CALL TO ORDER AND ROLL CALL
The Budget and Finance Committee of the Board of Trustees met on Friday, December 5, 2014 in Engbretson Hall at Governors State University. The meeting was called to order at 9:40 am by Committee Chair Patrick Ormsby. Also in attendance were Committee members Lorraine Tyson and Jack Beaupre. Trustees Brian Mitchell, Bruce Friefeld, Eileen Durkin and Anibal Taboas were also in attendance. Student Trustee Jeremy Joyce was absent.

Others present: Elaine P. Maimon, President; Deborah E. Bordelon, Provost and Vice President for Academic Affairs; Gebeyehu Ejigu, Executive Vice President and Chief of Staff; Alexis Kennedy, General Counsel; Karen Kissel, Vice President for Administration and Finance; Will Davis, Vice President for Development; Maureen Kelly, Director of Governmental and Community Relations; Aurelio Valente, Interim Vice President for Student Affairs; Rashidah J. Muhammad, Faculty Senate President; Sheryl Jones-Harper, Civil Service Senate President; Jeff Slovak, Deputy Vice President for Administration and Finance; Tracy Sullivan, Assistant Vice President for Procurement and Business Services; Melinda Gieseke, Controller; Colleen Sexton, Associate Provost; Ann Vendrely, Associate Provost; Reinhold Hill, Dean, College of Arts and Sciences; Ellen Foster Curtis, Dean, College of Business and Public Administration; Andrea Evans, Dean, College of Education; Susan Ji and Yonghong Jia, Faculty Senate Representatives; David Meadows, Executive Vice President Designee; David Dixon, Internal Auditor; and Thomas Vander Woude, Deputy Executive Director of Transportation and Infrastructure, South Suburban Mayors and Managers Association (SSMMA).

STUDY SESSION ON GSU’S BUDGETS AND BUDGETING PROCESS
Kissel provided a handout and a Power Point presentation, along with Gieseke and Slovak. She explained their goal was to provide an overview of the University’s sources of revenue and expenses associated with each of the revenue streams; provide an understanding of GSU’s internal budgeting process; and to define the Board of Trustees’ involvement in the University’s budgeting process. Gieseke provided an explanation of revenue sources, followed by Slovak with an explanation of the budgeting process. Kissel addressed the Board’s involvement in the budgeting process. The budget timeline consists of three processes/approvals going on almost simultaneously: 1) GSU’s internal budget process; 2) Springfield (the General Assembly and Governor); and 3) the Board’s involvement in the approval process. Among the items requiring
Board approval in a typical calendar year are the Preliminary Operating Budget, the Final Operating Budget, and contracts over $100,000. Ormsby thanked Kissel, Slovak and Gieseke for their very informative study session, stating the budgeting process at GSU is obviously very inclusive and is something that he supports.

INFORMATION ITEMS

The report is in the Board Book. There were no questions.

Operational Budget vs. Actual Expenses
Ejigu reported first quarter expenditures appeared to track budget expectations, and it is anticipated that the University will end the fiscal year with some surplus funds. Ormsby commented that some surplus funds at the end of the fiscal year would be excellent. Ejigu reported that plans to remodel the dining facilities have been put on hold. It is still considered an important project; however there are some alarming fiscal conditions anticipated in the State and therefore it was felt prudent to table the project until there is more concrete information on State support. When there is some clarity on the State’s situation the project will be reconsidered.

Report on FY13 Financial Audit
Chair Ormsby stated this report is almost two years old and thus it is fairly useless at this time; a more timely report by the State would be appreciated. Ejigu reported that the Financial Audit was again without any qualifications. The auditors have offered an unqualified opinion that the University’s fiscal report presents fairly, in all material respects, the financial position of Governors State University. The net assets of the University have increased $16.6M or 17% since last year. This is an increase in the University’s equity and a good measure of its financial health. The primary reason for that are the 21 deferred maintenance projects that were completed and capitalized. The operating expenses increased by 6%, which is almost exclusively due to retirement and pension expenses. The year-end cash position decreased slightly year over year, by 5%. That is almost exclusively accounted for by the slow reimbursement of expenses by the State and granting agencies. At the current time the State of Illinois owes GSU $14M in appropriation reimbursements.

Report on FY13 Compliance Examination
Kissel explained the purpose of the compliance examination is to make sure GSU is in compliance with Governmental Auditing Standards, Federal mandates (financial aid and federal grants) and State mandates. Many of the audit findings have already been resolved. In FY13 GSU had 11 audit findings; one less finding than FY12. There were improvements related to Governmental Auditing Standards and State compliance. In the area of State compliance, the number of audit findings decreased from five in FY12 to three in FY13. In FY13 the University
made significant progress in eliminating the FY12 findings in the areas of procurement, contracting, and property control. Of the three findings in State compliance the external auditor made recommendations related to noncompliance with travel regulations and personnel policies, and corrective measures have been implemented. Because of these actions taken the University does not anticipate findings in these areas in subsequent years. Once again the University was cited for not being in compliance with faculty timesheets. As noted in previous years the work of faculty (research, service, and teaching) does not lend itself to the 15 minute incremental reporting requirement. GSU continues to be in discussion with its faculty as well as other universities on how best to address this requirement. Finally, with regard to the finding on failure to prepare high school feedback system reports, the State of Illinois has repealed this requirement and therefore it will no longer be a finding for GSU.

