

**Resources & System Efficiency Committee  
Ohio Board of Regents  
Minutes of the Meeting of July 14, 2005**

The Resources & System Efficiency Committee of the Ohio Board of Regents met at the University of Dayton in Dayton, Ohio. In attendance were the following:

Committee members:

Bruce Beeghly, Committee Chair  
Donna Alvarado  
James Tuschman

Other Board members in attendance:

Edmund Adams  
Jeanette Grasselli Brown  
Gerald Miller  
Jerome Tatar  
J. Gilbert Reese

Ohio Board of Regents staff:

Jamie Abel, Assistant Director for Communications  
Harry Andrist, Director, Research & Graduate Programs  
Roderick Chu, Chancellor  
Bret Crow, Assistant Director for Communications  
Kris Frost, Vice Chancellor for Operations  
Deborah Gavlik, Associate Vice Chancellor, Government Relations  
Darrell Glenn, Director for Performance Reporting & Analysis  
Robert Johnson, Assistant Director, Workforce Development  
Jim Nargang, Assistant Director, Capital Development  
Rich Petrick, Vice Chancellor for Finance  
William Wagner, Research Analyst

Guests:

Mervyn Alphonso, Central State University  
Chris Baldwin, Owens Community College  
Tony Barnes, University of Akron  
Bob Burke, Association of Independent Colleges & Universities  
Laurie Day, Cleveland State University  
Greg Dunn, City of Dublin  
Jennifer Fehnrich, Owens Community College  
John W. Garland, Central State University  
Joe Jackson, Clark State Community College  
Cheryl D. Marcus, Central State University  
Jim McCollum, Inter-University Council of Ohio  
Gena Miller, Association of Independent Colleges & Universities  
Bill Napier, Cleveland State University  
Pankaj Shah, OSC/OARnet  
David Varda, Auditor of State of Ohio  
Vikki Williamson, Central State University

The meeting was called to order by Regent Beeghly and the minutes of the June 2005 Committee meeting were approved without objection.

### **Old Business**

The Committee received an update on Central State University's FY 2004 financial audit from President John Garland and Chief Financial Officer Mervyn Alphonso of Central State University, and David Varda from the Auditor of State. Representatives from Plante & Moran, the independent accounting firm that performed the audit, were also present. Mr. Varda reported that Central State's original audit was not initially certified due to the absence of appropriate references to material weaknesses at the university related to a theft by an employee that occurred in the spring of 2004. However, the institution's revised audit has now been certified by the Auditor of State, and Vice Chancellor Petrick noted that the institution's Senate Bill 6 financial ratios and composite score are above the minimum threshold required by the state.

In response to the audit findings, Central State University reported that it had instituted a number of internal controls, and hired a new CFO, controller and assistant controller. In addition, the university is currently seeking a new internal auditor who will report directly to the President. According to Mr. Alphonso, these actions are expected to correct a lack of segregation of duties that existed at the time of the theft. The university has also taken action to ensure that bank reconciliations are performed and the results received in a timely fashion. President Garland noted that much of the money that was stolen has since been recovered, either from insurance or from the actual seizure of assets from the perpetrator. Mr. Varda assured the Committee that the Auditor of State's office will continue to stay in contact with Plante & Moran to ensure next year's audit is submitted on time.

Regent Alvarado suggested that, following general Sarbanes-Oxley procedures, Central State's audit committee sign-off on all financial statements, as the fiduciary responsibility of an institution rests with its board of trustees.

### **Items for Action in July**

The Committee recommended Board approval for the partial release and distribution of FY 2006 operating subsidies totaling \$2.5 billion. Vice Chancellor Petrick noted that the Controlling Board authorized the transfer of \$700,000 on July 11th to State Grants and Scholarships in order to begin implementation of the new Ohio College Opportunity Grant (OCOG). Appropriations for OCOG implementation were inadvertently left out of HB 66, the operating budget bill.

The Committee also recommended Board approval for several joint use agreements which were reviewed in June. These joint use agreements are the first to incorporate a new worksheet that identifies specific value of the Joint Use Agreement to the institution. Regent Brown complemented the Regents' staff on the development of these worksheets. The Committee recommended Board approval for a request from Ohio State University to pledge student fees in support of a bond issuance not to

exceed \$88.7 million. The bond issuance will support 15 capital projects at OSU, ranging from campus infrastructure improvements to the expansion of University research and medical facilities.

Greg Dunn, representing the City of Dublin and Pankaj Shah from OARnet, briefed the Committee on a \$500,000 Joint-Use Agreement between The Board of Regents and the City of Dublin. Under this agreement, OARnet will receive ownership of 4 fibers to be purchased by the City of Dublin. By bringing the Third Frontier Network (TFN) closer to a number of Columbus area institutions such as Otterbein and Ohio Dominican, the TFN will save at least \$100,000 over 20 years in reduced fiber costs. The TFN also benefits by gaining access to Dublin businesses as well as the city's planned research park. The City of Dublin will gain the ability to access the TFN for distance learning at its schools. Vice Chancellor Garry Walters noted that a number of projects are currently in process to develop "rings" in rural areas of the state as part of a broad statewide strategy to expand the TFN. The City of Dublin is requesting July approval for this agreement in order to expedite research projects, including one with Battelle. This item was recommended for July Board approval.

The Committee also recommended Board approval for June 2005 Controlling Board items.

#### **Items for review, action in September**

Rich Petrick noted that the University of Cincinnati had submitted a request for a consideration of a pledge of student fees in support of a \$30.3 million local bond. Discussion of the request was deferred until the September Board meeting, at which time a representative from the university will be in attendance to answer any questions the committee may have.

In other business, Bill Napier from Cleveland State University briefed the Committee on the university's request for a fee cap exemption for a \$25 per semester fee that will give students unlimited use of Cleveland's RTA system. He noted that in a recent student referendum, 71% voted in favor of this fee. Rich Petrick informed the committee that Regents staff will prepare a resolution and thorough analysis of Cleveland State's request and its precedent in advance of the September meeting.

The Committee was adjourned by Regent Beeghly.