

**University of North Florida
Finance and Audit Committee
September 20, 2007
Minutes**

Committee Members Present: Dr. Edythe Abdullah, Mr. Hugh Greene, Ms. Wanyonyi Kendrick, Dr. Bruce Taylor, Ms. Carol Thompson, Ms. Rachael Tutwiler, Mr. Kevin Twomey

Committee Members Absent: None

Item 1: Call to Order. Chair Twomey convened the meeting of the Finance and Audit Committee and offered appreciation to all trustees for their attendance.

Item 2: Approval of the Minutes. Chair Twomey asked for a MOTION to accept the minutes for the June 26, 2007 meeting. The MOTION was offered, seconded and passed.

Item 3: Open Comments. There were no comments from the public.

Item 4: Traffic and Parking Regulations. Chair Twomey asked Vice President Shuman to speak about this item.

Vice President Shuman reported that each regulation in this set of proposed amendments to UNF's current parking regulations would require separate approval. She reviewed highlights of changes for each regulation as follows:

- 9.0020R Vehicle Parking Permits – included granting the President the authority to designate when a valid parking permit must be displayed, denoting locations for permit parking during peak times, permit exemptions and parking designations for state vehicles with state license tags and regulating parking in lot 16.
- 9.0030R Parking Permit Fees, Styles, Display Requirements, Replacements and Refunds – sets forth consequences for reproducing or defacing a University parking permit.
- 9.0040R Parking Locations – included issuance of multi-day parking permits for special events and consequences of unauthorized parking in reserved spaces.
- 9.0050R Motor Scooter, Motorcycle, Moped, Bicycle, Boat, Trailer and Non-Motorized Vehicle Registrations – prohibited parking of portable storage containers in parking spaces on campus, and parking of recreational vehicles on campus without advance permission.
- 9.0070R Fines, Late Fees and Other Penalties – included annual approval by the Board of Trustees, of the fines, late fees and immobilization fees associated with Parking Services and setting forth penalties associated with violating parking regulations.
- 9.0090R Vehicle Towing, Impoundment and Immobilization – included statements that vehicles not displaying a valid license plate or tag may be impounded and immobilized when an individual receives his/her ninth citation within 365 days.

Chair Twomey asked for a MOTION to accept each regulation separately – 9.0020 was offered, seconded and passed; 9.0030R was offered seconded and passed; 9.0040R was offered, seconded

and passed; 9.0050R was offered, seconded and passed; 9.0070R was offered, seconded and passed; and 9.0090R was offered, seconded and passed.

Item 5: Discussion on Budget Issues and Tuition

Item 5A: Discussion on Possible Budget Reductions in Response to Tax Revenue Shortfalls.

Chair Twomey asked President Delaney to speak about this item.

President Delaney gave a brief presentation about possible budget reductions, reporting that the legislature asked each institution within the State University System (SUS) to cut their budget by 4 percent. He clarified that this would be a 4 percent cut from state contributions, not the university's complete base budget which also included tuition. He also clarified that 75 percent of UNF's budget came from state funds and 25 percent from tuition. Taking these percentages into consideration, the net cut from UNF's base budget would be about 3 percent.

President Delaney reported that UNF had set aside a portion of the budget the BOT approved in June for situations like this, therefore, the possible budget cuts would be made with little or no impact to the general operating budget. He indicated that there might be further budget cuts but the university remained dedicated to keeping whole the institution's core mission. He mentioned that there was optimism that the BOG and the legislature would approve a tuition increase.

Chair Taylor supported the tuition increase and stated that, as the university moved forward, it might become more engaged in determining how to stabilize tuition.

After a brief discussion about the technology fee and the academic enhancement fee, the committee agreed that the academic enhancement fee was another form of tuition. It was noted that the technology fee failed during the previous legislative session but would be added to the agenda for special session.

This item was for discussion only. No further action was required.

Item 5B: Schedule of Tuition and Fees. Chair Twomey stated that this item had been addressed in the previous discussion (Item 5A) and asked for further questions or comments. There were none.

This item was for discussion only. No further action was required.

Item 6: Update on the Purchase of the Auchter Building. Chair Twomey asked Vice President Shuman to report on this item.

