



Item: AF: A-M

**AUDIT AND FINANCE COMMITTEE**

Wednesday, November 16, 2016

**SUBJECT: ROLL CALL AND APPROVAL OF THE DRAFT MINUTES FOR THE MAY 17, 2016 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 May 17, 2016 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	_____
Mr. Shaun Davis	_____
Dr. Michael Dennis	_____
Mr. Michael Cairo	_____
Dr. Jeffrey Feingold	_____
Dr. Malcolm Dorman	_____



**AUDIT AND FINANCE COMMITTEE  
DRAFT MINUTES  
Tuesday, May 17, 2016**

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**ACTION ITEMS**

**AF: A-M. Roll Call and Approval of the Draft Minutes for the March 15, 2016 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 10:25 a.m. Roll call commenced with the following Committee members, in addition to Mr. Workman, participating: Mr. Daniel Cane, Vice Chair; Mr. Anthony Barbar (ex-officio), Ms. Mary Beth McDonald, Mr. Abdol Moabery, Mr. Robert Rubin and Mr. Robert Stilley.

Other Trustees attending the meeting included: Dr. Christopher Beetle, Mr. Michael Cairo, Mr. Shaun Davis, Dr. Michael Dennis, Dr. Malcolm Dorman and Dr. Jeffrey Feingold.

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; Ms. Stacy Volnick, Vice President for Administrative Affairs; Dr. Diane Alperin, Senior Advisor for Academic Affairs; Mr. Ryan Britton, Executive Director of Government Relations; Ms. Sharon Brown, Assistant Vice President of Finance and Administration; Mr. Steven Bender, Senior Director Business Operations; and Mr. Morley Barnett, Inspector General.

Upon call, a motion was made and seconded to approve the minutes of the March 15, 2016 AFC meeting without change or correction. The motion passed unanimously.

**AF: A-1. Request for Approval of Proposed Regulation, 8.001, Tuition, Fee Schedule and Percentage of Cost.**

Ms. Russell informed the board that the University is not recommending an increase to the undergraduate and graduate, resident and non-resident tuition per credit hour or to the College of Medicine resident and non-resident matriculation fee. All other fees remain unchanged as well.

A motion was made and seconded to recommend approval of Proposed Regulation 8.001. The motion passed unanimously.

**AF: A-2. Request for Approval of the 2016-17 FAU 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 April 27, 2016 meeting. Revenue has decreased due to reduced expenditures from prior years but revenues are expected to increase in the future with the new research goals put forth.

Dr. Flynn provided more detail and explained that research grant applications are a predictive indicator for funding in one to three years from now. Grant applications increased by 30% from this year over last year and subsequently, Dr. Flynn is predicting a 30% increase in funding for next year. Currently, licensing deals are down due to three that have been underperforming and pulled back for repositioning, however; a significant increase is expected over the next five years. A rise in the number of invention disclosures annually from 20-25 currently to 75-100 is forthcoming which will considerably increase revenue as well.

A motion was made and seconded to recommend approval of the 2016-17 FAURC 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 2016-17 FAU Clinical Practice Organization Operating Budget.**

Ms. Russell reviewed the proposed FAU Clinical Practice Organization (FAU CPO) Operating Budget for 2016-17 noting that this budget was approved at the April 28, 2016 FAU CPO board meeting. This budget has continued to grow each year since its establishment in 2011-12 and has had a significant increase in the College of Medicine revenue budget from \$750k in 2015-16 to \$3.4M in 2016-17. The FAU CPO anticipates the introduction of emergency medicine, general surgery and a continuity clinic which will add to the staffing of those clinical practices.

Upon query, Mr. Bender explained that there are opportunities for faculty in the College of Medicine to practice in the student health center. He also informed the board that Dr. James Galvin will be starting his own practice on campus this coming July. Dr. Perry reiterated that this is just the beginning for this organization and there will be continued growth.

Dr. Dennis added that of the five hospitals that FAU is related in the consortium, Bethesda Hospital is putting together a \$24M program for graduate medical education.

With no further questions, a motion was made and seconded to recommend BOT approval of the FAU CPO 2016-17 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 2016-17 FAU Finance Corporation Operating Budget.**

Ms. Russell reviewed the proposed FAUFC 2016-17 Operating Budget recognizing the three components of housing, administration and the stadium associated with this budget. During the April 28, 2016 FAUFC board meeting, this budget was approved. Ms. Russell stated that budgeted housing occupancy revenues

have increased from 91% in 2015-16 to 93% in 2016-17. The occupancy rate for this fiscal year is at 96% which is significantly higher than last year. In addition, last year at this time there were 2,100 contracts for housing compared to 3,300 contracts currently.

