



Item: AF: A-M

AUDIT AND FINANCE COMMITTEE

Thursday, October 18, 2012

SUBJECT: ROLL CALL AND APPROVAL OF THE DRAFT MINUTES FOR THE JUNE 19, 2012 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 June 19, 2012 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. Robert Huffman	_____
Mrs. Sherry Plymale	_____
Dr. Julius Teske	_____



**AUDIT AND FINANCE COMMITTEE
DRAFT MINUTES
Tuesday, June 19, 2012**

AF: A-M. Roll Call and Approval of Minutes for the April 19, 2012 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 10:05 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. Robert Rubin, Mr. Robert Stilley (ex-officio-via teleconferencing), and Mr. Paul Tanner.

Other Trustees attending the meeting included: Dr. Jeffrey Feingold, Mr. Robert Huffman, Mrs. Sherry Plymale and Dr. Julius Teske.

The following University officials participated: Dr. Mary Jane Saunders, President; Mr. Dennis Crudele, Senior Vice President for Financial 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 April 19, 2012 AFC meeting without change or correction. No discussion or commentary followed. **The motion passed unanimously.**

AF: A-1 Request for Approval of Amendments to the Articles of Incorporation and Bylaws of the FAU Clinical Practice Organization Inc. (CPO); Approve New Members of the FAU CPO Board of Directors.

Mr. Kian advised that this request encompasses two amendments to the FAU CPO Articles of Incorporation and Bylaws. The Committee is asked to approve a resolution that will clarify that the FAU CPO will provide administrative support services on behalf of all faculty practice plans at the University which, in addition to the Schmidt College of Medicine, will now include the Christine E. Lynn College of Nursing and any future units within the University that may engage in certain clinical activities.

Upon approval of the Lynn College of Nursing being recognized as participant in FAU CPO, approval is requested for two members of the Lynn College of Nursing to be represented on the FAU CPO Board of Directors.

The Committee was then asked to approve Dr. David Bjorkman, Schmidt College of Medicine, and Drs. Marlaine Smith and Kathleen Valentine, Lynn College of Nursing, as new appointees to the FAU CPO Board of Directors. It was clarified that the request to assign Dr. Bjorkman is a result of the death of Mr. Robert Friedman, an appointed Board member.

A motion was made and seconded to recommend BOT approval of the Amendments and appointments as presented. With no questions or comments from the Committee, **the motion passed unanimously.**

AF: A-2. Request for Approval of the FAU Clinical Practice Organization (FAU CPO) Inc. 2012-13 Operating Budget.

Mr. Crudele reviewed the proposed FAU CPO operating budget for 2012-13 noting an estimated annual revenue for the Colleges of Nursing and Medicine of \$524,678 with an expenditure budget set in that same amount for a zero balance at the end of the fiscal year. This budget was approved by the FAU CPO Board of Directors on May 24, 2012.

A motion was made and seconded to recommend BOT approval of the FAU CPO 2012-13 Operating Budget as presented. With no questions forthcoming from the Committee, **the motion passed unanimously.**

AF: A-3. Request for Approval of the FAU Finance Corporation's (FAUFC) 2012-13 Operating Budget.

Mr. Crudele reviewed the proposed FAUFC 2012-13 Operating Budget advising this year as the first to fully incorporate the Residential Housing operating budget within FAUFC fiduciary responsibilities. That specific budget reports revenues of approximately \$27.6 million in revenues with expenditures of approximately \$11 million. FAUFC revenues for the period are expected to be approximately \$28.5 million with expenses estimated at approximately \$11.2 million leaving sufficient funding available for Housing and Stadium debt service of just over \$15 million.

As required, the Board of the FAUFC adopted this budget on June 12, 2012 and President Saunders approved the proposed budget on June 18, 2012.

A motion was made and seconded to recommend BOT approval of the FAUFC 2012-13 Operating Budget as presented. With no questions from the Committee, **the motion passed unanimously.**

AF: A-4. Request for Approval of the Florida Atlantic University Research Corporation's (FAURC) 2012-13 Operating Budget.

