



Item: AF: A-M

AUDIT AND FINANCE COMMITTEE

Tuesday, October 20, 2015

SUBJECT: ROLL CALL AND APPROVAL OF THE DRAFT MINUTES FOR THE JUNE 15, 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 June 15, 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

Dr. Christopher Beetle	_____
Dr. Michael Dennis	_____
Ms. Kathryn Edmunds	_____
Dr. Jeffrey Feingold	_____
Mr. Paul Tanner	_____
Dr. Julius Teske	_____



**AUDIT AND FINANCE COMMITTEE
DRAFT MINUTES
Monday, June 15, 2015**

ACTION ITEMS

AF: A-M. Roll Call and Approval of the Draft Minutes for the April 21, 2015 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 10:17 a.m. Roll call commenced with the following Committee members, in addition to Mr. Workman, participating: Mr. Daniel Cane, Vice Chair and Mr. Anthony Barbar (ex-officio).

Other Trustees attending the meeting included: Dr. Christopher Beetle, Dr. Michael Dennis, Ms. Kathryn Edmunds, Dr. Jeffrey Feingold, Mr. Paul Tanner and Dr. Julius Teske.

The following University officials participated: Dr. John Kelly, President; Ms. Dorothy Russell, Vice President for Financial Affairs and CFO; Dr. Gary Perry, Vice President for Academic Affairs; Dr. Daniel Flynn, Vice President of Research; Mr. David Kian, Vice President for Legal Affairs and General Counsel; Mr. Morley Barnett, Inspector General and Katha Kissman, Executive Director of Harbor Branch Oceanographic Institute Foundation.

Upon call, a motion was made and seconded to approve the minutes of the April 21, 2015 AFC meeting without change or correction. The motion passed unanimously.

AF: A-1. Request for Approval of the 2015-16 Florida Atlantic University Research Corporation Operating Budget.

Ms. Russell reviewed the proposed Florida Atlantic University Research Corporation (FAURC) Operating Budget that the FAURC Board of Directors approved during their May 28, 2015 meeting. Prior year data was provided along with the current budget to compare the kinds of activity that has changed year to year. She advised that there are currently two contracts in the FAURC totaling about \$35,000, which are the Utah Department of Transportation and Community Foundation and the Community Foundation for Palm Beach and Martin Counties. Ms. Russell also touched briefly on royalties and investment income and stated that this particular year the FAURC has become more responsible in budgeting actuals and has budgeted \$237,500 in revenue and expenses.

A motion was made and seconded to recommend BOT approval of the FAURC 2015-16 Operating Budget and authorize the University President to amend the Budget as necessary consistent with Board of Governors and Board of Trustees directives and guidelines. The motion passed unanimously.

AF: A-2. Request for Approval of the 2015-16 FAU Clinical Practice Organization Operating Budget.

Ms. Russell reviewed the proposed FAU Clinical Practice Organization (FAU CPO) Operating Budget for 2015-16 noting that this budget was approved at the April 7, 2015 FAU CPO board meeting. Ms. Russell noted that this budget has continued to grow each year since its establishment in 2011-12. The largest increase in revenue this year is within the College of Medicine generating an additional \$400,000 due to three sources of medical staffing. The College of Nursing also had a slight increase in revenue from the community health clinic.

Upon query, Dr. Gary Perry and Ms. Russell explained the potential for growth in clinical activity and will work with the Dean of the College of Medicine to provide a 5-year overall projection to the board this time next year.

Ms. Russell advised that continuous growth means more space needs and discussed the building currently under construction next door to the College of Medicine. The College of Medicine will utilize two floors in that building totaling 16,000 additional square feet on each floor. Expenses have also increased, which was expected, due to new faculty and a new billing system.

The President requested an update from Dr. Daniel Flynn regarding the expectations of clinical work from Dr. James Galvin and his expertise. Dr. Flynn informed the board that Dr. Galvin was hired a few weeks prior to this meeting and is a specialist in Lewy Body Dementia, which is a very serious illness. He will see patients one day per week, oversee clinical staff one day per week and the other three days he will run a clinic with referred patients for clinical trials. The clinical trials are supported through grants and the private sector, which will add to the clinical revenue.

