

>> This particular contract is for October 15 2020. Approved for July 2019. This is the only contract I have .

Any questions on that contract? Thank you, we appreciate that report. We can move to agenda item number 17, the [Indiscernible] Services report.

Thank you, I have several reports to bring to you today, the first one is our payroll expenditures audit. As most of you know, most of the functions related to payroll, all of the department heads and even the employees have a role in ensuring the expenditures are accurate and appropriate at the University.

Just for historical or background information, it was reported for fiscal year 20, we spent almost \$123 million on payroll with an additional 60 for the payroll related cost. It is a significant portion of our University budget. We also show the breakdown between the budget when we budget those expenditures, salaries about 45 million, exempt salaries, 30 million and student wages, 4.5 million. So the budget is about \$100 million also. As far as employees, that receive salaries, as of September 1 we had 2900 employees. The student nonexempt staff of 945 but also our student employees which aren't full-time, we had 66 student employees. So almost 3000 employees, 2000 full-time. The purpose of the audit and our audit objective was to gain assurance that the University had the controls and processes in place for university payroll to make sure that our expenditures were appropriate and operating as intended. Including that they were accurate, authorized and approved.

You will note that the Board of Regents have to approve certain salaries and items for payroll. That they were adequately supported in compliance with regulations. Any opportunities for fraud, in the payroll expenditure process were minimized. And that we had implemented previous payroll related management action plans from other audits performed. So the scope of the audit was the fiscal year 2020 payroll expenditures, restricted to just exempt staff and

employees related to the policies and control systems that go along with those payroll expenditures. What we did is test of the population, more instead of doing a sampling method, looking at overall for the population. Where certain benefits like Social Security retirement and things like that are appropriate. We did find that, controls and processes for the university payroll generally existed and were operating as intended including that they appear to be accurate, supportive and in compliance. Fraudulent opportunities appear to be minimized and our confidential amended -- information appeared to be protected. We didn't have any additional findings, so they really have done a good job of making sure our payroll is documented as it needed to be. We did follow-up on the previous management action plans, so as far as our benefits proportional audit in 2017, the commission of finance administration continues to work on formalizing the benefit reconciliation process. There were some updated changes with the teacher retirement system. So they are setting a new target implementation day from that audit date of August 31, 2021, as far as payroll activities if you will recall. Last year when we went to audit the payroll expenditures, we had an audit observation if we needed a comprehensive payroll disbursement

report to aid in some of our reconciliation processes and they did implement that audit finding. So the other one that will stay on our list, so looking forward to our follow-up audit, we did the follow-up audit as of February 2 which was after the Board of Regents, January February meeting,

as of that date we have 89 action management plans across the University on our follow-up list, the oldest one back to the audit in 2014 and a couple of 2017, you will see it included in the audits we just did and presented at the January Board of Regents meeting. So at four of those some of them were excluded because they were followed up with other audits. And some of them have an implementation date after the February 2 date. So in on there were 54 managed action plans we followed up on. So our objective was to gain assurance that those plans have been implemented in an appropriate manner. And if you turn to the summary of findings and observations, 20% of the management action plans, we have already verified and another 43% were implemented, 63% implementation rate. 37% of them or 20 had to have an extended management action plan or new target implementation day so overall, the University partially implemented the management action plans. You can see some more details there for the 20 that did have the date moved. Management anticipates that seven will be implemented by May 31, and the other 13 by September 30. So you should see those throughout the year with more follow-up audits. We get to our spirit programs. As we said today they just went and won some national championships.

So TJ, who is over the department, and has been there since October 2016 and does report to the division of student affairs, they have about 450,000 or so budgeted funds, and a property inventory that is less than 5000 staff with four people. We did find that they have controls in place to generally conform with the requirements for testing. We had some opportunities for improvement regarding some of the requiring university disclosures and trainings. Things that we have seen in other audits but they have already implement all of those. So there will be no further follow-up will requirement from our office. Then we have our follow-up audit for our I.T. audits. The details were presented yesterday because of the security sensitive nature. For background information, the University is subject to code 202 and the Department of information resources of the state of Texas security controls, specifying certain technology security standards that should match the minimum control that specified by the state of Texas through the DIR. We contract through a company to augment our information technology internal audit services. So the objectives of this audit were to determine if corrective actions or recommendations from those previous audits have been remediated. The scope included those findings and recommendations as of January 31, 2021. Due to the Covid environment, and the winter storm and different things that happened. We did allow implementation through April 2021. So with that being the case, if you turn to, the summary of findings and observations we did find that some corrective actions or recommendations have been implemented to remediate the audit findings from the previous year. However there were still weaknesses identified or confirmed in some of our systems and processes.

