



Item: BF: A-M

**BUDGET AND FINANCE COMMITTEE**

Tuesday, March 14, 2017

**SUBJECT: ROLL CALL AND APPROVAL OF THE DRAFT MINUTES FOR THE NOVEMBER 16, 2016 AND JANUARY 24, 2017 AUDIT AND FINANCE COMMITTEE MEETINGS.**

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**PROPOSED COMMITTEE ACTION**

Initiate roll call to document member participation to ensure appropriate quorum numbers are achieved and to approve the minutes of the November 16, 2016 and January 24, 2017 Audit and Finance Committee meetings.

**COMMITTEE MEMBERS**

Mr. Thomas Workman, Jr., Chair	_____
Mr. Daniel Cane, Vice Chair	_____
Mr. Anthony Barbar (ex-officio)	_____
Mr. Shaun Davis	_____
Mr. Abdol Moabery	_____
Mr. Robert Rubin	_____
Mr. Robert Stilley	_____

**BOT MEMBERS**

Dr. Christopher Beetle	_____
Dr. Michael Dennis	_____
Mr. Michael Cairo	_____
Dr. Jeffrey Feingold	_____
Dr. Malcolm Dorman	_____
Ms. Mary Beth McDonald	_____



**AUDIT AND FINANCE COMMITTEE  
DRAFT MINUTES  
Wednesday, November 16, 2016**

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**AF: A-M. Roll Call and Approval of Minutes for the May 17, 2016 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 10:15 a.m. Roll call commenced with the following Committee members, in addition to Mr. Workman, participating: Mr. Daniel Cane, Vice Chair; Mr. Anthony Barbar (ex-officio), Ms. Mary Beth McDonald, Mr. Abdol Moabery, Mr. Robert Rubin and Mr. Robert Stilley.

Other Trustees attending the meeting included: Dr. Christopher Beetle, Mr. Shaun Davis, Dr. Michael Dennis, Dr. Malcolm Dorman, Mr. Michael Cairo and Dr. Jeffrey Feingold (via phone).

The following University officials participated: Dr. John Kelly, President; Ms. Dorothy Russell, Vice President for Financial Affairs; Dr. Corey King, Vice President for Student Affairs; Mr. David Kian, Vice President and General Counsel; Ms. Sharon Brown, Assistant Vice President of Finance and Administration; Mr. James Wilkie, Assistant Vice President for Research; and, Mr. Morley Barnett, Inspector General.

Upon call, a motion was made and seconded to approve the minutes of the May 17, 2016 AFC meeting without change or correction. **The motion passed unanimously.**

**AF: A-1. Review and Approval of the 2017-18 Projected Housing Budget and Proposed Rental Rates.**

Dr. Corey King presented the 2017-18 housing budget to the board and stated that there would be no rate increases for the upcoming year. Actual occupancy in fiscal year 2014 was 88.2% and over the last three years there has been a significant increase in occupancy on campus with fiscal year 2016 actual occupancy at 95.9% and fiscal year 2017 (four weeks into the semester) at 98.8%. For budgeting purposes, the occupancy for fiscal year 2018 has been set at 94%. There are no proposed housing rate increases for FY18. The increase in the housing budget is due the maintenance and repairs, a new security system, updated Wi-Fi, the HVAC project and implementation of the Fair Labor Standards Act (FLSA) which impacts salary and benefits.

Upon question, Dr. King explained that until there is a four to five year trend with increased housing occupancy, the budget will be set conservatively using 94% occupancy.

With no further questions, a motion was made and seconded to recommend BOT approval of the 2017-18 Housing Rental Rates remaining unchanged from the prior year. **The motion passed unanimously.**

**AF: A-2. Request for Approval of New Elected Director of the FAU Finance Corporation ("FAUFC") Board of Directors.**

Ms. Dorothy Russell requested recommendation to approve of Mr. J. Michael Woody as a new elected Director of the FAUFC Board of Directors, replacing Mr. Peter LoBello. Mr. Woody has over 12 years of experience in the banking industry as well as a strong history with FAU and the FAUFC Board of Directors approved adding Mr. Woody to its board at the October 26, 2016 meeting.

With no questions or comments put forth, a motion was made and seconded to recommend approval of Mr. J. Michael Woody as a new elected Director of the FAUFC Board of Directors. **The motion passed unanimously.**

**AF: A-3. Request to Approve Amendments to the Bylaws of the FAU Clinical Practice Organization, Inc. ("FAU CPO"); Approve New Members of the FAU CPO Board of Directors.**

Mr. David Kian explained that these amendments to the Bylaws are to update and expand the membership to include individuals representing the active clinical practices in the College of Medicine and College of Nursing. The FAU CPO Board of Directors recently met and approved the six newly listed members.

With no questions or comments put forth, a motion was made and seconded to approve the resolution. **The motion passed unanimously.**

**AF: I-1a. Review of the Financial Statements for FAU Direct Support Organizations: FAU Foundation, Inc.**

Ms. Sharon Brown presented the financial statements and noted that \$24.7M in contributions were brought in this year, which was slightly less than the prior year. Although returns have decreased this year, they are up currently for the next fiscal year, pledges have increased by \$10.5M and expenses increased as additional monies were given to fund scholarships.

