



Item: AF: A-M

AUDIT AND FINANCE COMMITTEE

Thursday, April 10, 2014

**SUBJECT: ROLL CALL AND APPROVAL OF THE DRAFT MINUTES FOR THE
FEBRUARY 18, 2014 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 18, 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. Patrick Callahan | _____ |
| 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
Tuesday, February 18, 2014**

AF: A-M. Roll Call and Approval of the Draft Minutes for the October 15, 2013 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 10:38 a.m. Roll call commenced with the following Committee members, in addition to Mr. Workman, participating: Mr. Anthony Barbar (ex-officio), Mr. Abdol Moabery, and Mr. Robert Stilley.

Other Trustees attending the meeting included: Mr. Daniel Cane, Dr. Jeffrey Feingold, Ms. Mary Beth McDonald, Mr. Ronald Nyhan, Mr. Paul Tanner and Dr. Julius Teske.

The following University officials participated: Mr. Dennis Crudele, Interim President; Ms. Dorothy Russell, Interim Senior Vice President for Financial Affairs; Dr. Gary Perry, Interim Provost; Dr. Charles Brown, Vice President of Student Affairs; Mr. Morley Barnett, Inspector General; and, Mr. David Kian, General Counsel.

Upon call, a motion was made and seconded to approve the minutes of the October 15, 2013 AFC meeting without change or correction. **The motion passed unanimously.**

AF: A-1. Request for Approval of Materials and Supplies/Equipment Fees (Fees for New or Existing Courses).

Ms. Dorothy Russell provided background information regarding the Florida Statute which provides the BOT the authority to establish fees on materials and supplies/equipment, which help to offset the cost items used by students in the course of instruction.

Dr. Perry provided a review of the new fees for several courses being requested for the Dorothy F. Schmidt College of Arts and Letters, the College of Engineering and Computer Science and the Christine E. Lynn College of Medicine.

Dr. Perry noted that many of "new" fees listed for many of the courses have likely been precipitated by the University's Tech Fee program due to the integration of new technology into the curriculum and therefore the need for specialized chemicals, papers, etc., for our visual arts programs. There have not been any fee increases since 2010 for most of the courses listed, but due

to recent upgrades in computer equipment, digital equipment and printers, more expensive ink and paper is needed for students to be trained effectively in these areas. Dr. Perry specifically mentioned the new fees for the College of Nursing and explained that this is due to the nurses being sent out into practice with a kit, which used to be purchased on their own, however; due to a compliance issue the College of Medicine is now supplying this kit to the nurses in the program.

| <u>Dorothy F. Schmidt College of Arts and Letters</u> | | <u>Current</u> | <u>Proposed</u> |
|--|--|-----------------------|------------------------|
| | | <u>Lab Fee</u> | <u>Lab Fee</u> |
| ART 1203C | Three-Dimensional Design | \$ 30.00 | \$ 35.00 |
| ART 2400C | Printmaking Etching | \$ 35.00 | \$ 45.00 |
| ART 2401C | Printmaking – Beginning Etching | \$ 35.00 | \$ 50.00 |
| ART 2600 | Introduction to Digital Art | New | \$ 30.00 |
| ART 2701C | Sculpture 1 | \$ 30.00 | \$ 50.00 |
| ART 3402C | Printmaking 3 | New | \$ 65.00 |
| ART 3710C | Sculpture 2 | \$ 30.00 | \$ 50.00 |
| ART 4403C | Advanced Printmaking | \$ 35.00 | \$ 65.00 |
| ART 4405 | Topics – Printmaking | \$ 35.00 | \$ 55.00 |
| ART 5790C | Advanced Ceramics | \$ 15.00 | \$ 35.00 |
| ART 6793C | Clay and Glazes | \$ 15.00 | \$ 35.00 |
| ART 6931C | Design Seminar | New | \$ 20.00 |
| ART 6932C | Special Topics: Graphic Design | New | \$ 20.00 |
| GRA 3102 | Principals of Visual Communications | New | \$ 15.00 |
| GRA 3174 | Poster Design | New | \$ 15.00 |
| GRA 4522 | Interactive Design Lab 2 | New | \$ 50.00 |
| PGY 2401C | Photography 1 | \$ 15.00 | \$ 50.00 |
| PGY 2800C | Digital Photography I | \$ 30.00 | \$ 50.00 |
| PGY 3821C | Applied Digital Photography | \$ 30.00 | \$ 50.00 |
| PGY 4410C | Photography 2 | \$ 15.00 | \$ 75.00 |
| PGY 4420C | Advanced Photography | \$ 30.00 | \$ 75.00 |
| PGY 4440C | Topics in Photography (Digital Techniques) | \$ 30.00 | \$ 75.00 |
| PGY 4822C | Digital Photography 2 | \$ 30.00 | \$ 75.00 |

