



Item: AF: A-M

**AUDIT AND FINANCE COMMITTEE**

October 19, 2011

**SUBJECT: ROLL CALL AND APPROVAL OF THE DRAFT MINUTES OF THE JUNE 15, 2011 AUDIT AND FINANCE COMMITTEE MEETING.**

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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 June 15, 2011 Audit and Finance Committee meeting.

**COMMITTEE MEMBERS**

Mr. Anthony Barbar, Chair	_____
Mr. Thomas Workman, Jr., Vice Chair	_____
Mr. David Feder	_____
Dr. Angela Graham-West	_____
Dr. William McDaniel	_____
Mr. Abdol Moabery	_____
Mr. Robert Rubin	_____
Mr. Robert Stilley (ex-officio)	_____
Mr. Paul Tanner	_____

**BOT MEMBERS**

Dr. Jeffrey Feingold	_____
Mr. Ayden Maher	_____
Ms. Sherry Plymale	_____
Dr. Julius Teske	_____



**DRAFT MINUTES**  
**AUDIT AND FINANCE COMMITTEE**  
**Wednesday, June 15, 2011**

**AF: A-M. Roll Call and Approval of Minutes for the April 20, 2011 BOT Audit and Finance Committee meeting.**

Mr. Anthony Barbar, Chair of the Board of Trustees (BOT) Audit and Finance Committee (AFC), convened this meeting at 10:11 a.m. Roll call commenced with the following Committee members, in addition to Mr. Barbar, participating: Mr. Thomas Workman, Jr., Mr. David Feder, Dr. Angela Graham-West, Dr. William McDaniel, Mr. Robert Rubin, Mr. Robert Stilley, and Mr. Paul Tanner.

Other Trustees attending the meeting included: Dr. Jeffrey Feingold, Mr. Ayden Maher and Dr. Julius Teske.

The following University officials participated: Dr. Mary Jane Saunders, University President; Mr. Dennis Crudele, Senior Vice President for Financial Affairs; Mr. Thomas Donaudy, Vice President for Facilities and University Architect; Mr. Morley Barnett, Inspector General; and, Mr. David Kian, Senior Vice President for Strategic Relations and General Counsel.

Mr. Barbar called for approval of the minutes of the April 20, 2011 AFC meeting. With no discussion, a motion was made and seconded to approve the minutes without change or correction. **The motion passed unanimously.**

**AF: A-1. Request for Approval of the Charter of the FAU BOT Audit and Finance Committee.**

Mr. Barbar advised members that periodically the AFC Charter must be reviewed to ensure its effectiveness. The one minor change being requested is to have the review occur bi-annually rather than annually.

With no questions or comments from members, a motion was made and seconded to recommend that the BOT approve the proposed AFC Charter. **The motion passed unanimously.**

**AF: A-2. Request for Approval of the FAU Finance Corporation's 2011-12 Operating Budget.**

Mr. Crudele introduced this item noting that the FAU Finance Corporation (FAUFC) By-laws require the creation of an annual budget each fiscal year to be approved by the FAUFC Board of Directors (FAUFC BOD), the University President and BOT. The FAUFC BOD and President Saunders approved the proposed 2011-12 FAUFC Operating Budget on June 14, 2011.

Mr. Crudele advised that this budget was created with the cooperation of Capstone On-campus Management and the Department of Housing and Residential Life to encompass the operational needs of existing Boca Raton housing and Innovation Village Housing (IVH). A review of the financial data commenced with operating revenues projected at approximately \$27.5 million, expenses of approximately \$11.3 million and total debt service of \$8.5 million with depreciation and cash flow at below the line calculation. He noted that Capstone Management fees of \$524,217 are included in the budget. A net profit for the fiscal year is projected at approximately \$3.4 million. Additionally, members were advised that the budget closely mirrors the performance previously approved by the BOT and that the cash flow and net income to the University are in-line with original projections.

No questions or comments from members followed and a motion was made and seconded to recommend that the BOT approve the 2011-12 FAUFC Operating Budget and to authorize the FAUFC Chairman to amend this budget as appropriate during the fiscal year consistent with BOT directives and guidelines. **The motion passed unanimously.**

**AF: A-3. Request for Approval of the Florida Atlantic University Research Corporation's 2011-12 Operating Budget.**

Mr. Crudele advised that the By-laws of the Florida Atlantic University Research Corporation (FAURC) require the creation of an annual budget to be approved by the FAURC Board of Directors (FAURC BOD) and the BOT. The FAURC BOD approved this 2011-12 Operating budget on May 26, 2011.

