



Item: AF: A-M

**AUDIT AND FINANCE COMMITTEE**

Tuesday, October 21, 2014

**SUBJECT: ROLL CALL AND APPROVAL OF THE DRAFT MINUTES FOR THE JUNE 5, 2014 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 5, 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  
Thursday, June 5, 2014**

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**AF: A-M. Roll Call and Approval of the Draft Minutes for the April 10, 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 10:12 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, Ms. Mary Beth McDonald, 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. Gary Perry, Vice President for Academic Affairs; and, Mr. Morley Barnett, Inspector General.

Upon call, a motion was made and seconded to approve the minutes of the April 10, 2014 AFC meeting without change or correction. **The motion passed unanimously.**

**AF: A-1. Request for Approval of the 2014-15 Florida Atlantic University Research Corporation Operating Budget.**

Ms. Russell reviewed the proposed Florida Atlantic University Research Corporation (FAURC) Operating Budget that the FAURC Board of Directors, and subsequently the President, approved during their May 13, 2014 meeting. She advised that although the budget has remained constant for the last several years, the slight increase this year in royalties, from \$50,000 to \$70,000 is due to the expected increase in licensing for the upcoming year. The unrestricted contractual and program expenses amount of \$82,800 has been added for the purchase of new software to track and monitor the intellectual property generated by the researchers as well as hiring a consultant.

As requested, Ms. Russell provided prior year data along with the current budget to compare the kinds of activity that has changed year to year.

A motion was made and seconded to recommend BOT approval of the FAURC 2014-15 Operating Budget and authorize the University President to amend the Budget as necessary consistent with

Board of Governors and Board of Trustees directives and guidelines. **The motion passed unanimously.**

**AF: A-2. Request for Approval of the 2014-15 FAU Clinical Practice Organization Operating Budget.**

Ms. Russell reviewed the proposed FAU Clinical Practice Organization (FAUCPO) operating budget for 2014-15 noting the estimated combined annual revenue of the Colleges of Nursing and Medicine of \$830,698. Ms. Russell noted that this budget will increase each year as the activity in both Colleges grows with the programming.

Upon query, Ms. Russell confirmed that even without a budget increase for the College of Nursing, they are still able to successfully generate activities and service delivery and although an increase in the budget can be expected, she does not anticipate a very large increase.

With no further issues to discuss, a motion was made and seconded to recommend BOT approval of the FAUCPO 2014-15 Operating Budget and authorize the University President to amend the Budget as necessary consistent with Board of Governors and Board of Trustees directives and guidelines. **The motion passed unanimously.**

**AF: A-3. Request for Approval of the 2014-15 FAU Finance Corporation Operating Budget.**

Ms. Russell reviewed the proposed FAUFC 2014-15 Operating Budget recognizing the three components of housing, administration and the stadium associated with this budget. During the May 21, 2014 FAUFC board meeting, this budget was approved. Combined pledged revenues are projected at approximately \$33.8 million. The budget meets debt service requirements and provides net income of approximately \$15.3 million.

Additional review of the budget followed advising members of three new administrative expenses. Ms. Russell noted the \$695,739 for other operating expenses and explained that this includes master planning and the appointment of a new stadium director. Due to the President's strategic initiatives and direction for the growth of the stadium, the FAUFC board has approved this new position. She also referred to the \$2M transfer to FAU foundation to fund scholarships in keeping with the Foundation's desire to support the demand for out-of-state students, athletics, etc. This transfer had also been approved by the FAUFC board.

