BUSINESS AFFAIRS SUB-COUNCIL

July 28, 2004

MINUTES

The meeting began at 9:00 a.m. at the MTSU Foundation House. Present were Ms. Cynthia Brooks (TSU); Mr. Horace Chase (JSCC); Dr. David Collins (ETSU); Dr. Ashok Dhingra (STCC); Ms. Nancy Donahue (PSTCC); Mr. Bill Fuqua (RSCC); Mr. Mike Gower (MTSU); Ms. Angela Gregory (VSCC); Ms. Sharon Hayes (UOM); Mr. Ken Horner (COSCC); Mr. Earl Hunt (NSCC); Dr. Charles Hurley (CLSCC); Mr. Al Irby (APSU); Dr. Rosemary Jackson (WSCC); Ms. Linda Maxwell (TTU); Mr. Mike Posey (MSCC); Mr. Terry Rector (TTU); Mr. Mitch Robinson (APSU); Dr. Claire Stinson (NSTCC); Ms. Tammy Swenson (CSTCC); Ms. Velma Travis (DSCC); Mr. Greg Wilgocki (ETSU); Mr. David Zettergren (UOM); Dr. Bob Adams, Ms. Kathy Crisp, Ms. Lisa Hall, Ms. Debbie Johnson, Mr. Maurice Pittman, Ms. Ann Rutland, Mr. Ron Simmons, Ms. Renee Stewart and Ms. Nancy Washington. (TBR).

Mr. John Cothern, Chair, was unable to attend. In Mr. Cothern's absence, Dr. Adams called the meeting to order.

<u>BUSINESS</u>

1. <u>Risk Management Presentation</u>

Mr. Jamie Fohl, Division of Risk Management, updated the BASC on property insurance issues. Additionally, Mr. Fohl discussed the State's boiler policy, crime policy, and fine arts policy.

Mr. Fohl stated that the insurance market has improved over prior years. While the property premium did increase 20%, the rate of increase was not as steep as July 2003, and the coverage is better. The deductibles are now $25,000 per occurrence, $5 million aggregate, and a $100,000 deductible for earthquake and flood losses. Additionally, the policy now covers ordinance/code upgrades.

Mr. Fohl stated that while the boiler premium increase was larger than expected, the coverage was retained because it includes inspector services which have proven to be very valuable.

The crime policy was difficult to negotiate this year due to a large employee dishonesty loss at UT. In the last 15 years, the state has had five employee dishonest losses (four at UT and one at VSCC). The higher education community is more susceptible to these type claims than state agencies due to the volume of cash transactions. Mr. Fohl stressed that we must ensure that internal controls are operating effectively to prevent or discover these situations in a timely manner. Additional losses may preclude the State from obtaining this coverage.

While the State's property policy has always included fine arts coverage, the coverage was not very good. The State Museum pushed for a better policy, and this year Risk Management negotiated a separate policy for fine arts coverage with a $0 deductible. The policy includes both the transportation and loan of objects.

Mr. Fohl discussed the semi-annual property reports. When the property reports are not returned, Risk Management uses the previous years' valuations. State Audit has begun questioning the wisdom of this practice, so Mr. Fohl requested that all institutions return the semi-annual property reports even if there are no changes. By February 2005, institutions should be able to update property reports on-line whenever changes occur without having to wait until the semi-annual property reporting dates. Once the new system is ready for use, training sessions will be available to all campuses.

Risk Management is bidding out a restoration vendor for all water losses. Once the contract is in place, institutions will not need to search for a restoration vendor when water losses occur. Everyone will use the vendor selected by Risk Management.

Mr. Fohl discussed the necessity is alerting Risk Management officials when losses occur. He provided his office number (615-741-9972) and home number (615-364-1714), as well as Risk Management's main number (615-741-2314). Mr. Fohl's email address is Jamie.fohl@state.tn.us.

Mr. Zettergren inquired if Mr. Fohl had any recommendation on how to value building contents. Mr. Fohl discussed the importance of documenting the contents of each building, particularly items below the capitalization threshold of $5,000. Risk Management will accept inventory lists, videos, pictures, etc., as documentation. Mr. Fohl recommended that each department be responsible for its own area.

Mr. Posey inquired if partial losses were settled based on replacement value, historical cost, or some other basis. Mr. Fohl responded that losses are settled based on replacement cost up to total value insured.