The proposed FAURC fiscal year budget totals \$415,000. A review of the sources and uses of the restricted expenses of \$375,000 and the unrestricted revenue and matching expenses of \$40,000 followed.

No questions or comments were put forth by members and a motion was made and seconded to recommend that the BOT approve the 2011-12 FAURC Operating Budget; and, authorize the University President to amend this budget as appropriate during the fiscal year consistent with the FAURC's directives and guidelines. **The motion passed unanimously.**

**The AFC meeting was temporarily adjourned at 10:20 a.m.**

Mr. Stilley, Chair of the BOT, convened a welcome and farewell session. He then introduced newly appointed Trustees Dr. Abdol Moabery (in absentia), Dr. Angela Graham-West and Dr. Julius Teske providing the audience with professional and educational background information of each. The new Trustees in attendance each took a moment to speak of their aspirations as FAU Trustees.

Mr. Stilley then relayed farewell in absentia to departing Trustee Rajendra Gupta, expressing appreciation for his dedicated service to FAU.

A presentation followed bidding farewell to Trustee Nancy Blosser. Mr. Stilley took a few moments to enumerate the many accomplishments achieved during her ten-year tenure as a

founding member of the FAU BOT. A BOT Resolution, plaque and gift were presented further expressing appreciation for her extraordinary dedication. Mrs. Blosser addressed Board and audience sharing antidotes and expressing her appreciation for the opportunities afforded to her and satisfaction at successes attained during her tenure.

**The AFC meeting was reconvened at 10:40 am.**

**AF: A-4. Request for Approval of the Proposed 2011-12 Tuition Differential.**

Mr. Crudele noted that the Florida Legislature created and dedicated tuition differential to improving the quality of undergraduate education and to provide additional financial aid to needy undergraduate students. He reminded members that this funding has been part of the BOT's strategy in replacing the loss of Federal Stimulus monies and in assuring that FAU continues to meet student course demand and academic progress toward graduation.

The Florida Board of Governors (BOG) has calculated the allowable seven (7) percent increase in tuition differential to be \$21.42 per credit hour fee for academic year 2011-12 and management recommends implementing the full increase. FAU's estimated total collections will be \$9,428,682 with \$6,600,077 funding course continuation and \$2,828,604 providing student financial aid assistance.

No questions or comments followed and a motion was made and seconded to recommend that the BOT approve the increase in tuition differential as presented for academic year 2011-12. **The motion passed unanimously.**

**AF: A-5. Request for Approval of the Proposed Regulation 8.001, Tuition, Fee Schedule and Percentage of Cost for Academic Year 2011-12.**

Mr. Crudele explained that this Regulation incorporates the Legislative and BOG tuition increases of eight (8) percent in under- and graduate in-state and out-of-state tuition; the FAU recommended increase of seven (7) percent undergraduate tuition differential; and, the BOT approved increases to the Student Health and the Technology fees. Expected to generate \$10,148,682 the proposed tuition and fees are summarized as follows:

	Undergraduate		Graduate	
	In-State	Out-of State	In-State	Out-of State
Matriculation Fee ("Tuition")	\$ 103.32	\$ 103.32	\$ 281.21	\$ 281.21
Non-Resident Fee	\$ -	\$ 457.28	\$ -	\$ 623.80
Tuition Differential	\$ 21.42	\$ 21.42	\$ -	\$ -
Student Financial Aid Fee	\$ 5.16	\$ 27.40	\$ 14.06	\$ 44.38
Capital Improvement Fee	\$ 2.44	\$ 2.44	\$ 2.44	\$ 2.44
Building Fee	\$ 2.32	\$ 2.32	\$ 2.32	\$ 2.32
Activity & Service Fee	\$ 11.96	\$ 11.96	\$ 11.96	\$ 11.96
Health Fee	\$ 9.42	\$ 9.42	\$ 9.42	\$ 9.42
Athletic Fee	\$ 16.45	\$ 16.45	\$ 16.45	\$ 16.45
Technology Fee	<u>\$ 5.16</u>	<u>\$ 5.16</u>	<u>\$ 5.16</u>	<u>\$ 5.16</u>
Total Per Credit Hour	\$ 177.65	\$ 657.17	\$ 343.02	\$ 997.14

