

BUSINESS AFFAIRS SUB-COUNCIL

July 26, 2006

MINUTES

The meeting began at 8:00 a.m. in the TBR conference room. Present were Ms. Beth Cooksey (Chair, VSCC); Ms. Debra Bauer (NSCC); Ms. Cynthia Brooks (TSU); Mr. Steve Campbell (NSTCC); Dr. David Collins (ETSU); Mr. John Cothorn (MTSU); Mr. Mike Gower (MTSU); Mr. Ken Horner (COSCC); Dr. Charles Hurley (CLSCC); Mr. Al Irby (APSU); Dr. Rosemary Jackson (WSCC); Mr. Ron Kesterson (PSTCC); Mr. Charles Lee (UOM); Ms. Linda Maxwell (TTU); Mr. Ron Parr (SWCC); Ms. Chrystal Pittman (JSCC); Mr. Mike Posey (MSCC); Mr. Mitch Robinson (APSU); Dr. Claire Stinson (TTU); Ms. Tammy Swenson (CSTCC); Ms. Velma Travis (DSCC); Ms. Jamie Wilmoth (RSCC); Mr. David Zettergren (UOM); Dr. Bob Adams, Ms. Kathy Crisp, Mr. Tom Danford, Ms. Alicia Gillespie, Ms. Tammy Gourley, Ms. Angela Gregory, Ms. Lisa Hall, Mr. Chris Ingram, Ms. Debbie Johnson, Ms. Dinelle Mahabir, Dr. Charles Manning, Mr. Jerry Preston, Ms. Brooke Shelton, Mr. Ron Simmons, Ms. Renee Stewart, Mr. Bob Wallace, and Ms. Heidi Zimmerman (TBR).

1. Commonfund Presentation

Mr. Lewis Wallace and Mr. Thomas Van Zant presented information on Commonfund and the services they offer. Commonfund is a nonprofit membership organization founded in 1971, which serves the investment management needs of endowments, foundations, healthcare organizations and other nonprofit organizations. Mr. Wallace highlighted four major policy levers that could have an impact on nonprofit institutions: asset allocation, spending rate, spending method, and gift/contribution flow.

2. Chancellor's Remarks

Dr. Manning spoke briefly regarding the increased appropriations for the upcoming year. He stated that it was important to communicate with the legislators how important state appropriations are to higher education institutions, because this does not seem to be an issue important to the public during elections. Dr. Manning also inquired as to how many institutions planned on giving an additional pay raise or bonus, as provided for in this year's TBR salary policy. A poll was taken, and fourteen out of nineteen institutions plan on giving some type of raise or bonus.

3. Report of the Committees

A. Finance Committee

Dr. Collins highlighted the following issues from the July 19, 2006 Finance Committee meeting.

- Payment of Fees

The committee discussed going to a straight fee per hour system with no tuition capping. The issue of going to a straight fee per hour arose from Banner and how it handles tuition capping when students enroll in both undergraduate and graduate courses. A handout was provided that showed peer institutions and whether or not tuition was capped. It appears that the responding peers are almost equally divided between capping tuition and not capping tuition, with many stating that they are considering a switch to the opposite method. It was noted that UT is also considering a straight fee per hour rate and that both should move in concert.

A list of issues identified by the Finance Committee was discussed, and Dr. Adams stated that he will work with Dr. Collins and Ms. Cooksey to appoint a committee to resolve these and other related issues. The committee will gather information to brief the presidents at their August quarterly meeting, with a concrete proposal to follow at the November meeting.

- Deferred Compensation

It was recommended by the committee that deferred compensation funds will be remitted to Treasury semi-monthly (the 15th and last working day) beginning in January 2007 when all of the institutions are on Banner HR. Until then, the TBR Director of Fiscal Services will send the funds to Treasury on the last day of the month beginning with the July 2006 funds.

- Use of Campus Facilities

A problem arose at one of the institutions concerning solicitation of credit cards on campus. After review, the institution noted there was no direct solicitation occurring on campus; however, the institution had been hosting an event with the local Chamber of Commerce to introduce students to businesses in the area. Some of the businesses were banks offering bank accounts, where a side benefit could also include a credit card. The institution was told that this was in violation of the TBR policy on solicitation.

The TBR legal department stated that this cannot take place unless the business pays fair market value for booth space, and then the normal procedures must be followed. It was discussed that legislators have encouraged TBR institutions to not allow credit card companies or banks to solicit credit cards on campus. It was also discussed that the same rules apply at student affairs functions. It was recommended that this be addressed at the next Student Affairs Committee Meeting. (Subsequent to the meeting, Chris Modisher has indicated that she is reviewing this issue more closely and that additional guidelines may be forthcoming if the businesses are on campus by invitation and are merely providing information to students.)

