



Item: AF: A-M

AUDIT AND FINANCE COMMITTEE

June 15, 2011

SUBJECT: ROLL CALL AND APPROVAL OF THE DRAFT MINUTES OF THE APRIL 20, 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 April 20, 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	_____
Ms. Sherry Plymale	_____
Mr. Julius Teske	_____



DRAFT MINUTES
AUDIT AND FINANCE COMMITTEE
Wednesday, April 20, 2011

AF: A-M. Roll Call and Approval of Minutes for the February 16, 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 10:14 a.m. Roll call commenced with the following Committee members, in addition to Mr. Barbar, participating: Mr. Thomas Workman, Jr., Mr. Robert Stilley, Mr. David Feder, Dr. Gupta, Dr. Tim Lenz, Mr. Robert Rubin and Mr. Paul Tanner.

Other Trustees attending the meeting included: Mrs. Nancy Blosser, Dr. Jeffrey Feingold, Mr. Ayden Maher and Mrs. Sherry Plymale.

The following University officials participated: Dr. Mary Jane Saunders, University President; Mr. Dennis Crudele, Senior Vice President for Financial Affairs; Dr. Charles Brown, Senior Vice President for Student Affairs; Dr. Michael Friedland, Vice President for Medical Programs and Dean, Charles E. Schmidt College of Medicine; Mr. Glenn Thomas, Assistant Dean/PK-12 Schools and Programs; Ms. Cathie Wallace, Director-Student Health Services; Ms. Jill Eckardt, Director-Housing and Residential Life; 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 February 16, 2011 AFC meeting. Noting the misrepresentation of a Trustee name, a motion was made and seconded to approve the minutes with this correction. No other discussion or commentary followed. **The motion passed unanimously.**

Mr. Barbar reminded members that the next agenda items are the annual consideration of increases to various fees paid by university constituents.

AF: A-1a. Request for Approval of 2011-12 Fees: Transportation Access Fee and the Decal Fee; Regulation 7.003.

Mr. Crudele introduced this item advising that the Traffic and Parking Department is an auxiliary enterprise which is required to be self-supporting and must maintain a 1.2 debt service coverage ratio to comply with its existing bond obligations associated with campus parking garages. The parking system is supported by revenues from the student transportation access fee (TAF), faculty/staff parking decal sales, Lifelong Learning parking permit sales, citation fines, meters and event parking fees.

To assess the possibility of increases to these fees a committee, comprised of students, faculty and staff, was formed to review the parking program and make fee recommendations to ensure the continued viability of the University's multi-campus parking systems. To meet the increased demand for parking and to build an additional parking garage on the Boca Raton campus a majority of the committee recommended increasing the TAF from \$64.90 to \$76.90 for the Fall and Spring semesters and from \$27.04 to \$32.04 for the Summer semester. Faculty and staff decal fees will be increased by five (5) percent for all pay grades. Reserved parking will be increased by five (5) percent from \$650 to \$683 per space. The revenues of approximately \$761,400 will be used to support the debt service for a new Boca Raton campus parking garage and MacArthur campus parking lot improvements.

Mr. Crudele advised that FAU Regulation 7.003 implements these increases and, additionally, has been revised to include language addressing parking issues associated with special events including parking during home football game days.

Discussion followed clarifying that the acceleration of increases in these fees is to enable the construction of an additional parking garage now rather than in five years which is the estimated timeframe in raising debt service funding at the current percentage level(s). Assurances were provided that there will be designated parking for faculty, staff and students affected by home game day parking issues; and, that game day parking revenues will be applied to stadium financing obligations.

A motion was made and seconded to recommend approval of the proposed increases to the Transportation Access Fee and the Decal Fees and of FAU's Regulation 7.003 to the BOT. **The motion passed unanimously.**

Mr. Crudele introduced Mr. Thomas to present the fee increase requested for the Karen A. Slattery Education Research Center for Child Development (ERCCD) and to answer any associated questions.

AF: A-1b. Request for Approval of 2011-12 Fees: The Karen A. Slattery Education Research Center for Child Development.

