The meeting of the Finance and Audit Workgroup was called to order by Chair Rhea Law at 10:30 a.m. The following members were present: Rhea Law, John Ramil, Dick Beard, Sherrill Tomasino, Judy Genshaft, and faculty liaisons Jacqueline Reck and Tapas Das.

**Action Items:**

I. **DSO/CU Annual Budgets**

   **Action:** Approve DSO/CU 2006-07 Annual Budgets

Dr. Carlucci introduced the agenda item by turning the presentation over to Eric Walden, University Treasurer. Mr. Walden mentioned that all DSO representatives were in attendance and would be presenting their respective budgets. He explained that a template was sent to all DSO financial staff to complete in order that there is a consistent form. In addition, to cut down on duplication, DSOs only submit one document to the Budget office and Treasurer’s office. Mr. Walden reviewed the form with the members and reported that no DSO is projecting a deficit for 2006-07. At the trustees’ request, the form calls for cash and investments.

a) **USF Foundation – John Scott**

   Mr. Scott reported that the Foundation went through a step process. He stated that the Foundation was here to comply with the university’s mission but also needs to legally follow the donor’s intent. Major point in presentation is that the Foundation had an increase in revenue and expenditures. Mr. Scott commented that as the Foundation increases revenue, one should expect expenses to increase.

b) **Alumni Association – Eric Walden**

   Introduced Interim President for the Alumni Association, John Harper. Mr. Harper was asked to explain revenue for line 16 (state grants). This is the allocation from the university. He explained the history of trying to become 100% self-funded but that they have realized that this is not feasible. UF and FSU are @ 50% self-funded. The Association needs budgetary relief as the focus has become on raising funds versus developing programs and creating an integrated program with the university. President commented that it is important that the university have some financial responsibility for the Alumni Association. Trustee Beard agreed but stressed that the Foundation should be aiding the Association too as an increase in alumni participation should assist with increasing alumni giving.

c) **USF Research Foundation – Allison Madden**

   Ms. Madden reported that patents and licensing is up 50% from the previous year. She mentioned that line 81 is a pass through only.
d) **USF Medical Services Support Corp. – Joann Strobbe**
Ms. Strobbe reported that the practice plan was continuing to show success. The MSSC budget includes CPE (Continuing Professional Education) but they are in the process of creating a separate DSO to keep the two corporations separate. Currently the CPE revenue is up 20%. This shows that the CPE program is widely received and has potential for growth. She stated that there was a lot of activity with the practice plan and CPE program. When the new facility opens they will have expanded with 3 programs and 8 ORs. Some of the expenses are reflected in the current budget as they need to start preparing and purchasing now. Also purchased electronic billing system and hired staff to train the doctors on the system. Expansion of programs and services has increased staff expenses.

e) **University Medical Services Assoc. Inc. – Joann Strobbe**
Ms. Strobbe reported that UMSA, the physician side is expected to grow revenue by 10-15%. She explained that line 19 (physician/service contracts) was support from affiliated hospitals and clinical trials (it moves between research foundation and UMSA). Successfully renegotiated several contracts including Medicare and HMO this year. They are looking at investment opportunities. Due to aggressive plan, have had to invest in them first as they build their practice and in some cases doctors have to wait for their Florida license. Together, 15% growth over $200million. Orthopedic department and sports medicine wing...aggressive budget but feels achievable. Will update plan in 6 months and report back to the workgroup.

f) **Sun Dome, Inc. – Rick Costello**
Budget is smaller by $1 million due to golf course under Golf Strategies, Inc. outside management company. Previously the Sun Dome oversaw three areas: golf course, arena and fields. Doing some creative programming to increase revenue. Do not anticipate a deficit for 2006-07 now that golf course is out of budget. Had supplemented course in the past.

g) **Charter School – Eric Walden and Arthur Guilford (new CFO)**
Mr. Guilford reported that the charter school is in better shape intellectually and financially, including an improved state standing from a D ranking to a high C ranking. He reported that the school is at capacity for all grades and due to the class size amendment, are unable to over enroll. They have a large transient population which is challenging for the charter school but they keep a waiting list so that when students leave, they aggressively reach out to the families on the list. The board has worked hard to bring actual expenditures below budget and the budget and actual expenditures now match. Board members were pleased with the financial progress.

h) **Financing & Property Corporations – Fell Stubbs**
Mr. Stubbs gave an overview of both corporations which were established last February. He reported that they had large transitions last year including the Marshall Center, Advanced Healthcare Center north and south, etc. He described it as conduit organization (flow debt service payments through the finance corp). Everything they make is a flow through.

**Action:** The Chair asked for a motion to approve all DSO budgets. Trustee Beard moved to accept and Trustee Tomasino seconded motion. Motion passed.

Chair Law commended the staff for a great job. The trustees were especially pleased to hear that there are no anticipated deficits.
II. Code of Conduct for Financial Functions

Action: Approval

Eric Walden

Mr. Walden reported that they were bringing back the Code of Conduct after consultation with faculty senate, staff groups and the finance council. Current plan is being designed for implementation. Next steps include effective date, profile of positions that must sign the code, implement as a condition of employment and creating a reminder process so that once signed faculty/staff member will receive an annual reminder of the code.

Chair Law stressed the importance of annual reminders as well as training. She recommended positions must be recertified annually. Mr. Walden commented that currently 1,300 faculty and staff have signature authority.

Action: The Chair asked for a motion to approve Code of Conduct. Trustee Beard moved to accept and Trustee Ramil seconded motion. Motion passed.