This year the Regulation includes annual tuition and fees for students enrolled the Charles E. Schmidt College of Medicine with costs as follows:

College of Medicine	In-State*	Out-of-State*
Matriculation Fee (Tuition)	\$24,500.00	\$24,500.00
Non-Resident Fee		\$30,000.00
Student Financial Aid Fee	\$ 520.80	
Non-Resident Student Financial Aid Fee		\$ 1,675.60
Building Fee	\$ 92.80	\$ 92.80
Capital Improvement Fee	\$ 97.60	\$ 97.60
Technology Fee	\$ 176.80	\$ 176.80
Activity & Service Fee	\$ 478.40	\$ 478.40
Health Fee	\$ 358.80	\$ 358.80
Athletic Fee	\$ 658.00	\$ 658.00
Transportation Access Fee	<u>\$ 156.84</u>	<u>\$ 156.84</u>
Total MD Tuition & Fees Annual Charge	\$27,040.04	\$58,194.84

With no questions or comments from members, a motion was made and seconded to recommend BOT approval of Regulation 8.00.1 which has been publicly noticed for thirty (30) days as required. **The motion passed unanimously.**

**AF: A-6. Request for Approval of Florida Atlantic University's 2011-12 Operating Budget.**

Mr. Crudele addressed this issue reminding members of the considerable reductions to FAU's general revenue over the past four years and informing them of the stringent processes utilized in developing this budget to insure adherence to the goals and objectives of FAU's Strategic Plan. A PowerPoint presentation began to review the proposed expenditure funding of each of the seven components of the Operating Budget which included a comparison to prior year funding and is summarized as follows:

Expenditure Budget	2010-11 Adjusted Budget	2011-12 Proposed	Percentage Change
Educational & General	\$ 257,813,346	\$ 241,744,261	(6.2)
Student Financial Aid	\$ 167,184,051	\$ 174,483,578	4.4
Contracts & Grants	\$ 62,974,241	\$ 61,868,134	(1.8)
Auxiliary Enterprises	\$ 106,155,850	\$ 102,608,700	(3.3)
Athletics			
Operations	\$ 14,011,516	\$ 15,707,021	
Stadium Operations		<u>\$ 2,534,843</u>	
Total		\$ 18,241,864	30.2
Student Activities	\$ 9,935,432	\$ 9,651,114	(2.9)
<u>Concessions</u>	<u>\$ 500,250</u>	<u>\$ 500,250</u>	<u>0.0</u>
TOTAL	\$ 618,574,686	\$ 609,097,901	(1.5)

Mr. Crudele continued the presentation expanding on each budget component and informing members of the specific funding sources and the usage of each. Other significant information was provided including:

Educational and General. The dynamics of the budget construction process was explained beginning with the base-line 2010-11 Operating Budget, plus/minus the recurring and non-recurring adjustments made during that fiscal year, plus/minus new and continuing Legislative, BOG and BOT appropriations.

The allocation of \$241,744,261 is 6.2 percent less than prior year. This budget consists of state general revenue funding at approximately \$126.7 million, student tuition and fees of approximately \$96.9 million and lottery funding at approximately \$18.2 million.

Key components of this budget include an eight percent tuition increase for all undergraduate and graduate students and a seven percent differential tuition for undergraduate in-state students.

Reductions to the general revenue include the Federal Stabilization Fund phase-out of \$11,630,612 and an additional unanticipated base reduction of \$11,470,532. Other factors include Legislative changes to funding of state retirement; the capping of state funding to non-academic employee salaries at \$200,000; and, the inclusion of the College of Medicine budget. It is anticipated that this funding will be separated next fiscal year in the same manner as other SUS medical colleges.

FAU's administration is addressing the base reduction in two phases. The first round of cuts was covered using cash/carry forward funding. The second round of cuts will be identified by December 2011. This approach allows the units to more strategically determine unit needs in concert with the goals and objectives of the FAU Work Plan.

Auxiliary Enterprises. This funding of this component is 3.3 percent less than prior year primarily as a result of Residential Housing being removed from this component and placed within the auspices of a direct support organization, the FAU Finance Corporation.

Athletics Local. This budget has increased just over thirty percent from prior year in consideration of the inclusion of the new stadium operations projected at \$2.5 million. Members were informed that the student athletics fee remains unchanged from prior year at \$16.45 per credit hour. A summary review of both revenues and expenditures projected for Athletics and Stadium Operations were reviewed.

