

BOARD OF REGENTS
EASTERN MICHIGAN UNIVERSITY

SECTION: 21
DATE:
November 14, 2006

RECOMMENDATION

MONTHLY REPORT - FINANCE, AUDIT AND INVESTMENT COMMITTEE

ACTION REQUESTED

It is recommended that the Working Agenda for November 14, 2006 and the minutes for the September 19, 2006 Finance, Audit and Investment Committee meeting be received and placed on file.

STAFF SUMMARY

Regular Agenda items discussed at the September 19, 2006 Finance, Audit and Investment Committee were: Finance, Audit and Investment Committee Monthly Report; Consolidated Financial Statements and Supplementary Information as of June 30, 2006 and 2005; OMB Circular A-133 Supplementary Financial Reports for the Year Ended June 30, 2006; 2006-06 General Fund Budget Management Report; 2005-06 General Fee Report; 2005-06 Auxiliary Fund Budget Management Report; Collective Bargaining Agreement Between EMU and POLC; Program Statement – Mark Jefferson Science Complex Project. Consent Agenda items discussed were: Treasurer's Report, Internal Audit Report, Grants/Contracts Report, Construction Projects Progress Report, Accounts Receivable Report, Information and Communications Technology Initiatives Report; and Separations and Retirements.

FISCAL IMPLICATIONS

The fiscal impact of the actions taken are listed in the appropriate sections and are included in the Board minutes.

ADMINISTRATIVE RECOMMENDATION

The proposed Board action has been reviewed and is recommended for Board Approval.

University Executive Officer _____

Date _____

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**EASTERN MICHIGAN UNIVERSITY
BOARD OF REGENTS
FINANCE, AUDIT AND INVESTMENT COMMITTEE MEETING**

**November 14, 2006
2:30 p.m.
201 Welch Hall**

FINANCE, AUDIT AND INVESTMENT COMMITTEE MISSION:

To review the financial affairs of the University, assuring costs are managed effectively, revenues are growing, the budget is balanced, valuable resources protected with uncompromising integrity while working effectively with the many different constituencies to achieve University goals.

Section 21: Finance, Audit and Investment Committee Monthly Report
Steve Holda, Interim Director of Finance

CONSENT AGENDA

- Section 1: Treasurer's Report**
Steve Holda, Interim Director of Finance
- Section 2: Internal Audit Report**
Kirk Balcom, Rehmann Robson
- Section 3: Grants/Contracts Report**
Brian Anderson, Director, Office of Research Development
- Section 4: Construction Projects Progress Report**
Anthony Catner, Associate Vice President for Business and Finance – Facilities
- Section 5: Accounts Receivable Report**
Dan Cooper, Assistant Vice President and Controller
- Section 6: Interim Budget Status Report**
Vickie Bagherzadeh, Director, University Budgets
- Section 7: Information and Communications Technology Initiatives**
Connie Schaffer, Interim Chief Information Officer and Executive Director,
Information and Communication Technology
- Section 8: Staff Appointments**
Craig Reidsma, Director, Compensation, Employment and HRIS
- Section 9: Separations/Retirements**
Craig Reidsma, Director, Compensation, Employment and HRIS

REGULAR AGENDA

- Section 22: FY 2006 EMU Foundation Annual Report**
Laura Wilbanks, Executive Director of Foundation Operations and CFO
- Section 23: Extension of Agreement Between Eastern Michigan University and EMU Foundation**
Ken McKanders, University Attorney
- Section 24: FY 2006 Eagle Crest Management Corporation Annual Report**
Steve Holda, Interim Director of Finance

EASTERN MICHIGAN UNIVERSITY
Board of Regents
FINANCE, AUDIT AND INVESTMENT COMMITTEE

MINUTES OF MEETING

September 19, 2006

Present: J. Antonini, J. Brandon, F. Clack, S. Rothwell, T. Sidlik, K. Valvo, R. Wilbanks, and Steve Holda

MONTHLY REPORT

Steve Holda recommended that the working agenda for the September 19, 2006 Finance, Audit and Investment Committee meeting and the minutes for the June 20, 2006 Finance, Audit and Investment Committee meeting be received and placed on file.

CONSENT AGENDA

TREASURER'S REPORT

Steve Holda recommended that the Treasurer's Report for the month of June 2006 be received and placed on file. Cash and investments totaled \$92,642,249 and were invested to return a total annualized return of 4.5192 percent. Holda stated that cash and investments (excluding bond proceeds) as of June 30, 2006 increased by \$3.6 million, compared to June 2005 due to lower than planned expenditures. Holda stated that the University maintains a very conservative investment portfolio consistent with the investment policy.

