end budget reductions and new fiscal year budget development in progress, she recommended that she remain Chair of the Audit and Finance Committee until an appropriate election and committee member restructuring could be accomplished without disruption in processes. Members of the Audit and Finance Committee concurred unanimously with the recommendation.

Chair Blosser then noted that only information items are being presented to the Committee today. All fee increase proposals would return to the Committee as action items at a later date. She then requested agenda item AF: I-2 be moved forward for immediate presentation.

AF: I-2. Proposal to Modify Fees for the Karen A. Slattery Education Research Center for Child Development.

Mr. Thomas introduced this item noting the Karen A. Slattery Education Research Center for Child Development (SERCCD) is a preschool serving approximately 100 children of FAU faculty and staff, ages infant to five years. Background information was provided including its university auxiliary status, accreditation status, and research and community service functionalities. Particularly noteworthy are the accreditation by the National Association for the Education of Young Children and the SERCCD being a provider of the State Voluntary Pre-kindergarten program, as each program mandates group size limitations and staffing requirements.

As a university auxiliary entity, no state funding is received and revenue is generated through parent fees and a statutory student credit hour fee. A review of prior year BOT fee changes was provided as well as the results of a local market fee survey.

Acknowledging that fee increases put financial stress on student parents, Mr. Thomas noted that in prior years a FAU Student Government subsidy that was available to assist needy student parents but that with current budget concerns the FAU Student Government has eliminate that subsidy except under exceptional circumstances.

Members were reminded of the Slattery Advisory Board which reviews SERCCD financial data and, with parental input, develops budget recommendations including fee increases. The 2008-09 fee modification request is necessary to retain lower child group sizes and other quality components, provide for possible staff increases, initiate a contingency for facility repairs and emergencies.

Key components of the proposed fee changes are:

1. Reducing the Slattery staff child discount from 50 percent to 10 percent.
2. Eliminating the five percent discount provided to FAU students' children which was previously offset by the FAU Student Government subsidy. This subsidy has been discontinued effective June 30, 2008, although need-based support may be available on a case-by-case basis from Student Government.
3. Increasing all fees across the board by three percent.
4. Continue a discounted rate of 10% off the lesser of the two rates for the second child of all families.

In concluding his presentation, Mr. Thomas noted the establishment of a Finance Committee within the Slattery Advisory Board Finance Committee to regularly ensure revenues and expenses are on track.

Discussion followed regarding the ability of Student Government Association to provide scholarships to needy students. Members were informed that with the opening of the Recreation Center and its annual operating costs of \$100,000, in conjunction with overall current budget reductions, these types of ancillary issues could no longer be fully supported. Clarification was provided by Dr. Brown that the Student Government Association will still hear individual cases of exceptional need and provide assistance as funding is available.

AF: I-1a. Review of Audits: Report No. FAU 07/08-3, Audit of Hazardous Waste Management, January 1, 2007 through March 12, 2008.

Mr. Barnett advised the Committee that this audit was performed to determine whether the University had adequate policies, procedures and practices in place to ensure compliance with federal and state laws and regulations related to the generation, storage, and disposition of hazardous wastes. Also reviewed was the adequacy of employee training and safeguarding of facilities when hazardous materials were involved.

Results show that Environmental Health and Safety (EH&S) is well organized and there were no reportable recommendations. An observation was made to enhance applicable training programs, specifically, the early identification of employees involved with hazardous waste materials in order to ensure a more comprehensive training program. EH&S, the Division of Research and the Office of Graduate Studies are working to coordinate implementation of this enhancement.

No further questions or comments followed.

AF: I-1b. Review of Audits: Summary of Follow-up on Audit Recommendations Scheduled to be Implemented During the Period of October 1, 2007 – December 31, 2007.

Mr. Barnett addressed this item advising that of the 43 outstanding recommendations more than half had been fully implemented; another 14 were partially completed, one was not yet done; and another six were no longer applicable. He noted that his office continues to work with management to ensure recommendation completion and that there are no concerns with respect to this issue. The normal cycle of follow-up will continue.

With no questions or comments following, Chair Blosser reminded committee members of the risk assessment survey recently provided to members for response. She encouraged participation in this process to ensure any concerns they might have could be addressed by the Office of the Inspector General's staff.

No questions or comments followed.

AF: I-1c. Review of Audits: Report #2008-109, Florida Atlantic University Financial Audit For the Fiscal Year Ended June 30, 2007.