In the area of federal compliance, the number of audit findings increased from six in FY12 to eight in FY13. These eight findings were primarily because GSU was still in the process of strengthening the Financial Aid and Financial Services departments. Within the past 24 months, GSU hired a Financial Aid Director and Assistant Director as well as a Chief Accountant to provide proper expertise and leadership in these areas. Since 2013 GSU has made significant progress in remedying these issues because of its investment in people and technology, and it is anticipated the University will not receive many findings in the FY14 audits.

Kissel pointed out the audits provide the University an opportunity for continuous improvement. These findings are taken very seriously, and considerable effort is exerted to putting the right people, processes, and technology in place in order to reduce the number of findings. Ejigu reiterated that deliberate actions were taken in the two areas with very serious compliance issues, grants management and financial aid, and both are now fully staffed with very competent individuals. Tyson pointed out on page 82 of the compliance report that the auditors found GSU to be two days late on a deadline and one day late submitting a report. She asked why this occurred and how it could be prevented in the future. Kissel responded that two additional CPAs have been hired to prevent these types of noncompliance issues from happening in the future. She further stated that in FY14 the University was not late with any reports and therefore will not receive a finding. Professor Jia commented that in the public sector audit reports are available within three months, and asked why these reports take so long. Ejigu responded that the audit process is controlled by the State, and unfortunately the University doesn’t have any real control of it. Chair Ormsby commented the compliance requirements are time consuming and costly.

**Internal Auditor’s Annual Report**

Ejigu reported GSU is required by the State to have a full-time internal auditor and they are required to report once a year on their activities. Ejigu called on Dixon for a brief overview of his report. Dixon reported the University is in full compliance with the international standards of internal auditing, as well as with the State of Illinois standards. The 2015 audit plan has been
approved as noted. He stated the bulk of his audit deals with compliance issues. There were no questions.

**ACTION ITEMS**

**Approval of Minutes – October 10, 2014**

Ormsby requested a motion to accept the minutes of the October 10, 2014 Budget and Finance Committee meeting. Tyson made a motion. Mitchell seconded. The motion was approved by unanimous voice vote.

**Resolution 15—14: Approval of a Farm Lease**

Ormsby requested a motion to approve Resolution 15-14. Beaupre made a motion. Tyson seconded. Ejigu reported this is a routine farm lease renewal of land on campus that is farmed by the University of Illinois. GSU consults with them on management of the farm. The Administration is recommending renewal of the lease for the next three years. He noted there is a small adjustment in the contract because the amount of land is slightly reduced due to construction projects. Durkin asked how many acres are farmed. Ejigu responded the farm is comprised of about 240-250 acres. Durkin questioned whether there is a market rate for that. Ejigu called on Sullivan, who explained typically there are rotating crops depending on the land and what will be profitable in the coming year. GSU does receive a report on an annual basis. Tyson asked if this bid was open for public solicitation. Ejigu stated the University hasn’t really explored the possibility of sending the lease out for bid given the nature of it; however perhaps GSU should consider revisiting that question. Tyson asked how this relationship began. Sullivan explained the current farmer has been on the premises for a number of years after the previous farmer decided not to continue farming it. The farmer is a very good partner with the University and the sculpture park. The motion was approved by unanimous roll call vote.

**Resolution 15—15: Approval to Grant an Easement to the Village of University Park**

Ormsby requested a motion to approve Resolution 15-15. Tyson made a motion. Mitchell seconded. Maimon stated she is happy to bring this resolution before the Board because it indicates the reconstruction of Stuenkel Road will soon be completed. Maimon recognized and thanked Tom Vander Woude, Deputy Executive Director of Transportation and Infrastructure, South Suburban Mayors and Managers Association (SSMMA), as well as Ed Paesel, Executive Director of the South Suburban Mayors and Managers Association and Trustee Bruce Friefeld for their support. Maimon stated Mr. Vander Woude was present at the Board meeting to answer any technical questions. The resolution was approved by a unanimous roll call vote. Vander Woude explained there are three stages to the project, which will be completed in summer 2015.
PUBLIC COMMENT
There were no requests for Public Comment.

Ormsby entertained a motion to adjourn. Tyson made a motion. Mitchell seconded. The motion was approved by unanimous voice vote. The meeting of the Board of Trustees Budget and Finance Committee adjourned at 10:37 a.m.

Respectfully submitted,

Joan Johns Maloney