Administrative Affairs Council Meeting Minutes  
January 5, 2010

Participants:
Dave Clark, Tamara Barber-BSC  
Corry Kenner-LRSC  
Alice Brekke, Peggy Lucke, Cindy Fetsch-UND  
Karla Mongeon-Stewart, Gary Wawers, Eric Miller (John Adams joined later)-NDSU  
Alvin Binstock, Mark Lowe-DSU  
Mike Renk, Keith Johnson-NDSCS  
Steve Bensen-MaSU  
Ron Dorn, Jonelle Watson-MiSU  
Trudy Collins-VCSU  
Jim Borkowski-DCB  
Randall Thursby (for part of the meeting), Cathy McDonald, Robin Putnam, Laura Glatt-NDUS

Laura added other items to the agenda as follows: IPEDS reporting consistency, Sightline proposal and, 11-13 salary and utility calculations. Alice asked that if time permits, the Council discuss the proposed draft student driver policy.

Annual Budget Guidelines  
Cathy reviewed the proposed annual budget guidelines. She indicated that the guidelines would be presented to the Cabinet and SBHE in February. There were no suggested changes based on the 09-10 guidelines. A question was raised about whether the SBHE will require the four-year campuses to limit tuition rate increases to no more than 3.5%, as opposed to 4.0% as they did in 2009-10. Laura indicated that she was not aware of what the SBHE’s intent is with regard to 10-11 tuition rate increases. She said she would also need to check with the Chancellor to see if it was his intent to recommend any areas of targeted investments, as was done in the area of retention and graduation rates in 09-10.

FY09 Preliminary Audit Recommendations  
The Council discussed strategies for attempting to further reduce the number of and significant audit recommendations in the future, especially the prior audit recommendations not implemented. Sharon Loiland, UND joined the call. Robin pointed out that some of the new audit recommendations are the result of recent changes in the auditing standards. Some members pointed out that it is not feasible to eliminate all audit recommendations, and while that fact is recognized, it was also agreed that there is a SBHE and legislative expectation of improvement. Some of the suggestions included: system-wide training, additional staffing, contract services for expert assistance, an improved financial reporting system and related checklists. It was also suggested that we consider engaging an independent third party to review and document whether there has in fact been improvement in the number and significance of audit recommendations over the past several years, as many believe there has been
substantial progress. It was also suggested that this third party may be able to critically review and make recommendations for ways in which we could make more improvements, as a way to reduce the likelihood of future audit recommendations.

Following discussion the Council suggested: 1.) each VP meet with their controller to discuss and identify areas of improvement and needs; 2.) the controller’s group identify specific recommendations to be forwarded to the Admin Affairs Council for consideration at their February 2nd meeting. Laura pointed out that timing is important since any new budget resource needs would need to be identified within the overall 11-13 budget process.

Alice expressed concern about an audit recommendation which proposes to change the reporting relationship for campus internal audit staff. She said with the current campus reporting relationship the internal audit staff provide internal recommendations for improvement to help prevent future audit recommendations. She said her concern is that this role may change from preventive/assistance to an after-the-fact gotcha approach, as a result of a change in reporting relationship. Laura pointed that one way to avoid that possibility is for the SBHE to be clear about the role and expectation of the internal audit function and staff, if reporting relationships change. Eric Miller, NDSU internal auditor pointed out another way to address the issue is to provide for a dual reporting relationship—to the SBHE functionally (annual review and approval of audit plans and reports), but to the campus president or other campus administrator for administrative reporting (consultative). In response to a question raised by Laura about hiring, firing and pay setting in a dual relationship, Eric said that in business and industry it is not uncommon for the Board to also have a role in hiring, firing and compensation for internal audit staff in a dual reporting relationship.

Karla pointed out that it may be difficult to identify qualified individuals for the internal audit function. Eric also reminded the Council that proceeding with the risk assessment implementation is a critical and important step and will help with increasing knowledge and training for others on campus. Robin said that now that the financial statement and audit activities are nearly complete, she will turn her attention back to implementation of the risk assessment model.

Student Fee Reallocation
The Council discussed student fee reallocation and student involvement and agreed to consider a SBHE policy revision that would require informing the students of proposed student fee reallocations. Laura said she would ask Pat to draft a policy which would be distributed to the campuses via email for review.