With no further issues to discuss, a motion was made and seconded to recommend BOT approval of the FAUFC 2016-17 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 2016-17 Foundation Operating Budget.**

Ms. Russell reviewed the proposed Foundation Operating Budget for 2016-17 noting that this budget was approved at the May 12, 2016 Foundation board meeting. This budget shows a slight decrease in operating revenues and expenses predominantly due to a decrease in endowment administrative fees and investment returns.

A motion was made and seconded to recommend BOT approval of the Foundation 2016-17 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 the 2016-17 Harbor Branch Oceanographic Institute Foundation Operation Budget.**

Ms. Russell reviewed the proposed Harbor Branch Oceanographic Institute Foundation (HBOIF) Operating Budget for 2016-17 noting that this budget was approved at the April 28, 2016 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 major components: specialty license plates and normal operations. Specialty license plate revenue is directed back into research at HBOI.

A motion was made and seconded to recommend BOT approval of the HBOIF 2016-17 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 2016-17 Operating Budget.**

Ms. Russell briefly explained the seven components and their individual budgets that make up the operating budget of FAU, which totals \$760,559,474. This budget represents a 3.9% change over last year. Ms. Russell noted that the Educational and General (E&G) revenue budget has increase by 7.6% over the prior year due to \$25M in performance funding, STEM Life Science initiatives and other new allocations.

With a comparison to prior year data, the budget was summarized as follows:

**Five-year Expenditure Budget Summary  
2012-13 to 2016-17**

Fund Type	2012-13	2013-14	2014-15	2015-16	2016-17	1-year % Change
<b>Educational &amp; General</b>	\$ 238,728,591	\$ 273,528,872	\$ 280,809,499	\$ 299,810,290	\$ 322,709,744	7.6
Student Financial Aid	193,986,305	203,035,641	202,133,102	196,558,935	197,953,827	0.7
Contracts & Grants	64,748,439	67,714,890	55,498,239	59,098,850	60,514,705	2.4
Auxiliary Enterprises	107,309,457	123,564,043	125,346,933	139,559,277	142,153,266	1.9
<b>Athletics</b>						
Athletics Operations	17,556,053	20,428,407	22,133,710	21,385,170	22,187,469	
Stadium Operations/Debt Service	5,413,850	5,227,542	5,275,853	4,961,259	4,917,562	
<b>Total Athletics</b>	<b>22,969,903</b>	<b>25,655,949</b>	<b>27,409,563</b>	<b>26,346,429</b>	<b>27,105,031</b>	<b>2.9</b>
Student Government	9,940,647	10,706,149	11,217,531	9,876,445	9,497,901	(3.8)
Concessions	480,250	480,250	510,000	625,000	625,000	-
<b>TOTAL</b>	<b>\$ 638,163,592</b>	<b>\$ 704,685,794</b>	<b>\$ 702,924,867</b>	<b>\$ 731,875,226</b>	<b>\$ 760,559,474</b>	<b>3.9</b>

A motion was made and seconded to recommend BOT approval of the 2016-17 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-8. Request for Approval of Florida Atlantic University 2016-17 Capital Outlay Budget.**

Ms. Russell informed the board that the 2016-17 Capital Outlay Budget of \$9,264,684 requires a separate authorization of approval. The request for the Jupiter STEM/Life Science Building was \$15,137,400 and planning and engineering costs of \$3,031,347 were awarded for 2016-17, which is a step in the right direction since this request has been put forth in prior years. The request for \$3,029,743 for the Student Union building was granted as well as the \$3,204,694 request for maintenance/repair/renovation and remodeling. Lastly, the request for \$3,300,000 for the cooling tower replacement was not received this year.

Upon query, Ms. Russell explained that repairs and maintenance for the Henderson school are not included in the capital outlay budget due to its unique designation. Ms. Volnick informed the board that replacement of the Henderson school, in lieu of rehabilitating the existing building, is included in the Five-year Capital Improvement Plan (CIP-2). Mr. Britton further clarified that the Henderson school is considered a lab school in which there are only four in the state. These four lab schools are not able to leverage millage dollars, are excluded from accessing specialty construction fund dollars and do not have access to state level funds.

With no further discussion, a motion was made and seconded to recommend BOT approval of the FAU 2016-17 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-9. Request for Approval of the 2016-17 Work Plan for the Office of Inspector General.**

Mr. Morley Barnett explained that the Office of Inspector General (OIG) 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. Mr. Barnett informed the board that there is a 5-year internal assessment of functions the OIG office promulgated by the Institute of Internal Auditors, which not listed on this plan and will be completed in 2016-17.

A motion was made and seconded to recommend BOT approval of the 2016-17 Work Plan for the Office of Inspector General. The motion passed unanimously.