College of Engineering and Computer Science
Computer and Electrical Engineering and
Computer Science

| | | | |
|------------|-----------------------------|----------|----------|
| CGN 4804 C | Civil Engineering Design 2 | New | \$ 35.00 |
| ENV 3001C | Environmental Science | \$ 15.00 | \$ 35.00 |
| EOC 2801 | Fabrication | \$ 20.00 | \$ 25.00 |
| EML 4730L | Mechanical Engineering Lab | New | \$ 20.00 |
| EOC 4804L | OE Systems Control & Design | New | \$ 35.00 |
| EGM 4045 | Electro-Mechanical Devices | New | \$ 30.00 |

Christine E. Lynn College of Nursing

| | | | |
|-----------|--|----------|----------|
| NUR 3119L | Foundations of Nursing Practice | \$115.00 | \$175.00 |
| NUR 3262L | Chronic Care in Nursing Situation with Adults And Aging Populations | New | \$ 5.00 |
| NUR 4764L | Complex Care in Nursing Situation with Adults And Aging Populations | New | \$ 10.00 |

Upon query, Dr. Perry explained the fees in more detail regarding the Photography and Environmental Science courses, which are showing to have increased more than double what they were previously. The photography courses have had to upgrade equipment and are now printing on large format printers with very expensive ink sets and the departments can no longer cover the cost under their budget. He also pointed out that the fees are still much less than most other Florida State Universities for these courses and he does not expect any increases in these course fees next year.

With no additional questions or comments, a motion was made and seconded to recommend BOT approval of Materials and Supplies/Equipment Fees (Fees for New or Existing Courses) as presented. **The motion passed unanimously.**

AF: A-2. Request for Approval of the 2014 BOT Audit and Finance Committee Work Plan.

Ms. Russell reviewed the 2014 work plan showing the action items and information items that will be presented to the Board of Trustees from January to December 2014. This will allow the board members to be prepared to make decisions on upcoming items. Ms. Russell indicated that there is one change to the work plan as the 2014-15 Housing Rental Rates would be presented at today's meeting (February 18, 2014) instead of the April meeting in order to present the housing rates to the students earlier in the year.

With no questions following the presentation, a motion was made and seconded to recommend BOT approval of the 2014 BOT Audit and Finance Committee Work Plan as presented. **The motion passed unanimously.**

AF: A-3. Request for Approval of Proposed 2014-15 Housing Rental Rates.

Ms. Russell gave a brief explanation on housing rental rates being proposed for 2014-15. Upon question, it was stated that there are just under 4,000 students currently residing in on-campus housing out of 4,206 total beds for rent on the Boca campus. Dr. Charles Brown then reviewed the occupancy rates, which are at 88.1% currently, down from the typical occupancy rate of an average of 93%. Given this decline, this year's strategy is a new marketing plan that would encourage current students staying on campus to sign up for next year at the same rate if they sign the contract by April 30, 2014. He noted that out of 11 other Florida State institutions, 5 are raising their housing rates, 6 are not. Based on conversations with students and staff and a study completed last spring comparing on-campus to off-campus housing, he is presenting a 1% increase for all new/transfer students residing in the "older" buildings (GPT, HPT, UVA) and a 1.5% increase for the "newer" buildings (Innovation Village North and South, Parliament Hall).