III. Regulation No. USF 4-0102, “Tuition and Fees”

Action: Authorize Revision to Section (3)(a) of the Tuition and Fees Regulation

Steve Prevaux

Mr. Prevaux reviewed the history of the USF Sarasota-Manatee health fee. The current fee for USF students is $2. USF Sarasota-Manatee shares services with New College. In the past New College did not offer services in the summer due to no summer enrollment. Since June 2002, the two Presidents agreed to offer shared services for summer. The students are charged automatically in the Banner system. This is to officially affirm that USF Sarasota-Manatee may continue to charge the fee. The Campus Board affirmed this fee at their June meeting.

Action: The Chair asked for a motion to approve the USF Sarasota-Manatee Fee. Trustee Tomasino moved to accept and Trustee Beard seconded motion. Motion passed.

IV. Financial Policies

Action: Adopt Financial Policies

Fell Stubbs

Mr. Stubbs explained three common finance policies and the purpose behind each policy (see handout). President complimented Dr. Carlucci for the work done here as our institution is the model for the SUS. Explained that the work is in process and will come back for any modification. USF was ahead of BOG with their development. Board congratulated the staff.

The three policies are Investment, Debt Management, and Derivatives. Mr. Stubbs explained the intent of the three policies and that it will provide consistent management of financial issues. Refer to background materials.

Action: The Chair asked for a motion to approve the three financial policies. Trustee Ramil moved to accept and Trustee Tomasino seconded motion. Motion passed.
Information Items:

V. Audit Findings Status Report

Mr. Walden explained the report, specific action taken and current status for each finding. Most are completed. Finding #9 lists several which our internal auditors found. Next steps - continue to review regularly at Finance Council meeting and report quarterly. Chair commented that this is a response to Trustee Arnold’s request and that it will be a standing agenda item for the Finance and Audit Workgroup. Anything that occurs between meetings, the Board Audit Liaison will work with the staff. Trustee John Ramil is the new Board Audit Liaison. Dr. Carlucci commented that out of the 9, most are complete; number 7 being the most critical - P-cards which are used statewide. P-cards allow the faculty to acquire materials quickly. This is a challenge for our users to manage. Push and pull with usage and policies. We continue to conduct training but the usage of the card is the problem. The financial system will provide better card reporting from the new bank contract. Trustees stressed that education is the key.

Provost mentioned that for Finding #4 the Board did have the authority to impose the fee so they do not have anything further to report on it. She further mentioned that management has determined not to charge the fee and absorbed the cost. Provost stressed that the BOG gave the institutions the authority to level the fees.

VI. Banking ITN Awards

Mr. Stubbs updated the Trustees on the negotiations (ITN – invitation to negotiate). He explained that we selected this process over more traditional process to advantage our end goal to decrease costs. It is a 2-step process - submitted requests and got 4 responses (lots); selected 3 banks to come back and give a better improved offer; award is another opportunity to further contract negotiations. General Banking and merchant service package went to Wachovia; Bank of America to retain purchasing card business. See handout for specific information.

VII. Annual Finance Reports

a) USF Variable Rate Exposure
b) Derivatives Profile
c) Investment Report (for the future)

Mr. Stubbs explained that they will now require annual reporting. He also discussed USF’s Variable Rate Exposure (see handout) and derivatives profile (see handout). The university has 7 swaps outstanding totaling $186 million. USF began to hedge its variable rate exposure in 2001; swap counterparties should have a minimum credit rating of AA or higher and terms vary from 7-18 years; LIBOR is the floating rate index for all swaps; the 6 swaps completed in the past 12 months have positive fair values (value of the 10 year has greater positive value); aggregate value still has a negative value but anticipate positive; and executed on financial statements.

Investment report - approved the investment policy throughout the university; will allow for a common annual reporting to BOT and will be providing performance reports annually.

The Chair congratulated the staff on their work. The trustees felt these were great reports and were pleased with the results.
VIII. Reconciliation of 2006/07 Final to Preliminary Budget  Bertha Alexander

Ms. Alexander reminded the Board that they authorized spending authority for $1.4 billion including the faculty practice plan. Request was established centrally. Also gave the President authority to make adjustments with the condition that the Board receive an update of adjustments. Ms. Alexander provided the Trustees with a summary of the 2006-07 Initial Operating Budget.

She explained that we actually need spending authority for $1.6 billion. The majority for the requested increase is for contracts and grants and state and federal financial aid. She included data for comparison with 2005-06 and reminded the trustees that some of the fund balance has been committed. Overall we have a healthy fund balance position for the institution. Our fund balance is $400 million, but at least 2/3 is committed. It is not a cash issue, it is a budget issue.

IX. Risk Assessment Questionnaire  Debra Gula

Ms. Gula updated the workgroup members on the status of the risk assessment questionnaire. It has been administered to the finance council and the results will be for the fiscal year work plan for the Audit and Compliance office. She reported that the department is heavily involved in the cash collections plans and that they recently hired 2 new internal auditors (both USF graduates) which will aid in operations. She also mentioned that the assessment questionnaire will aid in determining issues that we need to address.

Trustee Ramil commented that the risk assessment process is a state of the art system that will be beneficial to the institution.

Other:

Chair Law asked if there was any other business.

Dr. Carlucci asked on behalf of the DSOs, if the quarter 4 reports not be required as they are time consuming in their current format and due at the same time as the annual reports. The Chair asked what Dr. Carlucci recommends. He supports not requiring quarter 4 reports at this time but as they move to the new university financial system, the trustees will need to re-evaluate. The Board members agreed that DSOs do not have to submit this year’s quarter 4 reports so that they may spend more time on annual.

The President announced that she authorized the hiring of a university-wide compliance officer.

Having no further business, Chair Law adjourned the Finance and Audit workgroup meeting at 12:03 p.m.