- Risk Assessment

The next phase of the risk assessment plan, due in October 2006, will include reviewing the risk area that was determined in the initial Risk Assessment completed in May 2006. This phase will include a more detailed assessment of the single area, control footprint, monitoring plan, and a corrective action plan. The Director of Internal Audit will develop a training session for the next phase of the process.

- Academic Service Scholarship

The committee discussed the feasibility of reporting the academic service scholarships in the Scholarships and Fellowships function. This will enhance our position that no part of this scholarship is taxable income to the student.

The committee recommended reporting the academic service scholarships in the Scholarships and Fellowships function effective with FY 06-07.

- Transfer of Reserves

The Board is concerned that institutions are transferring reserves from the plant fund to balance their recurring budget. It was concluded that the institutions will only transfer reserves from the plant fund for non-recurring expenses. Any exceptions will be handled on an individual basis.

- Guideline B-060 Fees, Charges and Refunds

The committee discussed the reduction of fees for elderly and disabled students as set by state law. The fee was changed to \$70 per semester or \$45 per quarter.

The guideline will be revised to include these changes. (See Attachment A)

- SCT Accruals

The committee discussed accruals for the SMO, Windstar, and Oracle maintenance payment for the calendar year January 2006-December 2006. These costs have always been paid on August 1, but have not been accrued by the institutions. Since the payments are for the calendar year, it was decided that one half should be accrued at June 30. Institutions were also reminded that they should accrue training expenses for May and June.

- SAS 112

The committee discussed the new SAS 112 *Communicating Internal Control Related Matters Identified in an Audit*. SAS 112 establishes standards and provides guidance on communicating matters related to an entity's internal control over financial reporting identified in an audit of financial statements. If the possibility of fraud exists, then a finding can be taken on an institution. The committee recommended that the TBR Director of Internal Audit contact State

Audit regarding this new SAS.

- One Point Solutions

Dr. Adams informed the group that he will recommend to the Chancellor that the contract with One Point Solutions, the flexible benefit vendor, continue for another year. One Point Solutions has proposed to delay payment for administrative fees for 12 months to demonstrate that they have resolved past problems with reimbursement. The administrative fees for July 2006 through June 2007 would not be due until June 2007. The Board asked institutions to monitor and accumulate any employee complaints received against One Point Solutions.

The Finance Committee minutes were approved.

B. Council of Buyers

Ms. Gregory highlighted the following issues from the July 19, 2006 Council of Buyers meeting.

- Contract Log Demo

The council was shown a demo of the revised contract log showing all information that will be available, and the search capabilities that will allow TBR institutions to search log criteria and run any necessary reports for their internal use. The log will be in PDF format, and will contain all contracts from July 1, 2006 forward.

- 06/07 Goals/Objectives

One of the council's main goals for the upcoming year is to have the TBR Purchasing and Contracts Website operational. Ms. Gregory reminded the council that she will need input from them as to the items to be included on this site.

- Contract Monitoring

Ms. Gregory indicated that the procurement officer or staff should not be the contract monitor, but that a representative from the department requesting the services should be the monitor. TBR will monitor all system-wide contracts issued by the Central Office.

The council also inquired if a dollar threshold could be established for determining when the monitoring process would be used. However, it was determined that no dollar threshold would be set, and that all contracts must be monitored.

- Governor's Office of Diversity Business Enterprise Submittals

The council agreed that the notification process was not beneficial and that more information was needed from the GODBE office. The GODBE office has also not responded on how additional applications should be submitted. Ms. Gregory spoke with the GODBE office regarding the situation, and they stated that it was the institution's responsibility to check their website to verify that vendors are certified.

- Dell TAF Purchases

Ms. Gregory confirmed with the council that they had received the Dell TAF Purchase Pricing spreadsheet for the 06-07 year. Dell has also talked with Ms. Gregory about promoting the Sales Tax Holiday Weekend (8/4-8/6) with TBR students and employees. Ms. Gregory will distribute information regarding the promotion to the institutions as soon as possible.

- Senate and House Bills

Ms. Gregory highlighted three Senate and House Bills that were passed relative to procurement. They involve:

1. The restriction of contracting with illegal immigrants to supply goods/services.
2. The requirement in an RFP that no cost proposals may be opened until the evaluation of the non-cost sections of the proposal unless approved by the Commissioner of F&A and the Comptroller of the Treasury.
3. The allowing of reasonable dues to a not-for-profit buying cooperative.