Discussion followed regarding lost revenue from 100% occupancy and what that amount may translate to improving occupancy rates for 2014-15, learning communities program reintroduction, a new marketing plan for the upcoming year; it was reemphasized that 2013-14 is an aberration as prior years have consistently had much higher occupancy. Trustee Barber also stated how this has

been an unusual year for housing occupancy given that nearly twice as many waivers were given to students to live off campus resulting in lower occupancy rates.

Committee members requested to be notified of housing issues more frequently. Going forward, the review of housing report will be provided to the Trustees on a quarterly basis.

When asked about City of Boca rental rates and potential competition, Dr. Brown explained that the housing department has been in contact with off-campus housing developers ensuring that housing being built close to the university will be different as to not compete against FAU's on-campus housing.

Following the lengthy discussion, a motion was made and seconded to recommend BOT approval of the proposed increase to the 2014-15 Housing and Residential Rates as presented. **The motion passed unanimously.**

AF: A-4. Request for Approval of Amendments to FAU Regulation 6.008 - Purchasing.

Ms. Russell explained that the amendments to the Purchasing Regulation 6.008 were done to get it more in line with the amendments to the Board of Governors (BOG) Regulations. Ms. Russell directed attention to the Protest Procedures (8) section of the regulation, which was recently changed by the BOG. The lengthy description was replaced with a short sentence referencing BOG Regulation 18.002, which is in compliance.

With no questions following the presentation, a motion was made and seconded to recommend BOT approval of Amendments to FAU Regulation 6.008 – Purchasing as presented. **The motion passed unanimously.**

AF: I-1. Review of the Inspector General's Report of Annual Activities for Fiscal Year Ended June 30, 2013.

Mr. Barnett reviewed this report which provides a summary of internal audits, follow-up on prior audit recommendations, investigations, and consulting activities, as well as goals and challenges for the upcoming fiscal year. He noted that activity on the report was normal and the activities did not relate to irregularities.

No questions or comments were put forth from Committee members.

AF: I-2. Review of Summary of Follow-Up on Audit Recommendations Scheduled to be Implemented during the Period of July 1 through September 30, 2013.

Mr. Barnett reviewed this report which provides a summary of five recommendations found to be fully implemented and one that was partially implemented, which was a recommendation from the Auditor General. He did not specify any concerns with any of the issues.

No questions or comments were put forth from Committee members.

AF: I-3a. Review of Audits: Report No. FAU 13/14-1, Audit of Employee Outside Activities & Additional/Dual Compensation for Fiscal Year Ended June 30, 2013.

Mr. Barnett advised that management has a good system in place to remind employees of their responsibilities for self-reporting outside activities and none of the activities were unusual or suspicious. One recommendation was made as a result of the audit.

No questions or comments were put forth from Committee members.

AF: I-3b. Review of Audits: Report No. FAU 13/14-2, Audit of Subrecipient Contract Award and Monitoring for Fiscal Year Ended June 30, 2013.

Mr. Barnett reviewed the primary objectives of this audit and explained that the Division of Research is in compliance with the required federal regulations for monitoring subrecipients. One recommendation was made during the audit and appropriate action was taken to adequately address the recommendation at that time.

No questions or comments were put forth from Committee members.

AF: I-4a. Review of Financial Statements for FAU Direct Support Organizations: FAU Foundation, Inc.

Ms. Russell noted that there were not many changes to report, however, she highlighted the following:

- Assets (cash and cash equivalents) was \$3,615,796 in 2012 and \$18,799,460 in 2013. This increase is in preparation for two additional investment companies being brought on to manage the portfolio. Certificates of Deposit (CDs) were moved into cash equivalents to accommodate this.
- Liabilities (Liability to resource providers) was \$4,729,443 in 2012 and \$171,951 in 2013. This variation reflects the change in how license plate revenues are treated coming in. They used to come in to the HBOI to FAUF then to Research. They will now be going directly into the Research enterprise of the institution. Going forward this line will no longer be part of these reports.

No questions or comments were put forth from Committee members.

AF: I-4b. 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 royalties revenue increased by approximately \$45,000 due to a buyout of several licenses, the Utah department of transportation has contracted with FAU through the Research

Corporation, and the investment loss is due to investment in the special purpose investment account through the State of Florida. The investment loss is not expected next year.

