**Minutes**

**The University of Toledo Board of Trustees**

**Finance and Audit Committee Meeting**

**May 11, 2015**

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| Committee Chair Mr. John S. Szuch was present with Committee members Mr. Steven M. Cavanaugh, and Mr. Jeffrey C. Cole. Other Trustees attending included Dr. S. Amjad Hussain, Ms. Sharon Speyer, Mr. Gary P. Thieman, and Mr. Joseph H. Zerbey, IV. Community member Mr. William Horst was present; University Council Representative Dr. Kristen Keith was also present. Others attending the meeting were Mr. John Barrett, Mr. Thomas Biggs, Mr. Bill Blackie, Mr. Gordon Chauvin, Dr. Christopher Cooper, Dr. Cameron Cruickshank, Ms. Meghan Cunningham, Mr. David Cutri, Mr. Bryan Dadey, Mr. Lew Gibbons, Mr. Ronald Goedde, Ms. Brenda Lee, Mr. Chuck Lehnert, Ms. Joyce McBride, Mr. William Messer, Jr., Ms. Diane Miller, Mr. David Morlock, Dr. Nagi Naganathan, Mr. Peter Papadimos, Ms. Patricia Peterson, Dr. Penny Poplin-Gosetti, Dr. Linda Rouillard, Mr. Vern Snyder, Mr. Matt Schroeder, Mr. Cody Spoon, Ms. Joan Stasa, Mr. Jason Toth, Mr. Kevin West, and Ms. Rhonda Wingfield. | ATTENDANCE |
| The meeting was called to order at 3:35 p.m. by Trustee Szuch in the Driscoll Alumni Center Board room. | **CALL TO ORDER** |
| Mr. Szuch requested a motion to waive the reading of the minutes from the March 12, 2015 Finance and Audit Committee meeting and accept them as written. The motion was received by Trustee Cavanaugh, seconded by Trustee Cole and approved by the Committee. | **APPROVAL OF MINUTES** |
| Mr. Vern Snyder, VP Institutional Advancement, presented a non-gift naming opportunity for the UT Urban Affairs Center. The recommended new name for the Center would be the Jack Ford Urban Affairs Center, named after John Marshall Ford. Mr. Snyder stated that Mr. Ford recently passed away and provided many years of service as Toledo City Council President, as Mayor of the City of Toledo 2002-2006, and as a former member of the Ohio House of Representatives. Mr. Ford spent most of his working life as an educator, teaching at UT for 22 years; also teaching at Bowling Green State University and Owens Community College. He received both his law degree and a master’s in public administration from UT. Mr. Ford’s bio was distributed to the Committee indicating additional accomplishments and public service. Mr. Snyder stated that he is working in consultation with the Advisory Board of the UT Urban Affairs Center and with members of the Northwest Ohio delegation to the Ohio Statehouse on this naming recognition for Mr. Ford. Mr. Szuch requested a motion for approval and to forward the request to the Consent Agenda at the Board meeting scheduled later in the day. A motion was received by Trustee Cole, seconded by Trustee Cavanaugh and approved by the Committee. | **NAMING OPPORTUNITY** |
| Mr. Bryan Dadey, Associate VP of Finance, presented Resolution No. 15-05-04: “Competitive Procurement Authority and Approval.” Mr. Dadey reported that the Resolution was revised for the following reasons:   * Alignment of Language – Competitive bid event (applies to both goods and services – no change to dollar thresholds). The current policy competitive bid event is based on the vendor’s annual spend and the suggested change for the competitive bid would be based on the vendor’s single order or single transaction. * Utilization of the State of Ohio Competitive Bid Results - This proposed change would allow UT to utilize State of Ohio negotiated agreements that are attractive to UT where the current policy is silent. * Additional Bid Waiver – This proposed change would allow UT to waive competitive bid processing for short-term engagements with vendors that have an expertise (technical, specialized, professional and consulting expertise).   After discussion, Mr. Szuch requested approval for forwarding the Resolution to the Consent Agenda at the June Board meeting. A motion was received by Trustee Cole, seconded by Trustee Cavanaugh and approved by the Committee. | **RESOLUTION NO. 15-05-04** |