With no further issues to discuss, a motion was made and seconded to recommend BOT approval of the FAU CPO 2015-16 Operating Budget and authorize the University President to amend the Budget as necessary consistent with Board of Governors and Board of Trustees directives and guidelines. The motion passed unanimously.

AF: A-3. Request for Approval of the 2015-16 FAU Finance Corporation Operating Budget.

Ms. Russell reviewed the proposed FAUFC 2015-16 Operating Budget recognizing the three components of housing, administration and the stadium associated with this budget. During the April 2, 2015 FAUFC board meeting, this budget was approved. Combined pledged revenues are projected at approximately \$35.9 million. The budget meets debt service requirements and provides net income of approximately \$7.1 million. An increase in revenues and decrease in expenses in both the Stadium and Housing have made for positive growth within the FAUFC.

Additional review of the budget followed advising members of the use of Capstone On-campus Management to build a better business model for Housing this year and it has been extremely successful. Occupancy is expected to be approximately 95-96% after the melt, which is a vast difference from just one year ago when occupancy was in the low 80's.

Upon query, Ms. Russell explained that the FAUFC transferred money to Athletics to cover scholarships, however; this will not be done on a yearly basis.

With no further questions, a motion was made and seconded to recommend BOT approval of the FAUFC 2015-16 Operating Budget and authorize the University President to amend the Budget as necessary consistent with Board of Governors and Board of Trustees directives and guidelines. The motion passed unanimously.

AF: A-4. Request for Approval of the 2015-16 Foundation Operating Budget.

Ms. Russell reviewed the proposed Foundation Operating Budget for 2015-16 noting that this budget was approved at the April 9, 2015 Foundation board meeting. This budget has remained fairly constant over the last several years and continues to fund the president's compensation package, the Baldwin House, the development office and other consultant and lobbyist expenses.

A motion was made and seconded to recommend BOT approval of the Foundation 2015-16 Operating Budget and authorize the University President to amend the Budget as necessary consistent with Board of Governors and Board of Trustees directives and guidelines. The motion passed unanimously.

AF: A-5. Request for Approval of the 2015-16 Harbor Branch Oceanographic Institute Foundation Operation Budget.

Ms. Russell reviewed the proposed Harbor Branch Oceanographic Institute Foundation (HBOIF) Operating Budget for 2015-16 noting that this budget was approved at the April 30, 2015 HBOIF board meeting. This budget was established in 2007-08 and it is used to facilitate and enhance revenue and fundraising efforts for HBOI at FAU. Ms. Russell noted that this budget has been broken down into two sections: specialty license plates and normal operations. Approximately \$2.1M is received from specialty license plates which is funneled back into research at HBOI. As for normal operations, a \$2.4M deficit is shown, however; Ms. Russell explained that endowment transfers cover the total deficits as they occur.

Upon question, Ms. Russell explained that the Special Initiatives Expenses are the obligations from the foundation to support present and future faculty at HBOI. The expenses will include start-up costs for new faculty and supplementing research at that facility.

Ms. Katha Kissman provided additional information regarding HBOIF and stated that the endowment is currently \$66M and for the first time the foundation is at capacity for providing \$9.5M in grants to HBOI.

A motion was made and seconded to recommend BOT approval of the HBOIF 2015-16 Operating Budget and authorize the University President to amend the Budget as necessary consistent with Board of Governors and Board of Trustees directives and guidelines. The motion passed unanimously.

AF: A-6. Request for Approval of Florida Atlantic University 2015-16 Operating Budget.