No questions or comments were put forth from Committee members.

AF: I-4c. Review of Financial Statements for FAU DSO: FAU Harbor Branch Oceanographic Institute Foundation, Inc.

Ms. Russell stated that grant advances, which was \$4.2M in 2012, will no longer be noted on this report.

No questions or comments were put forth from Committee members.

AF: I-4d. Review of Financial Statements for FAU DSO: FAU Finance Corporation

Ms. Russell noted that the Finance Corporation handles the stadium and housing debt for FAU. Bonds payable has been increased by \$36M due to Parliament Hall housing. Upon query, Ms. Russell indicated that there was no revenue loss on housing stock, even though the housing occupancy was lower than anticipated. Summer housing revenue, adjustment to expenses, and summer camp revenue has made up for the lower fall/spring housing occupancy. A committee member questioned why the board was not notified earlier regarding the low housing occupancy and Mr. Crudele informed the board that he, as well as the Finance Corporation, was aware of this issue.

No questions or comments were put forth from Committee members.

AF: I-4e. Review of Financial Statements for FAU DSO: FAU Clinical Practice Organization.

Ms. Russell explained that the FAU CPO was established to handle the new College of Medicine and College of Nursing activity in terms of patient care. It is expected to grow substantially over the upcoming years. Currently, the College of Medicine generates \$95,000 in revenue and the College of Nursing has generated \$85,000 in revenue through their diabetes clinic and memory and wellness clinic.

No questions or comments were put forth from Committee members.

AF: I-5. 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). No findings were reported this year and no exceptions were found in the expense categories.

No questions or comments were put forth from Committee members.

AF: I-6. Review of the Mid-year Status Report of FAU's 2013-14 Operating Budget, July 1, 2013 to December 31, 2013.

Ms. Russell provided a review of the financial status at mid-year for each of the seven funding categories which was summed up as follows:

| Category | Fund Type | 2013-14 Mid-year | | | |
|---------------------|---------------------------|------------------|------------------|------------------|-----------------------|
| | | Actual | Adj. Budget | Remainder | % of Actual to Budget |
| REVENUE | | | | | |
| | Educational & General | \$189,838 | \$282,157 | \$92,319 | 67.3 |
| | Auxiliary Enterprises | 71,435 | 117,322 | 45,886 | 60.9 |
| | Student Financial Aid | 45,775 | 197,907 | 152,132 | 23.1 |
| | Student Activities | 7,585 | 9,287 | 1,702 | 81.7 |
| | Athletics | 11,246 | 18,626 | 7,380 | 60.4 |
| | Stadium | 380 | 7,030 | 6,650 | 5.4 |
| | Sponsored Research/Grants | 25,163 | 67,889 | 42,726 | 37.1 |
| | Concessions | 244 | 480 | 236 | 50.9 |
| | TOTAL REVENUE | \$351,666 | \$700,698 | \$349,031 | 50.2 |
| EXPENDITURES | | | | | |
| | Educational & General | \$124,463 | \$273,529 | \$149,066 | 45.5 |
| | Auxiliary Enterprises | 45,635 | 123,564 | 77,929 | 36.9 |
| | Student Financial Aid | 33,210 | 203,036 | 169,825 | 16.4 |
| | Student Activities | 5,153 | 10,706 | 5,553 | 48.1 |
| | Athletics | 9,550 | 19,928 | 10,379 | 47.9 |
| | Stadium | 1,005 | 5,228 | 4,223 | 19.2 |
| | Sponsored Research/Grants | 24,687 | 67,715 | 43,028 | 36.5 |
| | Concessions | 98 | 480 | 382 | 20.4 |
| | TOTAL EXPENDITURES | \$243,802 | \$704,186 | \$460,384 | 34.6 |

Upon query, Ms. Russell and Mr. Crudele explained how the performance funding metrics works and noted that given the current plan that is proposed by the BOG we will net out over \$300,000. This calculation is the result of the allocation of 2013-14 at \$1.7M, offset by a 2014-15 allocation of (\$1.4M).

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 11:55 a.m.**