

**University of North Florida
Finance and Audit Committee
September 18, 2008
Minutes**

Committee Members Present: Mr. John Barnes, Mr. Hugh Greene, Ms. Wanyonyi Kendrick, Dr. Bruce Taylor, Mr. Kevin Twomey

Committee Members Absent: Ms. Joannie Newton

Item 1: Call to Order. With a quorum of committee members present, Chair Twomey called the meeting to order.

Item 2: Approval of the Minutes. Chair Twomey asked for a MOTION to accept the minutes for the June 17, 2008 meeting. The MOTION was offered and seconded. The minutes were accepted as presented.

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

Item 4: Housing Rental Rates for 2009-2010. Chair Twomey asked Vice President Gonzalez to present this item.

Vice President Gonzalez stated that the University was proposing an average of 6.02 percent increase in housing rental rates and supplemental charges for 2009-2010. He discussed the history of housing rates and noted that this year's proposed increase was slightly more than previous years; however, the average increase from 1985 to the present was 6.06 percent.

Vice President Gonzalez talked about variables that influenced the proposed increase, including utilities and maintenance materials. He also noted that the University was anticipating significant capital improvements to existing property to ensure competitiveness with outside markets.

Vice President Gonzalez updated trustees on Osprey Fountains, stating that this development would be opening fall 2009, with rental rates based on current market studies.

Trustees asked for clarification on the date when the increase would become effective. The administration clarified that these rates would become effective fall 2009.

Trustees also asked for clarification on campus housing occupancy projections, taking into account the local market. Vice President Shuman responded that on-campus housing was competitive with local markets. She noted that Osprey Fountains would rent for more than was listed in the pro-forma because of the decrease in freshman enrollment. Further conversation clarified that the administration was following outside markets and would be monitoring future occupancy projections.

Trustee Barnes acknowledged that Student Government had reviewed the proposed increase and understood the position of the University. He noted that Student Government had some questions regarding Osprey Village but believed the proposed rates were fair for students.

Chair Twomey asked for a MOTION to approve the housing rental rates for 2009-2010. The MOTION was offered, seconded and approved as presented.

Item 5: Newly Proposed Purchasing Regulations (Overview; Bonding Requirements; Notice and Protest Procedures). Chair Twomey asked Vice President Shuman to discuss this item.

Vice President Shuman stated that approval of these proposed regulations would put the University in conformity with the Board of Governor (BOG) newest purchasing regulations. She stated that this action also responded to the most recent operational audit which noted that the University should ensure that its procurement policies were consistent with BOG regulations. She clarified that the BOG had approved regulations setting the competitive solicitation threshold at \$75,000 but these newly proposed regulations would establish a threshold not greater than \$50,000.

Chair Twomey asked for a MOTION to approve the newly proposed purchasing regulations. The MOTION was offered, seconded and approved as presented.

Item 6: Repeal of Rule (Administration and Finance Purchasing Program). Chair Twomey asked Vice President Shuman to speak about this item.

Vice President Shuman told the Committee that this rule (regulation) was being presented for repeal and would be replaced with the newly proposed regulations referenced in Item 6, immediately upon approval by the full Board.

Chair Twomey asked for a MOTION to approve the repeal of the Administration and Finance Purchasing Program rule. The MOTION was offered, seconded and approved as presented.

Item 7: Supplemental Educational Plant Survey. Chair Twomey asked Vice President Shuman to speak about this item.

Vice President Shuman stated that the University was requesting permission to submit a supplemental Educational Plant Survey which addressed changes in the construction and building program. She outlined the proposed amendments as (a) removing the remodeling of Building 3, (b) adding Alumni Hall, and (c) adding the Disability Resource Center.

Chair Twomey asked for a MOTION to approve the supplemental Educational Plant Survey. The MOTION was offered, seconded and approved unanimously.

Item 8: Training and Service Institute (TSI) Audit. Chair Twomey asked Vice President Shuman to speak about the three direct service organizations' audits.

Vice President Shuman stated that each year the Board was charged with review and oversight for audits conducted on UNF's direct service organizations (DSO). She noted that this year all three DSO's received one management comment. She clarified that comment as *a need for enhanced procedures for review of bank statements and canceled checks*. Vice President Shuman reported that the comment was amended.

Vice President Shuman spoke about the TSI audit, stating that the economy had affected revenues received. She noted that police departments across the State were working with limited budgets which affected income for the Institute of Police Technology and Management. Vice President Shuman clarified that TSI had funded the library and social science building, and earmarked funds for the Student Union and the Brooks College of Health. These expenditures affected interest income.

Vice President Shuman stated that, with the exception of the one management comment, this was a clean audit. She clarified that the audit was reviewed and approved by the TSI board.

This item was for review only.