Mr. Thomas noted the Slattery Education Research Center for Child Development (ERCCD) as a self-supporting auxiliary funded by parent and student fees. Members were reminded that the ERCCD as an accomplished five-star accredited preschool - not day care - whose staff consists mostly of degreed teachers. The Center serves approximately 100 children ranging in age from three months to five years of age and supports university teaching and research for multiple FAU colleges. The proposed increase of \$25 per month for all age groups has been vetted by the Slattery Advisory Board and parents who support these increases to maintain quality programming standards.

A motion was made and seconded to recommend approval to the BOT the proposed increase to the Karen A. Slattery ERCCD Fees as presented. **The motion passed unanimously.**

Mr. Crudele introduced Dr. Brown to address the next item which is a request to increase to the Student Health fee as authorized under F.S. Section 1009.24(11).

AF: A-1c. Request for Approval of 2011-12 Fees: Student Health.

Dr. Brown addressed the Committee informing them of the requested increase from \$8.97 to \$9.42 or \$0.45 per credit hour. The anticipated annual revenues of approximately \$682,043 will be used to deal with staffing needs of the Student Counseling Center. The number of students with psychological issues has been rising at FAU and the need for competitive salaries for psychologists is critical to hiring and retention. Remaining funding will be used to increase the contracted hours of a psychiatrist on the Boca Raton campus and initiate contract services at the Treasure Coast campus. Each of these actions is a step to achieving accreditation in Student Counseling and the Student Health areas.

Discussion ensued with additional information being provided on topics including the types of issues being observed of students and of the effectiveness of psychologist practices; the implementation of a pilot program on third-party insurance billing; crisis management components within Student Health Services; the lack of State University System (SUS) interest and Board of Governor's (BOG) support in implementing an insurance consortium; and, a request that in the future SUS comparison data be provided on health fees.

Upon call, a motion was made and seconded to recommend approval of the increase in the Student Health Fee to the BOT. **The motion passed unanimously.**

Mr. Crudele reminded Committee members that during the December 2010 AFC meeting a preview of proposed 2011-2012 housing rates, developed in conjunction with Capstone Management, was presented to the Committee with the caveat that these proposed increases would return for approval consideration at a later date with other fee proposals. Dr. Brown and Ms. Eckardt were introduced to present this information.

AF: A-2. Request for Approval of the 2011-12 Housing Rental Rates.

Dr. Brown expressed pleasure in the numbers of current students applying and the numbers of new housing applications already received for the new academic year. Additionally, even before student orientation has begun, the interest and signed applications for Innovation Village Housing is high.

The final rental rates being requested represent a two (2) percent increase to double rooms and a six (6) percent to seven and one-half (7.5) percent for single rooms. Additionally, it was explained that the rate for medical school students is based upon the same formula but is slightly higher since their school term is longer (July-May) than the tradition term (August-May).

Ms. Eckardt advised members that as part of the marketing plan students have been provided these proposed rental rates but were made aware that the figures were tentative and subject to change. It is noteworthy that returning students are largely choosing a different life-style than they lived their freshman year and their choice of the more expensive housing options bear truth to the market study, conducted for the Housing Feasibility Study completed to justify Innovation Village, that students would pay more for a better accommodation and amenities.

The revenue generated by these rental rates will be approximately \$660,583 which will support personnel expenses, the Capstone Management fees and increasing internet access.

Discussion and additional information followed on housing occupancy rates for all residence halls; future housing needs including Innovation Village Housing Phase II; the academic support benefits to on-campus resident facilities versus private/off-campus facilities; rates in comparison to the SUS noting that FAU's rental rates are among the most expensive but are also among the newest and most highly-technological facilities; the Feasibility Study and surveys conducted to justify housing in conjunction with local market data; and, funding in associated with bond covenant requirements.

Mr. Kian expanded on the importance of the Feasibility Study and associated surveys as a mandatory component to and a key element in receipt of the credit package received to building Innovation Village. These requested rental rates were constructed based upon the data provided by this study.

With no further questions put forth, a motion was made and seconded to recommend approval to the BOT the proposed increase to 2011-12 Housing Rental Rates. **The motion passed unanimously.**

Upon the request of Mr. Kian, the order of Agenda Items AF: A-3 and AF: A-4 was reversed to more appropriately present these related issues:

AF: A-4. Request for Approval of the Schmidt College of Medicine Faculty Practice Plan.

