

BOARD OF REGENTS
EASTERN MICHIGAN UNIVERSITY

SECTION: **20**

DATE:

November 15, 2005

RECOMMENDATION

MONTHLY REPORT - FINANCE AND AUDIT COMMITTEE

ACTION REQUESTED

It is recommended that the Working Agenda for the November 15, 2005 Finance and Audit Committee meeting and the minutes for the September 20, 2005 Finance and Audit Committee meeting be received and placed on file.

STAFF SUMMARY

Regular agenda items for the September 20, 2005 Finance and Audit Committee meeting were: Finance and Audit Committee Monthly Report; Consolidated Financial Statements and Supplementary Information as of June 30, 2005 and 2004; OMB Circular A-133 Supplementary Financial Reports for the Year Ended June 30, 2005; 2004-05 General Fund Budget Management Report; 2004-05 General Fee Report; 2004-05 Auxiliary Fund Budget Management Report; 2005-06 Internal Audit Schedule; Memorandum of Understanding Between Eastern Michigan University and POLC (Campus Police); Contract Extension for Campus Mail and Copy in McKenny Union; and Policy: In-State Tuition for Disaster Victims.

Consent Agenda items discussed were: Treasurer's Report, Internal Audit Report, Grants/Contracts Report, Construction Projects Progress Report, Accounts Receivable Report, Interim Budget Status Report, Information and Communications Technology Initiatives Report, Staff Appointments, and Separations/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

2.

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

November 15, 2005

11:30 a.m.

201 Welch Hall

FINANCE AND AUDIT COMMITTEE MISSION:

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

Section 20: Finance and Audit 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**
Thom Madden, Director, Student Business Services
- Section 6: Interim Budget Status Report**
Al Levett, Director, Budget Management
- Section 7: Technology Plan Implementation Report**
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 21: Non-Bargained-For Merit Program Funding FY 2005-06**
Steve Holda, Interim Director of Finance
- Section 22: FY 2005 EMU Foundation Annual Report**
Tom Stevick, Interim Executive Director/VP for Advancement
- Section 23: FY 2005 Eagle Crest Management Corporation Annual Report**
Kathryn Vachon, Executive Director, Eagle Crest Management Corporation
- Section 24: Collective Bargaining Agreement Between EMU and the EMU Federation of Teachers (EMU-FT)**
Rhonda Longworth Kinney, Assistant Vice President for Academic Affairs

EASTERN MICHIGAN UNIVERSITY
Board of Regents
FINANCE AND AUDIT COMMITTEE

MINUTES OF MEETING

September 20, 2005

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

MONTHLY REPORT

Steve Holda recommended that the working agenda for the September 20, 2005 Finance And Audit Committee meeting and the minutes for the June 21, 2005 Finance And Audit Committee meeting be received and placed on file.

TREASURER'S REPORT

Steve Holda recommended that the Treasurer's Report for the month of June 2005 be received and placed on file. Cash and investments totaled \$87,430,514 and were invested to return a total annualized return of 3.15 percent. Holda stated that cash and investments (excluding bond proceeds) as of June 30, 2005 increased by \$2.3 million compared to June 2004 due to lower expenditures.

INTERNAL AUDIT REPORT

Jeff Fineis of Andrews Hooper and Pavlik P.L.C. presented the internal audit activity report for the period June 2005 to September 2005. Fineis reported that the reports for the Cash Receipts, Parking, Procurement Cards, Mail Services, Business Continuity Plan / Disaster Recovery Plan and Intercollegiate Athletics 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. Management prepared a status report of previous audit recommendations and that was also included.

GRANTS AND CONTRACTS REPORT

Brian Anderson recommended that 72 grants and contracts totaling \$2,215,380 for the period June 1, 2005 through August 31, 2005 be accepted. One-hundred percent sponsor-funded grants and contracts in the amount of \$1,663,982 were awarded during the period. Grants and contracts requiring EMU cost-sharing and/or in-kind contributions totaled \$551,398. Anderson reported that cash contributions for those awards totaled \$94,033 out of which \$1,800 was allocated to fiscal year 2005 for a fiscal year to date total of \$372,110 against a base budget of \$394,548. Cash contributions of \$92,228 were allocated in fiscal year 2006 for a fiscal year to date total of \$92,228 against a base budget of \$342,775. From the fiscal year 2005 final progress report Anderson reported that 496 proposals were processed for fiscal year 2005 totaling \$41.8 million, which is an increase of 14 proposals over FY 2004, but the value was down \$22.5 million. Awards processed for the year totaled 401 with a total value of \$12,380,000. This is an increase of 23 awards over FY 2004, but the value is down \$2.8 million. Anderson reported that actual proposals were down 14 from the plan and the value was down \$15.5 million from the plan. Awards saw an increase of 21 compared to plan, but the value was down \$2.6