Vice President Shuman reported that the opportunity to purchase the Auchter building was brought to the university as a result of the Auchter Company's bid for bankruptcy. She explained that negotiations to purchase this building began at \$4.2 million and were parleyed down to \$3.875 million, including the fixtures and contents of the building. The purchase/sale agreement had been presented in draft format and was returned with comments, which included no major changes. Plans were to have a signed purchase/sale agreement in October 2007, with a closing date scheduled for late December 2007.

A brief presentation was provided about possible funding sources for the Auchter building. PECO funding was not being pursued because of time constraints but other possible sources included UNF alumni; reserves from Foundation, Inc.; a loan with financing from the university itself; and/or from auxiliary reserves. Vice President Shuman explained that this potential purchase would not affect the university's budget should there be future budget cuts by the state, because it would be a one-time purchase with non-recurring funds.

This item was for discussion only. No further action was required.

Item 7: Revised Educational Plant Survey. Chair Twomey asked Vice President Shuman to report on this item.

Vice President Shuman reported that the PECO list had been presented to the Board of Trustees, and approved at the June 2007 meeting. The university was now asking the Board to approve an amendment to that list. The amendment would change the priority of the science and humanities building and remove other items (items were being removed because of the space made available by the purchase of UNF Hall). It was noted that BOG had reviewed the appropriate documents and was waiting on Board approval.

Chair Twomey asked for a MOTION to accept the revised Educational Plant Survey. The MOTION was offered, seconded and passed.

Item 8: Training and Service Institute (TSI) Audit. Chair Twomey asked Vice President Shuman to report on this item.

Vice President Shuman reported that during the audit the financial statements for TSI were deemed to be presented fairly, in all material respects. Between 2006 and 2007, almost \$5.9 million had been transferred from TSI to the University for capital projects. This was a clean audit.

This item was presented for information only and required no further action.

Item 9: UNF Foundation, Inc. Audit. Chair Twomey asked Vice President Shuman to report on this item.

Vice President Shuman reported that the UNF Foundation, Inc. audit showed the changes in the Foundation which resulted from moving some bonds to UNF's Financing Corporation (UNFFC). She stated that restricted investments had increased from \$75 million in 2006 to \$94 million in 2007. Net assets for 2006-2007 ranged from \$76 million to \$88 million and were headed toward \$100 million (accomplished through contributions and investment earnings).

Vice President Shuman reported that this audit had one management recommendation which suggested that the university hire an investment coordinator to assist with future investments.

This item was presented for information only. No further action was required.

Item 10: UNF Financing Corporation (UNFFC) Audit. Chair Twomey asked Vice President Shuman to speak about this item.

Vice President Shuman said that the purpose of UNFFC was to serve as the financing arm for the university. The UNFFC had minimal investment earnings and net assets which primarily consisted of the student housing and Student Union capital improvement bonds. This was a clean audit.

This item was presented for information only. No further action was required.

Item 11: Office of Internal Auditing Update

Item 11A: Annual Audit Report 2006-2007. Chair Twomey asked Mr. Robert Berry, Interim Director for Internal Auditing, to discuss this item.

Mr. Berry explained that this report was for the 2006-2007 fiscal year and summarized the Office of Internal Auditing activities, documenting the number of projects complete, the allocation of resources, training activities, significant audit issues, department performance statistics and other departmental activities.

Mr. Berry reviewed highlights. He asserted that the vast majority of resources were spent toward direct service to the university with a minimal amount being spent on administrative functions.

Mr. Berry reviewed the status of auditing issues, reporting on outstanding audits, those remaining open, those cleared and the audits in progress. Also discussed was the Office of Internal Auditing's Quality Assurance Review (QAR) which indicated that the department generally conformed (which was the highest rating) to state auditing standards. It was noted that upcoming goals would focus on issues that resulted from the QAR and also, to expand coverage in the information technology area.

Trustees asked if the university might have a supplemental team that could compliment the Office of Internal Auditing; thus, allowing this department to spend more time on financial issues. It was noted that this issue would be discussed at an upcoming meeting.

This item was for discussion only and no further action was required.

Item 11B: Audit Plan for the 2007-2008 Fiscal Year. Mr. Berry reviewed highlights of the proposed audit plan. He indicated that the Office of Internal Auditing anticipated spending 75 percent of its time on planned audit projects and 25 percent on unplanned projects. Trustees requested that unplanned audits be monitored and asked that administration prepare a report to be presented at a later meeting.

Chair Twomey asked for a MOTION to accept the audit plan for 2007-2008. The MOTION was offered, seconded and passed.