Relative to E&I Cooperative, Ms. Gregory mentioned that TBR would have to enter into an agreement with E&I, and purchases would have to be documented as they were in the past with Horizon Resource Group.

- Contract Officers Meeting

Ms. Gregory indicated that since many of the institutions have one person for both buying and contract functions, it seemed unnecessary to have a separate meeting. The council agreed that this was a good idea, and contract officers will be invited to one of the Council of Buyers Quarterly meetings.

- People Admin

Ms. Gregory updated the committee on the status of the People Admin purchase. People Admin will provide applicant tracking, access to position descriptions, and performance management. Pricing was provided for three different scenarios: (1) one instance at TBR, (2) each institution has their own instance, and (3) some institutions using the TBR instance and some using their own. Ms. Gregory will

survey the institutions to see what their plans are regarding the purchase of this product.

- **ODS Pricing**

The Operational Data Store (ODS) allows the user to perform ad hoc reporting at an office level, rather than depending on the IT department to write or run reports. ODS is the first step in developing a data warehouse. However, data warehousing would be an additional cost. Ms. Gregory will contact SCT and ask them to provide pricing for data warehouses.

A question was raised as to what additional hardware would be required for the ODS. Mr. Danford stated that depending on the institution's current equipment, some additional hardware may be required. However, he did not expect the costs to be significant.

The Council of Buyers minutes were approved.

C. Human Resources

Ms. Johnson highlighted the following issues from June 23, 2006 Human Resource Officers Committee meeting.

- **Roth IRA Legislation**

The state expects to go live with the Roth 401-K program in January 2007. It was stressed that if employees ask the human resource office whether they should participate in Roth, the best advice is to tell them to contact a tax expert.

- **Pandemic Influenza Preparedness Guideline**

ETSU, along with the State Department of Health, is working on the proposed guideline. Issues regarding the use of sick leave and other human resource related issues will be discussed further as the guideline becomes finalized.

- **Code of Conduct**

The State Auditors had requested to review campus codes of conduct during recent visits. The auditors did not take exception to TBR current policies regarding employee conduct, nor did they conclude that TBR needs a separate policy or code of conduct. Therefore, institutions are not required to develop a new separate code of conduct.

- **USERRA-The Uniformed Services Employment and Re-employment Rights Act**

The Military Leave Policy 5:01:01:04 is being updated to comply with this act. TBR will keep in mind executive orders, while following the federal scheme. Ms. Zimmerman discussed the funding of salary difference in military salary. She also stated that partial pay is in yearly increments ending in September of this year, but that it could possibly keep being re-issued until the troops come home.

- Post Retirement Guideline

Chattanooga State has requested that TBR Guideline P-160 be modified to increase the maximum number of post retirement hours for fiscal year faculty. Currently, the maximum hours are eighteen for both fiscal and academic personnel. Ms. Johnson will forward the issue to the Academic Sub-Council for review.

- Parental Participation in Schools by State Employees – Legislative Change

The legislature recently passed a bill that will allow state employees to spend one day per month volunteering in their child's classroom. This will require an addition to the TBR leave policy, possibly as a new leave category.

- Unarmed Security Guard Applications – Legislative Change

The legislative change for the security guard applications will be considered as a part of the affected job descriptions in the security guard series in the TBR system-wide non-exempt pay plan. The TBR HR office will develop a timeline and appoint a committee to review this item by September 2006.

- New Media Sexual Harassment Training

New Media's sexual harassment training can now be accessed from the TBR home page, under Human Resources. The password is "shtraining". TTC's and the central office staff may use the TBR website to provide the training to all employees. The universities and two year institutions have the ability to contract with New Media under the UOM contract.

- TBR Compensation Guidelines Memo for 2006-07

The \$350 state bonus must be paid no earlier than October 1, 2006, but no later than October 31, 2006. However, if individual institutions are issuing an additional bonus, they may do so whenever they wish; once approved by the Board.

The HR Officers minutes were approved.

D. Internal Audit

Ms. Gourley highlighted the following issues from the July 18, 2006 Internal Auditors'

meeting.

- Audit Committee Charter

The revised Audit Committee Charter was approved at the June Board meeting. Some of the specific items included logging complaints received for accounting and auditing matters, and review of employee code of conduct and conflict of interest policies to determine if they meet the recommendations of the Comptroller's Office. Another item included in the charter is the requirement for the Audit Committee to review and approve the annual compensation of the system auditors.

