

Florida A & M University

Board of Trustees Public Workshop

School of Journalism Conference Room

Tallahassee, Florida

Trustees Present: William Jennings, Vice Chair; Phillip Agnew; W. George Allen; Laura Branker (by telephone); Al Cardenas; Mary Diallo; Pamela Duncan; R.B. Holmes (by telephone); Leerie Jenkins; Daryl Parks; Spurgeon McWilliams

Trustees Absent: Regina Benjamin

Minutes/Summary

The Board of Trustees Public Workshop was called to order by Vice Chair William Jennings at 10:15 a.m. Roll call established that a quorum was present. Chairperson Jennings acknowledged the agenda and deferred his opening comments until the conclusion of the meeting.

Vice Chair Jennings began the workshop by welcoming Trustee Daryl Parks to his first meeting. Trustee Parks stated that he was happy to serve FAMU and that he looked forward to working with the Board.

Vice Chairperson Jennings commented on the full agenda and stated that since this is a Workshop it would be more of an open dialogue with presentations to address pressing concerns. He called upon President Bryant to begin the Workshop.

President Bryant began by stating that Vice Chairperson Jennings had asked her to share the presentation with the Board of Trustees that she had made the day before to the Board of Governors' Task Force. She expressed her gratitude for the Task Force and thanked the Board of Trustees for their commitment to the process that will be remembered as a turning point for FAMU. Also, she stated that FAMU is an institution that needs assistance and guidance to remedy problems that have existed for many years. She promised to do everything possible in her remaining tenure to assist the Board of Trustees by providing whatever information that was available. Before beginning her presentation, she lamented the resignation of Board Chairperson Challis Lowe and expressed regret over the conditions that caused her to resign. She complimented Ms. Lowe for having been a professional, dedicated public servant.

President Bryant continued by stating that she felt the same way today that she felt on yesterday when she made her presentation to the Task Force. She stated that there are chronic structural problems at FAMU that need urgent attention. Further, resources and training shortfalls must be addressed if FAMU is to be successful and prosperous.

She cited retention and graduation as two of FAMU's greatest challenges, as well as operational issues that are being considered by the Task Force. President Bryant acknowledged that the relentless campaign of University stakeholders, seemingly opposed to change, has been disheartening and difficult. With regards to the recent audit, the responses that FAMU made indicate progress and transparency in our efforts. She stated that when asked how she would like to be remembered as President, she replied that she would like to be remembered as one who made personal and professional sacrifices in an effort to bring transparency to the operations at FAMU, a state institution that belongs to the people of the State of Florida. She applauded the contributions that FAMU makes to the state and believes that "FAMU has the potential to make even greater contributions."

Trustee Diallo requested a copy of the PowerPoint presentation that President Bryant made to the Task Force, in addition to the source of the data that was used to discuss the retention and graduation rates of National Merit Scholars admitted to FAMU. President Bryant stated that this was just one example and that the source for the data was listed at the bottom of the slide. She also stated that she would be happy to provide the Board with her presentation upon request.

President Bryant continued to recap her presentation by highlighting other areas such as financial management and accountability. She mentioned that several topics that she presented to the Task Force were a direct result of the audit findings, such as operational issues. In this regard, she discussed the multiple contracts held by some employees; accreditation reviews and recommendations by the accrediting agencies for the various schools and colleges; a review of academic programs and curricula; academic support for student progression and retention. President Bryant stated that all of her data can be found on the Florida Board of Governor's web site or with FAMU's Director of Institutional Research (Beverly Barrington). Vice Chairperson Jennings stated that he would schedule a meeting with the Chancellor to discuss that data with him and provide the information to the Board of Trustees. President Bryant promised to provide a printout of the data to Chairperson Jennings. Chairperson Jennings requested that any information shared with the Task Force also be shared with the Board of Trustees in order to avoid miscommunication. To discuss payroll issues, Chairperson Jennings called upon Dr. Debra Austin, Provost and Vice President for Academic Affairs.