Student Activities. As in the past, because of large budget surpluses, Student Government is again being allowed to budget expenditures higher than projected revenues; sufficient cash remains available to cover expenditures.

Mr. Crudele noted that the 2011-12 Capital Outlay Budget, which is based on the Capital Improvement Plan (CIP), is part of the annual Operating Budget. The BOT approved the CIP in July 2010 and it was subsequently approved by the BOG. The 2011 Legislature then appropriated approximately \$3.2 million in Public Education Capital Outlay (PECO) funding to FAU but the Governor vetoed the allocation. Members were informed that six of the 11 institutions received

no PECO funding this fiscal year. To address the shortfall, the BOG is proposing allocations to all institutions from the BOG reserve; FAU's allocation tentatively totals \$775,488 but is subject to final BOG modifications.

This lack of funding is of concern as this budget component funds the annual \$2 million payment to Palm Beach County reimbursing their expenses incurred to build Scripps Florida on the MacArthur campus; an obligation that continues until fiscal year 2014-15 regardless of legislative funding allocations. A meeting with the County will be scheduled in an attempt to negotiate payment options.

Conversation followed reflecting on the advance measures taken to address the budget reductions expected this fiscal year and on the need to again proactively address possible reductions to the next fiscal year budget. It was noted that members of the BOT must be engaged in the process and aggressively lobby the Legislature to receive appropriate funding for FAU including the Scripps Florida allocation(s).

Other topics of interest and discussion by the Committee included the following:

- Clarification on the methodology utilized to calculate tuition at the College of Medicine.
- Concern regarding the timely completion of the FAU Boulevard extension and verification that a penalty clause exists within the contract for any delay in completing the project.
- Initiation of a Naming Rights contract.
- Enumerating the extent of Student Government financial contribution to campus infrastructure and student life through CITF funding and the Activity and Service fees distribution to various Student Unions, the Recreation Center, campus clubs, etc.
- Funding current infrastructure needs.
- Data on facility/space utilization in comparison with other state institutions and to State expectations.
- Acknowledgment that administrative cuts that could be taken have been taken in the past four years in addressing \$69 million in budget reductions.

With no further questions or commentary, a motion was made and seconded to recommend BOT approval of FAU's 2011-12 Operating Budget and to delegate authority to the University President to amend these budgets as appropriate during the fiscal year consistent with Legislative, BOG and BOT directives and guidelines, **the motion passed unanimously.**

**AF: A-7. Request for Approval of Florida Atlantic University's 2011-12 Capital Outlay Budget.**

Mr. Crudele noted that Florida Statutes require that the Capital Outlay Budget be presented and approved separately from the Operating Budget

With no further discussion, a motion was made and seconded to recommend the BOT approve FAU's 2011-12 Capital Outlay Budget of approximately \$775,488; and authorize the University President to amend the budget as necessary, consistent with BOG and BOT directives and guidelines. **The motion passed unanimously.**

**AF: A-8. Request for Approval of the FAU Clinical Practice Organization, Inc. Board of Directors.**

Mr. Kian reminded members that this issue is associated with the previously BOT approved approval of the Schmidt College of Medicine Faculty Practice Plan and the creation of the FAU Clinical Practice Organization, Inc (FAU CPO) and its Bylaws and Articles of Incorporation. The Bylaws of the FAU CPO require BOT approval of members of that entity's Board of Directors (BOD).

A review of the slate of the nominees to the seven designated members of the FAU CPO BOD followed. Mr. Kian then noted the action as a request to recommend BOT adoption of a formal resolution approving the members as presented.

Upon query, members were reminded that during May 2011 BOT meeting the FAU CPO Bylaws were approved which specifically designated membership to the FAU CPO BOD. These Bylaws, consistent state law and with other system medical programs, designate one member of the BOT to the FAU CPO BOD. The BOT is assured of considerable control when recognizing that, with the exception of the community representative, all FAU CPO BOD are FAU employees.

With no further questions or comment, a motion was made and seconded to recommend that the BOT adopt the resolution approving the nominees FAU CPO BOD nominees as presented. **The motion passed unanimously.**

**AF: I-1. Review of Summary of Follow-up Audit Recommendations Scheduled to be Implemented During the Period January 1 through March 31, 2011.**

Mr. Barnett address the Committee noting this report as shorter than many in the recent history indicating progress with increased responsiveness in implementing recommendations. The follow-up period resulted in one recommendation fully implemented and four partially implemented with new completion dates noted for additional follow-up. Additionally, two recommendations have been addressed in more current audits of the Florida Auditor General and recommendations will be superseded by these similar comments.