Dr. Jessell advised that the Auditor General found no material weaknesses in the financial statement for the fiscal year ending June 30, 2007 and that the financial position and cash flows of the university and its component units (FAU Foundation and Research Corporation) that support operations had been presented fairly.

One recommendation related to information technology was noted within this audit. While normally this would have been included in a technology audit, timing issues caused the Auditor General to include it within this financial audit and not as a separately issued audit. The finding/recommendation to strengthen information technology access controls are intended to protect data and IT resources from unauthorized disclosure, modification, or loss. Management has

made the appropriate modifications to access control procedures as recommended by the auditor. Dr. Jessell went over the four components of the recommendations and discussed management's responses to each component.

No questions or comments followed.

AF: I-1d. Review of Audits: Report #2008-141, State of Florida Compliance and Internal Controls Over Financial Reporting and Federal Awards In Accordance With OMB Circular A-133 For the Fiscal Year Ended June 30, 2007.

Dr. Jessell advised members that this audit encompasses entities of the entire State of Florida, but that the information provided to them relates only to Florida Atlantic University. He then noted the one finding related to time-and-effort reporting. Management concurred with the finding and is seeking a vendor to acquire appropriate reporting system module to be integrated within the Banner system to ensure timely reporting and that activity certification reflects actual effort which has been certified by appropriate staff members as required.

No comments or questions followed.

AF: I-3. Proposal to Initiate Regulation Promulgation for Board of Trustees Established Increases in Student Tuition and Fees for Academic Year 2008-2009.

Chair Blosser reminded committee members of the legislatively recommended tuition increase of six percent for undergraduate in-state students. The recommendations to be presented are those within the authority of the Board of Trustees.

Dr. Jessell addressed this item as a proposal to increase graduate in-state tuition and undergraduate out-of-state tuition by six percent. For graduate in-state students taking 12 credit hours this would increase the tuition to \$12.63 per credit hour, or \$151.56 per semester, generating \$620,000 annually. For the same credit hours, undergraduate out-of-state student tuition would increase to \$29.30 per credit hour, or \$351.60 per semester, and would generate \$775,000 annually. The approximately \$1.4 million generated by these increases will be held in reserve as a buffer pending possible future economic declines.

No increase to graduate out-of-state tuition is recommended as Florida graduate out-of-state tuition remains the highest in the nation. Additionally, the cost to increase graduate stipends would negate any funding gains.

Discussion followed on:

- The ratio of in-state and out-of-state graduate students. Dr. Pritchett noted that 4,833 students receive assistantships and therefore qualify for tuition waivers. Of the 4,833, 4,300 are residents and 533 are non-residents. 781 graduate students have assistantships and of that number 440 are residents and 341 are non-residents.
- The state mandated cap on undergraduate out-of-state student admissions. The current cap stands at ten percent but recent legislative materials, though unconfirmed, indicate the cap

may have been increased to 15 percent. Dr. Jessell noted FAU stands at approximately 7.5 percent.

- Graduate enrollment status and process improvements. Members were informed of the 2-3 percent annual increase in these enrollments, as well as the need for faculty and lab availability to admit additional graduate students. Additionally, a fully automated and paperless system has been implemented for the graduate application processes.

AF: I-4. Presentation of the Third Quarter Status of Florida Atlantic University's 2007-2008 Operating Budget, July 1, 2007 – March 31, 2008.

Dr. Jessell addressed this item reviewing the revenue and expenditure changes to each budget entity through March 31, 2008.

Educational and General. This budget includes expenditures for instruction, research, library and learning resources, student services, plant operations and maintenance and administrative support. It is funded by General Revenue (sales tax and corporate income tax collections, license fees, etc.), the Education Enhancement Trust Fund (collections from the sale of Florida lottery tickets), and the Student Fee Trust Fund (primarily matriculation fees and tuition paid by students).

This budget now fully incorporates current budget reductions. Expenditures are higher than prior year with the incorporation of HBOI operations and utility rate increases. Dr. Jessell noted that while enrollment is up it remains below target and expenditures have been reduced to address this issue. The budget remains on track to projections.

Student Financial Aid. This is a flow-through account with financial aid monies received and distributed to students. Revenues and expenditures are anticipated to be very close to projections. Cash balances are available to support need.