Mr. Crudele reviewed the FAURC Operating Budget with revenues of \$412,800 and expenses allocated in the same amount. He advised the unrestricted funds integrated within the budget cover auditing requirements and incidental operating expenses. The FAURC Board of Directors approved this budget during their May 16, 2012 meeting.

A motion was made and seconded to recommend BOT approval of the FAURC 2012-13 Operating Budget as presented. With no questions from the Committee, **the motion passed unanimously.**

AF: A-5. Request for Approval of the Proposed 2012-13 Differential Tuition

Mr. Crudele reminded members that tuition differential was implemented to improve the quality of undergraduate education and provide financial aid to undergraduate students exhibiting financial need. A PowerPoint presentation was viewed noting the recent base budget reductions from 2007-08 to the past year, resulting in the loss of \$77 million in funding. Over that same time period, 250 positions (including

vacant positions) or approximately 11 percent of FAU’s workforce has been eliminated. In addition, for the 2012-13 fiscal year, the Legislature has reduced the general revenue appropriations by \$24.7 million.

This tuition differential increase request will result in an estimated \$13,169,253 of which \$2,950,776 is mandated to student financial aid. Loss of this tuition differential would result in fewer undergraduate course sections being offered, delay in faculty hiring, and delay in hiring advisors which would affect graduation and retention rates.

Roundtable discussion followed on topics including, but not limited to, the advisability of imposing additional costs on students and their families in the midst of an economic downturn; the effects of the decrease in state appropriations; review of system-wide comparative data; implemented efficiencies; the expectation of faculty/staff shared responsibilities; and, the true value of higher education.

A motion was made and seconded to recommend BOT approval of the proposed 2012-13 tuition differential as presented. As voting commenced, Mr. Kian provided clarification that only AFC members are eligible to vote at this time but that during the full BOT meeting any agenda item can be identified for additional review and at that time all members are eligible to cast final voting decisions. **The motion passed unanimously.**

AF: A-6. Request for Approval of the Proposed Regulation 8.001, Tuition, Fee Schedule and Percentage of Cost for Academic Year 2012-13.

Mr. Crudele explained that this Regulation incorporates the Legislative, BOT and Board of Governors (BOG) tuition increases of an eight percent (8%) increase in Graduate in-state and out-of-state tuition; an eight percent (8%) increase in non-resident fees for Undergraduate out-of-state students; the change to the Capital Improvement Fee that includes combining the Capital Improvement Fee and Building Fee into one fee and increasing the fee by \$2.00 per credit hour; the \$0.82 increase to the Athletic Fee; the \$0.36 per credit hour increase to the Activity and Service Fee; and, the fifteen percent (15%) or \$40.13 per credit hour increase to the Differential Tuition. Additionally incorporated are the College of Medicine tuition increases a five percent (5%) in medical tuition and an increase in the non-resident fee.

Expected to generate \$15,425,672 the proposed tuition and fees are detailed as follows:

	Undergraduate		Graduate	
	In-State	Out-of State	In-State	Out-of State
Matriculation Fee (“Tuition”)	\$ 103.32	\$ 103.32	\$ 303.71	\$ 303.71
Non-Resident Fee	\$ -	\$ 493.86	\$ -	\$ 623.80
Tuition Differential	\$ 40.13	\$ 40.13	\$ -	\$ -
Student Financial Aid Fee	\$ 5.16	\$ 29.85	\$ 15.18	\$ 46.37
Capital Improvement Fee	\$ 6.76	\$ 6.76	\$ 6.76	\$ 6.76
Activity & Service Fee	\$ 12.32	\$ 12.32	\$ 12.32	\$ 12.32
Health Fee	\$ 9.42	\$ 9.42	\$ 9.42	\$ 9.42
Athletic Fee	\$ 17.27	\$ 17.27	\$ 17.27	\$ 17.27
Technology Fee	\$ 5.16	\$ 5.16	\$ 5.16	\$ 5.16
Total Per Credit Hour	\$ 199.54	\$ 718.09	\$ 369.82	\$ 1,024.81