Ms. Russell noted that due to the delay of the Educational and General Legislative budget processes, the presentation of the operating budget reflects the most relevant information to date from the House and

Senate which is not final. The proposed budget presents two parts, FAU's 2015-16 Proposed E&G Operating Expenditure Budget from a base budget of \$275,639,378 to a Maximum Proposed Target Budget of \$294,831,067. A minimum and maximum budget have been provided to the board and a formal budget will be available by the end of June. An updated final budget will be provided by Ms. Russell at the next meeting. With a comparison to prior year data, the budget was summarized as follows:

House and Senate E&G Budget Recommendations - as of June 10, 2015		
Approved 2014-15 Recurring Expense Budget	\$ 275,639,378	\$ 275,639,378
2015-16 FAU Medical School Tuition Budget Approved by BOT	400,000	400,000
2015-16 Pending Budget Recommendations		
	<u>House</u>	<u>Senate</u>
Performance Funding (Non-recurring) - Pending BOG distribution formula	11,200,000	11,200,000
Tech Runway (non-recurring)	1,000,000	1,000,000
STEM Life Science Initiatives - Jupiter		
Recurring	1,350,000	5,938,000
Non-recurring	-	1,100,000
FAU Medical School - GME Residency Program - Recurring	-	(446,311)
FAU Max Planck Science Fellowship Program - Recurring (passthrough)	1,500,000	-
Total Proposed Budget	<u>15,050,000</u>	<u>18,791,689</u>
Total 2015-16 Proposed Budget	<u>\$ 291,089,378</u>	<u>\$ 294,831,067</u>

Five-year Expenditure Budget* Summary							
E&G Maximum Budget Target and All Other Funds							
2011-12 to 2015-16							
Fund Type	2011-12	2012-13	2013-14	2014-15	2015-16	2-year	% Change
Educational & General	\$ 241,532,283	\$ 238,728,591	\$ 273,528,872	\$ 280,809,499	\$ 294,831,067	**	5.0
Student Financial Aid	174,483,578	193,986,305	203,035,641	202,133,102	196,558,935		(2.8)
Contracts & Grants	61,868,134	64,748,439	67,714,890	55,498,239	59,098,850		6.5
Auxiliary Enterprises	102,608,700	107,309,457	123,564,043	125,346,933	139,559,277		11.3
Athletics							
Athletics Operations	15,707,021	17,556,053	20,428,407	22,133,710	21,385,170		
Stadium Operations/Debt Service	<u>2,534,843</u>	<u>5,413,850</u>	<u>5,227,542</u>	<u>5,275,853</u>	<u>4,961,259</u>		
Total Athletics	18,241,864	22,969,903	25,655,949	27,409,563	26,346,429		(3.9)
Student Government	9,651,114	9,940,647	10,706,149	11,217,531	9,876,445		(12.0)
Concessions	<u>500,250</u>	<u>480,250</u>	<u>480,250</u>	<u>510,000</u>	<u>625,000</u>		<u>22.5</u>
TOTAL	<u>\$ 608,885,923</u>	<u>\$ 638,163,592</u>	<u>\$ 704,685,794</u>	<u>\$ 702,924,867</u>	<u>\$ 726,896,003</u>		<u>3.4</u>
<i>*Includes transfers</i>							
<i>** Proposed maximum budget target</i>							

Additionally, Ms. Russell noted that the 2015-16 Maximum Proposed E&G Revenue Budget with Senate recommendations, including the College of Medicine, totals \$307,630,566, which reflects an increase over the previous year. Ms. Russell advised that tuition will not be increasing this year and enrollment is also not expected to significantly increase. The Student Financial Aid Budget has decreased by 2.8% over the prior year due to the regulatory change in the Stafford Loan requirements for borrowing eligibility for enrollments less than full time. Henderson School enrollment and anticipated research activities have played a part in the 6.5% increase in the Contracts and Grants budget expenditures and the 11.3% increase in the Auxiliary Enterprises budget expenditures is due to increases in the Medical School GME Program, College of Business Market Rate Programs, Technology Fee and Student Health Services.