Vice President Austin provided a PowerPoint presentation and copies which outlined the hiring process for faculty. She assured the Board that the appropriate policies were in place, but that work needed to be done on the execution of the policies. Her discussion included full-time faculty, full-time faculty with overloads, adjunct faculty and graduate assistants. Also, she outlined potential problems in the hiring process. Steps for hiring faculty include the following:

1. Employment packet to be completed and returned to the chair of the department;
2. The chair of the department completes additional paperwork and submits it to the Office of Human Resources;

3. The dean approves the packet and submits it to the Office of Human Resources;
4. Human Resources logs the packet in and submits it to the Provost;
5. The Provost signs and returns the packet to Human Resources;
6. If the position is funded by Title III, Human Resources forwards the packet to Title III, for their review, and Title III returns it to Human Resources;
7. If the position is funded by contracts/grants, Human Resources forwards the packet to Sponsored Research;

[Note: Since most full-time faculty are paid from the educational general (E&G) accounts funding from the State, those packets would by-pass Title III and Sponsored Research and go directly to the Budget Office, which checks to see if funds are available.]

8. The Budget Office returns the packet to Human Resources;
9. Human Resources takes the packet to the President's Office. Once the President has signed, Human Resources generates a contract;
10. The packet is submitted to Payroll for information to be entered into the Legacy System;
11. Payroll returns the contract to Human Resources.

Trustees Duncan asked if, considering our institutional technology needs, people are completing these functions along the way. Vice President Austin said yes. Trustee Duncan stated that she was amazed that anyone gets hired because of the lack of technology. Vice Chair Jennings asked how long this process takes on average; Vice President Austin said nine (9) days from department to payroll, theoretically. She cautioned that if there is a delay because of a missing document, signature, or inaccurate paperwork then it could take considerably longer than 9 days. President Bryant stated that because it is a manual process, it is a challenge to keep it together. Trustee McWilliams stated that this presentation explained why we have a problem with payroll. Trustee Cardenas stated that the Board would like to see this process streamlined as much as possible to accommodate good talent. Vice Chair Jennings agreed with Trustee Cardenas about streamlining the process.

Trustee McWilliams expressed concern over the Auditor General's report, four items in particular: competitive bidding, appropriate staffing as opposed to excessive use of consultants, accountability by documentation and timely payment to FAMU personnel. Further, he stated that FAMU's status and visibility depends upon three things: academic performance, social performance and business performance whether it is with vendors, contractors, grantors, corporate or educational partners. He asked about how we could position the University as a vital business partner with which people want to do business. Vice Chair Jennings agreed with points made by Trustee McWilliams and called for a general discussion about the operational audit, the response to the audit and comments

made at the Task Force meeting on yesterday. Also, he stated that he spoke with President Bryant that shed light on the payroll issues and that problems regarding the same had been identified.

President Bryant discussed the two in-house Task Forces that had been appointed, one to address payroll issues from Spring 2007 and the other to address Fall 2006. In addition, she requested by email the names of persons who had not been paid. Once the list of faculty was available, Human Resources, Payroll and Budget were assembled in Room 407 Lee Hall with personnel waiting to process the requests. One hundred and fifty-nine (159) requests came for Spring 2007 and 89 came for Fall 2006. To date, many of them have already been paid, but the list for Fall 2006 and beyond is still pending with a payroll run scheduled for next week. Discussion ensued regarding full payment of salary warrants, missing paperwork that should have been submitted and needed to establish "paper trails."

President Bryant stated that this is a Board policy issue because some requests for back payments of salary could extend outside of this fiscal year and that using money from this budget or next year's budget is a Board decision especially for the auditors; a directive is needed. Trustee Allen moved approval of the policy and Trustee McWilliams seconded it. A statute of limitation was suggested by Attorney McBride. The statute is five (5) years with appropriate documentation. Trustee Cardenas noted that many of the non-paid contracts were for identical reasons and must be considered individually, for example, incomplete or incorrect forms, budget restraints, and appropriate signatures. Trustee Diallo noted that department heads do not have budgetary authority; Trustee Agnew stated that department chairs are given budgets at the beginning of the year and should be guided by their allocations.

Trustee McWilliams stated two different things were being discussed when retroactive compensation is the issue.

President Bryant agreed to send copies of the official letter that goes to employees who are experiencing payroll problems. Dr. Grace Ali, Vice President for Administrative and Fiscal Affairs, asked if this resolution would be extended to current employees only. Trustee Parks inquired about the effect on past employees. Vice Chair Jennings believed that reasonable steps have been taken to address people with pay issues. Then, he moved to the discussion of the audit.