**AF: I-1b. Review of the Financial Statements for FAU Direct Support Organizations: FAU Research Corporation.**

Mr. James Wilkie presented the financial statements and noted that the overall net position for the year increased slightly over the prior year due to the relocation of expenditures from the DSO

to the Division of Research and licensing changes. Upon question, Mr. Wilkie explained that several license agreements were not productive but new contracts have been signed recently, which will be new revenue sources.

**AF: I-1c. Review of the Financial Statements for FAU Direct Support Organizations: FAU Clinical Practice Organization.**

Ms. Russell stated that this organization is continuing to grow and has increased operating revenues from \$802k to \$1.3M, but also had an increase in expenses for a total change in net position of approximately \$140k. The college of medicine has grown significantly with several new local hospital partnerships.

**AF: I-1d. Review of the Financial Statements for FAU Direct Support Organizations: FAU Finance Corporation.**

Ms. Russell informed the board that the change in net position is up over \$6M from the prior year primarily due to the increase in housing revenues. The auditors had no findings. Upon question, Ms. Russell confirmed that the overall deficit should decrease each year due to the change in net position.

**AF: I-2. Review of Fourth Quarter Financial Report (July 1, 2015 to June 30, 2016).**

Ms. Russell presented the year-end financial report which shows actual revenues and expenditures for each of the budgetary components and informs the board of the financial condition of the University. An update on each of the budget components was given by Ms. Russell with year-end financial data summarized as follows:

Category and Fund Type	2014-15 End-of-year				2015-16 End-of-year			
	Actual	Budget	Remainder	% of Actual to Budget	Actual	Budget	Remainder	% of Actual to Budget
<b>REVENUE</b>								
Educational & General	\$305,045	\$293,609	\$11,436	103.9	\$321,001	\$299,810	\$21,191	107.1
Auxiliary Enterprises	109,647	118,312	(8,665)	92.7	119,488	125,087	(5,599)	95.5
Student Financial Aid	190,921	198,640	(7,719)	96.1	193,198	192,222	976	100.5
Student Activities	8,771	9,385	(614)	93.5	9,122	9,285	(163)	98.2
Athletics	25,938	27,409	(1,471)	94.6	26,707	26,346	361	101.4
Contracts & Grants *	55,541	55,498	43	100.1	66,591	59,099	7,492	112.7
Concessions	1,094	510	584	214.5	650	625	25	104.0
<b>TOTAL REVENUE</b>	<b>\$696,957</b>	<b>\$703,363</b>	<b>(\$6,406)</b>	<b>99.1</b>	<b>\$736,757</b>	<b>\$712,474</b>	<b>\$24,283</b>	<b>103.4</b>
<b>EXPENDITURES</b>								
Educational & General	\$288,137	\$280,810	(\$7,327)	102.6	\$294,896	\$299,810	\$4,914	98.4
Auxiliary Enterprises	104,938	125,347	20,409	83.7	113,515	139,559	26,044	81.3
Student Financial Aid	190,443	198,533	8,090	95.9	191,944	192,171	227	99.9
Student Activities	9,907	11,218	1,311	88.3	7,570	9,876	2,306	76.7
Athletics	26,208	27,410	1,202	95.6	26,691	26,346	(345)	101.3
Contracts & Grants *	54,131	55,498	1,367	97.5	61,053	59,099	(1,954)	103.3
Concessions	1,020	510	(510)	200.0	690	625	(65)	110.4
<b>TOTAL EXPENDITURES</b>	<b>\$674,784</b>	<b>\$699,326</b>	<b>\$24,542</b>	<b>96.5</b>	<b>\$696,359</b>	<b>\$727,486</b>	<b>\$31,127</b>	<b>95.7</b>

\* Contracts & Grants fund type includes Sponsored Research, Foundations, and Henderson School.

Upon question, Ms. Brown stated that a new investment advisory firm has been brought on but it has only been one year and we ended the year much higher than projected in the beginning of the year, highest in the SUS. Mr. Kian added that the Foundation board is aware of the returns and has made last year significant changes within the last year including a new chair of the investment committee. There has been improvement in the last 15 months and all returns are tracked on a quarterly basis.

Ms. Russell, upon query, explained that the Fair Labor Standards Act (FLSA) regarding overtime, which will be effective December 1, 2016, will have a total impact of \$100k on the University.

Upon question, Ms. Russell clarified the growing concern of waivers and that every time a legislative session allows a student to be exempt from tuition impacts the University's ability to receive funding. Increase in credit hours but no funding to support. Two years prior, exempted waivers for state mandated tuition for students was \$1.8M, last year it was approximately \$4M and this year the institution is budgeting \$5M for waivers. There are several categories such as homeless persons, undocumented veterans, etc. and this will continue to impact the budget each year.