Grants and Contracts-Sponsored Research. This budget consists of funding from federal and state agencies, Foundations and private sources to enable the university to conduct research projects or provide specific services.

Projected revenues and expenditures have been reduced by \$10 million to reflect today's economic situation where fewer grants are available and competition for those is high. Currently, revenues are higher than expenditures but this is caused by timing issues between expending the monies and reimbursements for these expenditures. Sufficient cash balances are available to support these issues.

Auxiliary Enterprises. These are business entities of the university (food service, bookstore, housing, etc.) that receive no state monies and are expected to be self-sufficient financially. Revenues and expenditures are on track to projections.

Athletics Local. Funding for this budget is generated from student athletic fees, ticket sales, game guarantees, etc. While not included in this budget, Athletics receives state Title IX gender equity funding, out-of-state waiver authority and financial aid.

This budget entity is technically an auxiliary function but is monitored independently to track revenues and expenses for reporting purposes per this Board, the BOG and NCAA requirements.

These data match the projections provided at the March Athletics Workshop. Currently, summer revenues are beginning to be received which will better balance total revenues to the expenditures previously incurred. Monitoring continues on this budget and Athletics management has committed to ensuring a balanced budget by June 30.

Discussion ensued on the budget impact of possible lower summer enrollment. Confirmation was given that lower enrollment would impact this budget. Enrollment is currently below projected levels but it is believed that budget projections will still be achieved.

Student Government-Student Activities. This budget is funded primarily through the Activity and Service fee paid by students.

The Student Government Association remains a great steward of this budget. In consideration of projected lower revenues, expenditures have been reduced to ensure appropriate levels of funding are available to cover futures expenses associated with student recreation and wellness center activities.

Concessions. This budget is funded from monies collected from vending machines. The budget is on track to projections with cash balances available to cover the differences between revenues and expenditures.

In concluding this report, Dr. Jessell noted the budget component summary comparisons provided for fiscal years 2007-2008 to 2006-2007.

Discussion followed on protecting enrollment levels and maximizing opportunities for enrollment growth. Additional discussions on ensuring appropriate actions are taken to address the effects of new community college baccalaureate degrees occurred. Assurance was provided that access to education remains a high priority and was specifically articulated by the President's Budget Task Force. With planned enrollment decreases within the SUS, FAU expects to enroll some students unable to attend other state institutions. Members were further informed of plans to discuss community college/academic master planning issues at the BOT Retreat.

Dr. Shaw took this opportunity to introduce to the committee, Dr. Timothy Lenz, president-elect of the Florida Atlantic University Faculty Senate who will replace Dr. Levow as ex-officio to the BOT Audit and Finance Committee.

AF: I-5. Update on Budget Reductions for Fiscal Year 2007-2008.

Dr. Jessell reviewed highlights of legislative budget session which includes receipt of the final year funding for the UM/FAU Medical Program; a six percent undergraduate in-state tuition increase; additional lottery funding, which decreased in estimated availability from \$120 million in February to just \$40 million in April; health insurance funding, and the general revenue and financial aid budget reductions. Dr. Jessell noted the existence of some non-recurring lottery funding that may be made available depending on future economic realities.

Capital Improvement Trust Fund (CITF) funding is at \$9.9 million and Public Education Capital Outlay (PECO) funding is at \$51.5 million. While CITF monies were received at only 70 percent of Florida Atlantic University's \$12 million request it will provide the funding for the two phases of the Boca Raton Campus Recreation and Wellness Center, Student Unions in Davie and Jupiter and the renovation of the Student Life Center in Port St. Lucie. The PECO monies will fund infrastructure, the FAU/UF Joint Use facility, the General Classroom/Engineering and General Classroom Facility.

Additional projects receiving funding were the Autism Program and the Florida Energy Systems Consortium.

Funded enrollment remains at 15,239 FTE. Unfortunately no salary increases or even bonuses were funded.

Additional review commenced on line item issues combined to create the proposed 2008-09 Educational and General Budget. The formal budget reduction program will be presented to the Board of Trustees on May 28, and the complete operating and capital budgets will be presented to the Board of Trustees on June 25.

With no questions or comments forthcoming, Chair Blosser expressed appreciation for the difficult work performed during this budgeting period.

Chair Blosser requested any additional questions or comments from the Committee. With none forthcoming, a motion was made and seconded to adjourn the meeting. The motion passed unanimously. The meeting was adjourned at 4:00 p.m.