

RADFORD UNIVERSITY

**RADFORD UNIVERSITY BOARD OF VISITORS
BUSINESS AFFAIRS & AUDIT COMMITTEE MEETING
1:45 P.M. **
FEBRUARY 16, 2017
BOARD ROOM
RADFORD UNIVERSITY**

DRAFT

AGENDA

- **CALL TO ORDER** Ms. Mary Ann Hovis, *Chair*
- **APPROVAL OF AGENDA** Ms. Mary Ann Hovis, *Chair*
- **APPROVAL OF MINUTES** Ms. Mary Ann Hovis, *Chair*
November 10, 2016
- **REPORTS AND RECOMMENDATIONS**
 - Report from the Auditor of Public Accounts Mr. Mike Reinholtz, *Acquisitions & Contract Management Audit Director and Radford University Project Manager*
 - University Auditor's Report Ms. Margaret McManus, *University Auditor*
 - Capital Projects Update Mr. Richard S. Alvarez, *Vice President for Finance & Administration*
 - Governor's Budget Update Mr. Richard S. Alvarez, *Vice President for Finance & Administration*
- **ACTION ITEMS**
 - Recommendation to Board to Approve Resolution Certifying Compliance with the Radford University Debt Management Policy Ms. Stephanie Jennelle, *Assoc. VP for Finance and University Controller*

- **OTHER BUSINESS**

Ms. Mary Ann Hovis, *Chair*

- **ADJOURNMENT**

Ms. Mary Ann Hovis, *Chair*

**** All start times for committees are approximate only. Committees meet sequentially in the order appearing. Meetings may begin either before or after the listed approximate start time as committee members are ready to proceed.**

Business Affairs & Audit Committee:

Ms. Mary Ann Hovis, Chair

Ms. Krisha Chachra, Vice Chair

Mr. Robert Archer

Dr. Jay Brown

Mr. Mark S. Lawrence

Dr. Deb McMahon

RADFORD UNIVERSITY

**RADFORD UNIVERSITY
BOARD OF VISITORS
BUSINESS AFFAIRS & AUDIT COMMITTEE MEETING
PRESIDENT'S CONFERENCE ROOM - MARTIN HALL
RADFORD, VIRGINIA
8:30 A.M.
NOVEMBER 10, 2016**

DRAFT

MINUTES

COMMITTEE MEMBERS PRESENT

Ms. Mary Ann Hovis, Chair
Mr. Robert A. Archer
Dr. Jay A. Brown
Mr. Mark S. Lawrence
Dr. Deb McMahon

COMMITTEE MEMBERS ABSENT

Ms. Krisha Charchra, Vice Chair

OTHERS PRESENT:

President Brian O. Hemphill
Mr. Richard S. Alvarez, Chief Financial Officer and Vice President for Finance & Administration
Mr. Irvin Clark, Interim Vice President of Student Affairs
Mr. Chad Reed, Associate Vice President for Budget & Financial Planning
Ms. Stephanie Jennelle, Associate Vice President for Finance & University Controller
Mr. Jorge Coartney, Executive Director of Facilities Management
Mr. Mike Biscotte, Director of Capital Planning & Construction
Ms. Margaret McManus, University Auditor
Mr. Erik Lovik, Director of Institutional Research, Reporting & Assessment
Mr. Damien Allen, Reporting Manager of Institutional Research, Reporting & Assessment
Mr. Don Bowman, Public Relations Writer
Ms. Pam Fitchett, Administrative Assistant
Ms. Mary Weeks, Secretary to the Board of Visitors/Senior Assistant to the President

CALL TO ORDER

Ms. Mary Ann Hovis, Chair, formally called the meeting to order at 8:30 a.m. in the President's Conference Room, Martin Hall, Radford, Virginia.

APPROVAL OF AGENDA

Ms. Hovis requested a motion to approve the November 10, 2016 meeting agenda. Dr. Deb McMahon so moved, and Mr. Robert Archer seconded the motion. The agenda was approved unanimously as published.

APPROVAL OF MINUTES

Ms. Hovis requested a motion to approve the minutes of the September 15, 2016 meeting of the Business Affairs & Audit Committee. Dr. Deb McMahon so moved and Mr. Robert Archer seconded the motion. The minutes were approved unanimously as published. Available online at: <https://www.radford.edu/content/bov/home/meetings/minutes.html>

REPORTS

- University Auditor's Report - Ms. Margaret McManus, University Auditor, presented a follow-up audit status report, which outlined the actions related to the Auditor of Public Account's business issues identified with financial aid in the 2016 institutional audit. She reported that all of the items identified have planned actions and are being addressed appropriately. She made reference to the report, which is attached hereto as **Attachment A** and is made a part hereof. Ms. McManus also informed the committee that she has completed her quarterly report, which ended September 30, 2016, of the University Discretionary Fund. All expenditures were found in compliance with the Fund's guidelines.
- Capital Projects Update - Mr. Richard Alvarez, Chief Financial Officer and Vice President for Finance & Administration, presented an update of current capital projects that included the Whitt Hall Renovation and the renovation of Reed and Curie Halls. He noted the current construction of a parking lot and green space next to Dalton Hall. A copy of the Capital Projects Update is attached hereto as **Attachment B** and made a part hereof.
- JLARC Recommendations - Mr. Alvarez provided an update of the Joint Legislative Audit and Review Commission (JLARC) recommendations adopted by the General Assembly. In total, there were eight recommendations from JLARC, which were included in the Acts of Assembly and require University action. The University has appropriately addressed each of the eight recommendations. A discussion on the results of the CENSEO study was requested. Mr. Alvarez reported that the findings included: Facilities centralization is very cost efficient and many of our processes are efficient. We need to automate some processes (i.e. travel requests personal actions and grants administration) in order to create additional efficiencies. Ms. Hovis requested that committee members access the Radford University portal application site to see how potential parents or students receive information regarding fees. A copy of the recommendations and action handling is attached hereto as **Attachment C** and made a part hereof.

OTHER BUSINESS

- Commonwealth of Virginia Budget Update – Mr. Alvarez presented a summary of potential General Fund reductions that could impact the institution in the FY2017-18 year. Tentatively, based on current information from Governor McAuliffe's Office, the University is planning for a 7.5 percent reduction in E&G general fund operating support. To address the possible reduction, the Vice Presidents are preparing savings strategies of 5 percent of their total E&G

operating budgets. The Board will be updated again in February once additional information is known. Summary handout *Attachment D*.

ACTION ITEM

There were no action items.

ADJOURNMENT

With no further business to come before the Committee, Ms. Hovis, Chair, adjourned the meeting at 9:12 a.m.