**AF: I-3. Office of Inspector General's Report of Annual Activities for Fiscal Year Ended June 30, 2016.**

Mr. Morley Barnett presented the report of annual activities and explained that the Board of Governors has recently drafted regulations that address governance and operational issues affecting the Office of Inspector General. Upon finalization of the regulations, anticipated by November of 2016, internal practices will be appropriately revised.

**AF: I-4. Review of Summary of Follow-up on Audit Recommendations Scheduled to be Implemented During the Period of January 1 through June 30, 2016.**

Mr. Barnett stated that there were 14 prior audit recommendations scheduled to be implemented during the six month period ended June 30, 2016 and all were found to have been fully implemented.

**AF: I-5a. Review of Audits: FAU 15/16-5, Audit of University Meal Plans for the Fall 2015 Semester.**

Mr. Barnett stated that the primary objectives of this audit were to verify whether management had controls in place to ensure that students living in residence halls were enrolled in a meal plan, unless properly exempted; commuter students and those living in university apartments, as well as faculty and staff who chose voluntary participation in a meal plan were properly processed; and, adequate procedures existed to account for revenues and payments made to the university's food service vendor (Chartwells). Four recommendations were made to improve customer contract documentation, accountability for check/money order collections, and timeliness of payments to Chartwells.

**AF: I-5b. Review of Audits: FAU 15/16-6, Audit of Student Government Association (SGA) Travel for the Spring 2016 Semester.**

Mr. Barnett explained that the primary objectives of this audit were to determine adequacy and effectiveness of internal controls over the SGA travel function to ensure activity and service fee-funded travel was appropriately authorized and travel expenditures were properly supported, approved, and timely processed; and, travel operations were conducted in compliance with applicable laws, rules and regulations, university and SGA policies and procedures, and sound business practices. The audit resulted in two recommendations, applicable to travel by individual students, student groups and non-student employees.

Ms. Russell gave a brief update on Workday and with no further questions or comments put forth, a motion was made and seconded to adjourn the meeting. **The meeting was adjourned at 11:10 a.m.**



**AUDIT AND FINANCE COMMITTEE  
DRAFT MINUTES  
Tuesday, January 24, 2017**

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**AF: A-M. Roll Call for the 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 10:20 a.m. Roll call commenced with the following Committee members, in addition to Mr. Workman, participating: Mr. Anthony Barbar (ex-officio), Ms. Mary Beth McDonald, Mr. Abdol Moabery, Mr. Robert Rubin and Mr. Robert Stilley.

Other Trustees attending the meeting included: Dr. Christopher Beetle, Mr. Shaun Davis, Dr. Michael Dennis, Dr. Malcolm Dorman (via phone) and Mr. Michael Cairo.

The following University officials participated: Dr. John Kelly, President; Ms. Dorothy Russell, Vice President for Financial Affairs; Mr. David Kian, Vice President and General Counsel; Mr. Morley Barnett, Inspector General; Dr. Gary Perry, Provost and Vice President for Academic Affairs; and, Mr. Jason Ball, Associate Vice President for Information Technology and Chief Information Officer.

**AF: A-1. Request to Approve Amendments to Regulation 6.008, Procurement.**

Mr. David Kian explained that the proposed revisions to FAU Regulation 6.008, which governs University purchasing functions and processes, are in compliance with recent amendments to Board of Governors (BOG) Regulation 18.001. The proposed changes to this regulation provide re-titles the regulation from "Purchasing" to "Procurement" to encompass the broader range of activities that are regulated and provide explicit authority for contract extensions and renewals, with time limitations, which currently do not exist in the regulation. The proposed changes also clarify the "advertisement" exemption to remove the purchase of media placement as an exempt service and permit the utilization of contracts from all cooperatives and consortia as long as such contracts were entered into after a public and open competitive solicitation.

With no questions put forth, a motion was made and seconded to recommend BOT approval of the Amendments to Regulation 6.008, Procurement. **The motion passed unanimously.**

**AF: I-1. Review Audit Report FAU 16/17-1, Performance Based Funding Data Integrity as of October 31, 2016.**

Mr. Morley Barnett stated that the integrity of data provided to the Board of Governors is critical to the performance based funding decision-making process. The BOG has requested that an audit be conducted to evaluate the controls and processes established by state universities as part of its Strategic Plan and governance responsibilities. In addition, the BOG has requested that a data integrity certification form be signed by the president and BOT chair and submitted by March 1, 2017. Our audit indicated that untimely data submissions to the BOG remains an issue for which management continues to seek the best course of action in mitigating.

Upon question, Dr. Gary Perry explained improvement of the accuracy and integrity of data collection is ongoing as changes are made to the metrics. Mr. Jason Ball also reiterated that resubmissions of data are often requested from the BOG staff and deadlines for data can be moved back several times before finalizing due to metrics modifications.

With no further questions or comments put forth, a motion was made and seconded to adjourn the meeting. **The meeting was adjourned at 10:29 a.m.**