**METROPOLITAN STATE UNIVERSITY of DENVER**

**BOARD OF TRUSTEES**

Finance Committee Meeting

Thursday, December 5, 2019

**I. CALL TO ORDER:**

The meeting was called to order at 7:34 a.m.by Trustee Wendy Dominguez.

**Board of Trustees Present:**

Chair Wendy Dominquez, Trustee Barb Grogan, Trustee Marissa Molina, Trustee Jim Mulligan, Trustee Russell Noles, Trustee Jack Pogge, Trustee Jeff Shoemaker, and Faculty Trustee Chris Harder

**MSU Denver Personnel Present:**

Janine Davidson, President; Vicki Golich, Provost and Vice President for Academic and Student Affairs; Cathy Lucas, Vice President for Strategy and Chief of Staff; Deputy General Counsel Nicholas Stancil; Jinous Lari, Director of Budgets; George Middlemist, CFO/Associate Vice President of Administration and Controller; Larry Sampler, COO/Vice President of Administration; Ann Murphy, Dean, College of Business; Cipriana Patterson, Deputy Budget Director; Liza Larsen, Controller; Stacy Dvergsdal, Associate Vice President for Human Resources; Elizabeth Hinde, Dean, School of Education; Arlene Sgoutas, Dean, College of Letters, Arts and Sciences; Jennifer Capps, Dean, College of Professional Studies, and other various staff members.

**II. APPROVAL OF MINUTES:**

A **motion** was made by Trustee Mulligan to approve the September 5, 2019 Finance Committee meeting minutes and was seconded by Trustee Noles. The motion was **unanimously approved**.

**III. ACTION ITEMS:**

 **A. External Audit for FY2018-2019, Liza Larsen & Lisa Meacham**

Lisa Meacham, audit partner of Plante Moran in Denver:

The financial statements do include two component units: The Foundation and HLC@Metro. One thing that changed in the 2019 presentation is that HLC@Metro was determined to be required to present under GASB. In previous years it was reported under FASB standards; that was a change that came out this year.

There was about a 6% increase in net tuition and fees. There was a significant expense and liability reduction related to the pension and other post-employment data calculation, driven by changes at PERA that then flow down to all the participating partners, which had a very a significant impact if looking year-over-year, and is out of the University's control.

The audit findings were all related to the IT general controls. These are all considered significant deficiencies. The details were reviewed with management and the IT team and a plan was put in place for implementing changes to address all these findings.

* The first finding relates to information and security access over the Banner system. The main concern is that there could be unauthorized access within the Banner system. The IT group confirmed that changes will be implemented by June of 2020 to address this.
* The second finding is related to change management over the Banner system and how those changes are communicated, monitored, and tested before being implemented. It is more about having a defined policy about the type of change, and then how the different types of change are implemented. This was worked on in detail with Kevin and his team and the changes should be implemented by February of 2020.
* The last finding relates to controls over endpoint perfection and vulnerability management, including protecting hardware and access to the hardware, servers, individual computers, and how those are monitored against viruses, malware, and other risks that could impact the overall security of those assets. This has already been implemented in November, but the issue was that certain users could opt out of having their equipment managed by IT Services, and so that is no longer an option.

All accounting policies used by the University are in compliance. One new GASB that was adopted this year, GASB 88, deals with certain disclosures surrounding debt. There was no significant impact for the University. Overall, the financial health has improved from fiscal year 2018.

Trustee Grogan requested a tutorial on the PERA liability and training on cyber security.

**IV. DISCUSSION ITEMS:**

1. **Internal Audit Reports – George Middlemist and Liza Larsen**

Chrome River Audit

Chrome River is a software system that is used to create, submit, and approve expense reports for travel and non-travel expenses. It was implemented in April 2019 and communicates with Banner and Wells Fargo to automate procedures and decrease processing time. The objectives were to test internal controls and to test time effectiveness and the quality of the reports.

Findings:

* Internal controls - all the proper internal controls are in place.

Recommendations:

* Training:
	+ Improve on the existing training to one hour once a week and offer internet training with hands-on simulations that are arranged around a specific function or topic within Chrome River.
	+ Promote a variety of training manuals – Chrome River has tutorials available on its platform and none of the faculty and staff interviewed were aware of it.
	+ Weekly live sessions be recorded to provide a refresher.
* Promote more users to use their corporate cards since MSU Denver receives a rebate of 1.3%.
* MSU Denver is tax-exempt in Colorado, Wyoming, Texas, and Kentucky. Make sure there’s no tax included and, if there is, that it’s reported and the tax compliance individual through MSU Denver will reach out to the users. Communication in advance regarding the 20% maximum on tips could decrease the amount of process time and less reports are going to be returned to users, streamlining the process overall.