So one relating to our active directory that controls the access to different university resources. And we rate that observation as high

using our rating scale at the back of the audit report. As a new target limitation date of July 21.

The one for the Mercy Police Department active directory were both implemented. It also has a new target implementation date of July with the observation writing of priority. With the new target implementation date of October 31, 2021. As well as the vulnerability management processes and procedures. With the new implementation date of October 31st 2021. There are two observations relating to the security on our external network firewall. They both have a July 31 new implementation date, so again yesterday

we went over that progress has been made but there is just some additional work that needs to be done, to meet some of those minimum standards or best practice related to the observation. So that is our I.T. follow-up audit. Then we get to our university wide risk assessment process. We sent those surveys out, this process is really overseeing audit services and the BP financing administration processes we have been doing since about 2006 and we update each year and apply new methods. This year we had 121 responses to the survey, out of the 121 that we sent, and a lot of it was just to confirm risk at the University. That the community is already aware of. The ones that came out at the top weren't really surprising, the number one being the risk of a pandemic or disaster affecting University operations. This year, the different strategic risk out of the strategic plan, were split out separately, instead of being all the strategic risk under a category. So you can see where they show up in the survey. So the second one, after some of the discussion this morning, no surprise, that the University doesn't maintain the need for sustained enrollment growth. The other being budget fluctuations, loss of funding, and then, fourth, the risk that the University doesn't make the strategic goal of attracting and retaining high quality faculty and staff to support the mission of the University, and the fifth was also the strategic goal of the innovative ways we reach our students and the sixth, relating to our university culture, not aligning with our strategic goals to provide the energetic and respectful workplace to support the mission of the University. Others that are familiar to us, the risk of an information security breach. Things we were just talking about. And the risk that some of our university mission oriented information isn't communicated or stored or saved in the appropriate places. So that sums up our university risk assessment. As far as an update on our audit plan, the state finished the single audit. I think all of you receive that report in February from the state auditor's office. We did have three significant deficiency and noncompliance observations related to disbursements to or on behalf of students. Enrollment reporting and return of the funds. The departments involved were financial aid and enrollment and they have action plans in place to implement those or they will be by July 31. Again these aren't unusual findings that other universities did not also have. Other things on our audit plan. We are still trying to have our closeout of the Perkins loan fund. The Department of Education, we were hoping to get closer for the University being ready for that audit to occur. And some of the things we will have for July, our public investment audit, things that are required at this time. And I mentioned in our payroll audit we audited the exempt faculty, so we won't have another payroll audit for the nonexempt, and they will go through separate systems and processes. We also

implemented our new teammate audit software. So those of the projects we have going on and that concludes my report. Any questions?

On the state audit, there were three things you mentioned. Discrepancies with delinquencies, is that the term you used?

Sufficient deficiencies. That was the County words.

Right. Do you know if we were aware of those deficiencies before they were discovered by the state auditor Rex or were they surprises to us? >> I reckon you want to speak to the fiduciary.

For all of those deficiencies we were definitely looking at the return of sort of, federal money like reimbursements, like if the student withdrew a certain time. Making sure the return of, matched the reimbursement date and the calculation was correct. That was one of the audit recommendations. I know those are some of the things placed on the audit. It mostly had to do with reimbursement.

Right, and the state auditors pointed out that on the first one, disbursements to or on behalf of the students, something should've occurred within 30 days. And the University sent them in 34 days. So I guess we noticed it and did follow up and sent the letters appropriately. I think it was some things that the University already knew about and had corrected.

Any other questions? If not thank you very much. We will move to agenda item number 19, new student housing allowance program.