A motion was made and seconded to recommend BOT approval of the FAUFC 2014-15 Operating Budget and authorize the University President to amend the Budget as necessary consistent with Board of Governors and Board of Trustees directives and guidelines. **The motion passed unanimously.**

**AF: A-4. Request for Approval of Florida Atlantic University 2014-15 Operating Budget.**

Ms. Russell began a review of a PowerPoint presentation on the proposed expenditure budget of each of the seven components comprising FAU's Operating Budget. The Expenditure Budget for 2014-15 totals \$702,924,867, a decrease of 0.2 percent over the prior year. With a comparison to prior year data, the budget was summarized as follows:

**Five-year Expenditure Budget\* Summary**  
**2010-11 to 2014-15**

Fund Type	2010-11	2011-12	2012-13	2013-14	2014-15	2-year % Change
Educational & General	\$ 257,813,346	\$ 241,532,283	\$ 238,728,591	\$ 273,528,872	\$ 280,809,499	2.7
Student Financial Aid	167,184,051	174,483,578	193,986,305	203,035,641	202,133,102	(0.4)
Contracts & Grants	62,974,241	61,868,134	64,748,439	67,714,890	55,498,239	(18.0)
Auxiliary Enterprises	106,155,850	102,608,700	107,309,457	123,564,043	125,346,933	1.4
Athletics						
Athletics Operations	14,011,516	15,707,021	17,556,053	20,428,407	22,133,710	
Stadium Operations	-	2,534,843	2,793,765	2,607,692	2,594,637	
Stadium Debt Service	-	-	2,620,085	2,619,850	2,681,216	
Total Athletics	14,011,516	18,241,864	22,969,903	25,655,949	27,409,563	6.8
Student Government	9,935,432	9,651,114	9,940,647	10,706,149	11,217,531	4.8
Concessions	500,250	500,250	480,250	480,250	510,000	6.2
<b>TOTAL</b>	<b>\$ 618,574,686</b>	<b>\$ 608,885,923</b>	<b>\$ 638,163,592</b>	<b>\$ 704,685,794</b>	<b>\$ 702,924,867</b>	<b>(0.2)</b>

\*Includes transfers

Ms. Russell advised that the Educational & General (E&G) Revenue Budget totals \$293,608,998 which reflects an increase of 4.1 percent over the previous year. The College of Medicine increased by \$1.9 million and all other FAU E&G budget increased by \$9.5 million. The \$9.5 million increase includes \$4.2 million budget authority increase for student tuition and fees, derived from the 2013 FAU Work Plan enrollment estimates. Additionally, the Expenditure Budget for 2014-15 is \$280,809,449 which excludes \$12,799,499 budget authority to collect student tuition and not allocated at this time, pending actual enrollments.

After reviewing various necessary adjustments to the budget, Ms. Russell advised of the increase in the Athletics Budget to \$27,409,563, an increase of 6.8 percent over the prior year, due to the change to Conference USA. As a result of the new conference, game guarantees and the conference distribution dollars will increase.

Member discussion followed on topics including retirement, sick and annual leave payouts and Ms. Russell confirmed that this has remained stable in the budget.

Also up on question, Ms. Russell explained that the research funding goal at \$40 million is realistic due to the fact that \$35-38 million actual dollars have been brought in on an annual basis in recent prior years. Dr. Perry explained that due to the reorganization of the division of research and readjustment of the reporting of research expenditures, the preference is not to set a bar that is too high for the upcoming year. He is optimistic that the level of funding will be maintained, especially with the two new researchers coming to the University that bring a considerable amount of research funding. Additionally, Dr. Kelly stated that in the strategic plan that will be presented later this year, there will be very aggressive research goals.

Without further question, a motion was made and seconded to recommend BOT approval of the 2014-15 FAU Operating Budget and authorize the University President to amend the Budget as necessary consistent with Board of Governors and Board of Trustees directives and guidelines. **The motion passed unanimously.**

**AF: A-5. Request for Approval of Florida Atlantic University 2014-15 Capital Outlay Budget.**

Ms. Russell advised that separate BOT approval is statutorily required of the FAU Capital Outlay Budget which is comprised of Capital Improvement Trust Funds (CITF) and Public Education Capital Outlay (PECO).