| Mr. Dadey provided the Committee with information about the FY15 Third Quarter Financial Report. Each Committee member received a copy of the report prior to the meeting for their review. Mr. Dadey stated that the projected financial results showed a decrease in net position compared to an increase in FY14. The variance was significantly impacted by lower investment returns in FY15 and changes in the clinical enterprise operating margin. Mr. Dadey also provided information about investment income. The clinical enterprise was impacted by a shift in payer mix to less favorable payers that resulted in a reduction compared to FY14. The UT Physicians group transferred money to the UT Foundation, which reduced UT Health’s net assets. Other areas discussed included net student tuition and fees, auxiliary revenue, grant activity, State Share of Instruction, and operating expenses. | **FY15 THIRD**  **QUARTER FINANCIAL REPORT** |
| FY 2015 projections were discussed with comparisons to the prior year and the budget. FY15 projections lag budget due to lower UT Health operating margin and lower enrollment/higher scholarship expense. Bar charts of Moody’s ratios were also reviewed in the following areas:   * Expendable Resources-to-Debt and Expendable Resources-to-Operational Expenses * Debt-to-Operating Revenue and Average Debt Service Coverage * Monthly Days Cash on Hand and Monthly Liquidity-to-Debt * Operating Cash Flow Margin and Operating Margin (%) | **FY 2015 PROJECTIONS** |
| Mr. Thomas Biggs, Interim Sr. VP Finance and Administration, presented the Committee with the FY 2016 President’s Recommended Budget for the first reading. A draft copy of the budget for fiscal year ending June 30, 2016 was emailed to the Committee prior to the meeting for their review. Mr. Biggs provided an overview of FY15 financial results. He discussed the Five Year Plan for 2016-2020, which projects a $38.5 million deficit by 2020 (Academic), and a plan to close this gap over a five-year period. Highlights of the 2016 budget were identified and budget objectives were outlined. Mr. Biggs discussed investment in enrollment and other key areas, as well as strengthening student/patient services and strengthening compliance oversight. As each operating area’s budget was reviewed, issues were addressed with the hope of minimizing additional funding requests during the year that were not resolved as part of the budget process. Discussion at the meeting involved closing the gap between capital investment and annual depreciation, as well as all sources of capital spending. Mr. Biggs presented a long list of future challenges with the budget that must be addressed within the next five years. The second reading of the FY16 budget will be presented to the full Board at their June 15 meeting with request for approval. | **FY 2016 PRESIDENT’S RECOMMENDED BUDGET –**  **FIRST READING** |
| Mr. David Cutri, Director of Internal Audit and Chief Compliance Officer, presented the Committee with an IA and Compliance status update.  Mr. Cutri reported that, of the 28 projects on the approved Internal Audit and Compliance Plan, 21 have been completed. Three projects are in draft report phase and four projects have yet to be initiated or are in progress. He indicated that they appear to be on track for completing the Audit and Compliance Plan on time and within budget.  Mr. Cutri informed the Committee that the level of coordination between the University and external auditors Plante & Moran will be highly coordinated for the FY 2015 financial statement audit. Internal Audit and Compliance coordination was discussed and a timeline for coordination with administration and the Board was outlined.  The FY 2016 audit planning process has begun and is in progress. UT Internal Audit and Compliance employs a risk assessment planning program and input is solicited from the Board’s Finance and Audit Committee, senior leadership and external auditors. Input includes feedback on risk exposure, new initiatives, and strategic plans. Process and risk universes have been developed using varied sources and a risk model will be used to score all potential processes to be audited. Mr. Cutri stated that he works with the CFO to ensure that there are sufficient resources to audit all high-risk projects. Observations thus far were discussed and a list of high-risk functional areas of interest was outlined. | **INTERNAL**  **AUDIT STATUS AND COMPLIANCE UPDATE** |
| The Committee members received information on investment performance and received copies of the UT and UT Foundation Composite Performance Review Report and the UT Foundation Asset Allocation Report for the period ending March 31, 2015. | **INFORMATION ATTACHMENTS** |
| With no further business before the Committee, Trustee Szuch adjourned the meeting at 4:25 p.m. | ADJOURNMENT |