



Item: AF: A-M

AUDIT AND FINANCE COMMITTEE

December 14, 2011

SUBJECT: ROLL CALL AND APPROVAL OF THE DRAFT MINUTES OF THE OCTOBER 19, 2011 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 19, 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	_____
Mrs. Sherry Plymale	_____
Dr. Julius Teske	_____



DRAFT MINUTES
AUDIT AND FINANCE COMMITTEE
Wednesday, October 19, 2011

AF: A-M. Roll Call and Approval of Minutes for the June 15, 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 10:31 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. Abdol Moabery, Mr. Robert Rubin, Mr. Robert Stilley, and Mr. Paul Tanner.

Other Trustees attending the meeting included: Dr. Jeffrey Feingold, Mr. Ayden Maher, Ms. Sherry Plymale 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. 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 June 15, 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 Regulation 6.013, University Direct Support Organizations.

Mr. Kian began this presentation advising that this is a new regulation developed, in part, as a result of the settlement of the lawsuit between the Board of Governors (BOG) and the Florida Legislature. One of the factors originally at issue was ensuring appropriate control of university direct support organizations (DSOs). While a Florida statute and a BOG regulation existed, implementing them both was challenging for the universities because certain provisions of the two measures conflicted with each other. The BOG therefore released a new more complementary regulation relating to DSOs. This regulation requires system universities to develop their own corresponding regulation.

Regulation 6.013 complies with this mandate and combines features of the state statute and the BOG regulation. It establishes requirements for certification, operation, and reporting of all Florida Atlantic University (FAU) DSOs to ensure each is organized and operated

exclusively to receive, hold, invest, and administer property and make expenditures to or for the benefit of the university or an affiliated research and development park. Each requirement in the Regulation was reviewed.

With no member questions or comments, a motion was made and seconded to recommend that the BOT approve Regulation 6.013. **The motion passed unanimously.**

AF: A-2. Request for Approval of Amendments to the Bylaws of the FAU Finance Corporation.

Mr. Kian introduced this item informing members that these amendments to the Bylaws of the FAU Finance Corporation (FAUFC) provide the changes necessary to comply with Section 1004.28 Florida Statutes and proposed FAU Regulation 6.013 governing university DSOs. The amendments encompass two material changes.

The first eliminates the University CFO as an appointed member of the FAUFC Board of Directors (FAUFC BOD) and instead provides that the Chair of the FAU BOT shall appoint a Director.

The second change creates the position of Executive Director to assist the FAUFC BOD with day-to-day operations, revenue collections, making expenditures, disbursing funds, executing documents on behalf of the corporation, and performing other duties as needed by the FAUFC BOD. This appointee will be selected by the University President and approved by the FAUFC BOD and will report directly to the University President.

It was explained that eliminating the University CFO from the FAUFC BOD removes any possibility of being at odds with the Florida Sunshine Law when the CFO communicates with a FAUFC BOD member. With the FAU CFO's removal from that Board, conversations relating to FAUFC financial issues become unrestricted.

Upon query members were informed that although the requirement of the appointment of the University CFO was being eliminated, the Bylaws do not preclude the University CFO from being elected or serving as a designee appointed to the FAUFC BOD.

A motion was made and seconded to recommend that the BOT approve the amendments to the Bylaws of the FAUFC. **The motion passed unanimously.**

AF: I-1. Review of Inspector General's Report of Annual Activities for Fiscal Year Ended June 30, 2011.

Mr. Barnett informed members that this report is presented annually to keep members apprised of OIG staff accomplishments during the fiscal year. The results of the report self-evident and no questions were posed by members.

Mr. Barnett updated members of the on-going implementation of the annual Statement of Management Stewardship project recently approved by the Committee to enhance the university's internal control and operational efficiencies.

Mr. Crudele expanded upon the Management Stewardship project noting the Financial Affairs office has been working and coordinating with the various university areas to more accurately define the responsibilities of the functional areas and finalize this project to better safeguard the University's resources and to encompass more than just its financial assets.

Chair Stilley expressed enthusiasm for this initiative and encouraged publication of this accomplishment as FAU is first in the state university system to initiate this level of accountability.

F: I-1. Review of Summary of Follow-up on Audit Recommendations Scheduled to be Implemented during the Period of April 1 through September 30, 2011.