Mr. Kian began this presentation noting that the actions requested here will establish our faculty as active clinical faculty for teaching medicine in the classroom and in patient care. Specifically needed are approval recommendations to the BOT of articles of incorporation of a new not-for-profit corporation to be called the FAU Clinical Practice Organization, Inc. (FAU CPO); of the bylaws of FAU CPO; of the Charles E. Schmidt College of Medicine (COM) Faculty Practice Plan (FPP) Statement; and, of the proposed University Regulation 9.001, Faculty Practice Plan.

The COM has hired a Faculty Practice Plan coordinator and the hiring of physicians is currently in progress with an anticipated 50-100 initially participating. All of the member physicians are required to have both teaching and clinical activities.

The purpose of the FPP is to create the entity to provide all administrative support for the activities of the physician employees. The FPP provides for the division of labor between the required academic and clinical activities, the billing and collection of their clinical revenues and the distribution of those revenues to support the medical school. It is conservatively projected that revenues will be in the black within 3 years; conceivable sooner.

The participating physicians will be FAU faculty employees and while growing their medical practices will also benefit from the State of Florida's sovereign immunity provisions. Sovereign immunity provides specific malpractice exposure rates and therefore an insurance program is being developed based upon these rates of sovereign immunity to address claims and risk management.

Each of the documents requested for approval allow for the processes just described. Mr. Kian then supplied a review and substantive details of the Articles of Incorporation and Bylaws of the FAU Clinical Practice Organization, Inc., of the FAU COM FPP and of Regulation 9.001. Each document was development in accordance with federal and state law and BOG requirements. Additionally, at the preference of the BOG the FAU CPO be a supporting entity of FAU but not a direct support organization; its financial position will be part of the FAU Financial Statement provided annually to the AFC and BOT.

Mr. Kian additionally noted that the business plan of the Faculty Practice Plan has not yet been finalized; today's approval request is of the governance structure and the relationship to the University.

Dr. Friedland mentioned the atypical composition of this program in the use of both full-line faculty and community-based physicians becoming faculty to more quickly establish a patient base.

Conversation began on several points including:

- Verification that participating community physicians will become full-time FAU employees thereby deriving no revenues from their personal practices; that revenues must be remitted to the FAU CPO as directed by provisions of the FPP.
- Clarifying that without an associated medical facility, the attraction/benefit to community physicians in joining this program is the continued ability of growing their medical practices with sovereign immunity and discounted medical malpractice insurance.
- The importance of developing a business plan and having it presented to the AFC/BOT.
- Concern in the development of the business plan to address control of the contractual obligations of participating physicians, i.e. the billing of insurance, third-party/HMO when these participating physicians' actual practices are in off-campus facilities.
- Providing operational practices of the University of Florida and its use in the development of FAU's business plan.
- Changing the back-up documentation to remove reference to "*Boca*" and the surrounding area" as it seemingly limits the intent of a community-based program to a specific area rather than FAU's broad service area.

With no further questions, a motion was made and seconded to recommend approval to the BOT the four documents comprised of the Articles of Incorporation of FAU Clinical Practice Organization, Inc.; the Bylaws of FAU Clinical Practice Organization, Inc.; the Florida Atlantic University College of Medicine Faculty Practice Plan Statement; and, the Proposed University Regulation 9.001, Faculty Practice Plan. **The motion passed unanimously.**

AF: A-3. Request for Approval of the Schmidt College of Medicine Self-Insurance Program.

Mr. Kian noted that this item was referenced in the previous presentation on the Faculty Practice Plan, but this is a separate issue requiring individual approval.

Specifically needed are approval recommendations to the BOT to obtain general and professional liability insurance coverage through the FAU COM Self-Insurance Program (SIP), and to authorize University administration and the SIP Council to take actions and enter into contracts to obtain liability coverage as it and the SIP Council deem appropriate.

Members were informed that the BOG oversees the self-insurance plan for all SUS Colleges of Medicine with the University of Florida (UF) performing as the administrative agent. Additionally, each university in the SUS with a faculty practice plan has formed similar SIP with a council created by the BOG.

The FAU COM intends to create an FAU SIP to provide general and healthcare professional liability on an occurrence basis which will encompass the FAU BOT, COM, CPO, the College of Nursing, Student Health Services, and their associated employees and agents. It intends to engage the services of the UF SIP Council for administration, training, claims and risk management services of the FAU SIP.

