The meeting of the Finance and Audit Workgroup was called to order by Chair Rhea Law at 10:34am. The following members were present: Rhea Law, John Ramil, Dick Beard (via phone), Sherrill Tomasino, Judy Genshaft, Tapas Das, Gary Patterson, John Ward, Brian Keenan.

Chair Law introduced and welcomed the workgroup’s new faculty liaison, Associate Professor Gary Patterson. Chair Law also thanked Dr. Jacqueline Reck for her service on the workgroup the past two years and noted that Dr. Reck would continue working with the workgroup as the new CFO for the USF Charter School.

**Action Items:**

I. **DSO/CU Annual Budgets**
   
   **Action:** Approve DSO/CU 2007-08 Annual Budgets

   Eric Walden introduced the agenda item by reporting that the DSO budgets had been reviewed and accepted by the Finance Council. He also noted that the budgets were broken into quarters for 2007-08. Mr. Walden then asked the representatives from the DSOs to make any comments on their budgets.

   a) **USF Foundation, Inc.** – John Scott
      
      Mr. Scott reported that Gifts & Other Revenue is up for 2007-08 as well as Investment/Interest Income. Restricted Reserves consist of invested operating, endowment, and facility gift funds. The Foundation has a balanced budget. Trustee Ramil noted a higher percent budgeted in restricted reserves in 2007-08. Mr. Scott commented that this should continue.

   b) **USF Alumni Association, Inc.** – Claire Lugo, John Harper
      
      Mr. Harper reported that the only issue for the Alumni Association is that their student consolidation loan partner will leave the market.

   c) **University Medical Services Assoc. Inc.** – Karen Burdash
      
      Increase in revenue from patient services.

   d) **USF Medical Services Support Corp.** – Karen Burdash
      
      $10M decrease in revenue due to new DSO – HPCC (Health Professions Conferencing Corp.).

   e) **USF Health Professions Conferencing Corp (HPCC)** – Greg Vannette
      
      Began on July 1 – continuing professional development. Previously part of MSSC. Expect increase in revenue and increase in expenditures over prior year.

   f) **USF Research Foundation** – Allison Madden
      
      Projected budget deficit due to the following: $2.6M funding for FCOE-BITT (Florida Center for Excellence in Biomolecular Identification & Targeted Therapeutics); USFRF will assume Research Park management resulting in salary increases; and reduction in licensing fees as a result of two-year budget reduction plan.

   g) **Financing Corp. & Property Corp.** – Fell Stubbs
      
      The Financing Corp is a conduit for financing projects. Increase in revenue is due to
projects maturing.

h) Sun Dome, Inc.  – Brett Huebner
The Sun Dome will have a balanced budget for third year in a row.  The Sun Dome will be increasing the parking fee for ticketed non-USF events and instituting a $1 facility fee ($1 per ticket surcharge).  The golf course has been outsourced, so the Sun Dome is no longer incurring that loss.

i) USF Charter School, Inc. - Jacqueline Reck
The Charter School has outsourced the accounting to King and Walker.  Increase in faculty salaries to get to the level of Hillsborough County.

Mr. Walden asked for approval of budgets and formal approval for the president to approve modifications during the year.

Chair Law wants to see increased revenues in the DSOs where possible.

Trustee Ramil made a motion to approve the DSO/CU 2007-08 annual budgets and authorize the president to approve modifications during the year. Trustee Tomasino seconded the motion. The motion passed.

II. Financial Code of Conduct Alternative
   Action:  Approval

Eric Walden introduced the agenda item and turned the presentation over to Dwayne Smith. The BOT previously approved for individuals with financial authority to be required to sign a code of conduct. Dr. Smith presented an alternative for faculty members with financial authority to go through a training module which will cover all elements in the code of conduct at a minimum. The training would be web-based through blackboard. Individuals would receive a certificate of completion which would be on file.

Trustee Ramil asked for reason why faculty members did not want to sign the code of conduct. Dr. Smith responded that the rights of due process are not addressed – some sections are vague about consequences. By signing, individuals would abdicate rights of due process and could be subject to capricious actions by administration.