**INFORMATION ITEMS**

**AF: I-1. Review of Audit Report No. 2016-174, FAU Financial Audit for the Fiscal Year Ended June 30, 2015.**

Ms. Russell provided highlights to the board of the audit of the financial statements of the University for the fiscal year ended June 30, 2015 as follows:

- The audit disclosed that the University's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.
- The audit did not identify any findings in internal control weaknesses over financial reporting.
- The results of testing disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller of the United States.

The University's assets totaled \$1B at June 30, 2015 which reflects a \$6M or 0.6 percent decrease as it compared to the 2013-14 fiscal year, resulting from an increase in receivables and investments and a decrease of capital assets. The University's operating revenues totaled \$252.3M for the 2014-15 fiscal year, representing a 10.3 percent increase as compared to the 2013-14 fiscal year due mainly to an increase of \$9.4M in net tuition and fees generated by an increase in matriculation fees, an \$8.7 M increase in sales and services of auxiliary enterprises, and a \$4.6M increase in other operating revenue mostly from athletic program revenue. Operating expenses totaled \$482.8M for the 2014-15 fiscal year, representing an increase of 5.4 percent as compared to the 2013-14 fiscal year due mainly to a \$17.7M increase in compensation and employee benefits and \$7.3M increase in the supplies and services associated with the operational costs.

**AF: I-2. Review of Audit Report No. 2016-134, FAU Operational Audit for the Fiscal Year Ended June 30, 2015.**

Ms. Russell informed the board that an Operational Audit of Florida Atlantic University is completed by the State of Florida Auditor General bi-annually. In March 2016, the Operational Audit for the fiscal year

ending June 30, 2015 was provided to the University by the Auditor General. The Operational Audit includes 4 audit findings, recommendations and management's responses to the recommendations:

- Finding 1: University textbook affordability procedures continue to need improvement.
- Finding 2: The University needs to enhance procedures for classifying students as Florida residents for tuition purposes in accordance with State law.
- Finding 3: The University needs to enhance procedures over its purchasing card program.
- Finding 4: Certain University security controls related to user authentication continue to need improvement.

Ms. Russell noted that the implementation of Workday has allowed more thorough monitoring of receipt handing for purchasing cards and requires multiple security authentication.

**AF: I-3. Review of Summary of Follow-up on Audit Recommendations Scheduled to be Implemented During the Period of July 1 through December 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 six months ended December 31, 2015, we reviewed a total of seventeen audit recommendations resulting in the following conclusions:

- Seven recommendations were found to be fully implemented; and
- Ten recommendations had been partially implemented

We have obtained new expected implementation dates from the auditees responsible for recommendations not found to be fully implemented. Recommendations found to be partially implemented will be subject to additional follow-up at the appropriate time.

Upon query, Mr. Kian verified that Mr. Chun will notify the OIG in writing who will inform the board that the NCAA Compliance – Sports Camps and Clinics audit findings have been fully implemented before the start date of the camps. A second notification to the board will take place when Mr. Barnett completes the subsequent follow up review.

**AF: I-4. Review of Audits: FAU 15/16-3 Lifelong Learning Society.**

Mr. Barnett explained that the audit objectives were to determine whether money collections were properly accounted for, reconciled, accurately recorded in the university's accounting records, and timely deposited; student refunds processed were valid, and supported by proper documentation and management approval; proper accountability was maintained for all issued/unissued LLS parking permits and class admission tickets; and, physical security measures for the safeguarding of LLS personnel, monetary assets, and non-monetary assets (unissued parking permits, class admission tickets, membership cards, and guest passes/explorer tickets) were adequate.

Seven recommendations were made to address transaction documentation, accountability for money collections, and security issues for LLS programs at the Boca Raton and Jupiter campuses.

Ms. Alperin advised that after the initial meeting with the OIG, support from academic affairs, financial affairs and OIT was requested. The Jupiter campus has resolved all of the audit findings and have already informed Mr. Barnett. There have been substantial changes in the Boca Raton operations of LLS including the search for a Business Manager, which has been completed and a candidate will be hired in the near future. The OIG will follow up on all recommendations in the fall term and inform the board of the progress.

**AF: I-5. Review of Audits: FAU 15/16-4 Research – Effort Reporting.**

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

- Policies and procedures had been developed consistent with cost principles outlined in the Office of Management and Budget's new Uniform Guidance - Section 200.430, *Compensation Personal Services* - for all new or continuing Federal awards funded on or after December 26, 2014; and,
- The university was maintaining documentation (records) to accurately reflect research work performed and supported by a system of internal controls which provides reasonable assurance that compensation charged to research projects is *accurate, allowable, and properly allocated* in accordance with requirements of the new Uniform Guidance.

Management has agreed to implement the single recommendation by October 1, 2016 to update policies and procedures and complete effort certifications timely.

With no further questions or comments put forth, a motion was made and seconded to adjourn the meeting. **The meeting was adjourned at 11:56 a.m.**