Respectfully submitted,

Mary Weeks
Secretary to the Board of Visitors/Senior Assistant to the President

**RADFORD UNIVERSITY
OFFICE OF AUDIT AND ADVISORY SERVICES
FOLLOW-UP AUDIT STATUS REPORT
BUSINESS AFFAIRS AND AUDIT COMMITTEE
NOVEMBER 2016
DRAFT**

ATTACHMENT A

Audit: Auditor of Public Accounts – FY 2015				
	Business Issue	Planned Action	Action Date	Status
2.0	<p>The University did not include all required components in the reconciliation of accounting records for Direct Loan and Pell financial aid awards. Specifically, there is no reconciliation being performed between the financial aid and accounts receivable modules within their ERP system. Additionally, for Direct Loans, the Financial Aid Office did not reconcile the ending cash balance on the monthly School Account Statements to the University's financial records. The Financial Aid and Student Accounts Offices did not coordinate their efforts to ensure the reports were properly reconciled.</p> <p>As described in the Federal Student Financial Aid requirements, internal reconciliations are performed to compare the business office records to financial aid office records for aid awarded to students. Also, in accordance with 34 CFR §685.300(b)(5), on a monthly basis, institutions must reconcile institutional records with Direct Loan funds from the Secretary of Education (Secretary) and Direct Loan disbursement records submitted to and accepted by the Secretary. This reconciliation must include the ending cash balance that represents the difference between the new drawdowns/payments and the actual disbursement information accepted by the Common Origination and Disbursements system.</p>	<p>Previously, the Financial Aid and Student Accounts Offices prepared monthly reconciliations between their respective financial records and outside systems, such as the Common Origination and Disbursement (COD) system and the Department of Education's Grant Management System (G5). These offices understand the synergy needed to ensure all required reconciliation elements are included.</p> <p>The two offices have met on multiple occasions and created a comprehensive shared desk procedure and reconciliation template that bridges their individual reconciliations into a comprehensive reconciliation review. The procedures outline the process that will be conducted, the timeline in which it will be performed, and the responsible parties.</p>	September 30, 2016	Complete
3.0	<p>The University delayed up to five days before identifying two out of 14 (14 percent) students tested who unofficially withdrew from courses during the Fall 2014 semester. This was a result of a position vacancy.</p>	<p>The University strives to comply with the federal requirement that all determinations as to whether a student will be considered an</p>	September 30, 2016 Revised to March 31, 2017	In Process

RADFORD UNIVERSITY
OFFICE OF AUDIT AND ADVISORY SERVICES
FOLLOW-UP AUDIT STATUS REPORT
BUSINESS AFFAIRS AND AUDIT COMMITTEE
NOVEMBER 2016
DRAFT

Audit: Auditor of Public Accounts – FY 2015				
	Business Issue	Planned Action	Action Date	Status
	<p>The Financial Aid Office did not routinely review for unofficial withdrawals for the Summer semester.</p> <p>Code of Federal Regulations, 34 CFR §668.22 states when a recipient of Title IV grant or loan assistance withdraws from an institution during a period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date and return the money within a reasonable timeframe. All calculations of Title IV funds are required to be completed within 30 days of semester end, and funds are required to be returned within 45 days after the date that the institution determines the student has withdrawn.</p>	<p>Unofficial withdrawal must be made within 30 days of the last day of the enrollment period. Although that deadline was missed for two students during the Fall 2014 semester due to a position vacancy, the calculation and return of funds for those students were made timely and in compliance with federal regulations.</p> <p>The Financial Aid Office has improved processes and procedures to ensure that reviews are done for unofficial withdrawals for Summer terms. The procedures, which include details that are term-specific, outline the process that will be conducted, the timeline in which it will be performed, and the responsible parties (to include backups).</p>		

**RADFORD UNIVERSITY BOARD OF VISITORS
Business Affairs & Audit Committee
November 10, 2016**

**Information Item
Capital Projects Update**

Item:

Facilities Planning and Construction update on capital projects.

Background:

Currently, the University has four active capital projects in progress. Following is an update and project summary for each:

1. New Academic Building – College of Humanities & Behavioral Sciences

Project Budget-----	\$48,429,305 State Pooled Bond
Architect/Engineer Firm-----	Moseley Architects Virginia Beach, VA
Construction Manager-----	S.B. Ballard Virginia Beach, VA

The new College of Humanities & Behavioral Sciences academic building, which broke ground in August 2014, opened to classes for fall semester 2016. This facility provides academic space consisting of classrooms, offices, laboratories, and student/faculty collaborative areas. Among the departments of the college that will be accommodated in the new building are: Communications, Criminal Justice, Psychology, Sociology, Political Science, English, Foreign Language, History, Philosophy & Religious Studies, and the Office of the Dean. Notable features of the building include a vivarium, TV studios, an Emergency Operations Center simulation room, and a mock-trial room.

The project budget is \$48,429,305 (less equipment) and the building size is 143,600 square feet. A Guaranteed Maximum Price (GMP) contract was awarded to S. B. Ballard, the construction manager, in the amount of \$40,040,993.

Final punch list items are ongoing, and specific equipment installation in the TV Studio and the Vivarium are being finalized.

2. Renovate Residence Halls Umbrella Project

Project Budget-----	\$36,000,000 9c Bond
Architect/Engineer Firm (Phase 1) -----	VMDO Charlottesville, VA
Contractor (Phase 1) -----	G&H Contracting Salem, VA
Architect/Engineer Firm (Phase 2) -----	Waller, Todd, Sadler Virginia Beach, VA
Contractor (Phase 2) -----	G&H Contracting Salem, VA

Phase 1 of the residence hall renovations umbrella project, including Pocahontas, Bolling, Draper, and the chilled water loop, will be funded through a \$36,000,000 blanket renovations authorization.

The three-building renovation scope provides for the replacement of plumbing piping, fixtures, fire alarm systems, electrical upgrades, accessibility improvements, asbestos abatement, and the addition of air conditioning and a fire-suppression system in each building, similar to the renovation scopes recently completed for Madison, Jefferson, Moffett, and Washington Halls.

In addition to the above project scopes, a multi-level lounge space is included in each building that allows open visibility from the building lobby area to a lower-level lounge. This transforming feature will give vibrant new life to these buildings built in the 1950s.

The project is broken into three pieces: chilled water loop installation, Bolling and Pocahontas renovation, and Draper renovation. A contract in the amount of \$16,667,000 was awarded to G&H Contracting for the renovation portion of the three residence halls.

The chilled water loop that serves the five Moffett Quad residence halls and Peters Hall is complete and functioning. The cooling tower at Moffett Hall will provide all of the winter needs for these facilities without the use of energy-consuming mechanical cooling. Pocahontas Hall and Bolling Hall renovations achieved occupancy for students for Fall 2015 semester, and Draper Hall achieved occupancy for students for Fall 2016 semester.

Phase 2 of the residence hall renovations project includes the upgrade of life safety systems for Muse Hall. The remaining balance on the umbrella capital project will be used to address

the most critical infrastructure needs of Muse Hall, such as a new fire alarm system, new lightning protection system, replacement or refurbishment of all seven elevators, and upgrades to exit stairways.

The project was broken into an early demolition and electrical service package, which was awarded to G&H in May and completed in August, and a complete package, also awarded to G&H in September and scheduled for completion for August 2017 move-in. The total of both awards is \$6,661,109.

3. Whitt Hall Renovation

Project Budget-----\$8,933,000
 State Pooled Bond

Architect/Engineer Firm-----Clark-Nexsen
 Roanoke/Norfolk, VA

Contractor -----G&H Contracting
 Salem, VA

The renovation project for Whitt Hall will provide for complete interior renovation, including new mechanical, electrical, and plumbing equipment. The windows, which are in poor thermal condition, will be replaced with multi-life sashes, returning the building to its original character.