Mr. Fohl discussed the new Loss Prevention Division of Risk Management. Mr. Keith Butterfield has been hired and will perform workplace safety evaluations or help campuses generate different types of reports to better know steps to take to prevent losses. The Risk Management website includes a link to the Loss Prevention Division's website. Please visit this website to learn more about this division. http://www.treasury.state.tn.us/risk/prevention.htm

2. Non-Exempt Compensation Plan

Mr. Pittman updated the BASC on the status of the systemwide non-exempt compensation plan. Mr. Pittman detailed the new skill levels, discussed the core titles, and outlined the TBR-IPEDS conversion. The details of these items are posted on the TBR website and are available to the system's human resource officers. Mr. Pittman cautioned users that the police and public safety positions have not been finalized and the present information on the website should not be used for these positions.

Mr. Posey inquired if the impact on each campus is known. Dr. Adams discussed that it was the Board's intent that the same relative salary position would be kept when employees change skill levels. It was not the Board's intent that changing skill levels would take an employee to the top of the salary range for the new skill level.

Mr. Fuqua inquired if the equity plan submissions could be contingent upon the results of the implementation of the non-exempt compensation plan. Dr. Adams stated that the equity plans can be contingent upon the results of the non-exempt compensation plan.

The BASC agreed that all campuses would implement and fund the non-exempt compensation plan no later than July 2005.

3. Electronic Check Collection Process Presentation

Mr. David Newman discussed the services Check Velocity offers. Check Velocity provides an electronic recovery service for checks returned due to non-sufficient funds. Using strategic presentation of returned items, Mr. Newman stated that Check Velocity has been able to successfully collect approximately 80% of NSF checks.

Mr. Newman also discussed Check Velocity's real-time reporting system that allows customers to customize and download reports, segmenting information as needed. These services are offered without any training involved for campus personnel or equipment to purchase. The institution is not billed; instead, Check Velocity charges the check writer's account for the state-regulated NSF fee.

When a Check Velocity customer receives a dishonored check, the bank forwards the check to Check Velocity. Check Velocity converts the paper check into an electronic transaction and then, within a two-week period, strategically re-presents the electronic check for payment when the account is most likely to have sufficient funds. Using this method, checks are re-presented faster and generally have a "first in line" payment status.

Mr. Newman stated that Check Velocity is also equipped to do phone collection and skiptracing services, if requested.

Mr. Wilgocki inquired if Check Velocity is expecting a certain volume of business from campuses. Mr. Newman stated that their technology is cost effective whether collecting two checks or two thousand.

Mr. Zettergren inquired if UOM's banking agreement that requires redeposit would affect Check Velocity's service. Mr. Newman stated that if a redeposit occurs, Check Velocity's services cannot be utilized.

Mr. Posey stated that current TBR policy prohibits the redeposit of NSF checks without the institution collecting the NSF fee. Board staff will review the policy for needed revisions if institutions wish to pursue this service.

Mr. Newman stated that if the check volume were sufficient, Check Velocity would consider a shared-revenue agreement where a percentage of the NSF fee would be returned to the institutions.

4. Report of the Finance Committee

Dr. Collins highlighted the following issues from the July 14, 2004, Finance Committee meeting.

A. Guideline B-010 Collection of Accounts Receivable

The Finance Committee discussed the feasibility of reporting uncollectible accounts to a credit reporting agency. The Committee recommended that future collection agency contracts include a provision that the collection agency will report all defaulted accounts in excess of $100 to the appropriate credit reporting agencies. Form letters alerting students to this change and Guideline B-010 will be updated after the collection contracts contain this provision.

B. Compensated Absences Fringe Benefit Rate

The Finance Committee discussed whether the current rate used to estimate employee benefits when establishing the compensated absences liability should be increased from 16%. The Committee recommended using the 16% rate for FY 2004 and increasing the rate to 18% for FY 2005.

C. Travel Policy

The Finance Committee discussed the continuing problem of employees, when making travel arrangements, using websites that do not provide sufficient levels of detailed information. The Committee agreed that it is the employees' responsibility to provide the required receipts or to provide documentation that the charges for which reimbursement is requested are allowable per the travel policy. Dr. Jordan and Ms. Maxwell agreed to draft language addressing this issue. The language was not available at the BASC meeting, but was provided subsequent to the meeting (see Attachment A).

D. Continuing Education Instructors

The Finance Committee discussed whether instructors for continuing education courses are required to be bid when their rate exceeds $2,000. The Committee determined that the institution must document the competitive process used in selecting the instructor or the sole source justification. Institutions should review the purchasing policy for a discussion of competitive processes other than RFPs.

E. Nursing Test Fees

The Finance Committee discussed whether fees for tests related to nursing courses require Board approval. The Committee concluded that Guideline B-060 allows institutions to establish and administer fees for standardized nursing tests.