INTERNAL AUDIT REPORT

Kirk Balcom of Rehmann Robson presented the internal audit activity report for the period March 2006 to September 2006. Balcom reported that the reports for the Employee Benefits, Equipment Inventory, Dining Services Inventory and Cash Disbursements, Catering Services Billing, Vending Operations, Payroll, and Financial Aid Scholarships, Awards and Grants internal audits have been issued and include findings and corresponding recommendations to improve controls. Management agrees with the recommendations and is proceeding to implement them. Balcom also included an analysis of internal audits performed in the past year, and Rehmann Robson's proposed internal audit schedule for the period October 1, 2006 through September 30, 2007. Also included was a status report of previous audit recommendations prepared by University management. Regent Brandon asked if a barcode system is used on University equipment. Dan Cooper, University Controller, responded that a barcode label is attached to equipment and on office doors. Regent Brandon, noting the reconciliation problems found in the Payroll audit, asked what caused it. Balcom said he found it to be a manpower problem. Holda stated that Financial Services area and Student Business Services area have both lost a lot of staff due to budget cuts. He said that current staff are being asked to work harder, and utilize technology to work smarter.

GRANTS AND CONTRACTS REPORT

Brian Anderson recommended that 92 grants and contracts totaling \$3,231,036 for the period June 2006 through August 2006 be accepted. One-hundred percent sponsor-funded grants and contracts in the amount of \$1.9 million were awarded during the period. Grants and contracts requiring EMU cost-sharing and/or in-kind contributions totaled \$1.3 million. Anderson also requested approval for a grant application to the NASA-funded "Messenger Mission – Participating Scientists Program". If selected for funding, EMU would participate in a NASA mission to the planet Mercury to conduct planetary atmospheric experiments.

CONSTRUCTION PROJECTS PROGRESS REPORT

Tony Catner and Larry Ward presented the Construction Projects Progress Report for the period ending July 31, 2006. Ward reported that the Downing Hall and Buell Hall renovation projects are complete. The new Student Center will be substantially complete on October 16, and move-in will begin. The building is planned to open November 6, with a grand opening scheduled for November 16th. Regent Brandon asked if there are pending liabilities within the campus infrastructure. Catner stated that the campus infrastructure systems are inundated, antiquated and taxed. Current problems include water main breaks and flooding. Catner said an issue was found in the Owen Drain system that is taxing campus drain and sewer systems. He said he's been working with the City and the drain commissioner to study the problem. Catner stated that the Physical Plant monitors campus infrastructure on a daily basis. Regent Wilbanks, referring to renovations to Pray-Harrold, asked why some of the work can't be done prior to getting approval from Lansing. Holda said that the University has book-shelved the Pray-Harrold projects until it is clear how the state intends to partner with the University on these projects. Holda said a Pray-Harrold project is pending in the capital outlay budget. The University intends to utilize the 25 percent matching funds process with the state because doing otherwise would reduce the University's ability to do more work. Wilbanks said that students are going to classes in buildings that are still in disrepair fourteen months after the tuition was increased. Regent Antonini asked what can be done to improve Pray-Harrold and Mark Jefferson. Catner stated that some of the classroom improvements projects are approaching the \$1.0 million limit where the University will have to submit a Use and Finance Statement to the state. Improvements that are not on the program statement for classroom improvements are being addressed on a daily basis. Antonini asked Catner to break down the \$700,000. Catner said a large portion of the expenditures were repairing elevators in Pray-Harrold. Funding came from the four-percent tuition increase. Antonini asked for a list of priority projects. Holda stated that the Capital Outlay request, containing details of asset preservation priority projects, will be presented to the Board at the special October meeting. He said that in the meantime, issues related to classroom furnishings and technology are being addressed. Holda said that the University is trying to give something immediate to the students while waiting for funding on the major projects. Regent Wilbanks stated that the University could be doing more on Mark Jefferson if Pray-Harrold is the priority project, and suggested that the University meet with the chair of the Capital Outlay Sub-Committee to explore ways to begin the project prior to receiving state funds. Holda stated that University executives will be meeting with the lobbyist from Lansing later in the month to discuss strategies to address the needs of the University.

ACCOUNTS RECEIVABLE REPORT

Dan Cooper recommended that the Student Accounts Receivable Ratio Analysis, the Student Accounts Receivable Reports, and the Collection Agency Inventory as of June 30, 2006 be received and placed on file. Cooper reported that the net receivable balance for the reporting period is \$10,430,000 or 6.01 percent of revenue, as compared to \$9,348,000 or 6.15 percent of revenue as of June 30, 2005. This analysis reflects a decrease of 0.14 percent from the prior year, and an increase of 0.47 percent as compared to the five-year average of 5.50 percent. Cooper stated that the accounts receivable is "now under control" due to revamped efforts in dealing with past due student accounts. Regent Brandon asked if the faculty strike will affect the receivable balance. Cooper said they are monitoring the dropped enrollments, and drops are currently lower than they were last fall.

INFORMATION AND COMMUNICATIONS TECHNOLOGY INITIATIVE REPORT

Connie Schaffer recommended that the report on the progress of ICT initiatives and financial status report as of September 2006 be received and placed on file. Schaffer reported that the wireless installation is complete in 95 percent of the classrooms. The VoIP pilot was successful and new Student Center phones and data network equipment are on order. The Pierce Hall data network upgrade is complete. Department rosters have been approved for the computer refresh program through December 2006. Schaffer reported that it is expected EMU will be considered a "private network" and will be exempt from CALEA. The Banner upgrade is on hold pending further testing. Steve Holda added that the five-year ICT Initiative is complete as of this report, and the financial statement attached to the report reflects the total technology fee revenues collected.