This next particular item,

new student housing allowance program, this idea emerged from the conversation with a number of us. We talked about what are we doing about certain things and what we brainstorming, what are some things we can do in the present to deal with certain issues. To deal with capacity issues in the residence halls. We came up with this idea of doing this. What we talked about, regards the underutilization in campus housing, taking some of those and then providing an allowance. We had initially talked about a scholarship. But as we continued to discuss this with the finance team, scholarship means one thing the students, but typically names, if you get funds they apply to your bill. In this case, this is an allowance, it is simply a credit. Let's say a student has \$5000 residence hall. 3000 would apply to that, he or she would pay the \$2000 difference. If there is a 2500 dollar hall, the residual funds would go back to the students. We are calling this an allowance rather than a scholarship. This came as we saw a capacity that we could utilize in the residence halls. Using the analogy of seats on the plane. If the plane is 40% full, we are approaching that goal.

Is a collaborative effort. As you all have seen, Covid has affected a lot of institutions throughout the United States. A lot of that is

seen in housing world. Our housing and auxiliary is a big chunk of revenue. We said hey, we are going to not required to live on mandate, and out of an abundance of caution. I think it's a wise decision because student safety and health should be our driver. We are down to about 53% occupancy for this spring. So that is not a goal we can sustain. We want to be realistic and have it trend higher than that.

As we bring that live on requirement back. Like I talked about earlier, we want to move it to where students want to live on campus. In the end we thought this was a great thing for our colleagues. The Dean's are on board. We are excited about going out to find those new students to bring the men to add new revenue and increase our occupancy. So that our revenue is up. And as we are building this living experience over the next couple of years, we will have an expectation of what we hope. We will set an occupancy goal, and diligently work towards that goal to where we need that. If we are not meeting those goals than we are making tweaks in our marketing and outreach to see how we can get there. This is a vital step of that and can help us transition to the next year. We want students living on campus. We know research shows how engaged they are and how active they are in their experience, the better the hope set them graduating. I think that is some of the vision. It's been a very collaborative effort. I appreciate Doctor Gordon's vision for the plane analogy which is how he expanded to Danny and I. You want to fill the plane the best you can and sometimes that means giving an opportunity.

I'd like to add this, I don't want to take full credit on this because we actually had a program, our music program, ran on a pilot like this. For the last two years it was extremely successful in the retention rates were 90 something percent as a result.

They were already our beta test.

The thing about this project, as he said, new student. Don't give it to someone who's returning. The idea is we reach out. The benefit to us with this revenue being essentially credited, there is no charge to the student. The benefit to us, all the tuition fees that the students bring. Whether they are financial aid, or other. That is a trade-off. Not using the rooms in housing, we utilize this way to get the students here.

Enrollment management is also a functionally great partner. Some of the heavy lifting they are doing, to make sure we keep the logistics running, we have residence hall staff, and the Dean's running those logistic's to make sure we contract these. We want to make data informed decisions. If this is an issue that doesn't have a return on investment.

So we are talking about 500 new students, and a 3000 per semester for up to two years.

So it could be a \$12,000 vantage. Toward housing. Any questions?

I have a related question. When it comes to this capacity issue of our residence halls. It might change for some kids with the cheapest housing option. But still even if they do that, have you all thought about efficiencies that might be, not having to heat and cool facilities, not having to fund RA's.

To try to get a greater occupancy rate in other residence halls. Even again, if you have to take that man or woman who signed up for the cheaper rate, you are able to shut her temporarily, have you thought about that?

Yes. Those are things that, as we implement this we want to have an action now. We are looking at the long range master plans, as I spoke about earlier, one of those tactical improvements. We may have to do that for the sheer volume. If we need to improve this hall we may need to take that off-line for every other floor, where we can do the repairs that are needed in between so we are not waiting another year to advance or improve our facilities. I think those are things definitely, if not on the table right now, as we think forward to the future plan for housing, they have to be considerations.

We have talked a lot about the master plan that he's talking about and considering the proceeds as a source to provide the needed areas. So if there is a residence hall that needs to be upgraded.

And we have had conversations, we've been working on internally, doing decision, do we need to bring a consulting firm to help us online. What it might mean to look at our product finances. Because both of our facilities team and house of operations staff are working hard. So we are trying to make a decision. Do these organizations have the capacity to be able to make those larger scale decisions or, there are boutique firms out there that do that in regards to resident housing to help us look at specifically how we best maximize the use of those dollars. Thinking strategically there.