Major Capital Project Definition
The Council reviewed the proposed major capital project dollar thresholds discussed at the last meeting as follows:
BSC, LRSC, WSC, VCSU, MaSU, DSU, DCB: $250,000
MiSU and NDSCS: $500,000
UND and NDSU: $1,000,000
Projects in excess of these dollar thresholds would be required to be considered as part of the prioritized system-wide major capital project list. Projects less than these dollar thresholds would be requested as part of the new individual campus project list or funded through extraordinary repairs formula funding.

Following discussion, it was agreed that we would proceed with these thresholds and revisit the amounts and adjust later, as necessary.

**Tuition Waivers**
Laura said that the SBHE LTF Plan and Tuition Task Force agreed to consider waivers as part of the more comprehensive tuition model study that must be completed by Fall 2010, which will include consideration of tuition rate categories. Laura raised a question about whether we need to consider some interim short-term steps to hold the line on the amount of waivers, as it continues to increase each year, by even more than the tuition rate increases. Alice said that there cannot be a one-size fits all solution. Alvin supported this position pointing out DSU’s role in promoting diversity and international enrollment which requires a different set of recruiting tools. Karla agreed that while a one-size fits all solution is not appropriate, she suggested that one alternative may be for the SBHE to approve a tuition waiver budget as part of the annual budget process, which simultaneously permits each campus to justify an increase based on their individual institutional mission. Laura suggested that using this approach it would be important to ensure that campuses stay within the overall authorization set by the SBHE. Mark Lowe pointed out that the waiver figure in the annual budget now is only an estimate at the time of the budget. Alice pointed out that in this scenario, it would also be important to differentiate between legislatively/SBHE mandated waivers as opposed to those that are under institutional authority, since campuses have no authority to control the SBHE/legislatively mandated waivers.

Laura indicated she would be discussing this with the Chancellor’s Cabinet tomorrow and encouraged the Council members to discuss this with their president prior to the meeting.

**Tuition Model Study**
Laura indicted she was still in the process of working with CND to gather the raw data on enrollments and revenues needed to develop alternative tuition models.

Alice and Tamara agreed to assist Laura with developing draft model assumptions for Council consideration. Following that, a special meeting of the Council will be scheduled to work on developing the model alternatives.

Alvin reminded the Council of the importance of keeping students briefed and involved in the study. Laura said she had mentioned this to the Chancellor and had, in fact, briefed the NDSA President about the possible direction a few months ago.
IPEDS Reporting Consistency
Cathy revisited the issue of IPEDS reporting consistency for cost of attendance. IPEDS instructions define “price of attendance” as the cost of attendance used for financial aid purposes. Given this, it does not appear feasible for every campus to use standard room and board contract rates. In fact, some campuses indicated that they add on an additional amount to their on-campus room and board rates to reflect a higher cost of living off-campus, which would vary by campus and community. After discussion, the consensus was that campuses would use 15 semester credit hours for reporting tuition and fees to IPEDS, but would be given individual discretion, consistent with their financial aid packaging, to report room and board costs. Cathy said given this, she would need to continue to make manual revisions as part of the accountability measures reporting to ensure as much consistency as possible across the NDUS.

2011-13 Biennial Budget Calculations
The Council discussed two issues related to salary calculations: 1.) cost to continue salary increases provided above and beyond the legislatively appropriated increase; and, 2.) cost to continue new staff positions added in 2009-11 from equity funding, internal reallocation and tuition income. It was agreed that the cost to continue salary increases would exclude any 09-11 salary increases given in excess of the legislatively appropriated increase. Cathy will make the appropriate adjustments in the parity calculation. With regard to new positions, the Council discussed the difficulty of splitting the positions between state general fund and tuition income, given the campuses budget and allocate “appropriated funds” which includes both state general fund and tuition income. It was also pointed out that ultimately, the state/student shares are applied to all parity calculations, so this would address, at least, a portion of the tuition income positions.

The utility budget discussion focused on the beginning base, and leased space. The 09-11 budget increase was arrived at by comparing the 07-09 estimated utility costs compared to the 09-11 estimated utility costs. In all cases, the 07-09 actual expenditures were different—either higher or lower—than the 07-09 estimated costs used for 09-11 budget purposes. Trudy suggested the possibility of starting with the 07-09 actual utility expenditures plus the 09-11 increase as the utility base budget figure to be used in the 11-13 budget process. Following discussion, it was concluded that the System Office would send out additional instructions via email.

In the interest of time, the Council delayed discussion on a Sightline proposal and the draft student driver policy until the next meeting.

Next Meeting Date: February 2, 2010

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