



Item: AF: A-M

**AUDIT AND FINANCE COMMITTEE**

**Wednesday, April 15, 2009**

**SUBJECT: ROLL CALL AND APPROVAL OF MINUTES FOR THE FEBRUARY 25, 2009  
BOT 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 February 25, 2009 Audit and Finance Committee meeting.

**COMMITTEE MEMBERS**

Mr. Robert Stilley, Chair	_____
Mr. Thomas Workman, Jr., Vice Chair	_____
Mr. Scott Adams (ex-officio)	_____
Ms. Nancy Blosser (ex-officio)	_____
Dr. William Bryant	_____
Mr. Abraham Cohen	_____
Mr. David Feder	_____
Mr. Armand Grossman	_____
Mrs. Lalita Janke	_____
Dr. Eric Shaw	_____

**BOT MEMBERS**

Mr. Anthony Barbar	_____
Dr. Rajendra Gupta	_____
Mrs. Sherry Plymale	_____



**DRAFT MINUTES**  
**AUDIT AND FINANCE COMMITTEE**  
**Wednesday, February 25, 2009**

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**AF: A-M. Roll Call and Approval of Minutes for the October 22, 2008 BOT Audit and Finance Committee Meeting.**

Mr. Bob Stilley, Chair of the Audit and Finance Committee, convened this meeting at 10:39 a.m. Roll call commenced with the following Committee members participating: Ms. Nancy Blosser, Dr. William Bryant (via teleconference), Mr. Abraham Cohen, Mr. David Feder, Mr. Armand Grossman, Ms. Lalita Janke (via teleconference), Dr. Eric Shaw, and Mr. Thomas Workman, Jr.

Other Trustees attending the meeting included: Mr. Scott Adams, Mr. Anthony Barbar, and Ms. Sherry Plymale.

The following University officials participated: Mr. Frank T. Brogan, President; Dr. Kenneth A. Jessell, Senior Vice President for Financial Affairs; Dr. John Pritchett, University Provost and Chief Academic Officer; Dr. Norman Kaufman, Associate Provost for Budget and Planning; Mr. Morley Barnett, Inspector General, Mr. Craig Angelos, Director of Athletics; Mrs. Barbara Kenney, Associate Director for Admissions; and Mr. David Kian, Vice President for Strategic Relations and General Counsel.

A motion was made and seconded to approve the minutes of the October 22, 2008 BOT Audit and Finance Committee meeting. **The motion passed unanimously.**

**AF: A-1. Request for Approval of Materials and Supplies Fees (Fees for New Courses and Increases in Existing Fees).**

Dr. Kaufman reviewed the list of fees and noted that these fees are for consumables that are used exclusively by students throughout specific specialized courses or labs, i.e., chemicals in science labs or computer software that is essential to the curriculum. The sum total of these proposed fees is estimated to yield approximately \$52,000 and help would offset the expense to the University.

Chair Stilley opened the floor for questions and comments. Confirmation was provided that these are new fees added per curriculum changes resulting from accreditation efforts. Additionally noted was that the bulk buying power of the University benefits both the student and University.

A motion was made and seconded to recommend Board of Trustee approval of the request to approve the materials and supplies fees as presented. **The motion passed unanimously.**

**AF: A-2. Request for Approval of an \$8,750,000 Increase to Florida Atlantic University's 2008-2009 Educational and General Operating Budget.**

Dr. Jessell advised Members that after the Board of Trustees approved the Florida Atlantic University 2008-2009 Operating Budget on June 25, 2008, the University was notified of the continuing award of \$8.75 million to support its share of the Florida Energy Consortium. This funding will be used to expand the core "Energy from the Sea" program that was established as part of the Centers of Excellence funding.

Chair Stilley opened the floor for questions and comments. With none forthcoming, a motion was made and seconded to recommend approval of this \$8,750,000 increase to the FAU 2008-2009 Education and General Operating Budget to the Board of Trustees. **The motion passed unanimously.**

**AF: A-3. Request for Approval to Increase the 2008-2009 Athletics Local Budget to Reflect Increases in Revenues and Expenditures Associated with Participation in the Motor City Bowl.**

Dr. Jessell noted this amendment as necessary to document an unscheduled activity which occurred after the original budget construction. This amendment will increase the revenue and expenditure authority in Athletics by \$350,000 to accommodate costs associated with participation in the December 2008 Motor City Bowl. Additionally, Members were informed of the surplus of approximately \$4,000 in bowl game revenues after costs which will be applied to the balance of the 2008-2009 this budget. Dr. Jessell spoke to the detailed Bowl budget provided (**See Attachment A**).