- Risk Assessments

It was noted that the system risk assessments will likely be presented at the September Audit Committee meeting. There was some discussion regarding providing additional training on the next phase of the risk assessment process that would either be provided to train the next group of evaluators, or training on evaluating internal controls. It was noted that during the next phase of the risk assessment process, the controls that mitigate risks should be documented with the assessments. These include source documents supporting the controls if the source is not readily available, such as in the case of TBR policies and guidelines or institutional policy manuals.

- Audit Committee Meetings

It was noted that the Audit committee, beginning in September, will meet on the day of the quarterly Chairs meeting rather than on the first day of the quarterly Board meeting.

- Findings/Observations/Comments

The definition of these terms and their inclusion in the audit reports was discussed. The workgroup for audit reports will be asked to draft some guidance for use of the various terms. The use of a management letter to relay certain non-finding matters to management was also discussed. It was noted that when such a letter is used, it should be briefly referenced in the audit report, such as: "Certain other matters were reported to management in a separate letter."

- Internal Audit Follow-up Actions

Auditors were reminded that follow-up reviews should be done within approximately one year for all internal audit findings, and forward the results to the Office of System-Wide Audit.

- Business Continuity Plan/Data Security

Because of questions and concerns expressed by some state auditors recently, it was recommended that auditors become familiar with their institution's plan and make any needed recommendations for updating or implementing such plans.

- **State Audit**

Glen McKay, Assistant Director for Investigations and Information Technology, and Melissa Boaz, Investigations Manager, met with the group. Mr. McKay discussed the history between State Audit and TBR, and expressed that "sea-change" had recently occurred due to corporate world mismanagement and the subsequent reactions. Mr. McKay believed that these changes, including the creation of an Audit Committee, management's responsibility for assessing internal control, and monitoring internal control, have changed the relationship with State Audit. In this new environment, he indicated that State Audit's role in investigations was to be available to TBR auditors and provide consulting, advice, guidance, assistance with key interviews, and coordinate communications with the Attorney General and local District Attorneys. He also expressed that to the greatest extent possible TBR internal auditors are responsible for the investigations and reporting.

The Internal Audit Committee minutes were approved.

E. Bank RFP Committee

Dr. Collins highlighted the following issues from the January 11, 2006 Bank RFP Committee meeting.

- The committee met with representatives from First Tennessee Bank. The committee asked the representatives whether it is possible to bid credit card processing services separately for the system and require banks to use the credit card processor we select. They stated that any processor can work with any bank. The contracts that banks sign with credit card processors do not include exclusivity clauses.
- The committee decided to recommend pursuing a system-wide RFP for credit card processing services only as a first step. The committee recommended as a potential second step, pursuing a system-wide RFP for banking services. Mr. Zettergren will determine if UOM has a professor with banking knowledge that will review RFP's developed by the committee.
- The BASC agreed with pursuing a systemwide contract for credit card processing. The Bank RFP Committee will develop the specifications for Ms. Gregory's use, with the goal of a systemwide contract in place by July 1, 2007.

The Bank RFP Committee minutes were approved.

2. Facilities Fees

Mr. Preston discussed the new disclosure policy which states that any maintenance over \$100,000, or work requiring a designer, which adds or deletes square footage and will receive funds from a source other than capital appropriations must be disclosed. Multiple local-purchase projects under \$100,000 each that add up to more than \$100,000 in a six-month period on a single building, do not require disclosure, but will require approval by the State Building Commission (SBC) under the new TCA 49-7-132. It is the express intent of the Commission that no major maintenance or renovation project be split to avoid the \$100,000 threshold. Mr. Preston stated that “major renovation” would be renovating a building for a major change in use such as changing dormitories to classrooms. Mr. Preston also distributed a Memorandum of Understanding, containing some normal, routine, everyday maintenance issues that are not required to go before the SBC.

As part of the annual appropriation request process, the governing board shall transmit to the THEC staff a list of capital projects to be considered for funding through TSSBA or sources other than state appropriations. Due to the length of time that is involved in the budget process, the governing board should include in their request the projects that they anticipate presenting to the SBC in the upcoming two fiscal years. A project that is listed on an approved Disclosed Projects listing and has not received SBC approval within two years will lose its disclosed status. The governing board may again disclose this project in future budget cycles.

