

**BOARD OF GOVERNORS OF THE
COLORADO STATE UNIVERSITY SYSTEM**

**MINUTES OF THE AUDIT COMMITTEE MEETING
DECEMBER 4, 2007**

Committee Chair Diane Evans called the meeting to order at 4:06 p.m. Board members attending were Bonifacio Cosyleon and Doug Jones who stood-in for excused Committee Member Joe Blake. Staff attending were Allison Horn, Interim Director of Internal Auditing; Richard Schwiegert, Chief Financial Officer; Chancellor Penley; Loretta Martinez, General Counsel; and Frank Pierz , Senior Advisor.

Ms. Evans recommended that the appointment of Allison Horn as Director of Internal Audit be presented to the Board for approval. Mr. Cosyleon moved to recommend that Board approve Ms. Horn's appointment and Mr. Jones seconded the Motions which was unanimously approved. Ms. Horn was congratulated by the committee.

Mr. Jones moved to go into Executive Session and Mr. Cosyleon seconded the Motion which was unanimously approved.

STATUS OF FY 2007-2008 AUDIT PLAN

Ms. Horn said there were several audits in the field work stage and two audits were waiting for responses and reports will be issued when responses are received. Field work is being done on the NCAA audit of CSU-Pueblo and that audit was omitted from the report.

STATUS OF EXISTING AUDIT RECOMMENDATIONS

Ms. Horn stated there were sixty open audit recommendations many of which are administrative in nature and stated appreciation for the support of the committee on these issues. She said the risk rate is assessed during the course of an audit and actions are taken in high risk situations and shared with Dr. Penley and others through the audit liaison.

DEVELOPMENT OF PROCEDURES FOR FOLLOW-UP AUDIT RECOMMENDATIONS

Ms. Horn distributed a policy and procedure for follow-up on audit recommendations. The procedure ensures that there is a consistent procedure at both institutions, as the Committee requested. The handout will be sent to Pat Grant for his consideration.

UPDATE MISSION OF INTERNAL AUDITING DEPARTMENT

Ms. Horn distributed the updated Mission Statement for the Internal Auditing as requested by the Committee. This will be sent to Pat Grant for his review.

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REVIEW OF FY 2007 FINANCIAL AUDIT

Mr. Schwiegert said that KPMG reported that there has been a significant change in auditing standards, which resulted in more testing by the KPMG auditors. There has been a significant reduction in deficiencies reported in the past few years. KMPG made a few recommendations including improvement in recording accrued liabilities at year-end, and more stringent technological security control which will be addressed as computer systems are replaced. KPMG was highly impressed by the Chancellor's emphasis on ethics, fraud and fiduciary responsibility training.

At 4:43 p.m., Mr. Cosyelon moved to adjourn and Mr. Jones seconded the Motion which was unanimously approved.

**BOARD OF GOVERNORS OF THE
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**MINUTES OF THE FINANCE COMMITTEE MEETING
DECEMBER 4, 2007**

The meeting was called to order at 1:10 p.m. Board Chair, Doug Jones, served as Committee Chair in Joe Blake's excused absence and Board Members Diane Evans and Bonifacio Cosyleon served on behalf of Don Hamstra, Pat Grant, who were excused. Also attending were Rich Schwiegert, Chief Financial Officer; Loretta Martinez, General Counsel; Tim Gallagher, CSU-Ft. Collins Faculty Representative; Bob Schur, Office of General Counsel; Bob Osika, System Treasurer; Allison Dineen, Associate Vice-President for Finance; Joanne Ballard, Vice President for Finance and Administration at CSU-Pueblo; and Dr. Tony Frank, Provost and Vice President, CSU-Ft. Collins.

CSU-COLORADO UPDATE

Rich Schwiegert recapped that major Business Plan Benchmarks had been identified and time frames to accomplish them established and that the Chancellor and senior management continually monitor the progress of accomplishing the benchmark. Achievement of most benchmarks is ahead of schedule with the exception of hiring core-employees. He reported on the CSU-C's leased offices in the Denver Tech Center, CCHE approval has been obtained and that courses from both campuses are being converted and course development is on schedule. Provisional accreditation is expected in 6 months. The Request for Proposal for a Financial Provider has been issued and closed. When chosen, the provider will assist obtaining financial aid authority from the Federal Government. As stated in the business plan, there will be an Academic Council for CSU-Colorado and postings to hire adjunct and contract instructors will occur in the near future.