The University undertook an intensive building envelope study to evaluate any hidden façade and infiltration issues. The study reviewed portions of the building’s brick veneer, slate shingles, and wood trim. The study identified areas needing intensive repair/replacement, and these items have been incorporated into the project scope.

The project was awarded to G&H in early July, with a contract value of \$5,173,959. Installation is complete on the construction access road/laydown area, and demolition activities are nearly complete. Brick and mortar samples have been approved, along with many other items of work. Exterior brick repointing is approximately halfway complete. Interior wall construction, piping, ductwork, and electrical infrastructure are all underway.

Construction is scheduled for completion in June 2017.

4. Reed-Curie Renovation

Project Budget (Detailed Planning only)----- \$1,872,000

Architect/Engineer Firm----- Cannon Design

The Reed-Curie renovation project was approved in the spring 2016 state bond package, as described in the RU six-year capital plan submission to the state. The project will completely renovate the existing science buildings to complement the recent addition of the Center for the Sciences, ultimately providing an overall state-of-the-art facility for all of RU's science departments.

Initial pre-programming studies have been performed to confirm overall program and needs, along with utility location studies in the area of the buildings and hazardous materials investigations. The Environmental Impact Report has been approved by DEQ.

AE qualifications packages were received, short-list interviews were held, and Cannon Design has been notified of their selection. The state has provided notification of approval of funding for detailed planning for the project, and the AE is underway with initial mobilization and programming.

CM-at-Risk construction delivery method approval has been obtained from BCOM, and a Request for Qualifications was advertised on October 23, 2016. CM award is targeted for spring 2017, with construction starting in summer 2017 and completion in December 2019.

Action:

None; informational only.

RADFORD UNIVERSITY BOARD OF VISITORS
Business Affairs & Audit Committee
November 10, 2016

Information Item
Update on JLARC Recommendations

Item:

Update on the Joint Legislative Audit and Review Commission recommendations adopted by the General Assembly requiring board review.

Background:

The Joint Legislative Audit and Review Commission (JLARC) was charged in 2012 to study the cost efficiency of the Commonwealth's institutions of higher education and to identify opportunities to reduce the cost of education. A total of five reports were released from June 2013 through November 2014 and included over 30 recommendations for legislative deliberation. Eight of the recommendations related to Board of Visitors considerations and ultimately were included in the appropriations act for University action.

Specifically, the recommendations are contained within § 4-9.04 of Chapter 780 of the 2016 Virginia Acts of Assembly and state:

§ 4-9.04 IMPLEMENT JLARC RECOMMENDATIONS

a. The Boards of Visitors at each Virginia public four-year higher education institution, to the extent practicable, shall:

- 1. Require their institutions to clearly list the amount of the athletic fee on their website's tuition and fees information page. The page should include a link to the State Council of Higher Education for Virginia's tuition and fee information. The boards should consider requiring institutions to list the major components of all mandatory fees, including the portion attributable to athletics, on a separate page attached to student invoices;*
- 2. Assess the feasibility and impact of raising additional revenue through campus recreation and fitness enterprises to reduce reliance on mandatory student fees. The assessments should address the feasibility and impact of raising additional revenue through charging for specialized programs and services, expanding membership, and/or charging all users of recreation facilities;*
- 3. Direct staff to perform a comprehensive review of the institution's organizational structure, including an analysis of spans of control and a review of staff activities and workload, and identify opportunities to streamline the organizational structure. Boards should further direct staff to implement the recommendations of the review to streamline their organizational structures where possible;*

- 4. Require periodic reports on average and median spans of control and the number of supervisors with six or fewer direct reports;*
- 5. Direct staff to revise human resource policies to eliminate unnecessary supervisory positions by developing standards that establish and promote broader spans of control. The new policies and standards should (i) set an overall target span of control for the institution, (ii) set a minimum number of direct reports per supervisor, with guidelines for exceptions, (iii) define the circumstances that necessitate the use of a supervisory position, (iv) prohibit the establishment of supervisory positions for the purpose of recruiting or retaining employees, and (v) establish a periodic review of departments where spans of control are unusually narrow; and,*
- 6. Direct institution staff to set and enforce policies to maximize standardization of purchases of commonly procured goods, including use of institution-wide contracts;*
- 7. Consider directing institution staff to provide an annual report on all institutional purchases, including small purchases, that are exceptions to the institutional policies for standardizing purchases*
- 8. Participate in national faculty teaching load assessments by discipline and faculty type.*

In order to address the JLARC cost efficiency recommendations, the University initially engaged a consultant, Censeo, during the 2015-16 fiscal year. This initial engagement was designed to serve as a broad scale 'Administrative Assessment' to examine all administrative areas across the institution. The report, which was recently finalized, identifies many high-performing areas, as well as opportunities for improvement.

The report concluded Radford University's administration is exceptionally lean as a result of being well-managed and highly-centralized, utilizing state-of-the art systems and having forward-thinking initiatives. It was noted that the University actively manages its limited-scale organizational structure for efficiency by being highly-centralized and effectively using third-party providers. By being highly-centralized, the University is able to reduce redundancy and cost. The University dedicates less funding per student to operations than benchmark institutions and has focused new expenditures on instruction rather than operations. The report also spoke to how the University seeks out opportunities to implement and update systems and has taken steps to improve certain processes. It was also noted that the University pursues forward-looking strategic initiatives that can improve overall financial health by reducing costs and increasing revenue.

Opportunities for improvement include: reducing the number of approval steps and delegating down approval authority for daily decisions. Many processes require an abundance of approvals,

many of them by very senior administrators. Streamlining the approval processes will increase efficiency and improve the customer experience. Strong management and compliance-oriented processes can cause a large share of work to be devoted to lower-value tasks and above-average staffing in some areas. Examples cited of lower-value work include: approvals for travel, limited automation of human resources workflow and extensive use of paper forms that create administrative work, and the number of approvals required for higher-value purchases. Additional recommendations were made regarding spans and layers, which are described below in conjunction with the corresponding JLARC recommendation.

The University has addressed the recommendations within Chapter 780 as stated below.

Recommendation One:

Require their institutions to clearly list the amount of the athletic fee on their website's tuition and fees information page. The page should include a link to the State Council of Higher Education for Virginia's tuition and fee information. The boards should consider requiring institutions to list the major components of all mandatory fees, including the portion attributable to athletics, on a separate page attached to student invoices;

- The amount of the Athletic fee is clearly listed on the University's tuition and fees information page along with all of the other components of the comprehensive fee. The comprehensive fee information can be found at:
<https://www.radford.edu/content/student-accounts/home/accounts/tuition/CompFeeDist1617.html>
- A link to the State Council of Higher Education for Virginia's tuition and fee information has been provided on the University's tuition and fees information page. The link can be found at:
<https://www.radford.edu/content/student-accounts/home/accounts/tuition.html>
- Last, as student invoices are processed electronically, a link to the comprehensive fee breakout has been added to the student invoice to provide additional transparency with regard to mandatory student fees. The link which is also provided above can be found at:
<https://www.radford.edu/content/student-accounts/home/accounts/tuition/CompFeeDist1617.html>

Recommendation Two:

Assess the feasibility and impact of raising additional revenue through campus recreation and fitness enterprises to reduce reliance on mandatory student fees. The assessments should address the feasibility and impact of raising additional revenue through charging for specialized programs and services, expanding membership, and/or charging all users of recreation facilities;

- The University has expanded access to the new Student Recreation and Wellness Center to faculty and staff for a fee equivalent to the student charge. This pilot program which began in spring 2016 will run through May 2017 at which time the viability of the program will be assessed.
- Several other user fees were also added during spring 2016 to support student recreation services and include; recreational field rental fees, wellness service fees, the addition of summer youth camps, student activity classes, and locker and towel rental charges. These activities will be monitored over the 2016-17 fiscal year and their impact will be assessed after a full year of implementation.