John Ward commented that this is not an informed consent document. In past instances, faculty were not aware what they had done was wrong. Faculty did not receive training.

Trustee Ramil asked if the proposed training was acceptable to the faculty. Dr. Smith stated that the training still needed to be developed and it would be developed with faculty input.

Chair Law expressed concern about having two different options and suggested a combination of the two – take the training and then sign the code of conduct.

Trustee Tomasino commented that there is a difference between signing a document and taking a training course and getting a certificate.

Trustee Ramil stated that the University should provide training. This is about how people do their jobs ethically.

Trustee Beard further stated that all individuals handling money should be trained and trained properly. If individuals do not want to sign the code of conduct, they shouldn’t handle money/finances. He is opposed to training in lieu of signing the code.

Provost Khator noted that she understood the alternative to be that after going through the training, the faculty signs the code. She asked if this was correct – does the faculty sign after the training.
Dr. Smith explained that there are many proposals. Can have the faculty sign that these are the responsibilities. Certificate will serve as proof of this. Need to add clarification on due process.

Trustee Ramil stated that at the end of the day, everyone must sign the same thing. Make everyone aware of the code; offer training; everyone signs. Violation of the code is a job performance issue.

Trustee Beard proposed that the document be revised to address the faculty issues/concerns and brought back for approval.

Chair Law asked Provost Khator to take charge of this and bring back to the workgroup. The Provost agreed to do so.

III. Adjustments to USF Lakeland Enrollment Plan
   Action: Approval

Greg Paveza presented the new enrollment growth projection for USF Lakeland. 2007-08 is critical adjustment of 635; the current number is 606. By 2014-15, enrollment is now projected to be 2,112. Growth assumptions are recruitment, new programs, and expansion to 4 year campus. Lower level enrollment beginning in 2009-10. Dr. Paveza indicated that USF Lakeland is already in striking distance of 635 for 2007-08, and he feels they can meet these numbers.

Chair Law commented that these are aggressive numbers and asked what the implications are for missing the targets. Dr. Paveza responded that for Lakeland it would be a funding issue, reduced budget. For USF, no long term financial implications as long as the university is meeting its overall numbers.

President Genshaft noted that this is based on assumption of going to freshman and sophomore. If this doesn’t happen, Lakeland would have to revise their numbers and bring back to the board.

Chair Law asked the implication of Lakeland going to freshman and sophomore before the new campus is ready. Dr. Paveza responded this should not be a problem – would need to look for additional classroom space.

Trustee Tomason made a motion to approve the adjustments to USF Lakeland enrollment plan. Trustee Ramil seconded the motion. The motion passed.

IV. University Audit & Compliance – 2007/08 Work Plan
   Action: Approval

Debra Gula presented the 2007/08 Work Plan for University Audit & Compliance. 20% off the top is unbillable (other – staff development and training; holidays and leave). The work plan is modeled after FSU’s work plan which is a 70/30 split between direct and indirect services. Our work plan has three major elements: cash collection site reviews; research; and information technology. This is a fluid, dynamic document. This is a guide. The plan includes an 8% contingency for new projects or requests by senior management.

Trustee Ramil has reviewed and approved the plan.

Trustee Ramil made a motion to approve the UAC Work Plan and allocation of available staff hours. Trustee Tomason seconded the motion. The motion passed.
Trustee Ramil remarked that we must continue to look at ways to reduce cash collections. We need to become one of the best in auditing research if we are going to meet our strategic plan. The provision of consulting services to the university by UAC shows trust by the university, but we need to reduce this service to meet objectives. Trustee Ramil distributed a handout from the Institute of Internal Auditors/Perspectives on Enterprise Risk Management (The Audit Committee: A Holistic View of Risk) noting the section on risk management oversight on page 8 of the handout.

Finally, Trustee Ramil noted that he met with Debra Gula and reported no significant items going on.