Mr. Barnett advised this report informs members of audit recommendation implementation results for the six months ending September 30, 2011, of note are two construction items deemed only partially implemented and with new implementation dates two years in the future. With funding for major construction projects currently limited and expected to remain so for some time, the ability of the OIG to ensure proper implementation has been restricted; as funding and projects are more ample appropriate follow-up will be initiated.

No questions or commentary followed.

AF: I-2. Review of Audits: Report No. FAU 10/11-5, Audit of Employee Benefits Deductions for the Period January 1 through March 31, 2011.

Mr. Barnett advised members that this is the first internal audit performed on employee benefits deductions. Overall it was found the Human Resources Department has provided good management and support for employees enrolled in the state benefits. One recommendation was made to update the existing written procedures to reflect current processes.

No questions or commentary followed.

AF: I-3. Review of the Fourth Quarter Status of Florida Atlantic University's 2010-11 Operating Budget, July 1 – June 30, 2011.

Mr. Crudele began addressing this item providing a summary of measures occurring during the fiscal year that ended June 30, 2011 including General Revenue receipts of \$259.52 million; the successful mitigation of the loss of Federal Stimulus funding; and, the tremendous enrollment growth which provided a major portion of funding used to minimize losses in state funding.

Further comments were provided on the challenges of fiscal year 2011-12 with the next legislative session having to deal with redistricting issues and continuing low general revenue expectations. It is believed that 2011-12 funding allocations will be maintained, but the State University System has been directed to submit budget reduction scenarios of five percent and ten percent. It remains crucial that FAU maintain enrollment growth and the funding associated with the credit hour production to cover decreasing state funding.

A PowerPoint presentation commenced providing an overview of the seven components of FAU's Operating Budget including Educational and General component for the past five years with the varying funding each year in General Revenue, Student Tuition and Fees, the Enhancement Fund and the Federal Stimulus Fund. The presentation continued with a review of the budgetary status of each of the other six components with revenues and expenditures remaining within budgeted targets and concluding the year as follows:

Fund Type	2010-11 Original Budget	2010-11 Adjusted Budget	2010-11 Actual 4 th Quarter
Revenue			
Educational & General	\$ 256,487,000	\$ 259,519,000	\$ 269,608,000
Student Financial Aid	145,901,000	167,184,000	172,700,000
Sponsored Research/Grants	63,720,000	52,655,000	46,729,000
FAUF Inc.		6,182,000	2,548,000
ADHUS		4,883,000	6,519,000
Total	63,720,000	63,720,000	55,796,000
Auxiliary Enterprises	106,156,000	106,156,000	102,354,000
Athletics	14,013,000	14,012,000	15,607,000
Student Activities	8,555,000	9,935,000	10,450,000
Concessions	500,000	500,000	701,000
TOTAL REVENUE	\$ 595,332,000	\$ 621,026,000	\$ 627,216,000
Expenditures			
Educational & General	\$ 247,806,000	\$ 250,837,000	\$ 244,172,000
Student Financial Aid	145,644,000	167,184,000	173,336,000
Sponsored Research/Grants	62,974,000	52,274,000	45,965,000
FAUF Inc.		6,097,000	3,831,000
ADHUS		5,732,000	5,508,000
Total	62,974,000	64,103,000	55,304,000
Auxiliary Enterprises	106,156,000	106,156,000	99,397,000
Athletics	14,012,000	14,012,000	15,664,000
Student Activities	9,935,000	9,935,000	9,852,000
Concessions	500,000	500,000	449,000
TOTAL EXPENDITURES	\$ 587,027,000	\$ 612,727,000	\$ 598,174,000

Other noteworthy budgetary issues:

- The increased budget authority need in Student Financial Aid due to increased grants and loans from the federal government.
- The sale of the HBOI ship causing a slight reduction to the Auxiliary Enterprises budget.
- Campus Recreation moving from the Student Activities to Auxiliary Enterprises.
- For the third year, Athletics finishing in the black and having funds to contribute to the Stadium debt service requirements.

Mr. Crudele then focused the review on data provided on student credit hour production since the funding received from these hours is so significant to FAU's operating budget in the face of declining state General Revenue allocation.

Discussion followed with a request for more detailed budget background data. Mr. Crudele explained the Operating Budget development processes required by the Board of Governors which direct that this data be submitted to them in October. This document will be made available to the BOT.

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 11:15 a.m.**