Recommendation Three:

Direct staff to perform a comprehensive review of the institution's organizational structure, including an analysis of spans of control and a review of staff activities and workload, and identify opportunities to streamline the organizational structure. Boards should further direct staff to implement the recommendations of the review to streamline their organizational structures where possible;

- The initial administrative assessment conducted by Censeo determined the average span of control of the institution to be 3.5 employees.
- The University re-engaged the consultants for a more tailored 'Spans and Layers Assessment'.
- Between the original assessment and the start of the in-depth analysis, the University increased the average span by 0.3, resulted in a current average span of 3.8.
- The University will continue to review the recommendations of the spans and layers assessment and implement suggestions as appropriate.

Recommendation Four:

Require periodic reports on average and median spans of control and the number of supervisors with six or fewer direct reports;

- The spans and layers assessment provided the framework for the construction of periodic reports which will be used to monitor spans of control across the institution.

Recommendation Five:

Direct staff to revise human resource policies to eliminate unnecessary supervisory positions by developing standards that establish and promote broader spans of control. The new policies and standards should (i) set an overall target span of control for the institution, (ii) set a minimum number of direct reports per supervisor, with guidelines for exceptions, (iii) define the circumstances that necessitate the use of a supervisory position, (iv) prohibit the establishment of supervisory positions for the purpose of recruiting or retaining employees, and (v) establish a periodic review of departments where spans of control are unusually narrow; and,

- Human Resource policies will be updated to develop standards related to spans of control based on the recommendations provided in the spans and layer assessment, as appropriate.

Recommendation Six:

Direct institution staff to set and enforce policies to maximize standardization of purchases of commonly procured goods, including use of institution-wide contracts;

- The University continually strives to maximize the standardization of commonly procured goods through the utilization of institution-wide contracts. Moreover, the University is a member of both the Virginia Association of State College and University Purchasing Professionals (VASCUPP) and Virginia Higher Education Procurement Cooperative (VHEPC). Through these memberships the University continues to utilize collaborative and cooperative contracts which leverage the combined resources and buying power of public institutions of higher education across the state. This practice ensures the University is receiving the best possible price for commonly procured goods from negotiated contracts.
- As an example in fiscal year 2015-16, the University implemented a VHEPC contract with Granger and Ferguson for the purchase of maintenance, repair, and operational supplies for the Facilities Management. In fiscal year 2016-2017, the University will implement institution-wide VHEPC cooperative contracts for office supplies, vehicle rental services, and lab supplies.
- The University policy for the procurement of goods and services has been updated to both recognize and ensure the continued support of cooperative and collaborative contracts which leverage combined resources and buying power.

Recommendation Seven:

Consider directing institution staff to provide an annual report on all institutional purchases, including small purchases, that are exceptions to the institutional policies for standardizing purchases.

- The University is committed to strategic vendor management thru the use of cooperative contracts maximizes standardization by reducing the number of sources available for purchases.
- University staff have created processes to capture exceptions to institutional policies for the standardization of purchases. Annually, the output of these processes will be reviewed by the Associate Vice President for Finance and University Controller to determine where further standardization may occur.
- Purchase requests that are currently reviewed for standardization include:
 - Information Technology purchases for equipment, software, and services;
 - Apparel
 - Food, beverages and catering services
 - Furniture

Recommendation Eight:

Participate in national faculty teaching load assessments by discipline and faculty type.

- The JLARC work related to academic workload asserts that the University of Delaware's National Study of Instructional Costs and Productivity, known as the Delaware Study, provides one of the most accepted methodologies for measuring faculty teaching loads. The University has participated in the Delaware Study routinely since the late 1990s.

Action:

None; informational only.

2017-18 Anticipated General Fund Reductions
Educational & General (E&G)

2017-18 E&G General Fund (GF) Appropriation	\$50,504,416
Tentative 7.5% General Fund Reduction	(3,787,831)
VRS Payment Recovery	(517,096) *
Interest Earnings & Credit Card Rebate	(180,000) *
Anticipated General Fund Reductions	(\$4,484,927)
2017-18 Projected Adjusted E&G General Fund	\$46,019,489

E&G Savings Strategy Target

	2017-18 Adj. Budget	5.0% of Total
Total Divisional Budgets	\$95,110,539	(\$4,755,527)

Notes:

- The Governor has requested institutions of higher education plan for a 7.5% reduction in E&G General Fund operating support but final reductions will not be known for some time.
 - The Governor will release his official budget recommendations on Friday, December 16, 2016.
 - The 2017 General Assembly session convenes on Wednesday, January 11, 2017.
- In order to initiate planning for a possible 7.5% reduction in GF support all of the University's operating divisions will be requested to prepare savings strategy plans totaling 5% of their respective total E&G budget.
- (*) The amounts associated with the VRS payment recovery and the loss of interest earnings and the credit card rebate will also be reduced in the current fiscal year 2016-17. This will largely be addressed in the current year by the \$514,601 that was budgeted to cover the 3% employee salary increase that has been canceled.

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**APA Engagement Memorandum
Radford University
Board of Visitors – Business Affairs and Audit Committee
February 16, 2017**

- APA Audit Management:
 - J. Michael Reinholtz, Project Manager
 - Meghan Finney, Auditor In-Charge

- Audit Period – July 1, 2015 through June 30, 2016

- Audit Deadline – May 2017

- Audit Objectives, To ensure:
 - The financial statements present fairly the financial position, the changes in financial position, and the cash flows for the 2016 fiscal year in conformity with accounting principles generally accepted in the United States of America.
 - Disclosures in the financial statements are adequate and fairly stated.
 - Management has appropriately reviewed the financial statements, accruals, adjustments and disclosures.
 - Adequate internal controls exist over material account balances and transactions.
 - The University is in compliance with applicable laws, regulations, and provisions of contracts or grant agreements.

- Discussion of Risk
 - The APA encourages the Board of Visitors to provide input regarding the risks they perceive to the University in completing its mission. The Board members can direct their comments to the Audit Committee Chair or the Internal Audit Director to be forwarded to the APA Project Manager.



Terms of the Engagement

The Auditor's (APA) Responsibilities

Overall Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and standards for financial audits contained in the *Government Auditing Standards*. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Audit Procedures-General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable, rather than absolute assurance, about whether the financial statements are free of material misstatement whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*.