Any other questions? We are recommending approval on this action. Thank you very much. We will move on to agenda item number 30 which is the summer 2021 budget.

This is an item we bring to you every April. To consider the summer budget. What we were able to do, is fund a significant part of the summer budget upfront. Vastly funded at a much lower number. For the needed summer budget with additional income that came in. This particular case, what we were able to find, we just need \$25,277, in designated funds to fully fund the summer budget. What we typically find is whatever the budget is passed that, typically it will come in at last. This is based on improved -- enrollment projections and needs. So we are asking you to approve a summer budget, the total is 3 million 577, \$3,577,000.

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Any questions? This 3 1/2 million is already in the budget for the year. And with a \$45,000 adjustment. Subject to board approval. Any

questions? We recommend approval of the summer budget is \$3,577,000. We will move to agenda item number 20. The stem research and learning center.

Thank you, that item is to ask your approval to move \$500,000 into a quasi-endowment. The funds are there now and represent generated revenues. The purpose you can see at the bottom is to, support student scholarships, in a discretionary basis but also designate college initiatives, what this allows us to do by putting it into a quasi-endowment is to stabilize that source of funding over time and make sure that the money there is predictable. So we make that recommendation.

All right, again the funds are already there, we are considering to put them into endowment. Any questions? We will be recommending approval of that. On the recommendation at tomorrow's meeting. We will move to agenda item number 21 which is university training on system software. This item has been tabled until a later date. So we will move on to agenda item number 22 which is grant awards.

This particular item has been brought to each board meeting. This case since the January meeting, was currently allocated for fiscal year 21, \$17,144,000, so we are asking, for receipt. Again the total is \$11,296,000.

Listening to those various grants, it's always great that our professors and our faculty, going forward in achieving these grants, any questions here? Any questions by the board? We will be recommending approval of those grant awards. We will move to agenda item number 23 which is financing audit policy revisions. There are a number of those listed in your book.

David would you like to comment?

Many of them as usual, we have a number that are being combined as we try to consolidate the ever-growing list of policies we have. Into easier to find and locate the information. So you will notice that best value procurement is longer but contains the other policies without a whole lot of revision. I believe there's another one in here,

All right. You had an opportunity to review each of those recommended policy revisions. I didn't find anything objectionable. Any questions by the board on any of these items? We will be recommending approval of the policy revisions as stated in agenda item number 23. And I believe that ends our committee board for the day.

Thank you Mister Chairman, the nominating committee consisting of, Olson, and Miss Jennifer. That and obviously because of some recent board transitions, we are going to nominate a different, or a modified I

guess slate of officers. To finish up this year and into 2022. Our recommendation is that, we have Karen DN as chairman, Tom Mason as Vice Chairman and Jennifer Winston as secretary. That is our recommendation and I would like to foray a motion to that extent.

I second that motion.

Second.

All those in favor please say aye.

Aye.

I would like to make a personal comment in regards to you chairman. I would like to carry on, I certainly would encourage anybody, to make other comments. I just want to tell you what a pleasure and an honor it's been for me for the last six years to serve with you in a public forum on this board. It really has been a blessing for me and, you have been an endearing brother to me over the last six years. When I think of the trials and tribulations we have been through. The whole litany of things, that the University has had to meander through in the last six years. And for this last year, for you to be the leader we have certainly followed, it's been an absolute pleasure for me personally. I can express that enough. Thank you so much. Thank you for your service.

Thank you.

I would echo.

All in favor.[LAUGHTER]

I hope you will pass along your rimshot [Indiscernible]I do want to say, you could say this about the rest of the world but certainly about SFA especially. The last couple of years, maybe three years now have brought lots of changes. Starting the [Indiscernible]Chairmanship, and with our reliance on you, in the process of transitioning to a new president. Your steady hand at the helm has been crucial. And very much appreciated. We could go on and on about other items but I wanted to particularly highlight that. You have steered the ship wisely during that period. We really appreciate it. The entire community appreciates your support.

Thank you, it's been a pleasure.

>> At this time we will recess to executive session. The time is 2:03, we will adjourn until tomorrow morning, recess till tomorrow morning at 8:40.