EXEMPTION FROM STATE PROCUREMENT

Mr. Schwiegert requested approval to present an Action Item to the Board that would exempt the CSU-System and CSU-Ft. Collins from State procurement. Opting out of State procurement policies and procedures will provide greater flexibility to deal with vendors and cost savings. Mr. Schur noted that opting-out provides flexibility in an inefficient system, the ability to adapt to the marketplace and autonomy. Additionally, CSU-Ft. Collins will be the first institution to implement an e-procurement system and State purchasing rules preclude the e-system from functioning as planned and at its maximum. The requested exemption would not apply to CSU-Pueblo as that campus is smaller and has different needs but CSU-Pueblo could be included in the future. As much as \$130 Million and/or 8 to 12 percent could be saved by opting-out. The Director of Purchasing will have oversight, contracts are being prepared that include the exemption and other institutions may seek the same exemption.

Mr. Cosyleon moved to recommend that an Action Item be sent to the Board for approval at its December 5, 2007, meeting for the CSU-System and CSU-Ft. Collins to be exempt from State purchasing rules and regulations and for staff to develop applicable purchasing rules and procedures. If adopted, the Resolution is to be sent to appropriate State agencies notifying them that the Board has hereby taken such action effective immediately. Ms. Evans seconded the motion, which was unanimously approved.

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TREASURY POLICIES

Mr. Schweigert requested approval of a Derivative Policy for presentation as an Action Item to the Board for approval. Mr. Osika explained the policy had been prepared in conjunction with the System's Financial Advisor, DEPFA First Albany Securities, LLC, with input from the Systems' underwriters. It will provide alternate means to access financing markets and serve as a hedge for debt financing. Utilizing derivatives would allow the University to access lower interest rates which could result in significant savings on debt-service payments. The policy presented was developed and written as a general framework and would be used by the finance team to develop a derivatives policy recommendation for Board review and adoption. Mr. Osika stressed that any derivative policy would be a hedge for debt financing and would not be used for investment purposes. The derivative contracts will include standard language, controls to identify strong investors and a termination clause. Some CSUS' peer institutions have a derivative policy and its financial advisor would be accountable. Reports will be presented annually if not more often.

Ms. Evans moved to that the Action Item be brought to the Board for approval at its December 5, 2007. Mr. Cosyleon seconded the motion which was unanimously approved.

QUARTERLY FINANCIALS

Ms. Dineen explained CSU System quarterly statements are on a cash basis and, therefore, are not subject to certain accounting adjustments. For the first quarter of the year, projections indicate a net operating loss of \$35 Million for the system which is common in a higher education model where non-operating income will offset the loss. She noted that non-operating revenues are projected conservatively for purposes of financial statements. Ms. Ballard reported on the CSU-Pueblo quarterly financial statements use the same format for reporting and it appears they will not receive as many grants or contracts as anticipated but that everything else is anticipated to be on track. The System budget is administratively small compared to CSUS' peers and includes the Office of General Counsel and Internal Audit. The NACUBO methodology is the basis for peer comparison.

CAPITAL PLANNING ISSUES/MASTER PLAN

Dr. Frank stated that CSU-Ft. Collins stretch goals will require additional physical facilities. The document presented is a five year internal plan and identifies the highest priorities of the institution while providing a reality check of available resources. Some of the construction projects have been financed and the issuance of additional bonds is anticipated. He said some buildings need major renovation or retrofit. The estimated cost of the construction projects is approximately a quarter of a billion dollars. Operational costs are incorporated into a facility's cost.

The meeting was adjourned at 2:30 p.m.

**BOARD OF GOVERNORS OF THE
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**MINUTES OF THE REAL ESTATE COMMITTEE MEETING
DECEMBER 4, 2007**

The meeting was called to order at 2:45 p.m. Board Members attending were Chair Doug Jones, who served as Committee Chair in Mr. Haselden's excused absence, Bonifacio Cosyleon and Diane Evans who served in Mr. Blake's excused absence

Mr. Cosyleon moved to adjourn into Executive Session and Ms. Evans seconded the Motion which was unanimously approved.

The committee meeting reconvened at 4:05 p.m.

Ms. Evans moved to present an Action Item for the acquisition of property located at 323 Lake Street to the Board at its regular meeting on December 5, 2006, for approval. Mr. Cosyleon seconded the motion with was unanimously approved.

Mr. Cosyleon moved to present an Action Item granting an easement for the construction of a Substation at the Foothills Campus that would include plantings to improve the aesthetics of the property to the Board at its regular meeting on December 5, 2007. Ms. Evans seconded the Motion which was unanimously approved.

Ms. Evans moved to present an Action Item granting an easement for the construction of a gas line to Xcel energy to the Board at its meeting on December 5, 2007. Mr. Cosyleon seconded the Motion which was unanimously approved.

The meeting adjourned at 4:06 p.m.