Audit Procedures-Internal Control and Compliance

Our audit will include obtaining an understanding of internal controls, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, we will communicate in writing to management and those charged with governance any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. Also, as part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants

Those charged with governance

We are responsible for communicating significant matters related to the financial statement audit that are, in the auditor's professional judgment, relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. GAAS do not require the auditor to design procedures for the purpose of identifying other matters to communicate with those charged with governance.

Management's Responsibilities

Our audit will be conducted on the basis that Management acknowledge and understand that they have the following responsibilities:

- Preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America
- Design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- Identify and ensure compliance with applicable laws, regulations, contracts, and grant agreements
- Informing the APA about all known or suspected fraud affecting the entity involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements
- Informing the APA (and others as required by the Code of Virginia § 30-138) of knowledge of any allegations of fraud or suspected fraud affecting the University received in communications from employees, former employees, regulators, or others
- Informing the APA of any potential documents that are FOIA exempt
- Ensuring that management is reliable and financial information is reliable and properly recorded
- Making all financial records and related information available to the APA
- Providing the APA with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence
- Responding to audit findings and recommendations, as well as providing your planned corrective actions and the timing and format for providing that information
- Providing the APA at the end of the audit with a written letter confirming certain representations made during the audit
- Adjusting the financial statements to correct material misstatements and providing the APA with a representation that the effects of any uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole
- Preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. Agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Audit Committee Responsibilities

- Communicate with APA about audit scope
- Communicate with management and internal audit regarding progress
- Receive reports and findings from management and external audit

Other Elements of the audit process:

Overall planned scope of the audit

Approach to internal control – We review internal controls to identify those areas where we can replace substantive testing with transactional testing. We look for management to have written formal policies and procedures and check for the implementation of those procedures.

Concept of materiality – We do not review all transactions or accounts in detail. We use materiality to focus our work on those financial statement line items and those transactions that are material or significant to the University.

Identification of potential fraud risks

Approach to fraud – Most of our audit is focused on our opinion on the financial statements and materiality. Our primary interest related to fraud would be in how it may affect the financial statements and those controls that the financial statements rely upon. The audit is not designed to detect error or fraud that is immaterial to the financial statements. However, we review policies and procedures for fraud risk and may direct our testwork towards addressing fraud risk.

Responsibility for identifying fraud risks and fraud – Auditing standards require us to assess fraud risk, interview management and staff about their knowledge of fraud and fraud risk, and review exceptions for indications of possible fraudulent transactions. Auditors should be looking for red flag fraud indicators. Even though government entities are not always profit oriented, the auditors remain vigilant about financial statement fraud.

Report fraudulent transactions as required by Code of Virginia § 30-138 Agencies are responsible for reporting circumstances that suggest a reasonable possibility that a fraudulent transaction has occurred involving funds or property under their control, where an officer or employee of the state or local government may be involved. Items should be reported to the Auditor of Public Accounts, the State Inspector General, and the Superintendent of State Police.

Audit Reporting

We will issue a written report upon completion of our audit of the University's financial statements. We will make reference to the Component Auditor's audit of the Radford University Foundation in our report on the University's financial statements. Our report will be addressed to the Board of Visitors of the University. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph(s). If our opinions on the financial statements are other than unqualified (unmodified), we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and compliance will include a statement that the report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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RADFORD UNIVERSITY
OFFICE OF AUDIT AND ADVISORY SERVICES
FOLLOW-UP AUDIT STATUS REPORT
BUSINESS AFFAIRS AND AUDIT COMMITTEE
FEBRUARY 2017
DRAFT

Audit: Student Health and Counseling Services Contract Audit				
	Business Issue	Planned Action	Action Date	Status
1.1	<p>The contract states that the Contractor shall ensure "that 95 percent of all entering students" have submitted a health record form with immunization history.</p> <p>a) It appears that the Contractor is not complying with this requirement; the data provided by the Contractor indicated compliance rates of 88% and 73% for Fall 2014 and Spring 2015, respectively. However, we were unable to determine an accurate compliance rate due to the Contractor's uncertainty regarding what categories of students are required to comply. For example, it appeared that the population used by the Contractor was understated; it seemed to include only freshman, not "all entering students".</p>	The University will modify the contract so that it is clear what categories of students are subject to the requirement.	December 1, 2016 Revised to June 30, 2017	In Process
2.0	The language in the contract regarding required health histories and immunizations does not conform to Code of Virginia §23-7.5 Health histories required; immunizations.	The University will modify the contract so that the language regarding required health histories and immunizations conforms to the Code of Virginia requirement.	December 1, 2016 Revised to June 30, 2017	In Process
4.0	The staffing level provided by the Contractor does not agree to the terms of the contract. Per our comparison of the contract requirements to actual staffing as reported by the Contractor, there were discrepancies in three positions in Student Health Services (SHS) and in two positions in Student Counseling Services (SCS).	The University will modify the contract to specify the positions that are required, the number of providers for each position, and to define the number of hours required to be worked during the academic year and during the summer months.	December 1, 2016 Revised to June 30, 2017	In Process

**RADFORD UNIVERSITY
OFFICE OF AUDIT AND ADVISORY SERVICES
FOLLOW-UP AUDIT STATUS REPORT
BUSINESS AFFAIRS AND AUDIT COMMITTEE
FEBRUARY 2017
DRAFT**

Audit: Student Health and Counseling Services Contract Audit				
Business Issue		Planned Action	Action Date	Status
7.1	<p>Improvements are needed in the contract to clarify the authority and provisions related to class registration holds. Specifically,</p> <p>a) The contract requires special provisions to be made during school breaks to receive calls related to the release of holds placed on class registration due to the student owing amounts to the Contractor for prior services rendered. However, the contract does not explicitly give the Contractor the authority to place those holds, although this is the current practice.</p>	The University has determined that the current practice of the Contractor placing class registration holds due to the student owing amounts to the Contractor is not appropriate. The University will revise the contract to reflect that.	December 1, 2016 Revised to June 30, 2017	In Process
7.2	<p>Improvements are needed in the contract to clarify the authority and provisions related to class registration holds. Specifically,</p> <p>b) Although the contract gives the Contractor the authority to place holds on class registration for non-compliance with health record and immunization requirements, the contract does not require special provisions to be made during school breaks to receive calls related to the release of those holds.</p>	The University will modify the contract to add language regarding required administrative coverage during semester breaks or when the University is closed in order to receive health forms and to release class registration holds.	December 1, 2016 Revised to June 30, 2017	In Process
8.0	The Contractor is not obtaining input from non-client students regarding staffing and services, as the contract requires.	The University will modify the contract to require the Contractor to conduct surveys of non-client students at the request of the Contract Administrator.	December 1, 2016 Revised to June 30, 2017	In Process

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**RADFORD UNIVERSITY BOARD OF VISITORS
Business Affairs & Audit Committee
February 16, 2017**

**Information Item
Capital Projects Update**

Item: Facilities Planning and Construction update on capital projects.