Mr. Kian advised that upon recommendation from the UF SIP Counsel a financial plan is to be implemented based upon the experience of the UF SIP Jacksonville actuarial analysis. Therefore the FAU SIP will have an initial capitalization of \$1 million per year for 3 years from the COM and with each department being covered by the FAU SIP carrying a proportional share of the costs. Additionally, although legally separate from the University, the SIP will be reflected within the annual FAU Financial Statement as a blended component unit of the University, because its sole purpose is to assist in providing liability protection for the University and its affiliated individuals and entities.

Mr. Kian then requested the Committee recommend approval to the BOT to obtain general and professional liability insurance coverage through the FAU COM Self-Insurance Program (SIP), to be created by the BOG pursuant to F.S. Section 1004.24. and to authorize University administration and the SIP Council to take actions as are permitted or required under BOG Regulation 10.001 and F.S. 1004.24, and to enter into contracts to obtain liability coverage as it and the Council deem appropriate, including, but not limited to, purchasing claims bill coverage and contracting with other self-insurance program councils for administrative, claims and risk management services.

In final statements, Mr. Kian provided a review of the composition of the SIP Council to be created.

Upon call from the Chair for questions or comments, and receiving none, a motion was made and seconded to recommend approval to the BOT the requests as presented. **The motion passed unanimously.**

AF: A-5. Request for Approval of Amendment and Restatement of the Florida Atlantic University Research Corporation Articles of Incorporation and By-Laws.

Mr. Kian reminded members the Florida Atlantic University Research Corporation (FAURC) is a direct support organization (DSO) created exclusively intended to assist FAU with its research and training mission by commercializing FAU created and owned technology and intellectual property. This DSO was incorporated in 1990 and since that time many changes have occurred within Florida and FAU that require amending the FAURC Articles of Incorporation and Bylaws. The amendments to both documents consist primarily of changes to the composition of the FAURC Board of Directors, i.e., eliminating reference to obsolete FAU entities/positions and the Board of Regents and adding the BOT and the BOG.

With no questions or comments put forth, a motion was made and seconded to recommend approval of the amended and restated FAURC Articles of Incorporation and By-Laws to the BOT. **The motion passed unanimously.**

AF: A-6. Request for Approve the Proposed Regulation 8.003, Special Fees, Fines and Penalties for the Academic Year 2011-12.

Mr. Crudele advised members that Regulation 8.003 has not been updated since the 2003 devolution from the Board of Regents. The revisions modify language to express current business practices; recognize the existence of the FAU High School Activity and Service fees; and, articulate current costs in compliance with Florida Statutes and BOG Regulation 7.003.

No questions or comments followed from members and a motion was made and seconded to recommend approval to the BOT the proposed Regulation 8.003, Special Fees, Fines and Penalties for the Academic Year 2011-12. **The motion passed unanimously.**

AF: A-7. Request for Approval of the Electronic Funds Transfer Policy

Mr Crudele noted that the 2002 Florida Legislature restructured the Florida School Code authorizing each state university to move off the State's financial system. In October 2002, the FAU BOT approved the University's financial transition plan which authorized the use of direct deposit and electronic transfer of funds. At the time, the University did not use the Automated Clearing House process so it was not a part of the 2002 financial transition plan. To be in compliance with Florida Statutes, BOT approval of the University's Electronic Fund Transfer Policy is required.

With no questions or comments put forth, a motion was made and seconded to recommend approval of the Electronic Funds Transfer Policy to the BOT. **The motion passed unanimously.**

AF: I-1a. Review of Audits: Report No. FAU 10/11-3, Accounts Payable for the Period July 1 through September 30, 2010.

Mr. Barnett advised that the objectives of this audit were to determine the adequacy of policies and procedures being utilized to ensure accurate and timely processing of university obligations in the Banner Finance system; and, to ensure compliance with applicable laws and rules.

Mr. Barnett informed members that he found the department well managed. Two recommendations were made to strengthen internal controls eliminating potential risk on the processing of high-dollar invoices and to improve back-up documentation of vendors choosing to accept electronic payments.

No questions or comments followed.

AF: I-1b. Review of Audits: Report No. 2011-128, FAU Financial Audit for the Fiscal Year Ended June 30, 2010.

