BUSINESS AFFAIRS SUB-COUNCIL

April 22, 1999

MINUTES

The meeting began at 9:00 a.m. in the TBR Board Room. Present were Ms. Nancy Batson (VSCC); Ms. Debra Bauer (NSTI); Dr. David Collins (ETSU); Mr. Bill Fuqua (RSCC); Mr. Clay Harkleroad, Jr. (TSU); Mr. Ken Horner (CoSCC); Mr. Charles Hurley (NSTCC); Mr. Al Irby (APSU); Mr. Dwight Johnson (SSCC); Mr. Julian Jordan (WSCC); Ms. Susan Joseph (CSTCC); Mr. Ron Kesterson (PSTCC); Mr. John Kirk (STIM); Mr. Jack Liner (ClSCC) Ms. Linda Maxwell (TTU); Dr. Joyce Mounce (APSU); Mr. Raymond Pipkin (UOM); Mr. Mike Posey (MSCC); Mr. Wayne Powers (JSCC); Mr. Terry Rector (TTU); Mr. Mitch Robinson (DSCC); Dr. Duane Stucky (MTSU); Ms. Tammy Swenson (CSTCC); Mr. John Rudley, Mr. Michael Gower, Ms. Ortaeine Acidera, Mr. Pat Couch, Ms. Kathy Crisp, Ms. Deanna Hall, Mr. Elijah Hall, Ms. Lisa Hall, Mr. Ron Simmons, Ms. Renee Stewart, and Mr. Bob Wallace (TBR).

Mr. Hodges was unable to attend. Mr. Kesterson served as chairman in his absence and called the meeting to order.

BUSINESS

1. **Mr. Rudley's Comments**

   Mr. Rudley presented excerpts from the slide show that was recently performed for the legislative delegates. These slides demonstrated, among other things, how Tennessee's higher education funding compares to other states in the southeast region and the funding needed over the next five years to improve higher education. These improvements include 1) increasing student access, 2) increasing faculty salaries, 3) upgrading the Chairs of Excellence program, and 4) upgrading technology.

   Mr. Rudley also compared higher education's percentage of the state budget to K-12's percentage. In 1978, higher education accounted for 13% of the state's budget; this percentage peaked at 18% from 1985-1987 and steadily declined to a low of 12% in 1998.

   Mr. Rudley concluded his remarks by discussing how a $40 million reduction in state funding for 1999-2000 would impact campuses.

2. **Report of the Fee Subcommittee**

   Mr. Gower introduced the members of the fee subcommittee, David Collins, Julian Jordan, John Kirk, Duane Stucky, and Bob Wallace. Mr. Simmons presented a slide demonstration of how Tennessee's state appropriations rank in the SREB, the fee increases needed to cover 1999-2000 funding shortfalls, and an analysis of TBR fees compared to both peer institutions and SREB institutions.

   Mr. Gower stated that the Fee Subcommittee would meet once more prior to the May 11, 1999 Presidents Council to finalize a recommendation for fee increases for 1999-2000.

3. **Y2K Performance Audit**

Mr. Hall discussed the performance audit on Year 2000 compliance recently completed by state audit. While the report has not yet been issued, an exit conference was held at the Central Office with Mr. Hall and other TBR staff. The report, which covers all state agencies and higher education institutions, will not include "findings," but will have an "Analysis and Evaluation" section that will include the following items:

- Entities have not established business continuity plans
- Few entities have documented communications regarding interfaces
- Few entities reported conducting an inventory and performing risk assessments of their embedded systems
- Entities have not developed documented test plans
- Higher education institutions have not developed and documented Year 2000 remediation strategies except for essential administrative systems
- Entities report various stages of completion regarding supporting infrastructure components

It should be noted that TBR institutions have corrected some of these items since the performance audit review. Such corrections were discussed with Chuck Richardson, State Audit, at the exit conference. The performance audit report should be issued within the next two weeks.

Mr. Robinson and Dr. Collins discussed the Y2K steps taken on the DSCC and ETSU campuses, respectively. The steps taken included forming a committee, establishing a guideline of areas to evaluate, developing a list of all software and embedded chips, contacting vendors and suppliers, testing microcomputers, and developing business resumption plans.

4. **ETSU Dorm Privatization**

Dr. Collins discussed the recent attempt at ETSU to privatize the construction and management of a new dormitory. ETSU originally wanted a vendor to build and bear the risk of running a dormitory built on land supplied by ETSU based on similar agreements at campuses in other states. This concept was modified during the approval process to include ETSU purchasing the building at the end of the contract and being involved in the designing/building process. Since completion of construction, many construction/maintenance problems have arisen. Additionally, to qualify for tax-free bonds, the contract was modified from ETSU only guaranteeing 90% occupancy on the first day of class to a fixed-fee contract. This modification made ETSU the risk bearer, not the vendor.

Due to the fixed-fee contract and continuing construction/maintenance problems, the contract was cancelled. ETSU is withholding final payment until the construction/maintenance problems are resolved. Dr. Collins advised any institution considering dorm privatization to use taxable bonds, which would not require a fixed-fee contract and return the management risk to the vendor.