million dollars compared to plan. From the progress report for fiscal year 2006 Anderson reported that the University processed 45 proposals for \$3,532,000 through August 31 which is down 37 proposals and \$1.9 million compared to last year. Anderson reported that 30 awards were received with a value of \$1,606,145. Compared to last year at this time, awards are down by 30 and the total value is down \$939,175. Anderson reported that the plan for the year is to process 493 proposals with a value of \$39.9 million. Comparing actual to plan to date, proposals are down 37 and the total value is down \$3.1 million. Anderson said that the plan for the year is to process 390 awards with a total value of \$14.7 million. Performance to date for awards is down by 35 and the dollar value is down \$843,855.

Anderson said that he expects to meet plan this year. He anticipates that the University will receive funding this year throughout the year, rather than getting most of it at the beginning like what happened last year. Anderson said that the University will receive three National Science Foundation grants – two that total \$840,000 for a linguistics research program and one for \$1.5 million to develop an integrated math and science curriculum. He said that he expects Centers for Corporate Training to process at least 200 proposals and awards or as much as they did last year. Anderson said that he met with the deans this summer and has confidence that they will substantially increase their grants this year. Regent Incarnati asked why the fiscal 2005 goal was not met. Anderson said there were two areas that were off. Centers for Corporate Training clients went to two-year contracts in fiscal year 2004, and booked a \$2.9 million two-year contract. Then last year they booked \$730,000 which is down \$2.1 million from the year before. Anderson said that this made the year before look better than it was and last year looked worse than it was. The Institute for the Study of Children and Families and Communities received a \$1.0 million federal earmark and a total of \$1.1 million in grants in fiscal year 2004, and booked only \$60,000 in grants in fiscal year 2005. Anderson said they're developing a substantial proposal and he expects that they'll receive at least \$0.5 million this year. Anderson said that research proposals have been down this past year because internal support for research incurred some losses due to budget cuts. Regent Rothwell asked that the Grants and Contracts report include information about the multiyear contracts that are underway in the current year. Regent Antonini asked Anderson to develop a "white paper" or business plan to find ways to stimulate award and proposal activity for the University.

CONSTRUCTION PROJECTS PROGRESS REPORT

Tony Catner and Larry Ward presented the Construction Projects Progress Report for the period ending July 31, 2005. Catner distributed photos of current projects to the Board and explained how easily budgets change once a project gets underway and the Plant is forced to resolve unexpected matters. Canter reported that the University is incorporating components of the College of Technology and College of Arts and Sciences into the Science Complex program statement. The Pray-Harrold program statement is being finalized for submission to the Board for approval. Catner reported that the new student center project continues within the approved budget. Ward reported that the Rynearson football field replacement project is complete. Regent Wilbanks asked if the \$64 million budget total for projects in progress comes from the general fund. Steve Holda explained that the \$64 million total includes all projects currently underway, which are funded from various sources including asset preservation or the issue of debt in the case of the new student center project. Wilbanks asked the Construction Projects Progress Report identify the funding source for the individual projects. Regent

Rothwell asked that the report also include year-to-date facilities budget information.

Regent Sidlik asked for an update of the budget for the new student center. Catner explained that there are two parts of the budget for the new student center: the guaranteed maximum price (GMP) and the owner's cost. He said that the University is working closing with the design/build groups to keep costs within budget, and he said that the project is currently within budget. Catner said that the project is progressing on schedule with a final turnover date of October 16, 2006. Catner addressed the rumors that claim the project is out of control. He said that approximately 25 percent of the owner's cost has been bid out, and 80 percent of the GMP has been bid out so far. Regent Antonini said he thinks there may be problems with owner's cost. Catner said that the University tracks every dollar spent on the project. Regent Rothwell said she wants to know if there are ever any significant changes or trade-offs made, even if additional funding is not needed for the project.