F. Space Available Basis for Elderly and Disabled Fee Waiver Program

The Finance Committee discussed whether the “space available” definition included in Guideline P-130 for the State Employee Fee Waiver Program should be included in Guideline B-060 for the Elderly and Disabled Fee Waiver Fee Program. The Committee recommended revising Guideline B-060 to include the definition (see Attachment B).

G. October Bonus Object Code

The Finance Committee discussed whether the October Bonus should be charged to a longevity object code. The Committee determined that the October Bonus should be charged to an object code within the longevity range, but to a code easily identifiable if separate reporting of the October Bonus expense is requested.

H. Deferred Payment and Collection Costs

The Finance Committee discussed a memorandum from General Counsel in follow-up to a previous Finance Committee meeting. The Finance Committee had requested General Counsel to opine on the following issues:

A) Since educational loans are not dischargeable in bankruptcy cases, can we structure our accounts receivable into loans by having students sign a promissory note?

B) Can we require students to participate in collection costs when delinquent accounts are referred to a collection agency?

General Counsel concluded that an institution cannot change an accounts receivable into an educational loan by requiring students to sign a promissory note. Additionally, General Counsel concluded that institutions can require students to participate in collection costs related to delinquent accounts if students sign such a statement during the registration process. General Counsel is working with a taskforce to determine if an electronic signature is sufficient.

I. **Standard Agreement for Foundations and Institutions**

At the July Finance Committee, General Counsel stated that an agreement between institutions and foundations would not be standardized, given the number and variety of foundations in existence. Instead, individual institutions in need of assistance should contact General Counsel. Subsequent to the meeting, it was determined that General Counsel will develop a template agreement between institutions and foundations that institutions can use and customize to their needs. The template should be available soon.

The Finance Committee minutes were approved as modified above.

5. Report of the Human Resources Officers Committee

Debbie Johnson highlighted the following issues from the July 7, 2004, Human Resource Officers meeting.

A. Legislation Regarding RIF Plans

The HR Officers recommended revising Policy 5:01:00:00 General Personnel to reflect the recently passed legislation regarding RIF plans. The proposed language was reviewed by General Counsel and states that RIF employees must receive notification if a like-position becomes available within 12 months of the RIF. Campuses do not have to resubmit their previously approved RIF plans, but must meet these criteria in any future 2004 plans submitted for consideration.

B. Processing Campus Reorganizations

Ms. Johnson reviewed the TBR policy and guidelines that require any major change in the administrative organization of the campus to be approved by the Chancellor.

C. Compensation Guidelines for FY 2004-05

Ms. Johnson reviewed the various correspondence items sent to campuses regarding compensation issues and the October bonus. The October Bonus guidelines were recently revised to agree with State guidelines.

The submission date for the U-80 screens is August 13, 2004.

D. Civil Leave

Ms. Johnson discussed legislation recently passed that allows employees to request a statement from the court verifying jury service of less than three hours. The request must be made prior to the beginning of each day's service. Revisions were proposed to Policy 5:01:01:05 Civil Leave.

E. Retirement Program Transfers From ORP to TCRS

The HR Officers discussed recent legislation that permits ORP participants with at least five years of service to make a one-time roll-over to the TCRS program during the 2005 calendar year. ORP participants with less than five years of service will become eligible for the one-time roll-over in the year in which the vesting requirement is satisfied.

F. Fair Labor Standards Act Regulations

Ms. Johnson discussed the various correspondence emailed to institutions regarding the new FLSA regulations. One category, graduate assistants who do not teach, has been determined to need additional review.

Dr. Collins inquired how institutions will handle employee benefits for employees reclassified from exempt to non-exempt. Ms. Johnson discussed how COSCC had grandfathered-in benefits, retirement, etc., when faced with a similar situation in prior years.

G. System Contracts

Ms. Johnson discussed the system contract for cancer/critical care that was recently awarded to AFLAC. Ms. Johnson stated that the system RFPs for flexible benefits administration, long-term disability plan administration, and affirmative action software will be issued by the Director of Purchasing and Contracts in the fall.

The Human Resource Officers Committee minutes were approved.

6. <u>Report of the Council of Buyers</u>

Ms. Rutland highlighted the following issues from the July 13, 2004, meeting of the Council of Buyers.

A. Central Office Purchasing Position

The Central Office is in the process of hiring a Director of Purchasing and Contracting. The position announcement generated 52 applicants, from which the selection committee selected five candidates to interview. The selection committee recommended two of the five candidates to Dr. Adams for second interviews.