Item 9: UNF Foundation, Inc. Audit. Vice President Shuman reported that as of June 30, the endowment was at \$95 million, an increase of \$10 million from the previous report. She noted that the Foundation contributed \$1.5 million toward the purchase of Alumni Hall.

Vice President Shuman stated that, with the exception of the one management comment listed in Item 8, this was a clean audit. She clarified that the audit was reviewed and approved by the Foundation board.

This item was for review only.

Item 10: UNF Financing Corporation (UNFFC) Audit. Vice President Shuman reported on the financial highlights from the UNFFC's audit, including accepting the assignment of the Parking System Capital Improvement Revenue Bonds from the UNF Foundation. She noted that most transactions were non-operating and non-cash.

Vice President Shuman stated that, with the exception of the one management comment listed in Item 8, this was a clean audit. She clarified that the audit was reviewed and approved by the UNFFC board.

This item was for review only.

Item 11: 2007-2008 Office of Internal Auditing (OIA) Annual Report. Chair Twomey asked Mr. Robert Berry, Interim Director of Internal Auditing, to present this item.

Mr. Berry stated that he would be presenting an annual report for activities undertaken by the OIA for 2007-2008. He referenced the executive summary provided in the meeting materials, noting that allocations were made for a significant amount of administrative hours to redefine the internal process. He clarified that the intent of this allocation was to evaluate current processes and adjust for standards mandated by various governing and professional bodies.

Mr. Berry referenced discussions from previous Finance and Audit Committee meetings addressing the expected level of performance from the OIA. He spoke about a benchmarking study conducted by the Institute of Internal Auditors and the Association of Colleges and University Auditors, noting that this study included over 1,000 audit functions. Mr. Berry indicated that, based on the current staff level and this study, the average number of audits that should be completed yearly by UNF was 5 to 7.

Mr. Berry discussed the use of a risk assessment methodology which was new to UNF. He clarified that this methodology would allow the University to be aware of risk areas.

Trustees asked if there were adequate resources available. Trustees also asked if there was an awareness of areas of risk that were not receiving proper attention. Mr. Berry responded that there were certain areas that the University might not have adequate resources to cover but clarified that work was underway to provide coverage to those areas.

Trustees asked specifically about coverage for technology and noted that the risk potential for this area was significant. Trustees asked the University to ensure that the expertise and resources were available to monitor technology carefully. The administration responded that the University was fortunate in that Mr. Berry was a Certified Information System Auditor which demonstrated technology expertise. The administration agreed to make sure resources would be available to monitor this area.

This item was for review only.

Item 12: 2008-2009 Audit Plan for the Office of Internal Auditing (OIA), and Status Update. Chair Twomey asked Mr. Berry to report on this item.

Mr. Berry stated that the purpose of this item was to present the proposed 2008-2009 Office of Internal Auditing Audit Plan. He explained how the University determined areas of risk and noted that this plan adhered to that methodology.

Mr. Berry referenced the meeting materials, (Attachment 12, 1 of 2, page 9) noting that information was provided regarding risk statistics and reporting, including distribution by area, assessment methodology and rating. He spoke about the benchmark study done by the Institute of Internal Auditors, stating that it was important to note that this was the first time for this process for UNF.

Mr. Berry referenced the meeting materials, (Attachment 12, 1 of 2, page 11) and discussed resource allocation by risk area. In this discussion he clarified that, along with the administration, risk areas would be decided and hours allocated.

The discussion continued, focusing on Attachment 12, 1 of 2, page 11, Figure 3. It was noted that, out of the 165 items included in the audit plan, there were 67 in the high risk rating. Trustees stated that the administration needed to provide further delineation on these items, including the State Auditor General's role.

Trustees finalized this discussion, stating that there was a real interest in a higher level of audits. Trustees stated that this was a good plan with the recognition that the University needed to add resources to the Office of Internal Auditing.

Chair Twomey asked for a MOTION to approve the 2008-2009 Audit Plan for the Office of Internal Auditing. The MOTION was offered, seconded and approved as presented.

Item 13: Accounts Receivable Write-offs. Chair Twomey asked Vice President Shuman to speak about this item.

Vice President Shuman stated that Florida Statutes authorized the University's Board of Trustees to settle uncollectible accounts. She noted that the Board delegated the authority for accounts receivable write-offs under \$10,000 to the President.

Vice President Shuman clarified that all write-offs for the period ending June 30, 2008 conformed to this guideline. She mentioned that the total write-offs for this period were \$260,164.19, which was about the same as during the previous reporting period.

This item was for information and oversight only. No further action was required.

Item 14: Treasurer's Report. Chair Twomey asked Vice President Shuman to speak about this item.

