



**Board of Trustees Meeting  
Audit & Business Committee  
December 1, 2020  
Roaden University Center Room 282  
MINUTES**

**AGENDA ITEM 1—Call to Order**

The Tennessee Tech Board of Trustees Audit & Business Committee met on December 1, 2020 in Roaden University Center Room 282. Chair Johnny Stites called the meeting to order at 10:30 a.m.

Chair Stites asked Mr. Lee Wray, Secretary, to call the roll. The following members were present:

- Johnny Stites
- Sally Pardue
- Thomas Lynn

Other board members were also in attendance. A quorum was physically present. Tennessee Tech faculty, staff and members of the public were also in attendance.

**AGENDA ITEM 2—Approval of Minutes**

Chair Stites asked for approval of the minutes of the September 29, 2020 Audit & Business Committee meeting. Chair Stites asked if there were questions or comments regarding the minutes. There being none, Mr. Lynn moved to recommend approval of the September 29, 2020 Audit & Business Committee minutes. Dr. Pardue seconded the motion. Mr. Wray called a roll call vote. The motion carried unanimously.

**AGENDA ITEM 3— One-Time Employee Bonus**

Dr. Stinson advised the proposal was for a \$500 bonus for all permanent employees. For part-time employees it would be pro-rated based on percentage of work time. This would be a non-recurring one-time bonus included in December paychecks. The approximate cost is \$650,000.

Ms. Harper stated she was very pleased to be able to offer this to employees during this difficult time. Dr. Oldham added the entire campus had done a phenomenal job of addressing the current circumstances. The faculty and support staff have gone above and beyond. Dr. Oldham added that he wanted to do something within our means to recognize the effort everyone on campus has put in. In addition, everyone was given an extra day off before the Thanksgiving holiday.

Mr. Lynn moved to send the proposal for FY2021 one-time bonus for permanent employees to the Board for approval and to place on the Board's regular agenda. Dr. Pardue seconded the motion. Mr. Wray called a roll call vote. The motion carried unanimously.

#### AGENDA ITEM 4—Approval of 2020-21 October Revised Budget/Organizational Chart

Dr. Stinson advised this was the second budget for the fiscal year. The reconciliation of changes (Attachment A) in E & G revenues were in tuition and fees and state appropriations. The \$5,405,043 difference between actual and proposed was the proposed was based on estimated numbers for fall semester and they turned out to be low. The state appropriations \$2,919,137 difference was due to the proposed budget included the new state appropriations we were expecting to receive plus the salary pool. We did not receive the new state appropriations so \$2,476,000 was removed in the revised budget. Dr. Stinson stated that the actuals are what the year ended with, the proposed budget only includes recurring funds and the revised budget picks up any carryforwards from fiscal year that has just ended and re-budget those for the units to be able to spend. Mr. Jones asked for clarification on the change of expense (Attachment B) for the \$8,117,000 difference in instruction between proposed and revised and if it was carryforwards. Dr. Stinson stated it was the net of carryforwards and the budget reductions done in July. The unspent budgets at the end of fiscal year were approximately \$9,000,000. The actuals versus proposed reconciliation of changes in expenses shows the unspent budgets, lapse salaries and adjustments made (Attachment C). The proposed budget to revised budget reconciliation of change in expenses (Attachment D) showed the budget reduction in each functional areas, carryforwards and other adjustments. Dr. Stinson wanted to point out the increase in institutional support for legal fees for outside council, one-time resources were used. There was also a \$825,000 retirement benefit increase which were costs passed to us from the state. Maintenance and Operations had a re-budget of \$1,096,203 purchase orders that were primarily related to PPE for fall term that was purchased in FY20 and we did not receive until FY21. The change in natural classification expenses (Attachment E) looks at how money was spent in salary and wages, fringe benefits, travel, etc. The largest items were under operating & utilities between proposed budget and revised budget \$17,449,115 that is primarily carryforwards that were re-budgeted. The units that have carryforwards are free to move those funds around as needed. The actual versus proposed reconciliation of change in natural classification (Attachment F) showed adjustments to salaries & and wages, benefits, operating & utilities etc. There was more unspent operating than typical due in part to campus closures in April, May and June. In April units were encouraged to only purchase what was essential due to adjustments in state budget. The proposed versus revised reconciliation of change in natural expenses (Attachment G) showed differences in salary and wages which was created by removing the anticipated salary increase and budget reductions. Operating & Utilities had an increase in revised budget primarily from re-budgeting of carryforwards, legal fees, purchase orders and research indirect costs.

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Ms. Vanhooser asked if the units that historically have carryforwards did something needs to be managed differently in those areas. Dr. Stinson advised that they have been watching the carryforwards and the recent restructure of the Budget Advisory Committee will be addressing these issues. The fees and indirect costs seem to be the ones that are carrying forward year to year. This year was exceptional in the fact that we knew we would have to do some budget reductions, reduce expenditures, and we had a large amount of purchase orders carried forward.

Mr. Lynn moved to send the 2020-21 October Revised Budget and Organizational Chart to the Board for approval and to place on the Board's regular agenda. Dr. Pardue seconded the motion. Mr. Wray called a roll call vote. The motion carried unanimously.