After having spent 8 hours with the Task Force on yesterday, Vice Chair Jennings felt strongly that the Board of Governors is committed to doing everything it can to help FAMU move out of the position that it is in by using all available resources. He implored the Board of Trustees to look toward the future and to work in the best interest of the University. With reference to the audit, Vice Chair Jennings stated that some of the findings may be beyond the University's efforts to correct. He praised a member of the Task Force, Dr. Penson, for providing a self-evaluation. He believes that the Board of Trustees should do the same. Also, Mrs. Merkel of the Task Force, who serves as chair of the Audit Committee at the University of Florida, provided a report based upon her perception of how the FAMU Board of Trustees functioned in the past. She used board

Minutes as a resource. From her assessment, she is requesting a lot of information from the FAMU Board, not from the administration. Then Chairperson Jennings asked Dr. Ali, Vice President for Administrative and Fiscal Affairs, and Larry Henderson, Vice President of Information Technology, to make their presentations.

Trustee Parks asked for clarification of the \$50 to \$75 million dollars that were proposed as a solution to fix old technological problems, which are the foundation of the accounting/technology issues.

Vice President Ali recapped a four-page report on finances at FAMU presented by Mrs. Merkel to the Task Force. First, the 2004-2005 audited financial statement was a concern for Mrs. Merkel because it was a qualified opinion with four material weaknesses in the University's operation. Also, she emphasized that a material weakness is when you are unable to reduce the relatively low level that misstatements can occur. Misstatements can occur because of error or fraud, and they may not be detected in a timely manner by employees during the normal course of duty—bank reconciliations, procedures, the administration of electronic funds transfer and journal vouchers. Dr. Ali stated that she had tracked over a ten-year period of FAMU's operational audit results, pre-and post-devolution. And even though Mrs. Merkel's study covered a one-year period, Dr. Ali's ten-year tracking discovered the same issues. Further, Mrs. Merkel discussed findings in the technology audit that were of concern to her. It is not uncommon with the implementation of new financial systems that issues may occur. Then, Mrs. Merkel stated that she wanted to spend most of her time on the audited financial statement and the ten material weaknesses not in the audit report. Further, she expressed concern about the timeliness of the financial statements; statements ending June 30, 2005, were not delivered until the third week of June 2006. Additionally, Governor Merkel spoke of the weaknesses in the Audit Committee of FAMU's Board and requested the following: KPMG contracts; task orders; master service agreements; reports of the Audit Committee's review of the operational audit; organizational charts for the University (previously provided by the University, but not distributed to the Task Force). Vice Chair Jennings asked President Bryant, who would collect the requested documents. President Bryant and Dr. Ali, along with Ms. Kimberlee Borland, would collect and distribute copies to the Board of Trustees within the week.

The Trustees expressed concern that the Board of Trustees' Audit Committee does not have an accountant. Vice Chair Jennings agreed that it is a weakness and stated that the next trustee appointment will be made by the Board of Governors. He hoped that their replacement for Challis Lowe would be a CPA. Trustee Allen asked that if and when a CPA was appointed that he/she be placed on FAMU's Audit Committee.

Vice President Ali spoke of the calendar for audits that Vice President Little, Audit and Compliance, provided as part of the workshop. The operational audit was scheduled for July 28 through September 29. The operational audit lasted for eight months because the scope kept increasing due to anonymous comments that the committee was receiving. Trustee Parks stated that Mrs. Merkel said that the Audit committee had experienced problems because of the interpretation between PeopleSoft

and the old system; many functions had to be completed manually in an effort to come up with a base of numbers to be audited. Discussion ensued.

Trustee Allen moved that the FAMU Board seek an independent CPA in the interim; Trustee Duncan seconded the motion. Vice Chair Jennings asked Trustee Allen to take the lead and inform incoming President Ammons.