ACCOUNTS RECEIVABLE REPORT

Thom Madden recommended that the Student Accounts Receivable Ratio Analysis, the Student Accounts Receivable Reports, and the Collection Agency Inventory as of June 30, 2005 be received and placed on file. Madden reported that the net receivable balance for the reporting period is \$9,348,000 or 6.15 percent of revenue as compared to \$6,894,000 or 4.62 percent of revenue as compared to June 30, 2004 which is a 1.53 percent increase. The net receivable balance has increased 1.12 percent when compared to the five-year average of 5.03 percent. Madden said that the delayed summer tuition bill contributed to the increased accounts receivable balance. The bill due date this year was late July, compared to last year's June 30 due date. Madden said he expects the receivable balance will return to normal. Madden reported that the office of Student Business Services has been working closely with the offices of Financial Aid and Enrollment Services by offering flexible payment options and alternative lending packages to assist students with their education. Payment plans have increased 60 percent from last year.

INFORMATION AND COMMUNICATIONS TECHNOLOGY INITIATIVE REPORT

Connie Schaffer recommended that the report on the progress of ICT initiatives and the financial status report for the period May 31, 2005 through August 31, 2005 be received and placed on file. Schaffer reported that a process is now in place that allows ICT to check wireless sites and test for functionality. This process was implemented in response to Regent Rothwell's question at the June 2005 meeting regarding wireless sites and their functionality. Schaffer reported that the FY 2005 computer refresh program for updating the labs is complete, and departments have submitted rosters for the FY 2006 faculty/staff computer refresh program. Schaffer said that 490 PCs have been authorized and over half have been ordered. Schaffer reported that ICT is in the process of setting up a temporary open lab for students in Pray-Harrold, and expects to have 32 PCs, coming from the refresh program, in the lab. She said that the only major cost for the lab is for two printers and staffing of the lab.

Schaffer reported that implementation of the Banner 7.0 upgrade has been moved up to a go-live date of October 24, 2005. The Information Technology Fee Task Force has FY 07-09 recommendations ready for UTAC approval, which emphasize the information technology needs for student services.

STAFF APPOINTMENTS

Craig Reidsma recommended that the Board approve 11 staff appointments for the reporting period of June 1, 2005 through August 19, 2005. Reidsma reported that of the 11 appointments, five (45 percent) are females, and six (55 percent) are males. Demographics of the total group indicate nine Caucasians (82 percent) and 2 African Americans (18 percent).

STAFF SEPARATIONS AND RETIREMENTS

Craig Reidsma recommended that the Board approve 42 separations and retirements for the reporting period June 1, 2005 through August 19, 2005. Reidsma reported that of the 42 separations and retirements, 28 (67 percent) are female and 14 (33 percent) are male. Demographics of the total group indicate 33 Caucasians (79 percent), six African Americans (14 percent), two Native American Indians or Alaskan Natives (5 percent) and 1 Asian (2 percent).

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION AS OF JUNE 30, 2005 AND 2004

Steve Holda recommended that the Consolidated Financial Statements and Supplementary Information as of June 30, 2005 and 2004 be received and placed on file. Robb Rose from Plante & Moran, PLLC presented the financial statements and supplementary information to the Board. Rose reported that the University's operating revenue increased by approximately \$3.0 million over last year, primarily through student tuition and fee revenues. Total liabilities decreased by \$4.0 million, mainly due to debt retirement. Total operating expenses have increased \$7.8 million, primarily in instruction, auxiliaries, operations and plant maintenance. Rose reported that the University's total net assets were \$260 million – an increase of \$700,000. Net non-operating revenue increased by \$5.1 million primarily due to the 2004 State appropriation rebate received in 2005. Expenses related to instruction, institutional support and auxiliary enterprises increased slightly from last year. Rose reported that the University's investment capital assets have increased slightly over last year. Cash and temporary investments are consistent from year to year, and long term investments have decreased slightly. Rose said that the University's long term debt, or bonds payable, amounts to \$135 million at the end of fiscal 2005, compared to \$139 million last year. The largest portion of net assets is invested in capital assets and other related debt, which shows a slight decrease. Restricted expendable assets, or grants and activities related to grants, remain consistent with previous years. Non-expendable restricted net assets, typically endowment type funds, are held by the Foundation so there is no reporting category for EMU for this type. Unrestricted net assets show an increase of approximately \$2.3 million, which represents 11.6 percent of the total net assets. Rose reported that the University has been consistent with its peer institutions in most categories.

Regent Wilbanks stated that the information in the financial statement regarding the University borrowing \$95 million for rebuilding and refurbishing classrooms, student labs and academic facilities needs to be clarified that the Board's intent is to renovate specifically Mark Jefferson and Pray-Harold facilities.

Rose reported that, in accordance with GASB 45, the University will be required in 2008 to disclose the unfunded liability related to post-retirement benefits. Rose said the University will likely be impacted by this in relation to MPSERS post-retirement benefits, and an actuarial evaluation will need to be done to determine the unfunded portion of that liability. Rose said that the University will be able to amortize the amount over a long-term period.