Background: Currently, the University has **four active capital projects** in progress. Following is an update and project summary for each:

1. New Academic Building – College of Humanities & Behavioral Sciences

Project Budget-----	\$48,429,305 State Pooled Bond
Architect/Engineer Firm-----	Moseley Architects Virginia Beach, VA
Construction Manager-----	S.B. Ballard Virginia Beach, VA

The new College of Humanities & Behavioral Sciences academic building, which broke ground in August 2014, opened to classes for fall semester 2016. This facility provides academic space consisting of classrooms, offices, laboratories, and student/faculty collaborative areas. Among the departments of the college accommodated in the new building are: Communications, Criminal Justice, Psychology, Sociology, Political Science, English, Foreign Language, History, Philosophy & Religious Studies, and the Office of the Dean. Notable features of the building include a vivarium, TV studios, an Emergency Operations Center simulation room, and a mock-trial room.

The project budget is \$48,429,305 (less equipment) and the building size is 143,600 square feet. A Guaranteed Maximum Price (GMP) contract was awarded to S. B. Ballard, the construction manager, in the amount of \$40,040,993.

Final punch list items have been completed, and all spaces are operational and in use. Close out documentation, warranties, and the LEED compilation remains to complete and close the project.

2. Renovate Residence Halls Umbrella Project

Project Budget-----\$36,000,000
9c Bond

Architect/Engineer Firm (Phase 1) -----VMDO
Charlottesville, VA

Contractor (Phase 1) -----G&H Contracting
Salem, VA

Architect/Engineer Firm (Phase 2) -----Waller, Todd, Sadler
Virginia Beach, VA

Contractor (Phase 2) -----G&H Contracting
Salem, VA

Multiple residence hall renovations will be funded through a \$36,000,000 blanket umbrella project authorization.

Phase 1 of the umbrella project included renovations of Pocahontas, Bolling, and Draper Halls and the new Moffett Quad chilled water loop.

The three-building renovation scope provides for the replacement of plumbing piping, fixtures, fire alarm systems, electrical upgrades, accessibility improvements, asbestos abatement, and the addition of air conditioning and a fire-suppression system in each building, similar to the renovation scopes recently completed for Madison, Jefferson, Moffett, and Washington Halls.

In addition to the above project scope, a multi-level lounge space is included in each building that allows open visibility from the building lobby area to a lower-level lounge. This transforming feature will give vibrant new life to these buildings built in the 1950s.

A contract in the amount of \$16,667,000 was awarded to G&H Contracting for the renovation of the three residence halls. Pocahontas Hall and Bolling Hall achieved occupancy for students for Fall 2015 semester, and Draper Hall achieved occupancy for students for Fall 2016 semester.

The chilled water loop that serves the five Moffett Quad resident halls and Peters Hall is also complete and functioning. The cooling tower at Moffett Hall will provide all of the winter cooling needs for these facilities without the use of energy-consuming mechanical cooling.

Phase 2 of the residence hall renovations project includes the upgrade of life safety systems

for Muse Hall. The remaining balance on the umbrella capital project will be used to address the most critical infrastructure needs of Muse Hall, including a new fire alarm system, new lightning protection system, replacement or refurbishment of all seven elevators, and upgrades to exit stairways.

The project was broken into an early demolition and electrical service package, which was awarded to G&H Contracting in May 2016 and completed in August 2016, and a complete project package, awarded also to G&H in September. The total of both awards is \$6,661,109.

Selective demolition is underway, and preparatory work is ongoing for the various systems renovations. Fire alarm and elevator submittal packages have been prepared and are being reviewed by both the AE and BCOM. Limited installation activities will occur throughout the spring, with most work occurring during the summer when the entire building will be vacated. The project is scheduled for completion for August 2017 move-in.

3. Whitt Hall Renovation

Project Budget-----\$8,933,000
State Pooled Bond

Architect/Engineer Firm-----Clark-Nexsen
Roanoke/Norfolk, VA

Contractor -----G&H Contracting
Salem, VA

The renovation project for Whitt Hall will provide for complete interior renovation, including new mechanical, electrical, and plumbing equipment. The windows, which are in poor thermal condition, will be replaced with multi-life sashes, returning the building to its original character. The University undertook an intensive building envelope study to evaluate any hidden façade and infiltration issues. The study reviewed portions of the building’s brick veneer, slate shingles, and wood trim. The study identified areas needing intensive repair/replacement, and these items have been incorporated into the project scope.

Occupants for the building will include the Department of Mathematics and Statistics, the Vice-Provost for Academics and associated groups, New Student Programs, and conference meeting space for the Faculty Senate.

The project was awarded to G&H in early July, with a contract value of \$5,173,959.

Installation is complete on the construction access road/laydown area, and demolition activities are complete including interior finishes and equipment and exterior windows. Brick and mortar samples have been approved, along with submittals for many other items of work.

Exterior brick repointing is complete, and the roof replacement is complete. Replacement windows are being installed. Interior partition rough-in is well underway, including MEP and IT utilities. Interior design is complete for the furniture package, including coordination with the occupants, and furnishings are being ordered for late spring installation.

Construction is scheduled for completion in June 2017, and move-in occurring throughout the summer.

4. Reed-Curie Renovation

Project Budget (Detailed Planning only)----- \$1,872,000

Architect/Engineer Firm----- Cannon Design

Construction Manager----- TBD

The Reed-Curie renovation project was approved in the spring 2016 state bond package, as described in the RU six-year capital plan submission to the state. The project will completely renovate the existing science buildings to complement the recent addition of the Center for the Sciences, ultimately providing an overall state-of-the-art facility for all of RU’s science departments.

Occupants in the renovated building will include the Departments of Physics, Geology, Geospatial Sciences, and the Office of the Dean. The Cyber Security Center will also be housed in the renovated building, along with support spaces for the Chemistry and Biology Departments. The Green House will also remain adjacent to the renovated building.

Initial pre-programming studies have been performed to confirm overall program and needs, along with utility location studies in the area of the buildings and hazardous materials investigations. The Environmental Impact Report has been approved by DEQ.

AE qualifications packages were received, short-list interviews were held, and Cannon Design was awarded the design contract. The state approved funding for detailed planning for the project, and the AE is underway with initial field work and programming meetings with the occupants. The Schematic Design package will be submitted to BCOM in late February.

CM-at-Risk construction delivery method approval has been obtained from BCOM, and a Request for Qualifications was advertised in October 2016. Upon review of the qualifications packages, a short list was developed for further discussions/interviews. CM award is targeted for March 2017, with construction starting in summer 2017 and completion in December 2019 for classes in January 2020.

Additional Projects: Currently, the University is also engaged in a project that has been appropriated to the Roanoke Higher Education Authority.

1. Nursing Simulation Center Expansion at RHEC

Project Budget-----\$1,882,000

Architect/Engineer Firm-----SFCS
Roanoke, VA

Contractor -----TBD

The existing Nursing Clinical Simulation Center (CSC) operated by Radford University at the Roanoke Higher Education Center (RHEC) will be expanded by this project. Capacity will be expanded by increasing hospital and examination simulation rooms from six to twelve, adding student debriefing and video review spaces, adding separate space for standardized patients, adding a computer classroom, and reconfiguring administrative space for overall effectiveness. The expansion will allow the student population served to increase by more than 50 percent.