Vice President Shuman discussed UNF's latest exposure to the equities markets, stating that it was not significant. She provided details on portfolio diversity, noting that bidding was in process for an additional Request for Proposal (RFP).

Vice President Shuman updated trustees on the two new money managers, RBC Centura Bank and Public Financial Management (PFM), noting that each received \$20 million. She discussed additional investments, including Sawgrass and the State Board of Administration (SBA). She clarified that Sawgrass investments were decreased and the SBA Fund B was now at \$2.2 million.

Vice President Shuman noted that, in benchmarking back to SPIA, Sawgrass was the longest term and did supersede SPIA, while the others were less. She stated that the University would continue to monitor this.

Vice President Shuman provided an update on debt, including housing and Student Union bonds. She stated that a switch was made to active management to help with debt service for these bonds. She clarified that two bond issues were fixed and the University was looking for a new remarketer for the parking bond debt. She also added that the University had \$9.7 million in cash reserves for bonds.

Trustees asked for further information on the SBA Fund B. The administration stated that the University was comfortable that funds would be liquidated from that account possibly by 2010.

This item was for information only.

Item 15: Litigation Update. Chair Twomey asked Mr. Chris Wrenn, Associate General Counsel, to speak about this item.

Mr. Wrenn briefly updated the trustees on the status of the University's lawsuit against the contractors, surety company and architect for the Science and Engineering building. Mr. Wrenn reminded the Committee that the projected repair costs were very significant.

Mr. Wrenn stated that, in an effort to shortcut the litigation, the parties had agreed upon a protocol for a non-binding settlement conference in January, 2009. He indicated that the Board would be updated after that conference.

This item was for information only.

Item 16: Quarterly Budget Report. Chair Twomey asked Vice President Shuman to speak about this item.

Vice President Shuman stated that as of June 30th, 95 percent of the total budget was expended, with all divisions reporting below budget. She clarified that the divisions had remaining dollars due to salary savings. She noted that additional savings were generated from the controlled spending process.

Vice President Shuman updated the Committee on auxiliary cash balance, noting that these monies were not fully expended. She clarified that these funds were committed and would be spent down.

This item was for information only.

Non-Agenda Item: UNF Budget Reduction 2008-2009. President Delaney provided an update to trustees regarding the possibility of upcoming budget reductions. He commented on the national and state economy and the subsequent affect to the State University System (SUS). He clarified that UNF had prepared for a 4 percent reduction in the recently approved budget, but there were anticipated additional cuts for the upcoming budget year of about 5 to 7 percent.

President Delaney discussed how the University had accommodated previous budget shortfalls, including a rollback in freshman enrollment and transfer students. He discussed the impact of the rollback, including reduced revenue from auxiliaries and possible housing vacancies. President Delaney stated that pay raises were a significant priority for the upcoming budget year and the University was waiting to see revenue projections in October.

Vice President Shuman provided information regarding the University's capacity to deal with the possibility of additional budget shortfalls. She stated that the total E&G budget was about \$127 million. She provided data on the implications of possible budget cuts of 14, 10 and 6 percent, listing the lost revenues for each percentage. Vice President Shuman noted that lottery enhancements were omitted because the University wasn't sure these funds would be available. She summarized this discussion, noting that the University had already set aside \$3 million, and including other reserves available, additional cuts could be between \$4.6 million and \$7.8 million.

President Delaney provided an update on the Jacksonville Commitment, stating that this initiative was pending approval from the City Council, which appeared favorable. He talked about the upcoming NCAA peer review and noted that it was anticipated that the certification would be approved. President Delaney briefly discussed the Southern Association of Colleges and Schools (SACS) reaccreditation process, stating that onsite review would occur in February.

President Delaney updated trustees on construction projects underway. He spoke about student housing, the Student Union and the College of Education and Human Services, clarifying that all were on schedule and within budget.

A brief discussion ensued regarding a proposal to create a relationship between UNF and the Jacksonville Museum of Contemporary Art (MOCA). President Delaney stated that the University would be cognizant of the current budget situation when considering this proposal.

Chair Twomey defined the UNF Financing Corporation's (UNFFC) relationship with the University. He clarified that the UNFFC borrowed money to provide funding for buildings, etc. The UNFFC used rental income to pay off housing bonds. The only purpose of the UNFFC was to complement the University.

Chair Twomey stated that consideration needed to be given to hiring a manager for the UNFFC or delegating this responsibility to the University. He clarified that, upon deciding to delegate this responsibility to the University, a slight modification would need to occur in the Memorandum of Understanding (MOU) between the UNFFC and the Board of Trustees. Chair Twomey provided trustees with a copy of the MOU, including the proposed modification and stated that this would be presented to the full Board for consideration at the next meeting.

Item 17: Adjournment. Chair Twomey adjourned the meeting.