Item 12: Accounts Receivable Write-offs. Chair Twomey asked Vice President Shuman to report on this item.

Vice President Shuman explained that the Board of Trustees delegated the authority for accounts receivable write-offs under \$10,000 to the President. As part of this delegation, the President would annually report the status of accounts receivable write-offs back to the Board. Following this requirement, it was noted that last year's write-offs were \$230,000 and this year's were \$250,000. Chair Twomey asked if there were any areas of concern. Vice President Shuman stated that there were no areas of concern.

This report was presented for review and oversight only. No further action was required.

Item 13: Treasurer's Report. Chair Twomey asked Vice President Shuman to report on this item.

Vice President Shuman reviewed highlights, trends and issues on the treasurer's report ending on June 30, 2007. She reported that interest income was increasing. UNF housing and parking interest expense was less than the income. Cash balances had increased and there were plans to spend down cash balances. Earned interest rates were higher than debt interest over the last year. At the end of 2007, the university would have more investments than actual cash balances. It was noted that there were no items of concern.

This report was for discussion only. No further action was required.

Item 14: Quarterly Budget Report. Chair Twomey asked Vice President Shuman to report on this item.

Vice President Shuman explained that the quarterly budget report being presented showed the numbers as of the end of the 2006-2007 fiscal year. She indicated that all units had reported being well within range, or below 100 percent; that the reserve numbers resulted from flagship programs and a variety of other smaller balances; and most auxiliary accounts with remaining funds would provide funding for various construction projects.

Trustees were reminded that the Board had delegated authority to the President to authorize budget transfers from reserve accounts in amounts not exceeding \$200,000. Budget transfers in amounts exceeding \$200,000 but less than \$500,000 required approval of the chair of this committee and amounts exceeding \$500,000 required approval from the Board. She stated that the request being presented was for the following transfers:

- a transfer of \$500,000 as a loan to Student Medical Services for building the Student Union (this loan would be paid back over the next several years);
- a transfer of \$1,500,000 to build the Student Union; and
- an additional amount of \$923,539 for the Student Union.

There was discussion regarding the transfer for Student Medical Services and the assumption that this entity was to be self-supporting. It was explained that this transfer would be a loan that would be paid back over time – this entity did not have the ability to provide up-front funding.

Chair Twomey asked for further questions and/or comments. Upon receiving none, he asked for a MOTION to approve the transfer of \$500,000 as a loan to Student Medical Services. The MOTION was offered, seconded and approved unanimously.

Chair Twomey asked for a MOTION to approve the transfer of \$1,500,000 to build the Student Union. The MOTION was offered, seconded and approved unanimously.

Chair Twomey asked for a MOTION to approve the transfer of \$923,539 for the Student Union. The MOTION was offered, seconded and approved unanimously.

Item 15: Litigation Update. Chair Twomey asked Vice President and General Counsel Stone to provide this update.

Vice President Stone explained that the purpose of this item was to provide an update on significant pending litigation. She introduced Mr. Henry "Chip" Bachara, Jr. with Bachara Construction Law Group, P.A. and asked Mr. Bachara to provide an update.

Mr. Bachara reported that the Science and Engineering building was designed and constructed during 1999 through 2003. UNF took occupancy in 2004 and immediately discovered a serious water intrusion and HVAC performance issues. After efforts were made to resolve these issues, UNF filed suit in December 2005. Since that time the design consultant and mechanical contractor have fairly completed and resolved the HVAC issues; however, the major building envelope issues still exist. Settlement opportunities will continue to be explored.

Trustees asked for clarification on how Florida's Sunshine Law would govern further discussion on this issue. It was indicated that discussions, within the context of a settlement strategy, might continue in a more private setting. It was noted that this case was about 18 months away from settlement.

Discussion continued addressing water intrusion, including impediment to the function of the building and possible loss of equipment. Indications were that the building was functional and equipment was not being compromised.

This item was for discussion only. No further action was required.

Item 16: Discussion on a Compliance Program. Chair Twomey asked Vice President Serwatka to report on this item.

Vice President Serwatka mentioned that there was indication that the BOG might require each state university to develop an Institutional Compliance Program. In preparation for this, UNF was reviewing compliance programs from other institutions and professional organizations. It was noted that a draft would be presented to this committee at a later date.

This item was for discussion only. No further action was required.

Item 17: Adjournment. Chair Twomey adjourned the meeting.