AE qualifications packages were received, short-list interviews were held, and SFCS was awarded the design contract. The AE is underway with initial field work and design, including meetings with the CSC occupants.

Construction is targeted for summer 2017 with completion for classes in Fall Semester 2017.

Action: None; informational only.

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**Radford University Board of Visitors
Business Affairs & Audit Committee
February 2, 2017**

**Information Item
Governor's Amended 2016-2018 Biennial Budget Proposal & Budget Update**

Item:

Overview of the Governor's Amended Executive Budget Proposal for the 2016-2018 biennium.

Background:

On Friday, December 16, 2016, Governor McAuliffe presented his Amended Executive Budget Proposal for the 2016-18 biennium to the General Assembly Joint Money Committee. As was initially expected, the Governor's budget included a reduction of general fund support for E&G operations. The budget also included plans for a recovery of one-time VRS payments, proposed changes to central fund distributions, restored undergraduate financial aid for 2017-18, and proposed a 1.5 percent bonus for all state employees effective December 1, 2017.

The following is an overview of the funding changes proposed for Radford University's operating budget. Attachment A is the financial summary of these recommendations while Attachment B is the State Council of Higher Education for Virginia's (SCHEV) summary analysis for all institutions of higher education.

Operating Items:

- **General Fund Reduction:** The Governor proposed a reduction in general fund support of (\$2,525,221), or 5.0 percent of state funded E&G operations for 2017-18. Initially, in November 2016, all Virginia public colleges and universities were notified of a potential 7.5 percent 'across-the-board' reduction in state support. While the Governor's recent proposal was more favorable than initially anticipated, the General Assembly could still propose a higher or lower reduction within the current legislative session.
- **One-Time VRS Payments:** The Governor proposed a recovery of one-time prepayments made to the Virginia Retirement System (VRS) on behalf of state employees. The amount of reductions in general fund is proposed at (\$517,096) in 2016-17 and (\$344,731) in 2017-18. This comes as a one-time adjustment to assist the state in closing a budgetary gap.
- **Undergraduate Student Financial Assistance:** The Governor proposed a restoration of general fund support for need-based in-state undergraduate financial aid of \$1,685,086 in 2017-18. During the previous General Assembly session funding was allocated to SCHEV with the intention of distributing aid based upon a revised allocation methodology; however, the proposed funding is equal to the initial allocation the University received in 2016-17.
- **Faculty and Staff Salaries:** The Governor proposed a one-time bonus of 1.5 percent for state employees. This comes after the previous base salary increase initially included in the current budget was eliminated due to revenue constraints. The proposed bonus would appropriate general funds of \$595,052 in 2017-18 and would require nongeneral fund contributions as well.

- **Central Appropriations and Central Systems Adjustments (Fringe Benefit Rates, Workers Compensation, Insurance Premiums, etc.):** Revised language in the Amended Executive Budget Proposal, as per Item 475 and 476, indicated changes in central distribution funding with an estimated impact of (\$91,062) in 2016-17 and (\$213,304) in 2017-18. These reductions are to cover changes in costs associated with workers compensation, system charges, benefit contribution rates, and the distribution of other centrally funded items.

The final outcome of the proposed 2016-2018 Amended Executive Budget will not be known until the completion of the 2017 General Assembly session in February. The General Assembly convened on January 11, 2017, and has begun the process of considering the Governor's budget proposals. Updates will be provided throughout the session as additional information is known.

Action:

None. Information item only.

**Governor's Executive Budget Proposal
2016-18 Biennium, Ammended
Radford University Summary
December 16, 2016**

	2016-17			2017-18		
	General Fund	Nongeneral Fund	Total	General Fund	Nongeneral Fund	Total
Operating Budget						
University Division						
Educational and General (E&G)						
Reduced State Support	\$0	\$0	\$0	(\$2,525,221)	\$0	(\$2,525,221)
Recovery of VRS Payments	(517,096)	0	(517,096)	(344,731)	0	(344,731)
Central Appropriation Adjustments	(91,062)	0	(91,062)	(213,304)	0	(213,304)
State Employee 1.5% Bonus	0	0	0	595,052	0	595,052
Subtotal E&G	(608,158)	0	(608,158)	(2,488,204)	0	(2,488,204)
Student Financial Aid (SFA)						
Restore Undergraduate SFA	\$0	\$0	\$0	\$1,685,086	\$0	\$1,685,086
Subtotal SFA	0	0	0	1,685,086	0	1,685,086
Subtotal University Division	(\$608,158)	\$0	(\$608,158)	(\$803,118)	\$0	(\$803,118)

**Preliminary Summary of
Major Items in the Governor's Introduced Budget Amendments
for Higher Education in 2016-18 Biennium**

Item	Amended 2016-18 Budget for Operations
<i>(A) Base Operation and Student Financial Aid (General Fund Only)</i>	
Budget Reductions	<ul style="list-style-type: none"> ▪ 5% general fund reductions in E&G programs for public institutions, VIMS and VT-extension for a total of \$76.1 million in FY2018. ▪ NSU and VSU were exempt from the cut. ▪ EVMS and other higher education centers and institutes' were cut by 5% in FY2017 and FY2018. ▪ SCHEV budget was cut by 5% in FY2017 and 7.5% in FY2018 except for VIVA which was cut by 5% in each year.
VRS General Fund Recovery	Reduce Institutions' general fund appropriations in E&G by \$24.2 million in FY2017 and \$16.1 million in FY2018 to recover the general fund equivalent of the nongeneral fund portion of the prepayment made to the Virginia Retirement System (VRS) to reduce VRS rates per employee.
Undergraduate Need-Based Financial Aid	Allocate \$24.1 million held in SCHEV budget to institutions in FY2018. Allocation is equal to the amount appropriated in FY2017.
Employee Compensation	1.5% bonus for full-time state employees, effective December 2017. \$6.1 million GF/ \$9.6 million NGF for classified staff and faculty at institutions.
Health Insurance and VRS rates	No change to health insurance premiums or VRS rates.
Higher Education Research Initiatives	Reduce the Virginia Research Investment Fund (VRIF) by \$4 million GF in FY2017 and \$6 million GF in FY2018.
Interest Earnings and Credit Card Rebates	Eliminate GF \$4 million and NGF \$1 million related to Level III Institutions each year.
INOVA Global Genomics and Bioinformatics Research Institute	Reduce \$4 million GF in FY2017.
SCHEV Budget	<ul style="list-style-type: none"> ▪ \$1 million GF in FY2017 for New Economy Workforce Credential Grant Program. ▪ \$699,667 GF in FY2018 for Two-Year Transfer Grant.
Central Budget Items Impacting Higher Education	<p>The following items are proposed for general fund adjustments with no specific allocation:</p> <ul style="list-style-type: none"> ▪ Savings in workers compensation premiums (Item 475, paragraph V) ▪ Additional funding for technology service (Item 476, paragraph G) ▪ Savings in the changes related to the Cardinal system (Item 476, paragraph L) ▪ Personnel Management Information System (PMIS) – executive