V. 2005-2008 USF/GAU Collective Bargaining Agreement

Action: Approve new Articles 3, 12.2 and 23 in 2005-2008 Collective Bargaining Agreement

Kofi Glover presented the USF-GAU agreement on CBA re-opener articles. There are three re-openers for the 2007-08 academic year: 1) Replace job performance evaluation with comprehensive annual performance appraisal. Make sure it is taken seriously and carried out. If the performance evaluation is not completed, the employee’s performance is satisfactory. 2) Fees/payroll deduction – evaluate the feasibility of payroll deduction on any remaining balances of fees after waiver has been applied. 3) Increase minimum stipends - most stipends already exceed minimum; cost should not be much to meet minimums. Increase university’s contribution for health insurance premium to 75%. Most universities already pay this amount. The number of students affected is 770. Additional costs for health insurance would be about $250K.

Trustee Ramil stated that we need to be competitive.

Chair Law explained that the BOT would approve the articles. This workgroup can make a recommendation to the Board. She asked if the university has the money to fund this.

Tapas Das asked if the university has considered paying all fees and health insurance as this is a burden for the students.

Dr. Glover responded that we are working on this gradually.

Trustee Ramil made a motion to recommend the board approve new Articles 3, 12.2 and 23 in 2005-2008 Collective Bargaining Agreement. Trustee Tomasino seconded the motion. The motion passed.

Chair Law noted there would be a special BOT meeting next week to approve the new articles.

Information Items:

VI. Budget Reduction Plan

Dr. Carlucci reported that the revenue estimating conference met yesterday. For 2006-07, the shortfall was revised from $400M to $380M. For 2007-08, the shortfall was revised form $700M to $1.1B, all recurring. Our 4% reduction plans were based on the $700M shortfall so we will now have to change our plans to about 6%.

Bertha Alexander explained that the governor is holding back 1% per quarter of cash associated with the state budget. We will receive our official reduction after the legislature meets in September. A 4% reduction would be $13M for USF. Risk management and state financial aid would be held harmless. A 10% reduction would be $34M. This includes $299K for financial aid. We are still waiting further instruction.
President Genshaft asked if there would be a September estimating conference. Dr. Carlucci responded that the September legislative session would be based on the estimate just received, which continues to show revenue shortfalls through 2010-11.

Nick Trivunovich presented revenue generation proposals to offset budget reductions. The new revenue would come from new fees/charges and changes in business processes.

Chair Law stated that she likes our process for addressing this reduction in taking into account our strategic plan.

VII. Notification of Adjustments to LBR

Provost Khator commented that the impact of this reduction will be felt over many years to come.

Provost Khator presented the modified LBR list.

VIII. Audit Findings Status Report

Eric Walden presented the Audit Findings Status Report. Chair Law expressed concern about differences between estimated corrective action dates and projected completion dates. She requested footnotes to explain the delays.

IX. University Audit Report

Debra Gula gave the University Audit Report. Recommendations have been provided to the Controller’s Office and the Finance Council for cash collections sites. The first Enterprise-wide risk management workshop will be held soon. Increasing financial oversight of centers and institutes is an important part of enterprise-wide risk management - we have made great strides here.

X. Annual Financial Performance Reports
   a) USF Variable Rate Exposure
   b) Derivatives Profile
   c) Investment Report (for the future)

Due to time constraints, Chair Law deferred this item to next meeting.

XI. USF Health Programs in the Republic of Panama

Jay Evans presented the administration of financial aspects of USF Health Panama.

Chair Law expressed concerns that the Finance & Audit Workgroup and the BOT are finding out about things after the fact. We need to know about these issues in advance. Dr. Carlucci also expressed concern, particularly that we have not filed appropriate tax forms.

Chair Law stated the need for follow up as the University will be affected if there is a problem. Chair Law delegated the follow up to Dr. Carlucci.

Dr. Carlucci directed that there will be no establishing of foreign bank accounts without approval of the Finance Council.

Other

Chair Law asked if there was any other business.

Having no further business, Chair Law adjourned the Finance and Audit Workgroup meeting at 12:27pm.