Amendments to the Disclosed Projects listing shall be transmitted to THEC staff by the governing board by March 31st of each year for consideration by the Commission at the spring quarterly meeting. No further amendments will be made to the Disclosed Projects listing unless the project is of a true emergency in nature or a special opportunity project.

3. Insurance Values on Facilities

Mr. Preston stressed the importance of ensuring that insurance values properly reflect the value of your buildings and contents. He stated that it would be a good idea to update these values on an annual basis in order to avoid having any significant adjustments.

4. G-030 Revisions

Section 11 – Contract of Adhesion, of TBR Guideline G-030 Contracts and Agreements, relates to contracts in which vendors are unwilling to negotiate impermissible clauses in their contracts. Modifications are currently being made to the guideline in order to allow institutions to approve contracts of adhesion on their own, without having to forward them to the central office.

A preliminary draft of the guideline was issued, but it was determined that this draft did not meet the needs of the institutions. Ms. Crisp agreed to modify the draft and send out a new version via e-mail for approval.

5. Non-resident Alien Tax Workshop

Dr. Collins stated that ETSU will be willing to set up a training workshop on the proper way to handle the non-resident alien taxes. Anyone interested in the training should contact Dr. Collins.

6. Continuing Education Profit/Loss Schedules

Most institutions are experiencing a loss from their continuing education activities. Dr. Manning is concerned that we may not be putting our resources to use in a way that benefits the institutions. A point was raised regarding the perception that the community might have if the institutions stopped offering continuing education classes. The committee felt that the continuing education program should be looked at as part of its public service to the community. The committee also felt that due to the total functions performed by continuing education staff, we may need to redefine what goes into these programs as costs.

7. Other

- A request was made to add Banner/Sungard Issues as a standing agenda item for BASC meetings.

The committee was reminded to relay any problems they may be experiencing with Banner to their presidents, so that they may convey the problems to Sungard in steering committee meetings.

- A recommendation was made to look at raising the maximum contract period from 5 years to 10 years for revenue contracts such as food service and bookstores. This possibility will be investigated and presented to the Board of Standards.
- It was brought to the attention of the committee that the Bond Authority has still not gotten the required information to the schools in order for them to complete their financial statements. Several schools expressed concern with being able to meet the deadline. Dr. Adams agreed to contact the Bond Authority to resolve the matter.

There being no further business, the meeting was adjourned.

II. Maintenance Fees

A. Description of Fees

1. The Maintenance Fee is a charge to students enrolled in credit courses. It is an enrollment or registration fee and is calculated based on the number of Student Credit Hours (SCH's) for universities and two-year institutions or student contact hours for technology centers for which the student enrolls, up to a maximum full-time charge. Fees are established by the Tennessee Board of Regents.
2. The same fee is applicable to courses for which the student is enrolled on an audit basis.

B. Rates

1. Rates are established by the Board and incorporated in a fee schedule that groups specific full-time and part-time fees; by type of institution (two-year institutions; APSU, ETSU, MTSU, TSU, and TTU; and UOM); and by course/program level (undergraduate and graduate). Developmental courses are charged at the two-year institution hourly rate with the maximum not to exceed the home institution's established full-time rate.
2. Part-time rates are applied based on the level of credit for the course (regular or developmental) and the level of credit for the course, regardless of student level. If a student, part-time or full-time, enrolls for both regular and developmental courses, the rates shall be assessed at the part-time hourly rate for each, with the maximum not to exceed the established full-time rate of the home institution. In an instance where a course may be taken for undergraduate or graduate credit, the student shall pay the rate of the level of credit sought. If a student, part-time or full-time, enrolls for both undergraduate and graduate courses, the rates shall be assessed at the course/program level, with the maximum not to exceed the established graduate full-time rate.
3. Maximum fees may not apply to special offerings between terms, for concentrated courses during a term, or at specific off-campus locations when the institution determines that the course(s) should not be included for purposes of determining maximum fees.
4. For institutions with multiple summer sessions, maintenance fees and tuition may be assessed by using the current part-time rate with no maximum amount for total credit hours enrolled.
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~~ **\$70** per semester or ~~\$50~~ **\$45** 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, special course fee, etc.). This only applies to enrollment on a space available basis, which permits registration no earlier than four (4) week prior to the first day of classes.
 - b. Pursuant to TCA 49-7-102, certain statutory fee exceptions exist for dependents and spouses of military personnel killed, missing in action, or officially declared a prisoner of war while serving honorably as a member of the armed forces during a

period of armed conflict. If these provisions are invoked by a student, the correct applicable law should be determined