Larry Henderson, Vice President for Information Technology, began by reviewing his discussion at the Board of Governor's meeting on yesterday. He spoke to the questions regarding technology, infrastructure, PeopleSoft, reporting, utilization of the system and configuration of the system. Also, he stated that about 60 percent of FAMU's network is obsolete. He detailed the problems of moving from keyboarding to computing. Keyboarding was putting input data into the system that was being handled by the State. FAMU has nearly 2,000 PCs that are obsolete; approximately 500 have been replaced. Another issue discussed at the Board of Governors meeting was FAMU's PeopleSoft applications and that the University had personnel who had never used an Excel spreadsheet or PC and who were without telephones. He explained a deficiency in skill sets of personnel in great detail and the difficulties that resulted. These and other deficiencies made the transfer more challenging. Trustee Cardenas asked if training was a challenge or if the system was a challenge. Vice President Henderson said both and that many of the personnel who have been hired do not have prior PeopleSoft mission-critical experience. He explained in great detail how the PeopleSoft system works. Also, he stated that when FAMU put its system in place, there were inadequate resources from the outset.

President Bryant explained the initial consortium for the system with Florida State University, University of Florida, University of North Florida and FAMU. Very quickly, the University of North Florida pulled out. FAMU remained as did FSU and the University of Florida, who had large teams of computer personnel that had experience, background and credentials. Discussion ensued. Trustee Cardenas believed that the FAMU Board of Trustees should address the challenges and aggressively pursue resources. President Bryant stated that Chancellor Rosenberg suggested that all presidents with financial needs should follow the Board of Governors procedure and devise a plan. Vice Chair Jennings asked that the FAMU Board be advised of any plan to be submitted. More discussion ensued. Vice President Henderson promised a plan by the end of the week. Trustee Allen suggested developing a backup plan in the event that attempts at gaining resources run into problems. A motion was made and seconded for the backup plan; the motion passed. Vice Chair Jennings advised Vice Presidents Ali and Henderson to work together to develop the plan so that accounting is a consideration as well.

President Bryant summarized by stating that the University must provide a projected amount for a technology system that will be responsive to the administrative needs of the University and that will be the recipient of input from all of the appropriate people. Trustee McWilliams stated that the plans should reflect how much improvement

can be shown on a year-to-year basis if the complete overhaul may take up to five years to complete. Vice President Henderson agreed.

Vice President Ali turned the discussion back to the Operational Audit. She stated that the audit covered eight (8) months and that findings were reported for all divisions except University Development. The report was delivered on March 14, 2007 and a response was requested within 30 days. The University's response was delivered on March 12, 2007, and a response was requested within 30 days. The University's response was delivered to the Audit Committee on April 12, 2007. Vice President Ali stated that the charge from President Bryant was for Vice Presidents Little and Ali to prepare the response and coordinate it with Attorney McBride. Further, all division heads that were included in the findings should prepare their individual responses. The operational audit identified 84 issues in the 35 findings, and there were seven (7) repeated areas such as electronic funds transfer, disbursement and procurement. The University has completed corrective actions on 14 of the findings with development of new policies and procedures which were missing. Additionally, Vice President Ali believed that 12 findings could be completed by June 30, 2007, in similar manner. There are five (5) findings that may take six (6) months or more because they require a change in procedures that must be developed in conjunction with faculty and go through the governance system. Another will require FAMU to look at other policies and procedures around the State and change what is done in the area of communications. Discussion ensued. Vice President Ali stated that the next step is to wait for the final report.

Vice President Ali continued by addressing the missing inventory that was reported to be valued at \$2.8 million. She stated that the missing items for the most part were an average of 11 years old and an average value of \$2,700 each. Of the 900 items, 770 were fully depreciated and the remainder had a net book value of approximately \$208,000.

Vice Chair Jennings inquired about the missing receipts for tickets sales in Athletics. By way of explanation, Vice President Ali stated that because of the lack of storage space, tickets were stored in a space behind the stadium's concession stands. The new athletic director wanted the area cleaned up, and the custodial staff inadvertently got rid of the records. However, Ticket Master was able to re-run the register of sales through their electronic files. Dr. Nelson Townsend, Athletic Director, stated that the data has been tracked to the penny with the auditor in question.

Vice President Ali moved to the next issue, the \$39 million of the "Slush Fund" and "Kitty" and the implication that FAMU had overspent its budget. The fact is that the budget was not overspent, but was under-spent. That was an obvious error made by the auditors in reporting that FAMU had overspent its budget. It was cleared up. The decision was made by the leadership not to publicize the error. The final report should be issued within a couple of weeks according to Governor Pappas. Discussion ensued.