Conversation followed on the tremendous effort required to accommodate the last minute planning associated with participation this time and of the minimal payout actually received which equates to a break even proposition as best. Also queried was the bowl bonus/contract incentive notation within the budget document and clarification was given that this figure will encompass all team coaches and will only apply if funding is available upon final budget reconciliation.

Chair Stilly called for a motion to recommend approval of this amendment to the Board. A motion was made and seconded. **The motion passed unanimously.**

**AF: A-4. Request for Approval of a \$7,076,953 Reduction to Florida Atlantic University's 2008-2009 Educational and General Operating Budget.**

Dr. Jessell addressed this item noting the need to reduce the University's 2008-2009 Educational and General Operating Budget to reflect the reductions in General Revenue and Lottery funding mandated during the January 5, 2009 Special Legislative Session. The University's Educational and General budget cannot exceed the amount appropriated by the Legislature. For Florida Atlantic University the reduction totals \$7,076,953, and is split as \$6,411,641 in General Revenue and \$665,312 in Lottery.

Dr. Jessell advised that these reductions will be covered by using the planned recurring reserves of \$4,100,000 created during the 2008-2009 Operating Budget development and \$2,976,953 of non-recurring carry-forward funding from 2007-2008.

With no discussion issues put forth, a motion was made and seconded to recommend approval of this reduction to the Operating Budget to the Board of Trustees. **The motion passed unanimously.**

**AF: I-1a. Review of Audits: Report No. FAU 08/09-1, Audit of Undergraduate Admission for the Fall 2008 Semester.**

Mr. Barnett took the floor to advise that this is the first comprehensive audit of the Undergraduate Admissions operations. The audit confirmed that student applications were evaluated in accordance with established admissions standards, but several recommendations were made to improve internal controls primarily in money collections to enhance accountability and security.

None of the recommendations is considered unusual for a unit whose primary operational mission is not focused on finances. Management will be implementing the recommendations and follow-up will occur in the future.

Discussion followed on:

- The glitches within the newly implemented Banner for Students system causing a back-logs in student application data entry which in turn delayed fee collections and timely deposits;
- Corrective programming to be initiated by Information Resource Management to the on-line application system to ensure more stringent system requirements in determining Florida residency;
- The lack of a written management action plan in response to the recommendation to conduct manual spots of online student applications. Assurance from the department Associate Director was provided that the spot checks are being conducted bi-weekly to ensure that the residency requirements are being met.
- Student applications being received including information such as the numbers of out-of-state, transfer application other than area community colleges, and GPA data of these applications and current recruitment efforts.

**AF: I-1b. Review of Audits: FAU Athletics Department Independent Accountant's Report on Agreed-Upon Procedures, June 30, 2008.**

Dr. Jessell advised Members that this report is generated annually to ensure the Athletics prepared Statement of Revenues and Expenses complies with NCAA requirements. This independent review verifies the accuracy of that statement. He noted that while minor variations exist, overall there were no issues or irregularities identified by the accountant which reflects the good accounting practices by management.

In response to a query to clarify use of the term "FAU Academics Department," Dr. Jessell explained this as a misnomer as no such department exists and continued to explain that the information referenced here is for indirect support services given by academic areas such as undergraduate advising and the Academic Support Center. The estimated value of the service is reflected as revenue to the athletics department even though no direct expenditure from the support department is recorded.

Continued discussion followed on the short-term loan of \$118,000 extended to Athletics in the last week of June 2008 which was reviewed during the last Audit and Finance Committee meeting. This shortfall was necessary to cover the decline of approximately 7.9 percent in student fee collections

for Summer and as was noted in this report the loan was repaid within days of the beginning of the new fiscal year.

Also reviewed was third party support which was defined as services from outside entities, i.e., rental car companies donating a vehicle for coach use, Pepsi products donated to the program, clothing products also donated. In the same way academic indirect support must be accounted for per NCAA requirements, so must outside support. This support is reflected in the report as both revenue and expense which then has no net impact on the Athletics budget.

