

Finance, Facilities and Audit Committee Meeting

September 12, 2008

Academic Library – Auditorium

8:38 a.m. – 11:00 a.m.

Board Members Present

Trustee James Reynolds, Chairman

Trustee Rev. Leon Finney, Ph.D.

Trustee Betsy Hill

Trustee Jawaun Sutton, Student Representative

Others Present

Interim President Frank G. Pogue, Ph.D.

Dr. Dean Justmann, Interim Vice President for Budget and Finance

Ms. Fern Hillger, External Auditor

Mr. John Frezzel, Director of Accounting

Mr. Tom Kinnah, Audit Manager, Illinois Auditor General Office

Dr. Rachel Lindsey, Dean of Arts and Sciences

Mr. John Meehan, Internal Auditor

Mr. Michael Mimnaugh

Dr. Kenneth Koroma, Associate to the President for Sponsored Programs

Ms. Diane Conatser, Associate to the President for Technology and Communication

Roll Call and Verification of Meeting Notice

A quorum was verified. The meeting notice was posted as mandated by The Illinois Open Meetings Act.

Discussion of 2007 Audit Findings

Mr. Tom Kizzah, audit manager with the Auditor General's Office, informed the Trustees that he had served as audit manager for the past six years and had conducted the compliance and financial audit. He also noted that Ms. Fern Hillger, the external auditor, had worked on the University's audit. Trustee Reynolds informed the Trustees that the goal was to determine the deficiencies and corrective actions needed to address the 2007 audit findings.

Finding 7 – 1

This finding related to non-reconciliation of grants and other revenue, property control records and overstatement of a \$468,000 in revenue for the College of Pharmacy grant and another overstatement of \$419,000 of a federal contract. Mr. Kizzah recommended that periodic reconciliation throughout the year and systemic steps need to be implemented. Dean Justmann commented that staff training is being conducted and review of policies is being examined.

Finding 7-2

This finding related to The Government Accounting Procedures (GAP) was not properly applied and is a repeat finding. The problem was caused by lack of cooperation and communication between Sponsored Program and Accounting. Also, previous administrators attempted to negotiate exceptions. Also, a lot of the problem relates to the timeliness of the auditing process. The recommended action is to conduct in-house training of staff to address these problems. *Trustee Reynolds urged Interim Vice President Justmann to examine what and how other universities are addressing certain issues. A more proactive approach needs to be taken, e.g. conduct monthly or quarterly reconciliations instead of end-of-the-year reconciliations. Trustee Reynolds also noted that the crux of the issue is lack of leadership and some managers must be changed. Dean Justmann noted that monthly closings are being implemented and he assured the Board that he will take responsibility for these issues and that staff turnover and lack of training will not be cited as reasons for not having controls in place.*

Trustee Finney expressed concerns about the decrease in revenue as it relates to tuition base income and expenses. He noted that since 1996, there has been a decline in student enrollment of approximately 50 percent. This dramatic decrease in enrollment has resulted in approximately \$100 million in lost revenue.

Finding 7-3 and 4

This was a repeat finding. Over \$5 million was deposited into the bank; however, \$40,245 was uncollateralized deposits and reconciliations were not conducted in a timely manner. John Freziah, the new Account Manager, responded that policies and procedures were in place to address these issues. Communication with Sponsored Programs is now underway.

Trustee Reynolds requested that Mr. Freziah attend all future Board meetings to address these issues.

Trustee Finney noted that for auxiliary revenue, the revenues were \$3,630,000 compared to \$3,902,000 in operating expenses. John Meehan responded that this occurred because of a lack of occupancy in the Residence Hall because Athletics had not funded their portion.

Finding 7-5

Tom Kizzah noted that this finding relates to a lack of receipts recorded for equipment for federal grants and missing documentations, as well as travel and property control issues. The impact is that the University could lose federal funds.

Dean Justmann and John Frizzell noted that systems are in place.

Chairman Reynolds commented that the University had decided not to follow simple policies and procedures and the impact on students and the community if grant funding is cut. The priority going forward is to set priorities on how to address these issues, with federal grants being at the top of the list. Senior management issues must be addressed and a well run organization would have terminated staff a long time ago.

Interim President Pogue commented on the reason why he was invited as Interim President to address these issues and to review goals related to these issues. He noted that he is in the process of reorganizing the institution and is bringing in individuals to restore the financial integrity of the university when the new president arrives so that people will have faith in the university again. He is

taking a comprehensive approach. Personnel and procedures will be put in place to address these issues.

Trustee Finney noted that the level of accountability is being established and the challenge is to be vigilant. The Board has to examine itself as the ultimate authority and to determine if the Board is doing its job. More work is needed in areas such as academic affairs and facilities. Trustee Finney reiterated that the fiduciary responsibility of the Board is to approve all contracts and purchases over \$250,000.

Trustee Hill emphasized that accountability and monitoring are the issues and everyone must take responsibility.

Mr. Kizzah remarked that some other findings that needed to be address relate to \$250,000 contracts and above were not bided out and approved by the Board.

Trustee Finney noted that the culture is pervasive in not being accountable. The culture needs to be changed. Stop the last minute transactions. Staff needs to be committed and talented and must operate above board and must operate in a business and professional manner. The Board will continue to take aggressive action to correct these findings.

Trustee Reynolds reiterated that he cannot understand why staff failed to catch these problems. It amounts to a lack of discipline, bad management and care for the University. Talent needs to be assessed and corrective action needs to be taken. Individuals need to take their responsibilities seriously.

Internal Auditor Update

Dean Justmann and John Frezzial will address these issues outlined by Internal Auditor John Meehan related to lack of documentation, lack of reconciliation for Pell Awards, and problems with P-Card.

Technology Update

A written report was submitted. *Trustees requested that Ms. Conatser provides a plan on how the University should be moving toward a paperless system. Trustee Sutton requested that a Town Hall Meeting be scheduled with students on the demonstration of the portal system.*

Foundation Update

Katey Assem noted that as of June 30, the Foundation had raised \$554,465. He is attempting to engage alums. He informed the Trustees that the Gala will be held November 20 at The Hyatt Regency, honoring Randall Hampton.

Trustee Tolliver requested the operational expenses of the Foundation. Also, for the Office of Sponsored Programs, Dr. Koroma was requested to report on how the Office of Sponsored Programs is working with Accounting and Finance and how these issues are being address.

Science Building Update

Dean Lindsey reported that the process is underway. An assessment is being conducted. The site is being examined as well as the conceptual design.

ACTION ITEMS

All were deferred to the full board for discussion and action.

Adjournment

There were no public or employee comments. The meeting adjourned at 11:00 a.m.