A motion was made and seconded to recommend BOT approval of the 2015-16 FAU Operating Budget and authorize the University President to amend the Budget as necessary consistent with Board of Governors and Board of Trustees directives and guidelines. The motion passed unanimously.

AF: A-7. Request for Approval of Florida Atlantic University 2015-16 Capital Outlay Budget.

Ms. Russell informed the board that the 2015-16 Capital Outlay Budget requires a separate authorization of approval. She explained that the total Capital Outlay Budget of \$20,111,399 is the maximum budget pending approvals from the House and BOG. If the maximum funding is granted, approval by the board today will give authorization to spend that amount. The Jupiter Research Building Renovation and Addition request was \$14,650,000 and the House, although not final, seems to be supportive of that number. Maintenance/Repair/Renovation and Critical Maintenance, which are the two parts of the PECO distribution, should be approved at \$2,393,257 and \$3,068,142 respectively. Upon question, Ms. Russell explained that the funding for Critical Maintenance and Renovation is based on square footage.

The total budget summary, including capital outlay, was presented as follows:

Educational and General - Maximum Budget Target	\$ 294,831,067
Non-E&G Fund Budget	<u>432,064,936</u>
Total Proposed Operating Budget	726,896,003
Capital Outlay Budget	<u>20,111,399</u>
TOTAL 2015-16 Proposed Budget	<u>\$ 747,007,402</u>

A question was put forth regarding conservative budgeting and when an increased tuition budget would become evident and Ms. Russell informed the board that after a consistent 3-year increase in trajectory, the budget would likely increase. Out of state student enrollment has made up for the decrease in in-state student enrollment and then some and there is a large recruiting effort currently taking place that should increase out of state enrollment even more in the next few years. Ms. Russell stated that an in-state and

out of state enrollment comparison will be available in September, along with revenue generated for each, and will provide that information at a future meeting.

Upon query, Ms. Russell verified that the impact from a state tuition reduction for veterans and their families should not be significant but it is difficult to predict for the first year.

With no further discussion, a motion was made and seconded to recommend BOT approval of the FAU 2015-16 Capital Outlay Budget and authorize the University President to amend the Budget as necessary consistent with Board of Governors and Board of Trustees directives and guidelines. The motion passed unanimously.

AF: A-8. Request for Approval of the 2015-16 Work Plan for the Office of Inspector General.

Mr. Morley Barnett explained that the Office of Inspector General develops its annual work plan based on a risk assessment of basic programs, functions, and activities of the University. Input is sought from senior management, the BOT Audit and Finance Committee, and the internal audit staff through a risk assessment survey. A proposed work plan is prepared by applying auditor judgment, with an emphasis on avoiding duplication of audit services, among other considerations.

A motion was made and seconded to recommend BOT approval of the 2015-16 Work Plan for the Office of Inspector General. The motion passed unanimously.

AF: A-9. Request to Amend FAU Regulation 6.006 – Construction Projects & Property Responsibility.

Mr. David Kian explained that all regulations are posted on the University's website and if all amendments are approved today, they will be effective as of July 1, 2015.

Regulation 6.006 currently addresses the responsibility and authority for University property. The proposed amendments update the regulation to reflect current organizational titles and add a provision regarding responsibility and authority for University construction projects. The addition to the regulation regarding authority and responsibility for University construction projects was prompted by amendments to Board of Governors Regulation 14.020, University Supervision of Construction Program, made earlier this year. The BOG regulation amendments parallel the requirements of Section 1013.38, Florida Statutes, which provides that University Boards ensure that facilities comply with building and life safety codes.

Upon query, Mr. Kian clarified that the BOG updated their regulation and to accommodate that provision, amendments are being made on the FAU regulation.

Without further discussion, a motion was made and seconded to approve the amendments to Regulation 6.006. The motion passed unanimously.

AF: A-10. Request to Amend FAU Regulation 6.007 – Surplus Property.