5. **Report of the Finance Committee**

Mr. Pipkin highlighted the following issues from the April 7, 1999, Finance Committee minutes.

A. Electronic Applications

The use of web registration software that allows on-line applications was discussed. Although not in policy or guideline, TBR recommends obtaining an original signature verifying the accuracy of information included on the application. The committee inquired whether the signature must be obtained at the point of submission or if it could be captured at a later date, such as during registration. Legal Counsel stated that there was no problem with obtaining the signature at a later date. Additionally, Legal Counsel advised that the General Assembly is considering legislation establishing an electronic signature that has the same legal effect as a handwritten signature. If the legislation were adopted, then TBR would reconsider its recommendation of an original signature.

B. Write-off of Surplus Property

The committee discussed State Audit's recommendation that the write-off point for surplus property be consistent among institutions. The committee recommended that surplus items be written off at the time of disposal, unless the institution can identify that the item has no more than nominal value. Surplus property with no more than nominal value should be written off immediately.

C. Guideline B-010 Collection of Accounts Receivable

The committee discussed recent audit findings at UOM and VSCC regarding collection procedures. The attached revisions (see Attachment A) were recommended to clarify the institutions' flexibility in implementing Guideline B-010, particularly when institutions are actively negotiating a payment plan with a delinquent student.

D. Library Holdings Valuation

State Audit has recommended that all institutions value library holdings at cost to comply with GAAP. The difficulties in implementing cost were discussed with State Audit and a compromise was reached in which we would document and support the standard values in use. The committee determined that a better method would be to use a weighted-average value for library holdings. The weighted-average would be based upon several prior year purchases. An additional meeting with Finance Committee members will be held prior to June 30,1999 to resolve this issue.

The minutes of the Finance Committee were approved as presented.

3. Report of the Human Resource Officers Committee

Ms. Stewart highlighted the following issues from the March 31, 1999, meeting of the Human Resource Officers.

A. Policy 5:01:01:07

The Human Resource Officers recommended adding language to the sick leave policy permitting institutions to require a written physician's release to return to work. This revision was proposed on the advice of the EEOC Office of Legal Counsel, who stated that campus precedent was not sufficient to satisfy return to work requirements of ADA.

B. Guideline P-120

The Human Resource Officers recommended revising the longevity guideline to correct the computation of longevity for adjunct service of regular employees.

C. Workplace Violence Prevention Guideline

A proposed Workplace Violence guideline was submitted for review and comments. BASC members suggested removing section 5.1, which required Human Resource officers to ensure that all employees are given a copy of the guideline. It was felt that all employees are responsible for compliance with all guidelines and that this guideline should not be treated differently. Further comments/suggestions should be forwarded to Debbie Johnson or Heidi Zimmerman.

The minutes of the Human Resource Officers were approved.

4. Report of the Financial Systems Review Committee

Mr. Simmons highlighted the following issues from the March 16, 1999, Financial Systems Review Committee meeting.

A. Central Data Base Update

The committee determined that it would be extremely difficult to merge existing charts of accounts and decided to pursue commonality at the department level as a workable alternative. TBR staff are reviewing the Schedule 3s included in the Financial Statements along with the organizational charts to develop a common departmental listing for institutions to map their existing accounts to and present to the committee for discussion.

B. Budget Automation Update

The committee discussed the recent budget automation training conducted by Rollin Grossholtz and Raja Kodali. All institutions participated and overall, feedback regarding the training and the automation process was positive. The 1999-2000 July Proposed Budgets will be submitted both electronically and in paper form. The paper documents will be relied upon for consolidation and submission to the Board. The electronic version will be compared to the paper documents and differences will be resolved. This process will be repeated with the 1999-2000 October Revised Budget, and if all problems are resolved, the paper documents will no longer be required beginning with the 2000-2001 July Budget.

C. <u>FRS Modifications</u>

The committee reviewed the list of local modifications provided to the committee members prior to the meeting. Ms. Blackwell agreed to review the modifications list and eliminate all but those modifications that would be beneficial to a majority of the institutions. Additionally, all other institutions were encouraged to submit modifications for review.

5. <u>401(k) Match</u>

Mr. Gower discussed the differences in the 1999-2000 appropriation language as compared to the 1998-99 language and what it means to TBR campuses. In 1998-99, in addition to the "FICA savings" language, the legislature appropriated to TBR a sum not to exceed $918,000 to fund the 401(k) match. The 1999-2000 appropriation language only mentions the "FICA savings." The committee inquired if the appropriation language mandated that TBR institutions continue to match 401(k) contributions. Mr. Gower stated that it did not. The committee discussed whether continuing the match should be an institutional or systemwide decision. The matter will be discussed at the Presidents Council in May.