### AGENDA ITEM 5A—Composite Financial Index

Dr. Stinson advised the major metrics to measure and monitor financial health: Composite Financial Index, primary reserve ration, viability ratio, return on new assets ratio and net operating revenue ratio. The CFI is a national benchmark and the expected value is a national comparison. The CFI watch level is 1, the expected level is 3 and our index for FY2020 was 4.73. The primary reserve ratio indicates the sufficiency of resources and their flexibility. The industry standard of .40 represents about 5 months expenses and we are just above that level at almost six months for FY2020. The second component is the viability ratio that measures the capacity to repay debt through reserves. We are on a down ward trend due to taking on additional debt. The fitness center and a small portion of the science building were debt financed. The industry standard is 1.25 this is not a particularly good measure for a public university. If we carry too much in reserves we receive questions as to why we are not spending our money and in order to take on debt we have to have a dedicated revenue source for repayment. The next component is the return on assets ratio and it shows total economic return. The industry standard is 3% above Consumer Price Index. Anything below rate of inflation is a reduction of the institution's asset base in real dollars. The final component is net operating revenue that indicates whether the institution is living within available resources. The industry standard is 4% and we are almost 10%. At the time of this meeting the CFI information for UT and other LGIs were not available for FY2020. The prior four years Tech has been above average of other LGIs and UT.

This was an informational item therefore no action was required.

### AGENDA ITEM 5B—Tuition Transparency Act Report (T.C.A §49-7-1604)

Chair Stites advised by February 1<sup>st</sup> of each year, the Board is required to provide a report to the General Assembly with information regarding expenditures of revenues derived from any tuition and fee increase in the previous full academic year. The report must include how revenues were used, the effect on student financial aid, and the effect on the average total cost of attendance per student. Dr. Stinson advised the report was provided in Diligent (Attachment H). The use of revenues for FY2020 was for matching required for salary improvement, hiring new faculty to support technology-infused programs, faculty positions for new PhD in Counseling & Supervision, establish advising center to support students, software licenses and scholarships. Technology Access Fee increase for mandatory fees was to create a sustainable instructional technology refresh plan, provide new instructional technology for new science building and provide supplies and support for technology within classrooms.

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Mr. Lynn moved to send the Tuition Transparency Act Report to the Board for approval and to place it on the Board's regular agenda. Dr. Pardue seconded the motion. Mr. Wray called a roll call vote. The motion carried unanimously.

### AGENDA ITEM 6—Revision to TTU Policy 537(Naming Building Facilities and Organizational Units)

Dr. Stinson advised the revision was requested by the Board in June 2020. The request was to remove the one-year separation requirement if a building was to be named after a former employee. Ms. Harper added the request came from Mr. Wilmore at the time the Board was approving the naming of the Marc L. Burnett Student Recreation & Fitness Center. Mr. Burnett had not been retired a full year at the time.

Mr. Lynn moved to send TTU Policy 537(Naming Building Facilities and Organizational Units) revision as presented effective January 1, 2021 to the Board for approval and to place on the Board's consent agenda. Dr. Pardue seconded the motion. Mr. Wray called a roll call vote. The motion carried unanimously.

### AGENDA ITEM 7—Disclosed Capital Projects

Dr. Stinson advised disclosed capital projects are projects paid for through resources of the university, either through debt financing or other revenue sources. There are no state dollars attached to these projects. We must disclose the projects to the State Building Commission, even though the state does not fund them. Dr. Stinson stated the Crawford Hall roof replacement and Craft Center Housing roof replacement are for FY2020-21 and will be paid with housing auxiliary and plant funds. The chiller addition to accommodate the Innovation Residence Hall is for FY2021-22 and will be paid with plant funds-auxiliary.

Mr. Lynn moved to send the amendments for FY20-21 and FY21-22 Disclosed Capital Projects for roof replacement for Crawford Hall, Craft Center Housing roof replacement and the additional chiller to accommodate the Innovation Residence Hall to the Board for approval and to place on the Board's regular agenda. Dr. Pardue seconded the motion. Mr. Wray called a roll call vote. The motion carried unanimously.

### AGENDA ITEM 8—Report of Audit Activity

Deanna Metts advised State law requires an annual report of Internal Audits activities. The report is based on calendar year and covers December 2019 through November 2020. The report categories are broken down into audits, investigations and others.

This was an informational item therefore no action was required.

### AGENDA ITEM 9—Approval of 2021 Audit Plan

Mr. Stites stated this requires approval by the Audit & Business Committee only and does not go to the full Board for approval. Deanna Metts advised the plan was provided in Diligent (Attachment I). The plan

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lists each significant activity to be carried out by Internal Audit, type of activity, functional area being covered, and time period.

Dr. Oldham asked Deanna to explain how the plan is put together. Ms. Metts advised she completes a risk analysis on the areas using key factors such as prior audit results, state audit results, and the internal controls of the area. Changes in the units, such as key personnel, a major change in programs or systems, and changes in volume of transactions are other factors considered, along with unit size based on revenues or expenses generated, and sensitivity of units with regard to campus impact and government regulations. A survey is sent to Academic & Administrative Officers and Cabinet for input on what they think would best benefit from an audit. All this information is put into a formula which identifies the riskiest areas of the university. The plan also includes required audits.

Dr. Pardue moved to approve the 2021 Audit Plan as required by the Tennessee Tech University Audit Committee Charter for Internal Audit as presented. Mr. Lynn seconded the motion. Mr. Wray called a roll call vote. The motion carried unanimously.

#### AGENDA ITEM 10 —Adjournment of Open Session & Call to Order of Non-Public Executive Closed Session

There being no further business, the meeting adjourned at 11:23 a.m. After a short break, the Non-Public Executive Closed Session began at 11:31 a.m. Trustees and Administration were present for the meeting.

#### AGENDA ITEM 11—Adjournment

There being no further business, the Non-Public Executive Closed Session adjourned at 12:26 p.m.

Approved,

 03.15.21

Lee Wray, Secretary