FAU Regulation 6.007 sets forth the guidelines concerning surplus property management. The proposed amendments update the regulation to reflect current Board of Governors and statutory requirements and current practices. Since state universities now use their own enterprise resource planning system, many of the former statutory requirements are no longer applicable. The proposed amendments do not provide material revisions to the handling of surplus property, but rather streamline the process and update how surplus property may be disposed.

A motion was made and seconded to approve the amendments to Regulation 6.007. The motion passed unanimously.

AF: A-11. Request to Repeal Regulation 6.009 – Motor Pool.

FAU Regulation 6.009 was historically implemented to address the acquisition and disposal of state university motor pools prior to the creation of individual University Boards of Trustees. The regulation, however, is no longer necessary as the University does not control a central motor pool and the acquisition and disposal of motor vehicles, watercraft, and aircraft are governed by other University regulations and policies. The Board of Governors has also repealed their regulation pertaining to the motor pool as obsolete and noted that no regulation is required on the subject.

A motion was made and seconded to approve the amendments to Regulation 6.009. The motion passed unanimously.

AF: A-12. Request to Amend FAU Regulation 6.010 – Leasing of Off-campus Facilities.

FAU Regulation 6.010 implements the delegated authority received by the Board of Governors regarding the leasing of off-campus facilities. The proposed amendments update the regulation to reflect current Board of Governors requirements and remove out-of-date references and administrative practices in effect under the Board of Regents. The competitive solicitation requirement for the lease of off-campus space has been updated to 5,000 square feet (formerly 2,000 square feet). Exceptions to the competitive solicitation requirement and the measurement of leased space have been updated to comport with Board of Governors Regulation 17.001.

Upon question, Mr. Kian explained that there is no limit to cost, strictly square footage.

A motion was made and seconded to approve the amendments to Regulation 6.010. The motion passed unanimously.

INFORMATION ITEMS

AF: I-1. Review of Audits: FAU 14/15-4 NCAA Compliance – Sports Camps and Clinics.

Mr. Barnett notified the board that the primary objectives of this audit were to determine whether:

- Institutional sports camps or clinics were in compliance with applicable state statutes, NCAA regulations, university policies and sound business practices; and,
- Management had adequate and effective controls in place to ensure that Athletics Department members participating in non-institutional privately-owned camps/clinics did so in accordance with applicable NCAA restrictions and university policies and procedures.

Three recommendations were made to address a variety of documentation and procedural deficiencies and basic ways in which the Athletics Compliance Office can improve the fiscal administration of camps and clinics. The three areas of improvement are within policies and procedures; oversight of sports camps/clinics; and, accountability for athletic facility rental fees. Mr. Barnett believes the recommendations to improve the internal control environment are cost-effective and can be readily implemented. A follow up report will be completed and presented to the board at a future meeting.

Upon question, Mr. Barnett explained that even though sports camps and clinics are run independently, the Athletics Department at FAU has a responsibility for keeping records and other internal administrative procedures based on NCAA regulations.

Additionally, Mr. Barnett clarified that the facility costs are passed on to the individual participating in the sports camp and the coaches who run the camps are being paid a separate stipend outside of their salary. Based on their contract, coaches are permitted to run camps and obtain separate payment for them.

AF: I-2. Review of Summary of Follow-up on Audit Recommendations Scheduled to be Implemented During the Period of January 1 through March 31, 2015.

Mr. Barnett advised that the Office of Inspector General performs follow-up procedures for all outstanding audit recommendations on a regular basis. For the three months ended March 31, 2015, six audit recommendations were reviewed: two were found to be fully implemented; one had been partially implemented; one had not been implemented due to ERP transitioning; and the status for the final two recommendations was indeterminate pending follow-up by the Florida Auditor General as part of their operational audit of FAU for fiscal year ending June 30, 2015.

New expected implementation dates have been obtained from the auditees responsible for recommendations not found to be fully implemented. Any recommendations found to be partially or not implemented will be subject to additional follow-up in the future.

With no further questions or comments put forth, a motion was made and seconded to adjourn the meeting. **The meeting was adjourned at 11:19 a.m.**