Following a brief recess, Vice Chair Jennings moved to the action items; they were discussed by Attorney McBride. One item was signature authority with the departure of former Chairperson Lowe. As this is an emergency, Attorney McBride

suggested that Vice President Grace Ali become the Chief Financial Officer for the purpose of signing University checks; some need to be signed immediately. Trustee Cardenas made the motion, and it was seconded by Trustee Duncan. The motion carried. The second action item was that a resolution be prepared that would empower President Bryant to continue to sign documents on behalf of the University until 12:01 a.m. on July 2, 2007, at which time her name and authority would be replaced by Dr. James Ammons. The other signators would be Vice President Grace Ali or Phyllis Watson, Assistant Vice President for Treasury Operations. Approval of the resolution was moved by Trustee Jenkins and seconded by Trustee Parks. The motion passed. Further, Attorney McBride stated that the two documents would be prepared and presented to the Vice Chair for signature.

Vice Chair Jennings mentioned a third action item introduced by Trustee Allen in a conversation that they shared---self-evaluation. The Vice Chairperson sought permission for the FAMU trustees to begin the process of identifying firms or individuals who could provide this service in the form of a recommendation. Trustee Parks made the motion and it was seconded by Trustee Duncan. The motion passed.

The next item on the agenda was KPMG, their consulting contracts and tasks performed. Vice President Ali explained the handouts: #1—the deliverables on task orders; #2—summary of services that were provided in Task Orders five, six and seven (the ones that apply to this fiscal year and the deliverables associated with each); #3—the controller's assessment of the accounting support that was provided on Task Orders one and six. Vice President Ali fielded questions and provided detailed responses. Vice Chair Jennings asked how much had been spent to date on the entire effort. Vice President Ali explained that there are two groups of contractors and that each incurred expenses just under \$2 million dollars or \$4.7 million dollars. Discussion ensued. Trustee Parks asked about the long-term plan to address the University's accounting needs so that the use of consultants can be reduced. President Bryant and Vice President Ali spoke of the difficulty in finding qualified accountants for hire. All avenues for recruiting qualified accountants have been explored. Trustee Parks asked how many vacancies presently exist in Dr. Ali's office. There are approximately 17 of 90 positions vacant.

Vice Chair Jennings asked how much the Department of Labor issue would cost. President Bryant stated that she had been directed to work with Ms. Beasley. Attorney McBride answered that it depended upon whether the data can be generated from the State. Vice President Henderson offered to assist with gathering the data for the Department of Labor. Vice Chair Jennings stated that he is not in favor of additional funding for KPMG to support any of the task orders. Vice President Ali stated that the task orders had been approved, signed, delivered and paid. Vice Chair Jennings would like to greatly reduce FAMU's dependency on consultants.

Next, Vice Chair Jennings moved to the Department of Labor's initiative, and President Bryant explained the process.

President Bryant stated that a letter was sent to her from the Department of Labor wherein they requested a review of timesheets for overtime, part-time and special compensation for non-exempt employees and OPS for the past two years. Further, she stated that the University had contacted the State for the total amount paid during this period. The deadline for the report to the Department of Labor has already passed. Hopefully, the report can be forwarded on Monday of next week. Vice Chair Jennings asked President Bryant to inform the FAMU Board of progress in this regard.

Vice Chair Jennings stated that the last item on the Agenda was the Task Force meeting, which had been discussed in bits and pieces already so there was no need to say more. He spoke of Dr. Ammons' Transition Team, which is being formed. He also stated that he and former Trustee Lowe would discuss projects and transfer of projects that she and Dr. Ammons had begun. Additionally, he spoke of two agenda items for the May Board of Trustees meeting: (1) the election of a chairperson and (2) a resolution for former chairperson Challis Lowe. Unanimous approval was granted. Vice Chairperson Jennings asked if other Trustees had items to be included. Also, he asked that Trustee Allen schedule a meeting of the Audit Committee.

The Workshop adjourned at 2:15 p.m.

Respectfully submitted

Vivian Hobbs