Ms. Russell informed the board that the 2014-15 Capital Outlay Budget requires a separate authorization of approval. She explained that no PECO money was received this year, however; the 2014 Florida Legislature appropriated CITF (Capital Improvement Trust Funds) totaling \$3,351,148. Together with the \$2.5 million from last year, there is almost \$6 million in the fund that will be saved for the Student Union future project request. The critical deferred maintenance and regular deferred maintenance was appropriated totaling \$3,901,515 for 2014-15. These allocations equate to a total Capital Outlay Budget of \$7,252,663.

With no discussion, a motion was made and seconded to recommend BOT approval of the FAU 2014-15 Capital Outlay Budget and authorize the University President to amend the Budget as necessary consistent with Board of Governors and Board of Trustees directives and guidelines. **The motion passed unanimously.**

**AF: A-6. Request for Approval of the 2014-15 Work Plan for the Office of Inspector General.**

Mr. Barnett explained that the Office of Inspector General develops its annual work plan based on a risk assessment of basic programs, functions, and activities of the University. Input is sought from senior management, the BOT Audit and Finance Committee, and the internal audit staff through a risk assessment survey. A proposed work plan is prepared by applying auditor judgment, with an emphasis on avoiding duplication of audit services, among other considerations. The final work plan for the upcoming year was approved by the president and is being presented to the Committee for review and approval.

With no discussion, a motion was made and seconded to recommend BOT approval of the 2014-15 Work Plan for the Office of Inspector General. **The motion passed unanimously.**

**AF: I-1. Review of Audits: Report No. 2014-045, Florida Atlantic University Operational Audit.**

Ms. Russell explained that the Operational Audit of Florida Atlantic University is completed by the State of Florida Auditor General bi-annually. In December 2013, the Operational Audit for the fiscal year ending June 30, 2013 was provided to the University by the Auditor General and all board members were supplied a copy. No fraudulent activity was found in this Operational Audit, however; it does include 4 audit findings:

1. Administrative Management (textbook affordability)
2. Procurement of Goods and Services (purchasing card usage)
3. Construction Administration (processes)
4. Information Technology (security controls)

Recommendations for all findings and management's responses to the recommendations have been provided.

Ms. Russell informed the board that it has been a very strategic effort to bring the Operational Audit findings down significantly over the last several years. Just 6 years ago there were 22 findings, 4 years ago there 15 findings, 2 years ago there were 12 findings and now only 4 this year. FAU was also among the three Universities in the state of Florida that had less than 5 findings.

Upon question, Ms. Russell verified that she would be able to discuss the Information Technology (security controls) finding with board members one-on-one, just not publicly.

A request was made to provide the budget for IT security and Ms. Russell will supply that to all board members. She also noted the two employees, James Cooley and Jason Ball, who are responsible for identifying any security issues for the entire institution. Ms. Russell also verified that the security issue relates more to processes than exposure.

**AF: I-2. Review of Audits: Report No. FAU 13/14-4, Audit of Karen Slattery Educational Research Center for Child Development for the 2013 Fall Semester.**

Mr. Barnett advised that the audit objectives were to determine whether: 1) tuition and fee charges were properly authorized and disclosed in agreements with parents, and revenue collections were properly accounted for and timely deposited with the central cashier's office; 2) the Center's procedures and practices complied with applicable state and local regulations and with continuing accreditation requirements of the National Association for the Education of Young Children; and 3) physical security for the safeguarding of students, staff, and monetary assets of the Center were adequate.

Recommendations were made to improve accountability for assets, transaction documentation, and recordkeeping for access to the Center's facilities. Management has agreed to implement the recommendations by August 1, 2014.

Upon query, Mr. Barnett stated that he is not aware of any issues regarding safety of the students at the facility.

A request was made for documentation to be provided to board members on the frequency of monitoring the various units within the University. Although there is not a formal list presently, Mr. Barnett will provide that information along with the survey that shows several years of past audits and the current fiscal year audits that will be completed.

With no further questions or comments put forth, a motion was made and seconded to adjourn the meeting. **The meeting was adjourned at 11:07 a.m.**