REGULAR MEETING OF THE BOARD COMMITTEE
ON FINANCE & ADMINISTRATION
MAY 8, 2009

1. CALL TO ORDER/ROLL CALL/WELCOME

Chair Dyess called the meeting to order at 8:30 a.m. Committee members present included Brian Fox, Kirk Schueler, John von Schlegell, and Tony Van Vliet.

Others present included: Chancellor George Pernsteiner, Mike Green, Patricia Snopkowski; Presidents Ed Ray (OSU), Wim Wiewel (PSU); Chris Maples (OIT); Vice Presidents Lindsay Desrochers (PSU), Frances Dyke (UO).

2. Action items

a. Internal Audit Progress Report

Docket Item:

OUS Internal Audit Progress Report

Background
The Oregon State Board of Higher Education Audit Charter requires that the Oregon University System Internal Audit Division (IAD) provide quarterly progress reports to the Chancellor and the Finance and Administration Committee. The quarterly audit report serves to assist the Chancellor and the Oregon State Board of Higher Education with their oversight responsibility.

IAD will provide a progress report as directed under the audit charter. The report contains a summary of the eight projects completed over the past quarter.

IAD identified improvements to the operations of the OUS. The audit report recommendations made over the past quarter were all adequately addressed by management.

Staff Recommendation to the Committee:
Staff recommends that the Board’s Finance and Administration Committee accept the quarterly audit progress report.

Committee Discussion and Action:

Internal Audit director Patricia Snopkowski presented the internal audit report highlighting the eight audits that were completed over the past quarter. She noted that Internal Audit is on target for its plan that was approved back in February but there will be some adjustments needed next quarter as a result of the federal stimulus money that will be coming in.
After a brief discussion, Chair Dyess called for a motion to approve the Internal Audit report. It was moved and seconded to approve the Internal Audit Progress report. Motion passed.

b. Quarterly Management Report

Docket Item:

OUS, Managerial Reporting – Quarterly Management Report

Attached are the quarterly management reports as of March 31, 2009. After reviewing the Budget Projections Summary received from each university and comparing prior year results, we noted the following:

Education and General – Limited: Revenue collections are projected to be 4 percent above 2007-08 due to $60 million or 12 percent increase in tuition and resource fee revenues, $56 million in new revenue from Recovery Act funds combined with a $76 million reduction or 19 percent decrease in state funding. The increase in tuition and resource fee revenues is primarily due to tuition rate increases, a 5 percent increase in student FTE enrollment and the mix of student enrollment.

Revenue collections year-to-date are up 9 percent over the prior year due largely to distribution of state funds for the compensation plan and the increase in tuition and resource fees. Spending is up 8 percent year-to-date above the prior year and is projected to be 8 percent above 2007-08 at year-end. The increase in spending is primarily due to pay raises, increased supplies and services expenses and spending related to new targeted programs.

The ending fund balance of Education and General – Limited is projected to be $76 million which is $36 million below the prior year. The projected June 30, 2009, fund balance of Education and General – Limited is within the Board directed reserve level of 5-15 percent.

All institutions, except for the UO, are projecting ending fund balances to be within the recommended reserve level of 5-15 percent of operating revenue; WOU’s recommended range is 10-20 percent. The UO is projecting their ending fund balance to be 4.7 percent.

Auxiliary Enterprises: Systemwide, Auxiliary Enterprises is projected to have total revenue of $325 million and expenditures of $313 million, resulting in $11 million of revenue over expenditures. Unrestricted Net Assets are projected to increase $10 million to $73 million. Please refer to the explanatory notes on the institution and Chancellor’s Office reports for additional information.

Designated Operations, Service Departments, and Clearing Funds: The projected ending fund balance of $32 million is consistent with the prior year. Please refer to the explanatory notes on the institution and Chancellor’s Office reports for additional information.
EDUCATION & GENERAL - LIMITED

State General Fund: 9,239 89% 71% -4% 13,797 16,225 10,698 (5,727) (3,467) -34%
Recovery Act Fund: 0 0% n/a n/a 0 0 2,117 2,117 2,117 n/a
Tuition & Resource Fees, net of Remissions: 0 0% n/a n/a 0 0 0 0 0 n/a
Other: 2,000 65% 63% 8% 2,000 2,033 3,083 150 164 5%

Total Transfers In: 0 0 0 0 0 0 0 0 0 n/a

Total Revenues & Transfers In: 11,239 71% 70% -4% 16,736 19,158 15,758 (3,400) (1,126) -6%

Personnel Services: (6,066) 74% 74% 6% (8,161) (9,705) (9,463) 242 (58) 6%
Supplies & Services: (4,095) 79% 71% 7% (6,235) (7,729) (5,968) 1,763 146 -4%
Capital Outlay: (16) -36% (25) 0 (17) (17) 0 -32%

Transfers Out: (1,834) -6% (2,788) (1,099) (2,154) (555) (325) 23%

Total Expenditures & Transfers Out: 11,061 70% 67% 11% 14,777 17,443 13,888 (4,580) (1,728) -24%

Net from Operations & Transfers: (13,344) 76% 72% 4% (17,949) (19,033) (17,600) 1,433 (237) -2%

NOTES AND ASSUMPTIONS:

DESIGNATED OPERATIONS, SERVICE DEPARTMENTS, CLEANING FUNDS

Total Revenues: 0 0% 113% -100% 0 0 0 0 0 n/a

Net from Operations: 0 0% 113% -100% 0 0 0 0 0 -100%

Ending Fund Balance: (9,637) 4,608 4,608 4,608 0 0 4%

NOTES AND ASSUMPTIONS:

(1) Increased projection in Transfers Out due to one time funding support to assist institutions for various initiatives.

Staff Recommendation to the Committee:

Staff recommends that the Committee accept the Quarterly Management Report for March 31, 2009. The next management reports for the quarter ending June 30, 2009, are scheduled to be presented to the Committee in September 2009.

Committee Discussion and Action:

Chair Dyess called upon Controller Mike Green to present the item. Controller Green began his remarks by commenting on his concern about the pressure on internal controls. He stated, “At some point, when a unit gets too small, it becomes difficult to maintain a good level in terms of controls.” He went on to present the management reports for March 31, 2009. After a brief Committee discussion, Chair Dyess called for a motion to approve the quarterly management report dated March 31, 2009. It was moved and seconded to approve the report. Motion passed.

c. Report on Investments as of March 31, 2009

Chair Dyess asked Controller Mike Green to present the item. Mr. Green reported that the negative returns in the investment markets continued in the third quarter. He shared with the Committee that the fund outperformed its benchmark by 230 basis points or 2.3 percent, which while still well into negative territory, is better than what was experienced the past two quarters of this fiscal year. However, the negative returns over the fiscal year pushed both the three and five year averages below the benchmark.
After a brief discussion, Chair Dyess called for a motion to approve the report on investments as of March 31, 2009. It was moved and seconded to approve the investment report. Motion passed.

3. **Adjournment**

   There being no further business before the Committee, Chair Dyess adjourned the meeting at 9:58 a.m.