**AF: I-2. Review of the FAU Foundation Inc. Financial Statements and Additional Information, June 30, 2008 and 2007.**

Continuing the practice of bringing all financial audits before the Committee, Dr. Jessell advised that this audit was issued by Keefe, McCullough & Co., LLP in September 2008 and presented to the Foundation Board of Directors on September 16, 2008. This audit reviewed the revenues, expenditures and net assets of the Foundation in 2008. The biggest issue contained within is the data on the loss in the value of investments at \$6.83 million which is the major reason for the decline in net assets from 2007. This data was through June 2008, and since then there has been considerable continued deterioration in the market which will be a major consideration as they construct their 2009-2010 budget. No deficiencies in internal controls were identified.

General conversation followed on measures being taken by the Foundation Board to mitigate losses in light of the deterioration in the market.

**AF: I-3. Review of the 2009-2010 Work Plan for the BOT Audit and Finance Committee.**

Dr. Jessell presented the work plan drafted for the Committee which identifies the various meetings scheduled and the issues to be addressed at each meeting this calendar year. He noted the revisions incorporated in the work plan which reschedules the Athletics Workshop from the March to April meeting to allow more preparation time and adds additional Audit and Finance Committee meetings on May 6 and June 17 (**See Attachment B**). The June 17 meeting will only be held if necessary pending the completion legislative processes.

No questions or comments followed review of the plan.

**AF: I-4. Review of the Second Quarter Status of Florida Atlantic University's 2008-2009 Operating Budget, July 1-December 31, 2008.**

Dr. Jessell began this presentation by noting Member familiarity with the report and its format. He indicated that as a result of the regular discussions and updates on State and University budget situations, only a cursory review of the seven budget categories for the first six months of year is necessary and will cover areas identified where additional discussion is appropriate or for any Member questions.

**Educational and General.** This budget is comprised of General Revenue, Student Fee Trust Fund and the Education Enhancement Trust Fund or lottery collections. Dr. Jessell then reviewed the initial budget approved by the Board of Trustees in June with funds collected and expended through December, noting the increase in budgeted revenues as reflecting additional funding awarded in August for the Florida Energy Systems Consortium, the salary awarded through Clearwire funding

and an amendment to our Risk Management receipts. While no Lottery funding has yet been released to the University, receipt is expected in the next quarter. He also mentioned that this report does not reflect the amendments reviewed previously, but the amended amounts crediting and debiting the budget pretty closely balance each other so there will be no significant change to the budget.

Budgeted expenditures now total \$259,911,488 which reflect \$7.3 million in student fee budget authority held in reserve (\$5.4 million budget authority – not cash – kept on the book if cash is received plus the \$1.9 million of the Board of Trustees tuition increases and interest earnings). Equivalent adjustments to the revenues and expenditures budgets have been completed appropriately.

Commentary continued on the potential for additional current year budget reductions in Educational and General and Lottery funding of 3 percent to 3.5 percent pending the Legislative session convening in March. Stimulus funding talks continue, but unknown is the State of Florida or Florida Atlantic University's allotment.

Extremely careful expenditure monitoring continues at Florida Atlantic University, pending the outcome of federal and state legislative action.

**Student Financial Aid.** This budget is a pass-through account where the monies are received and distributed to students. Revenues and expenditures are on target to projections. Noted was recent media coverage indicating aid at the federal level not being received by students. Assurance was provided to Members that this is not the case Florida Atlantic University where a high proportion of students draw financial aid and aggressive outreach to students is made to ensure any student eligible for financial aid will receive it.

**Grants and Contracts-Sponsored Research.** Review of the revenues and expenditures statistics through December followed with Dr. Jessell noting the budget on tract. Members were advised that pending receipt of stimulus funding future amendments to this budget could be forthcoming. Any developments in this area will be followed carefully. The Grants and Contracts budget reflects the allocation of Clearwire revenue in accordance with the approved expenditure plan.

Responding to a query on the status of research grants being received, Dr. Pritchett advised that grant receipt is up slightly over prior year at this time.

**Auxiliary Enterprises.** These are Florida Atlantic University's self-supporting operations and a review of the budget information through December followed. Dr. Jessell remarked that, as anticipated this time of year because of accrual accounting and the receipt of January student fees at this time, revenues are higher than expenditures but they will flatten this next quarter while expenditures will be increasing.

Expenditures for 2008-09 are higher than at the same time in 2007-08 as a result of Clearwire funds and Harbor Branch Oceanographic Institute's auxiliary functions being fully integration into the University's Auxiliary Fund.