Mr. Crudele advised that this audit represents a review of FAU's financial position, including data of FAU's DSO's (the FAU Foundation, Inc., the FAU Research Corporation, the HBOI Foundation, Inc, and the FAU Finance Corporation) for fiscal year ending June 30, 2010. He noted that the Auditor General found that the University's basic financial statements were presented fairly, in all material respects; that no material weaknesses were indentified in internal control over financial reporting; and, that no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* were found.

Mr. Crudele then provided financial highlights including that the University's assets totaled \$993.8 million at June 30, 2010, reflecting a \$19.5 million, or two (2) percent increase from the 2008-09 fiscal year. While assets slightly grew, liabilities increased by a lesser amount of \$5.5 million, and as a result FAU's net assets increased by \$14 million, reaching a year-end balance \$802.8 million.

Additionally, the University's operating revenues totaled \$201.9 million at year end, representing a 0.07 percent increase over prior year. Operating expenses totaled \$410.6 million, representing an increase of 3.9 percent over the 2008-09 fiscal year due mainly to an increase costs in general insurance, repairs and maintenance, and state and private scholarship grants awarded and distributed.

No questions or comments followed.

AF: I-1c. Review of Audits: Report No. 2011-168, State of Florida Compliance and Internal Controls Over Financial Reporting and Federal Awards.

Mr. Crudele advised that as a condition of receiving Federal funds, the U.S. Office of Management and Budget (OMB) requires an audit of the State's financial statements and major Federal awards programs as described in OMB Circular A-133.

FAU had one repeat finding originally reported during fiscal year 2008-09 associated with Cost Accounting Standards Exemptions; exemptions that are used to charge indirect costs as direct costs and are to be applied for 'unlike circumstances'. Since that time period, FAU implemented policies and procedures requiring that all CAS exemption be evaluated on a project-by-project basis. Additionally, as directed efforts were made to procure a review and feedback of these procedures from the funding agencies. Without a response from the funding agencies the finding has continued to be carried forward.

After the Auditor General's office completed its processes on this audit FAU received a letter from the National Science Foundation (NSF) providing approval of the University's corrective policies and procedures as respects CAS exemptions. The NSF has determined that these costs were reasonable and allowable and no further action is required.

No questions or comments followed.

AF: I-2. Review of 2011-12 Legislative Appropriations.

Mr. Crudele advised members that the legislative budgeting process is delayed with the Legislature currently in recess. No concrete figures are available until the conferees are named and the Budget Conferencing process begins which is planned for the week of April 25.

While no definitive budgets are available, Mr. Crudele discussed several areas critical to FAU that bear close monitoring including:

- PECO funding. Funding used for repairs and renovations. A portion of this funding allocation was promised to reimburse Palm Beach County for funding the building that brought Scripps Florida to Jupiter. A contractual obligation, paying interest only, remains even if the PECO funding remains unallocated.
- Employee benefits. Specifically proposed retirement changes and the affect on FAU employees. The effect to FAU will be minimal as these funds will simply pass through.
- Medical School budgets. This funding is currently included in the FAU's Educational and General budget and a request was made to separate it from FAU's base budget the same as other SUS medical schools.
- Tuition. Currently the Senate has proposed no across-the-board increases and the House has proposed five (5) percent across-the-board increases. The Senate believes differential tuition will suffice. The problem is that differential tuition applies to only approximately 80 percent of students with 30 percent dedicated to need-based financial aid.

A final issue of interest is the proposed \$200,000 cap on administration salaries; the Legislature appears split on this and it may be a dead issue. Mr. Crudele advised that as soon as more information is available it will be disseminated.

Mr. Stilley, Chair of the BOT, encouraged members to contact Legislative representatives. He reminded them of the document provided by Mr. David Mann covering talking point on budget issues and any questions should be directed to Mr. Crudele or Mr. Mann. He noted that while South Florida representative are not current members of key committees, garnering all support possible is important.

With no further questions or other discussion items put forth, a motion was made and seconded to adjourn this meeting. **The motion passed unanimously.** The meeting was adjourned at 12:08 p.m.

Before members recessed, Mr. Stilley advised that due to the completion of his elected term as Faculty Senate President, Dr. Timothy Lenz is participating in his last meeting. Accolades and a BOT Resolution was then presented to Dr. Lenz acknowledging his service to the BOT.

Dr. Lenz expressed words of appreciation to the Board and introduced his replacement, Dr. William McDaniel.