Plante & Moran found one reportable condition, that being an improper reconciliation of the University's accounts receivable.

OMB CIRCULAR A-133 SUPPLEMENTARY FINANCIAL REPORTS FOR THE YEAR ENDED JUNE 30, 2005

Robb Rose from Plante & Moran, PLLC reported that there were no findings or questioned costs in the federal program audit

FY 2005 GENERAL FUND BUDGET MANAGEMENT REPORT

Al Levett recommended that the 2005 General Fund Budget Management Report be accepted and placed on file, and that the funding authorization in the amount of \$4.7 million be approved for outstanding obligations, commitments, encumbrances and provisions. Levett reported that actual general fund revenue for FY 2005 totaled \$198 million, falling short of the approved plan by \$6.2 million. Actual general fund expenditures for FY 2005 totaled \$197.6 million, falling short of the \$208.9 million funding authorization by \$11.2 million. Levett reported that expenditures exceeded revenues by \$400,000.

FY 2005 GENERAL FEE REPORT

Al Levett recommended that the FY 2005 General Fee Report be received and placed on file. Levett reported that the general fee was assessed at \$21 per credit hour for FY 2005. Actual gross general fee revenue totaled \$11.6 million, or below plan by \$200,000. Actual net general fee revenue available for distribution was \$11.1 million, a decrease of 3.6 percent from last year.

2005 AUXILIARY FUND BUDGET MANAGEMENT REPORT

Jim Vick recommended that the 2005 Auxiliary Fund Budget Management Report be accepted and placed on file. Vick reported that revenues were approximately \$1.87 million below plan. Expenses totaled \$31.85 million, below plan by \$2.02 million. That, coupled with the heating plant and general fund support of \$2.07 million, resulted in an operating balance of \$4.14 million. Vick said that transfers for maintenance reserve and debt totaled \$4.35 million, which was below plan by \$165,000. Vick reported the auxiliary fund operating account balances decreased by \$206,781 and the total accumulated fund balance as of June 30, 2005 is \$3.57 million.

CONTRACT EXTENSION FOR CAMPUS MAIL AND COPY IN MCKENNY UNION

Jim Vick recommended that the contract with Lovan Limited, to operate Campus Mail and Copy (formerly Mailboxes, Etc.) in McKenny Union, be amended to extend the contract from October 1, 2005 to October 31, 2006. Vick said the changes were made to extend the contract to the expected opening of the new Student Center, at which time McKenny Union will close for renovation. Total rent for the period is projected to be \$11,800.

FISCAL 2006 INTERNAL AUDIT SCHEDULE

Kirk Balcom from Rehman Robbison recommended that the proposed internal audit schedule for October 1, 2005 through September 30, 2006 be approved and placed on file. Balcom said there are 12 internal audits scheduled to occur during FY 2006, and the printed schedule describes the audit purpose and financial impact of the area to be audited. A thirteenth audit will involve documenting key risks and controls related to the 12 scheduled audits, and using that information as support for the Sarbanes Oxley documentation. Regent Wilbanks asked if a conflict of interest would exist should employment be offered to an individual who is related to a Board member. Wilbanks asked that a legal opinion be made. Balcom said he would investigate.

MEMORANDUM OF UNDERSTANDING BETWEEN EASTERN MICHIGAN UNIVERSITY AND POLC CAMPUS POLICE

Craig Reidsma recommended that the Board of Regents approve the Memorandum Of Understanding (MOU) between Eastern Michigan University and POLC campus police. The recommendation is based upon wage reopener negotiations with the POLC campus police for fiscal year July 1, 2005 to June 30, 2006. Reidsma said that the MOU provides a 2 percent across-the-board wage increase retroactive to July 1, 2005 and is projected to increase the University's POLC campus police employees' FY 2006 net compensation costs by \$15,998.

IN-STATE TUITION FOR DISASTER VICTIMS

Courtney McAnuff recommended that the Board of Regents approve a new policy that will authorize the University to offer in-state tuition to students who either reside in an area that has been declared a national disaster area, or attend a post-secondary institution in an area which has been declared a national disaster area by the President of the United States. Tuition relief provided through this policy is retroactive to September 1, 2005. McAnuff explained that the University currently has 18 applicants from the Louisiana-Mississippi area, which was heavily damaged by Hurricane Katrina. Fifteen of them have enrolled, and the University wishes to have them pay in-state tuition rates versus non-resident tuition rates. McAnuff said the University will subsidize their in-state tuition payment with other financial aid.