**Athletics Local.** This budget consists of revenue sources that include student fees, ticket sales, games guarantees, sponsorships, etc. An analysis of budget statistics through December, including the budget amendment reviewed earlier in this meeting and with accrual accounting, reveals that

the budget is in good shape relative to revenues and expenses though the second quarter. However, Dr. Jessell noted that like other athletic programs country-wide, declines in corporate sponsorships and private donations persist. Even such established programs as Florida State University and the University of Miami are cutting athletics budgets. The staffs of Athletics, Financial Affairs and University Advancement have met and are looking at significant adjustments to the 2008-2009 Athletics budget which is why the Athletics Workshop is being moved to April. These adjustments are necessary to help ensure a balanced budget by year end.

**Student Government/Student Activities.** This budget is funded by student fees and Dr. Jessell commented that the Student Government administration remain excellent at managing the resources and facilities. The Recreation and Fitness Center was held as a prime example of the fiscal responsibility exercised to ensure that funding for operations and equipment would be available upon completion of the construction project. This budget is on target with projections.

**Concessions.** This small budget is supported by vending and soft drink machines revenues. As noted in the first quarter report, expenditures remain higher than revenues this year but available cash balances exist to cover this difference. It is anticipated that this budget will meet targeted projections.

A review of the current year budget levels in comparison to prior year followed including revenues, expenditures and cash balances. Dr. Jessell noted the decline in Summer credit hour production and the expectation of being down approximately 1.7 percent for the year relative to the target. Expenditures are being monitored closely to adjust for the associated decline in student fee revenues.

**AF: I-5. Update on Budget Reductions for Fiscal Year 2008-2009.**

Dr. Jessell spoke to the numerous discussions held on this topic including President Brogan's budget update prior to this meeting. He referenced the mid-year reduction and the continuing scrutiny of legislative actions to prepare for additional budget reductions while assuring resources and plans best reflect goals of the University's Strategic Plan.

Upon completion of the presentation, Chairman Stilley encouraged Members to review the advanced documentation provided them and to contact Dr. Jessell with any questions to ensure appropriate preparation prior to the meetings.

He then provided formal confirmation documenting that all action items reviewed herein were unanimously approved for recommendation to the Board of Trustees.

With no further discussion topics, Chair Stilley adjourned this meeting at 11:51 a.m.

**ATTACHMENT A**

**ESTIMATED EXPENSES FOR BOWL APPEARANCE - FLORIDA ATLANTIC UNIVERSITY**

		ACTUAL
<b>REVENUES:</b>		MOTOR CITY
		FY2009
Expense allowance from conference:		
	(Bowl) Payout:	\$ 265,000.00
	Ticket Revenue:	\$ 6,879.50
	Donations/Stocking:	\$ 63,000.00
	Mileage Allowance:	\$ -
<b>Total:</b>		<b>\$ 334,879.50</b>
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<b>EXPENSES:</b>		
Transportation Costs:		
170	Team/Staff Flight:	\$ 114,000.00
	Bus Transportation:	\$ 11,684.40
	Commercial Flights:	\$ 2,263.00
	Trucking Equipment:	\$ 5,600.00
	Gas/Parking/Taxi's	\$ 336.16
	Spirit Groups: Detroit	\$ 3,335.00
	Spirit Groups Lodging/meals	\$ 4,184.00
	Dance Team flights:	\$ 816.00
H,C,S,R	Site Visits: Air	\$ 1,565.50
	Site Visits: Park/Taxi/etc.	\$ 148.40
<b>Total:</b>		<b>\$ 143,932.46</b>
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Lodging:		
83	Lodging:	\$ 11,243.34
	Team	\$ 21,209.22
	Coaches/Staff/Guests	\$ 12,081.56
	Misc (internet, copies, etc.)	\$ 192.18
	Spirit Groups:	\$ 273.70
	Site Visits: Hotel/Internet	\$ 13.73
<b>Total:</b>		<b>\$ 45,013.73</b>
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Meals:		
	Per Diem (Campus) 8 days	\$ 27,423.00
	Per Diem (Detroit)	\$ 1,980.00
	Provided Meals (Charter / Detroit)	\$ 24,640.13
	Chick Fil A	\$ 800.00
	Media Xmas dinner	\$ 95.08
	Snacks	\$ 2,125.00
	Spirit Groups:	\$ -
	Site Visits:	\$ -
<b>Total:</b>		<b>\$ 57,063.21</b>

