AID AND FINANCE COMMITTEE
Tuesday, April 21, 2015

SUBJECT: ROLL CALL AND APPROVAL OF THE DRAFT MINUTES FOR THE FEBRUARY 24, 2015 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 February 24, 2015 Audit and Finance Committee meeting.

COMMITTEE MEMBERS

Mr. Thomas Workman, Jr., Chair
Mr. Daniel Cane, Vice Chair
Mr. Anthony Barbar (ex-officio)
Ms. Mary Beth McDonald
Mr. Abdol Moabery
Mr. Robert Rubin
Mr. Robert Stilley

BOT MEMBERS

Mr. Michael Cepeda
Dr. Michael Dennis
Dr. Jeffrey Feingold
Dr. Ronald Nyhan
Mr. Paul Tanner
Dr. Julius Teske
AUDIT AND FINANCE COMMITTEE
DRAFT MINUTES
Tuesday, February 24, 2015

AF: A-M. Roll Call and Approval of the Draft Minutes for the December 9, 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 10:00 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; and Mr. Robert Rubin.

Other Trustees attending the meeting included: Mr. Michael Cepeda, Mr. David Feder, Dr. Jeffrey Feingold, Dr. Ronald Nyhan, Mr. Paul Tanner and Dr. Julius Teske.

The following University officials participated: Ms. Dorothy Russell, Vice President for Financial Affairs and CFO; and Mr. Morley Barnett, Inspector General.

Upon call, a motion was made and seconded to approve the minutes of the December 9, 2014 AFC meeting without change or correction. The motion passed unanimously.


Ms. Russell noted that there were not many changes to report and all DSO’s are in fine fiscal health with no anomalies. Assets (cash and cash equivalents) have increased by $22M due mainly in returns from the investment portfolio, however; contributions have decreased by about $1.5M.

Upon question, Ms. Russell explained that although donations were down compared to last year, the loss was offset by the increase in returns and the total net increase was approximately $22M. Also, Ms. Russell will find out and inform the board of the net return generated from the $4M spent in fundraising this year.

Several additional questions were posed in regards to the property on Glades Road where Shake Shack resides. Chairman Barbar explained that the $99,000/year rental income is part of the original lease agreement from several years ago that went through the Foundation. FAU is abiding by the terms of the agreement and the property, along with any improvements, will revert to the
Foundation when the deal expires in 58 years. There is also a 2% limited partner in the deal and Ms. Russell has agreed to find out more information and apprise the board.

No further questions or comments were put forth from Committee members.

**AF: I-1b. Review of Financial Statements for FAU DSO: FAU Research Corporation**

Ms. Russell explained that the DSO is a smaller entity with a total business of about $500,000 and noted that the bottom line has increased by about $12k from last year. A suggestion was made to possibly find an alternative mechanism to support this organization due to the seemingly high overhead (audits, reporting, etc.) to maintain a small amount of revenue. Ms. Russell explained that it is a formal mechanism and the Research Corporation does have to be a part of the DSO right now due to the funds that come in from outside the University and then flow through the DSO to the University. It is expected to grow in the coming years.

No further questions or comments were put forth from Committee members.

**AF: I-1c. Review of Financial Statements for FAU DSO: FAU Harbor Branch Oceanographic Institute Foundation, Inc.**

Ms. Russell stated that this organization is carrying a lower cash balance this year based on operational needs and the FDIC Insured balance limits. Contributions decreased based on the specialty license plate deposits from the State of Florida, since they now go directly to the University and not through the DSO. Overall their net assets increased by $7.5M and program expenses have decreased.

No questions or comments were put forth from Committee members.

**AF: I-1d. Review of Financial Statements for FAU DSO: FAU Clinical Practice Organization.**

Ms. Russell explained that the FAU CPO was established to handle activity in terms of patient care in the new College of Medicine, College of Nursing and other entities such as the Memory & Wellness Center and Counseling Center. It is expected to grow substantially over the upcoming years. Total assets are $421k and the largest impact on this budget was the hiring of a consultant firm to help retrieve debt due to the University from patients.

No questions or comments were put forth from Committee members.

**AF: I-2. Review of FAU Athletics Department Independent Accountant’s Report on Agreed-upon Procedures.**

Ms. Russell explained that this report is an annual evaluation to ensure FAU compliance with requirements of the National Collegiate Athletic Association (NCAA). This year, the independent auditor’s report was clean and no exceptions were found in the expense categories.
No questions or comments were put forth from Committee members.


Ms. Russell provided a review of the financial status at mid-year for each of the seven funding categories that reflects that spending is controlled and revenues are anticipated appropriately, which was summed up as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Fund Type</th>
<th>Actual</th>
<th>Adj. Budget</th>
<th>Remainder</th>
<th>% of Actual to Budget</th>
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<tr>
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<td>Educational &amp; General</td>
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No questions or comments were put forth from Committee members.

**AF: I-4. Review of Summary of Follow-up on Audit Recommendations Scheduled to be Implemented During the Period of July 1 through September 30, 2014.**

Mr. Barnett explained that the Office of Inspector General performs follow-up procedures for all outstanding audit recommendations on a regular basis. For the three months ended September 30, 2014, a total of seven audit recommendations were reviewed. Five out of the seven recommendations were found to be fully implemented and the two remaining were partially implemented and are not of great concern.
No questions or comments were put forth from Committee members.


Mr. Barnett described the primary objectives of the audit as evaluating the adequacy and effectiveness of internal controls over the recruitment and hiring processes and evaluating the security, accuracy and completeness of manual/electronic recruitment and hiring records that are maintained. With the implementation of Workday, much better controls will be set in place and the issues that were cited in the audit will be resolved. Management has agreed to implement the recommendation by December 31, 2015.

With no further questions or comments put forth from Committee members, a motion to was made and seconded to adjourn the meeting. **The meeting was adjourned at 10:41 a.m.**