For the benefit on new members, Mr. Barnett explained the responsibilities of the Office of Inspector General (OIG) as performing auditing, consulting, and investigative services intended to promote accountability and efficiencies within the University. An annual work plan is developed with input from senior management and members of the BOT AFC. The OIG also includes a quarterly report on the status of the implementation of recommendations made in each audit to ensure compliance.

In addition to the OIG, the Florida Auditor General performs auditing on FAU Financial Statements, Financial Reporting and Federal Awards and Operational functions.

**AF: I-2. Review of Audits: Report No. FAU 10/11-4, Time and Effort Reporting for the Quarter Ended September 30, 2010.**

Mr. Barnet advised members that this is the first internal audit done since the Research Division implemented formal certifications through the Banner Time and Effort module last year. Overall,



procedures are being conducted in compliance with all applicable mandates. One recommendation was made conveying the need for enhanced documentation to support the certifications; an important element to the fiduciary responsibilities of management and the researchers.

It was noted that the AG also reviews time and effort reporting as part of the Financial Reporting and Federal Awards audit. Findings and recommendation made then have not been eliminated with the implementation of the Time and Effort module. This report is a detail follow-up to ensure continued system viability.

**AF: I-3. Review of the Third Quarter Status of Florida Atlantic University's 2010-11 Operating Budget, July 1 – March 31, 2011.**

Mr. Crudele commented on the revised format of the report being presented explaining that these changes had been made, in consultation with Chair Barbar, to provide broader based multi-year comparison data. In addition to the data, graphs are included for visual representations.

A PowerPoint presentation commenced providing a overview of FAU's Operating Budget for the past five years with the varying allocations each year in General Revenue, Student Tuition and Fees, the Enhancement Fund and the Federal Stimulus Fund.

The presentation continued reviewing the fiscal year budgetary status through March 31, 2011 of each of the seven budget components of FAU's 2010-2011 Operating Budget including Educational and General, Auxiliary Enterprises, Student Financial Aid, Student Activities, Athletics Operational, Contracts and Grants, and Concessions. In each category, it was noted that revenues and expenditures are on target to projections.

For Student Financial Aid, as in past years, budget authority will need to increase from \$145 million to \$167 million due to increased Pell Grants, SEOG, Perkins and Stafford loans from the federal government during the third quarter.

Mr. Crudele pointed out some new data being provided on the Florida Atlantic University Foundation, Inc. and the Alexander D. Henderson University School. This data had not previously been provided since technically these entity budgets are not part of the FAU Operating Budget. Members were informed that data on Harbor Branch Oceanographic Institute will be included next year.

In light of the significant impact to funding from enrollment figures, the report continues to provide a summary of student credit hour data. Mr. Crudele began noted that the Summer term was up by 13.1 percent; Fall term is up 7.5 percent; and preliminary figures for Spring term are up by 8.5 percent. He advised that last year at this point FAU had 591,855 student credit hours; this year FAU has 743,865 student credit hours. Overall this represents a nearly 9 percent growth increase.

It was noted that overall for the third quarter ending March 31, 2011, revenues collected are 81.8 percent and expenditures are at 77.5 percent which represents a slight reduction in spending over prior year.

Mr. Crudele completed the presentation asking for feedback on new report format; any comments or suggestions for improvement will be appreciated.

A comment was made to include a third graph on page 3, entitled Education & General – Actual Revenue & Expenses (\$000), indicating enrollment data to show full story of revenue declines, enrollment increases and flat expenditures; a similar picture to that of page 13, entitled Five-Year Actual Comparison – 3<sup>rd</sup> Quarter.

President Saunders commented that the increases in enrollment are making up for a portion of the shortfall incurred by reductions in state funding, but without those increases more academic/administrative cuts would be the reality.

Additional commentary followed articulating that even with enrollment increases the student/faculty ration remains in good standing and the need to improve graduation and retention rates for increased revenues.

With no further questions or discussion issues put forth, a motion was made and seconded to adjourn the meeting. **The motion passed unanimously. The meeting was adjourned at 12:00 p.m.**