Entertainment: (Suite)	\$	1,296.81
Promotions:	\$	1,000.00
Awards:	\$	4,412.00
Equipment & Supplies:	\$	6,848.78
Football	\$	2,400.00
Helmet Decals	\$	359.46
Patches	\$	540.24
Gloves	\$	1,218.00
Screening Jerseys	\$	500.00
Laundry	\$	1,000.00
Shoulder Pad Tape	\$	200.00
Video Dubbing	\$	203.45
CDW-G	\$	83.98
CVS Pharmacy	\$	16.94
Hotel - Team Rooms/AV/Deliveries	\$	751.78
Santa Outfit/Gift Accessories	\$	257.37
Bowl Banner	\$	1,420.00
Celebration Posters	\$	2,200.00
Signs for breakfast	\$	95.84
Administrative:		
Radio:		
Airtime	\$	1,313.00
Affiliates Air Time:		
Radio Network/Radio Rights	\$	3,000.00
Phone/ISDN		
Talent Fee		
Talent Travel		
Lodging		
Practice Facility Rental:		
Security:		
Training Room: (Gatorade/Tape)	\$	1,327.96
Postage:	\$	162.09
Media Guide:	\$	3,500.00
Bank Service Charges (c/c):	\$	139.74
Alumni Event :		
Bowl Bonuses:		
*Contract Incentives:	\$	50,000.00
<b>Total Expenses Prior to Ticket Absorption:</b>	<b>\$</b>	<b>330,256.84</b>
<b>Net Proceeds from Bowl (loss)/profit:</b>	<b>\$</b>	<b>4,622.60</b>

**ATTACHMENT B**

**REVISED**  
**AUDIT AND FINANCE WORK PLAN 2009**

**Wednesday, February 25, 2009— AUDIT AND FINANCE COMMITTEE**

Approval of Requests for Material and Supplies Fees  
Review of Audits  
Review of Second Quarter Financial Report (July 1, 2008 to December 31, 2008)  
2008-2009 Operating Budget Update

**Wednesday, March 18, 2008— BOT (Treasure Coast)**

**Wednesday, April 15, 2009— ATHLETICS WORKSHOP/AUDIT AND FINANCE COMMITTEE**

**Athletics Workshop**  
Review of Audits  
Consideration of Proposals for Fee Increases (Local Fees, Housing, Slattery Child Development Center, Henderson School Activity Fees, Tuition)  
Review of 2009-10 Legislative Appropriations  
Update of 2009-10 Budget Construction Process

**Wednesday, May 6 – AUDIT AND FINANCE COMMITTEE**

Review of Audits  
2008-2009 Operating Budget Amendments  
Review of Third Quarter Financial Report (July 1, 2007 to March 31, 2009)  
2009-2010 Budget Construction Process  
2009-2010 Legislative Appropriations Update-*with Strategic Planning*  
Review of 2009-10 Tuition and Fee Rules Promulgation  
Review of 2010-11 Legislative Budget Request-*with Strategic Planning*

**Wednesday, May 27, 2009— BOT (Jupiter)**

Update on 2009-10 Budget Construction Process  
Review of 2009-10 Legislative Appropriations Update

**Wednesday, June 10, 2009— AUDIT AND FINANCE COMMITTEE**

Approval of 2009-10 Local Fees  
Approval of 2009-10 Tuition  
Approval of 2009-10 Operating Budgets  
Approval of 2009-10 Capital Budget  
Approval of 2009-10 Tuition and Fee Rules  
Approval of 2010-11 Legislative Budget Request

**Wednesday, June 17— AUDIT AND FINANCE COMMITTEE – ONLY IF NEEDED**

**Wednesday, June 24, 2009—BOT CONFERENCE CALL**

Approval of 2009-10 Local Fees  
Approval of 2009-10 Tuition  
Approval of 2009-10 Operating Budgets  
Approval of 2009-10 Capital Budget  
Approval of 2009-10 Tuition and Fee Rules  
Approval of 2010-11 Legislative Budget Request  
Review of Diversity Report (2007-08 & 2008-09)

**Tues/Wed. September 22-23, 2009 BOT ANNUAL RETREAT – Location TBA**

**Wednesday, October 21, 2009—AUDIT AND FINANCE COMMITTEE**

Review of First Quarter Financial Report (July 1, 2009 to September 30, 2010) with  
Fourth Quarter 2008-2009  
Review of Audits

**Wednesday, November 18, 2009—BOT (Fort Lauderdale)**

**Wednesday, December 16, 2009—AUDIT AND FINANCE COMMITTEE -- ONLY IF  
NEEDED**