<u>College of Medicine</u>	<u>In-State*</u>	<u>Out-of-State*</u>
Matriculation Fee (Tuition)	\$25,725.00	\$25,725.00
Non-Resident Fee		\$31,500.00
Student Financial Aid Fee	\$ 607.20	-
Non-Resident Student Financial Aid Fee	-	\$ 1,854.80
Capital Improvement Fee	\$ 270.40	\$ 270.40
Technology Fee	\$ 206.40	\$ 206.40
Activity & Service Fee	\$ 492.80	\$ 492.80
Health Fee	\$ 376.80	\$ 376.80
Athletic Fee	\$ 690.80	\$ 690.80
Transportation Access Fee	\$ 185.84	\$ 185.84
Total MD Tuition & Fees Annual Charge	\$28,555.24	\$61,302.84

A motion was made and seconded to recommend BOT approval of the proposed Regulation 8.001, Tuition, Fee Schedule and Percentage of Cost for Academic Year 2012-13 as presented. With no questions from the Committee, **the motion passed unanimously.**

AF: A-7. Request for Approval of Florida Atlantic University’s 2012-13 Educational and General Operating Budget.

Mr. Crudele began reviewing a PowerPoint presentation informing members that the budget had been formulated to integrate best practices and goals of the Strategic Plan. The proposed expenditure funding of each of the seven components of the Operating Budget commenced to include comparison data to prior year funding is summarized as follows:

<u>EXPENDITURE BUDGET</u>	<u>2011-12 Adjusted Budget</u>	<u>2012-13 Proposed Budget</u>	<u>Percentage Change</u>
Educational & General	\$ 241,532,283	\$ 238,728,591	(1.2)
Student Financial Aid	174,483,578	193,986,305	11.2
Contracts & Grants	61,868,134	64,748,439	4.7
Auxiliary Enterprises	102,608,700	107,309,457	4.6
Athletics			
Athletics Operations	15,707,021	17,556,053	
Stadium Operations	2,534,843	2,793,765	
Stadium Debt Services	0	2,620,085	
Total Athletics	18,241,864	22,969,903	25.9
Student Government	9,651,114	9,940,647	3.0
Concessions	500,250	480,250	(4.0)
TOTAL	\$ 608,885,923	\$ 638,163,592	4.8

Mr. Crudele continued expanding on specific budget components of note including that while the Fort Lauderdale Tower presence is being examined, the programs are not being eliminated but relocated to other FAU campuses where more robust enrollment numbers exist.

Educational and General. The budget totals of approximately \$239 million in estimated expenditures reflect a net decrease of 1.2 percent over prior year. This while obtaining a separation for the College of Medicine

budget, as per all other system-wide medical college budgets, which has increased by approximately \$2.3 million; other Educational and General funding has decreased by \$5.3 million resulting in a net change of approximately \$3 million.

Athletics Local. This budget totaling approximately \$23 million in expenditure, reflects an increase of 25.9 percent revenues over prior year, largely due to the increase in funding from enrollment and the ability to fund the second year stadium operations and debt service.

Other topics discussed included the decline in the Lottery revenue component of this budget; recognition of Sponsored Research funding indicating a growth in that component; acknowledgment of the plan to relocate FAU scientific resources/professors to the MacArthur Campus to take advantage of the presence of SCRIPPS Florida; and, the focusing on undergraduate numbers in response to the QEP.

With no further questions or commentary, a motion was made and seconded to recommend BOT approval of FAU's 2012-13 Operating Budget as presented, **the motion passed unanimously.**

AF: A-8. Request for Approval of Florida Atlantic University's 2012-13 Capital Outlay Budget.

Mr. Crudele advised that again this fiscal year no appropriation to this budget was made by the Legislature, negatively impacting the multi-year expectation of funding to reimburse Palm Beach County for expenses incurred by accepting the presence of SCRIPPS Florida in FAU's service area.

The BOG has tentatively allocated to FAU \$392,000, from an internal system-wide reserve. This amount remains subject to final BOG modification.

Commentary followed questioning the BOT's own commitment to advance budgetary planning to anticipate and mitigate certain future budget reductions. There followed a comprehensive summary of steps factions the FAU BOT had, and continue to take to mitigate, as best as possible, such budgetary scenarios.