6. OTHER BUSINESS

- Nancy Carmen recommended a revision to policy 1:03:04:00 which would allow sub-councils to add TTC representatives as desired. The revision was initiated by the Student Affairs Sub-Council and is being presented to all sub-councils prior to seeking Board approval. The revision was approved.
- Mr. Kesterson opened the nominations for the two vacant positions on the Finance Committee. David Collins and Al Irby were elected to replace Larry Wakefield and Bob Adams, whose five-year terms expire June 30, 1999. The BASC expressed appreciation for the hard work and valuable contributions of Mr. Wakefield and Mr. Adams.
- Mr. Kesterson opened the nominations for the chair-elect of the BASC. Mr. Mitch Robinson was elected to serve as the 2000-01 BASC chair. Dr. Joyce Mounce is the 1999-2000 BASC chair.

There being no further business, the meeting was concluded.

<u>ATTACHMENT A</u>

SUBJECT: Collection of Accounts Receivable

1. GENERAL

This guideline applies to the collection of all accounts and notes receivable by institutions and technology centers in the Tennessee Board of Regents System. Institutions and technology centers shall, to the maximum extent practical, require payment in advance for all services and goods to avoid the creation of receivables.

a. TBR Policy on the Payment of Fees. Policy No. 4:01:03:00 requires (with limited exceptions) that all assessed fees be paid in advance by a student before he or she is considered enrolled for any academic term.

b. Types of Receivables. Accounts and notes receivable may be generated from programs and activities including but not limited to: student loan programs, traffic and parking fines, library fines, bad checks, contracts, property rental, and damage, loss, or liability to the institution/technology center by others.

c. Security Deposits. Institutions and technology centers are authorized to require any person to post a deposit or security bond, or provide appropriate insurance to offset potential obligations to the institution or technology center arising from programs or activities.

d. Statute of Limitations. Pursuant to T.C.A. Section 28-1-113, there is no time limit on the institutions' or technology centers' authority to collect receivables unless otherwise expressly provided by statute.

2. GENERAL COLLECTIONS PROCEDURES

a. Institution and Technology Center Procedure. Each institution and technology center shall establish a systematic process and procedure for collecting receivables from all persons including students and employees. **The provisions included in this guideline may be modified by an institution based on sound and responsible management practices. Any modifications should result in more cost-effective procedures or provide better or more convenient service to debtors of the institution without compromise to collection.**

b. Billing. Collection efforts should begin no later than thirty days after the obligation has been incurred or other fixed due date. **An institution may negotiate alternative payment arrangements with debtors when such arrangements offer the best prospect of collecting the debt.**

c. Delinquent Accounts. A minimum of three billings or letters of contact shall be sent by the institution at thirty-day intervals once an account becomes delinquent. For debts greater than $25, the third **or later** letter should indicate that the account will be referred to a collection agency if payment is not made within a specified date. Sending letters by certified mail is optional.

An account becomes delinquent based on the payment criteria established by the institution for the type of debt involved. For example, debts from students may not be classified as delinquent until a student fails to enroll in a subsequent fall or spring semester where the provisions of the "Enrollment and Record Holds" in 2.e. below would apply. On the other hand, rent for an apartment may become delinquent when rent is not paid by the tenth day after the due date.

d. Defaulted Accounts. **Accounts are classified as defaulted when the institution's established collection efforts for the type of debt have failed to produce payment.** Receivables of $100 or more shall be referred to a collection agency if the institution's/technology center's collection efforts are unsuccessful. The accounts should be submitted to the ~~agent~~ **agency** within ~~thirty days~~ **a reasonable time** after the ~~third~~ **final** collection letter is sent if the debtor has not responded. Referral of accounts under $100 to a collection agency is not required. No additional collection efforts are required for receivables under $100 except as provided for under Enrollment and Record Holds (Section 2e) and Employee Receivables (Section 3). See Section 10 for write-off procedures.

e. Enrollment and Record Holds. A student must pay any past due debts and obligations incurred in prior academic terms before being permitted to register. Additionally, all known debts and obligations incurred during the current term must be paid prior to a student being allowed to preregister for any future terms. **An amount owed under the institution's installment payment plan for enrollment fees which is not yet due shall not cause a hold to be applied.** A notice stating the specific amount due should be sent to each such student prior to completion of registration. In addition, pursuant to T.C.A. Section 49-9-108, no grade reports, certificates of credit, diplomas or transcripts will be issued to any student with any unpaid or delinquent debt or obligation owed to the institution or technology center unless such debt or obligation is evidenced by notes or other written contracts providing for future payment, such as, but not limited to, loans authorized under federal or state education or student assistance acts. Additionally, once a petition in bankruptcy has been filed, all holds should be lifted. See Section 9. However, the institution/ technology center has no obligation to provide student grade reports, etc., unless specifically requested to do so.

f. Aging. All receivables should be aged at least annually.

g. Documentation. Accurate records of correspondence, telephone calls, and personal contacts with borrowers shall be maintained. Institutions/ technology centers shall comply with record maintenance, safekeeping, and retention regulations for federally-funded loans.

3. EMPLOYEE RECEIVABLES

a. **Procedure for Withholding**. Employee receivables (including student employees) may result from, among other things, traffic and parking fines, library fines, institution/technology center services or bad checks. In order to recoup the amount owed from the employee's paycheck, notice of intent to withhold must be sent to the employee by registered or certified mail, or personally delivered. The notice should inform the employee