Cost of Class Audit

How much does it cost to run a class? Steps taken: Review the cost of education report, interview the people to research cost information, verify budget process flows, and research class monitoring and use such as used for minimum class size.

Cost of education report: created by the Steering Committee made up of a group of various stakeholders. The information for this report is sourced from Banner and then reconciled back to the financial statements. The goal of the report is to get a detailed level for the cost of a specific class.

Potential risks:

* Complexity of over or under-allocating costs, indirect or overhead costs, and the impact of that would be potentially holding a class that is not being used at its potential.
* Lack of cost awareness, making them difficult to control.
* University infrastructure being too large or too small, which is inefficient, and being unable to support enrollment.

Recommendations:

* Move forward on cost discussion to deepen conversations on current expense and budget activities. Increase distribution of the existing cost of education report or similar cost report, to prompt conversations about whether the current allocations are appropriate, allowing for additional iterations to make the report more useful.
* Clearly define roles and responsibilities as they pertain to budget and program reviews. This will ensure these reviews are occurring at regular intervals and will assign accountability.
* Create additional tools and training to help all the University’s stakeholders and members understand costs.

Auxiliary Overhead Rate Audit

We have auxiliaries at this institution, and they are allocated a portion of our overhead. Different auxiliaries have different functions. His process was an exercise to see if they are rationally allocating this overhead and the Administrative Service Recharge (ASR) rate. Auxiliary enterprises is defined by the National Association of College and University Business Officers (NACUBO) as “programs that furnish goods or services to students, faculty, staff or incidentally to the general public, and charges fees directly related to, although not necessarily equal to the cost of goods or services”. These auxiliaries are monitored by the budget department and are divided into three classes:

* Mandatory fees
* Learning centers or academic programs
* Enterprise activities

Findings:

* ASR rate is not covering the share of overhead expenses
	+ Using credit hour production (CHP), expenses were 18.5%.
	+ Expenses only came up to 40% of gross revenue needed to cover the overhead expenses. The auxiliaries are not covering the overhead expenses based on the 10% rate which is too low.

Recommendations:

* Raise the ASR rate by 2%, making it 12%.
* Review the rate periodically

**B. Fiscal Year 2020-21 State Budget Update and Governor’s Proposal – Larry Sampler**

Summary of Governor’s Budget Proposal:

* $20.4 million for Institutional Governing Boards
* $5 million state need-based financial aid
* $839,346 for area technical colleges, local district colleges

The state has increased funding to higher education by 2.5 percent and will reallocate 10 percent of existing base funding to higher education and run that through the new funding model. MSU Denver benefits the most from the new model, receiving an additional 6 percent in funding or nearly $4 million. Although the model does serve us well as it aligns with the outcomes that serve Colorado, there are still significant funding issues for MSU Denver. Our base is much lower than other schools, and nearly $190 million is taken off the top of funding and distributed to CU, CSU and Mines in the form of specialty education program funding. Staff agreed to prepare some talking points for the trustees to have when visiting with state leadership regarding the challenges that we have.

 **C. Human Capital Update - Stacy Dvergsdal**

Reasons for leaving MSU Denver: Our top three that emerged from 241 responses (from November 2016 to August 2019):

* Wages – Current compensation process uses CUPA salary data. Faculty salaries are dictated by the Provost office. The University is looking at a compensation structure revamp in Spring 2020.
* Retirement
* Lack of growth and advancement - we want to create opportunities to move across, to continue to expand the knowledge, skills and abilities for each of our team members to really have those opportunities to grow.

This month leaders will validate employees holding those positions, using employee factors such as: performance, potential flight risk, and impact of loss to the University to identify key talent that we don’t want to lose. Using a new compensation structure will help us compensate, be competitive in the market, ensure consistent pay equity, to give our current employees a clear picture of career position. The goal right now is to set up and roll out the new compensation structure for professional staff starting January 1, 2020 and faculty in February 2020.

MSU Denver’s medical contribution rate is very competitive. On July 1, 2018, we entered a new multi-year phased approach in changing the way that we administer our leave. Some of the highlights of that are: we introduced a medical leave policy, parental leave policy (100%) and tuition benefits for employees and dependents.

HR next steps are to focus on the compensation structure – that is our key priority. HR has got to automate as we need that important, accurate data to guide the decisions that we’re making for our people.

Jinous Lari, the University’s Budget Director will be retiring after 23 years of service to our students, faculty, and staff.

**V. ADJOURNMENT:**

A **motion** was made at approximately 10:10 a.m. by Trustee Shoemaker, seconded by Trustee Mulligan, to adjourn. The motion was **unanimously approved**.