With no further questions or commentary, a motion was made and seconded to recommend BOT approval of the FAU 2012-13 Operating Budget and of FAU's 2012-13 Capital Outlay Budget as presented, **the motion(s) passed unanimously.**

AF: A-9. Request for Approval of an Amended Debt Resolution for the 2012 Undergraduate Housing Project.

Mr. Crudele reminded members of the previously approved debt resolution authorizing the FAUFC to issue debt in an amount not to exceed \$50,000,000 to finance and construct a new 614 bed residence hall; requesting the Florida Board of Governors to approve the issuance of the Debt; and, authorizing appropriate officials of the University and FAUFC to execute all appropriate documentation.

The Division of Bond Finance has requested that certain clarifying language be added to that March Resolution and it's supporting Description of Security to specify that the debt is secured by a pledge of revenues net of operating expenses needed for the project. No other change to the March Resolution or its supporting materials is required.

Complimentary observations followed recognizing the efforts taken by management to ascertain funding for this endeavor and reflecting on the efforts put forth to achieve such excellent ratings as provided by the rating companies, i.e., Fitch and Moody's.

A motion was provided and seconded to recommend BOT approval of this action as presented. With no further discussion, **the motion was approved unanimously.**

AF: A-10. Review and Approval of the 2012-13 Work Plan for the Office of the Inspector General.

Mr. Barnett presented, as required by Operating Procedures, the OIG's annual work plan based on a risk assessment of basic programs, functions, and activities of the University. Members were reminded that advice had been sought from senior management, the Audit and Finance Committee, and the audit staff through a risk assessment survey. The proposed work plan was prepared by applying auditor judgment, with an emphasis on avoiding duplication of audit services, among other factors. This plan has been approved by the President and is being presented to this Committee for final review and approval.

The plan specifically iterates the intention to audit the Athletics Ticket Office, the offices of Housing and Residential Life, Parking and Transportation, the Police Department, and Student Union Operations.

With no question or commentary put forth from Committee members, a motion was made and seconded to approve this Work Plan as presented. **The motion passed unanimously.**

AF: I-1. Review of Summary of Follow-up Audit Recommendations Scheduled to be Implemented During the Period January 1 through March 31, 2012.

Mr. Barnett provided to AFC members a summary of his offices' efforts to complete required review of previously incomplete audit recommendations. To date, data reflect the satisfactory completion of six (6) recommendations. One, in Athletics, has been partially implemented but remains a work in progress and the OIG has appropriately scheduled follow-up to ensure completion. The final recommendation, associated with the OwlCard is being dismissed based upon management contentions that implementation of this recommendation is counter-productive and therefore is only a subliminal issue and worthy of further investigation.

AF: I-2a. Review of Audits: Report No. FAU 11/12-4, Office of International Programs for the Summer and Fall 2011 Semesters.

Mr. Barnett advised members that the focus of this audit was primarily on administration of the University's study abroad programs, including adherence to reciprocal agreements with foreign institutions and handling of monies collected from FAU and international exchange students.

Although no improprieties were noted, results indicate a general need to improve accountability for monies collected and a more thorough need to ensure the completion of student exchange agreements with international partner institutions.

With management agreeing to the fundamental need for improvement on these particular agreements, additional review by the OIG will follow.

AF: I-2b. Review of Audits: Report No. FAU 11/12-5, Student Fees for the Fall 2011 Semester.

Mr. Barnett advised that this audit was to ascertain there was proper assessment of BOT-approved student tuition and fees in the *Banner Student* system; and, that the associated revenue was appropriately recognized within the *Banner Finance* system. A secondary objective was to evaluate the timeliness and accuracy of remittance of building and capital improvement fees – collected from students – to the Florida Board of Governors.

It was found that established procedures are effective but a general recommendation was made to ensure timely remittance of the building and capital improvement fees to the BOG.

With the AFC agenda complete and no further questions or discussion items put forth, a motion was made and seconded to adjourn this meeting. **The motion passed unanimously and the meeting was adjourned at 11:48 a.m.**