STAFF APPOINTMENTS (Pulled From Agenda)

STAFF SEPARATIONS AND RETIREMENTS

Craig Reidsma recommended that the Board approve 38 separations and retirements for the reporting period June 1, 2006 through August 31, 2006. Reidsma reported that 22 (58 percent) are female and 16 (42 percent) are male. Demographics of the total group indicate 33 Caucasians (87 percent) and five African American (13 percent).

REGULAR AGENDA

Consolidated Financial Statements and Supplementary Information as of June 30, 2006 and 2005

Robb Rose (Plante & Moran, PLLC) presented the Consolidated Financial Statements as of June 30, 2006 and 2005 and Supplementary Information. Rose reported that the University's net assets increased by \$5.0 million, and offered a clean, unqualified opinion of the financial position of the University. Operating revenues increased by \$16.4 million in 2006 primarily from student tuition and fees. Operating expenses for 2006 increased by \$12.4 million due to increased instruction expenses, facility maintenance and operation, and increased scholarships.

OMB Circular A-133 Supplementary Financial Reports for the Year Ended June 30, 2006

Robb Rose presented the OMB Circular A-133 report on compliance with requirements applicable to the University's Federal Awards Program. Rose stated that the University complied in all material respects. One instance of non-compliance was found in the calculation of Title IV funds when students withdraw during the semester. Management agrees with the recommendation and recalculated the refunds.

2005-06 General Fund Budget Management Report

Vickie Bagherzadeh recommended that the 2006 General Fund Budget Management Report be received and placed on file; and that the funding authorization of \$4.9 million be approved for outstanding obligations, commitments, encumbrances and provisions. Bagherzadeh reported that actual general fund revenue for FY 2006 totaled \$212.0 million, which was below planned revenue by \$0.5 million. Actual general fund expenditures for FY 2006 totaled \$211.8 million, which was \$5.3 million below the spending authorization. Bagherzadeh reported that revenues exceeded expenditures by \$0.2 million, primarily due to a prior period adjustment to accounts receivable.

2005-06 General Fee Report

Vickie Bagherzadeh recommended that the 2006 General Fee report be received and placed on file. Actual gross general fee revenues totaled \$11.5 million, which was below plan by \$0.1 million. Planned gross revenues were based on planned enrollments of 551,037 student credit hours. Actual recorded enrollments amounted to 544,893 student credit hours. Steve Holda indicated that future General Fee revenue will be applied directly to a general fund org, and reporting will be done through Banner, as opposed to the current system of using an Excel spreadsheet for reconciliation. General Fee components will be tracked and managed through Banner, and reports will be generated with faster results.

2005-06 Auxiliary Fund Budget Management Report

Vickie Bagherzadeh recommended that the 2006 Auxiliary Fund Budget Management Report be accepted and placed on file. Auxiliary operations earned revenue of \$38.2 million, which is \$3.4 million below plan. Expenses totaled \$33.0 million, below plan by \$1.5 million. Bagherzadeh reported that auxiliary fund operating account balances decreased by \$463,271. The accumulated total fund balance as of June 30, 2006 is \$3.1 million

Collective Bargaining Agreement Between Eastern Michigan University and POLC (Campus Police)

Steve Holda recommended that the Board approve the Collective Bargaining Agreement for campus police. Holda reported that the new, three-year contract covers the period July 1, 2006 through June 30, 2009. The proposed agreement will increase FY 2006-07 compensation costs for bargaining unit by \$27,074.

Program Statement - Mark Jefferson Science Complex Project

Steve Holda recommended that the Board approve the program statement for the renovation of Mark Jefferson and construction of an additional 161,600 square foot building. Holda stated that estimated

expenditures total \$105 million for the total project. The University may be required to fund 25 percent, or \$26.2 million, in matching funds. Holda reported the University has the financial capability to borrow the required matching funds. The four-percent tuition increase approved by the Board in FY 2006 will be used to repay the debt. Regent Brandon asked how the University plans to avoid increased costs while waiting several months for funding. Holda stated that costs are projected to the economics for the year of the completed project. Regent Brandon asked if there is a plan included to maintain the building and technological assets. Holda stated that asset preservation and deferred maintenance will be built into the project. Regent Brandon asked if the University is able to designate funding for long-term asset preservation for specific projects and buildings. Regent Wilbanks stated that in prior years the state would include operating costs with the project funding. Wilbanks said that constructing additional facility space without taking something off-line is dangerous. Holda stated that the University will realize some savings by replacing the inefficient systems that are presently in Mark Jefferson. Holda said the functionality of the building will change dramatically with the addition of classroom and office space. Regent Antonini commented that renovations that are done "piece-meal" destroy the building.