B. HRG Presentation

Ms. Lori Smith and Mr. Todd Abner from Horizons Resource Group (HRG) discussed new and existing contracts. Specific contracts discussed included office supplies, elevator maintenance, and telecommunications. Ms. Smith and Mr. Abner addressed concerns about the HRG/TBR working relationship and expressed a desire to improve this working relationship.

The Council of Buyers discussed the high level of confusion among institutions regarding the documentation process required by the Comptroller's Office when using HRG pricing. Dr. Adams will work with General Council to clarify documentation requirements.

C. Library Subcommittee

Ms. Angela Gregory summarized the work of the Library Subcommittee. The Subcommittee discussed library databases, contracts, and current methodologies in place.

The Council of Buyers' minutes were approved.

7. <u>Other Business</u>

- The State Insurance Committee has approved a 9% rate increase, effective January 1, 2005. While money was allocated in the State's budget for an insurance rate increase, it is unclear if funds are sufficient for the full 9%.
- Dr. Adams discussed a letter from Dr. Rhoda, THEC, regarding the FY 2005-06 budget. The letter states that TBR will be required to include the Fall 2005 fee increase in the July 2005 Proposed budget. Dr. Adams requested feedback from the institutions on the feasibility of this requirement. BASC members agreed that unless the fee increase is known prior to the April compilation of the budget, the requirement is not feasible. Dr. Adams will continue to work with THEC on this issue.
- Dr. Adams updated the BASC on the status of the ERP. The campus presentations have been scheduled for 8/17, 8/18, and 8/19. PSTCC, MTSU, and UOM have agreed to host. Dr. Adams appointed a committee to develop a cost allocation method for the ERP maintenance costs. The committee consisted of the following members: David Collins, Chair (ETSU); Mitch Robinson (APSU); David Zettergren (UOM); Claire Stinson (NSTCC); Mike Posey (MSCC); Velma Travis (DSCC); and Ashok Dhingra (STCC).
- Dr. Adams inquired if all institutions have established separate checking accounts for their foundations. He also inquired if institutions are writing checks from these separate accounts or transferring funds to cover checks written for the foundation from the institution's account. Dr. Adams stated that the purpose of the separate account was to prevent using the institution's cash to fund the foundation's expenses. Both Dr. Stinson and Mr. Robinson indicated that their institutions transfer funds from the foundation's account to a restricted institution account prior to writing the checks from the institution's checking account.
- Dr. Stinson discussed the problems institutions may face using the 14th day census date for lottery funds. If students using lottery scholarships drop courses after lottery funds have been disbursed, the institution is liable for any funds due back to the lottery corporation. Mr. Fuqua stated that RSCC is considering not disbursing financial aid funds to students until after the 10th day of class. The group discussed why the 14th day census date was used for the lottery date. THEC reported that TBR selected this date, yet no one in the TBR Finance and Business Office was involved in this decision. The group discussed whether THEC would be willing to use the 1st day of class as the lottery date. Dr. Adams stated that it may be too late to make this change for the current year. He requested that institutions document problems encountered in the current year as support for needed changes in future years. If THEC is opposed to changing the 14th day census date, institutions should consider holding lottery disbursements until after the 14th day.
- Mr. Wilgocki discussed background checks and drug tests for student in health-related courses of study. He stated that programs may have problems placing students in clinical settings.

- Dr. Hurley inquired about the recent change to the internal audit schedule of presidential audits. Dr. Adams explained that the rotation schedule was altered since the internal auditors at RSCC and PSTCC were married to each other. A revised schedule will be forwarded to all institutions. Additionally, the internal auditor at MTSU is updating the audit program and will distribute to all institutions upon completion.

There being no further business, the BASC adjourned.

ATTACHMENT A

Guideline B-060

5. Maintenance fees may not be waived. However, specific exceptions are provided in the following instances:

    a. Pursuant to TCA 49-7-113, exceptions exist for certain disabled and elderly students, as well as state service retirees. For audit courses, no fee is required for persons with a permanent, total disability, persons 60 years of age or older and domiciled in Tennessee, and persons who have retired from state service with 30 or more years of service, regardless of age. For credit, a fee of $75 per semester or $50 per quarter may be charged to persons with a permanent, total disability, and persons who will become 65 years of age or older during the academic quarter or semester in which they begin classes and who are domiciled in Tennessee. (Note: This fee includes maintenance fees, student activity fees, technology access fees, and registration fees; it does not preclude an application fee, late fee, change-of-course fee, parking fee, etc.). This only applies to enrollment on a space available basis**, which permits registration no earlier than four (4) weeks prior to the first day of classes.**