Attachment B - **Governor's Amended 2016-18 Biennial Budget Proposal**

	branch agencies will be charged to support PMIS system (internal service fund) (Item 476, paragraph O)
(B)Language	
Two Year College Transfer Grant	Language added to the budget to provide flexibility to use any remaining unspent funds within all two-year transfer grant programs. (Item 144, paragraph G.4.c)
VCCS procurement	Updates language to allow the Commonwealth to delegate authority to VCCS system office which can then delegate authority to its shared services center and other community colleges. (Section 4-9.02, paragraph d.)
Flexibility in reductions	Adds language to give flexibility to selected institutions in spreading reductions.
Item	Amended 2016-18 Budget for Capital Outlay
Equipment funding	Provides funding in central accounts to be disbursed to agencies and institutions of higher education for equipment purchases related to previously authorized capital projects (\$17.3 million for higher education institutions)
General Fund Supplants	Supplants general fund capital with VCBA bond proceeds for higher education institutions (\$94.7 million)
Supplemental VCBA for cost overruns	<ul style="list-style-type: none"> ▪ Virginia State University – Erosion and Sediment Control Master Plan/Retention Pond (\$2.4 million) ▪ Virginia Tech – Renew/Renovate Academic Buildings (\$4.4 million)

Comparison of SCHEV and Governor's Budget Amendments for FY2018
(In Millions)

Item	SCHEV	Governor
Base Adequacy/Cost of Education ¹	\$4.4	(\$77.0)
Faculty Salaries ²	\$21.6	\$6.1
Operation and Maintenance of New Facilities	\$8.1	\$0.0
Undergraduate Financial Aid ³	\$8.9	\$0.0
Transfer Grant	\$2.8	\$0.7
Subtotal for Operating Budget	\$34.1	(\$70.9)
Subtotal for Financial Aid	\$11.7	\$0.7
Total	\$45.8	(\$70.2)
Higher Education Equipment Trust Fund Allocation	\$8.9	\$0.0

Notes:

- (1) Institutions received 5% general fund reduction in E&G programs in Governor's budget amendments.
- (2) 1.5% bonus effective December 2017 in Governor's budget amendments. The amount includes funding for classified staff and faculty.
- (3) Governor's budget allocates the funding held in SCHEV budget to institutions. Allocation is equal to the amount appropriations in FY2017.

Attachment B - Governor's Amended 2016-18 Biennial Budget Proposal

Governor's Introduced Budget Amendments in 2016-18 Biennium

Inst.	FY2017 General Fund				FY2018 General Fund				
	October Savings Plan ¹	VRS GF Recovery	Other E&G Adjustments	Total GF Change	E&G GF Reduction ^{2,3}	VRS GF Recovery	Other E&G Adjustments	Financial Aid ⁴	Total GF Change
CNU		(390,307)		(390,307)	(1,423,060)	(260,205)		186,591	(1,496,674)
CWM		(1,020,946)		(1,020,946)	(2,183,886)	(680,630)		131,919	(2,732,597)
GMU		(1,935,422)		(1,935,422)	(6,937,504)	(1,290,281)		3,064,841	(5,162,944)
JMU		(1,551,829)		(1,551,829)	(4,152,407)	(1,034,553)		301,326	(4,885,634)
LU		(326,500)		(326,500)	(1,380,536)	(217,667)		366,214	(1,231,989)
NSU		(486,295)		(486,295)		(324,197)		2,950,444	2,626,247
ODU		(1,002,931)		(1,002,931)	(6,243,124)	(668,621)		4,340,632	(2,571,113)
RU		(517,096)		(517,096)	(2,525,221)	(344,731)		1,685,086	(1,184,866)
UMW		(314,079)		(314,079)	(1,378,890)	(209,386)		234,822	(1,353,454)
UVA		(5,048,921)		(5,048,921)	(7,036,035)	(3,365,948)		232,735	(10,169,248)
UVAW		(117,388)		(117,388)	(776,390)	(78,259)		365,638	(489,011)
VCU		(3,210,947)		(3,210,947)	(9,603,574)	(2,140,631)		4,417,541	(7,326,664)
VMI		(288,536)		(288,536)	(709,189)	(192,357)		45,312	(856,234)
VSU		(477,961)		(477,961)		(318,641)		1,199,616	880,975
VT		(4,110,195)		(4,110,195)	(8,588,385)	(2,740,130)		590,288	(10,738,227)
RBC		(42,715)		(42,715)	(328,532)	(28,476)		57,911	(299,097)
VCCS		(3,377,834)		(3,377,834)	(19,716,711)	(2,251,889)		3,927,747	(18,040,853)
All Inst.		(24,219,902)		(24,219,902)	(72,983,444)	(16,146,602)		24,098,663	(65,031,383)
VIMS					(1,039,390)				(1,039,390)
VT-ext					(2,040,693)				(2,040,693)
SURA	(67,128)			(67,128)	(67,128)				(67,128)
SWHEC			(108,058)	(108,058)					0
RHEC	(73,300)			(73,300)	(73,301)				(73,301)
IALR	(321,862)			(321,862)	(321,856)				(321,856)
SVHEC	(143,544)		(160,582)	(304,126)					0
NCI	(86,409)		(102,412)	(188,821)			(102,412)		(102,412)
EVMS				0	(939,583)				(939,583)
HERI			(4,000,000)	(4,000,000)			(6,000,000)		(6,000,000)
SCHEV									
Wkfrce Dev			1,000,000	1,000,000					
Inst Fin Aid							(24,098,663)		
Trsfr Grant							699,667		699,667
Positions	(623,206)				(303,722)				(303,722)
Excel Fund					(50,000)				(50,000)
VWL					(23,092)				(23,092)
VVA					(412,701)				(412,701)
Internship					(40,000)				(40,000)
VLDS					(26,813)				(26,813)
Sub-total	(623,206)		1,000,000	1,000,000	(856,328)		(23,398,996)		(156,661)
Total	(1,315,449)	(24,219,902)	(3,371,052)	(28,283,197)	(78,321,723)	(16,146,602)	(29,501,408)	24,098,663	(75,772,407)

Notes:

- (1) 5% budget reduction
- (2) E&G GF cut by 5%. NSU and VSU are exempt.
- (3) SCHEV items were cut by 7.5% except VVA at 5% in FY2018.
- (4) Allocate the funding held in SCHEV budget. Allocation is equal to the amount appropriated in FY2017.

**Higher Education Equipment Funding for Previously Authorized Capital Projects
(VCBA)**

Inst	Project Title	Amount
VT	Renovate/Renew Academic Buildings	\$3,174,000
VSU	Renovate Lockett Hall	\$1,500,000
LU	Construct Admission Office	\$1,002,000
VT-ext	Improve Kendland Facilities	\$745,000
VCCS	Replace Anderson Hall, Virginia Western	\$3,575,000
VCCS	Replace Academic and Administration Building, Eastern Shore	\$1,800,000
VCCS	Renovate Engineering and Industrial Technology Building, Danville	\$1,000,000
VCCS	Construct Student Service and Learning Resources Center, Christina Campus, SVCC	\$1,350,000
VCCS	Renovate Bird Hall and Renovate/Expand Nichols Center, Chester Campus, JTCC	\$2,800,000
VIMS	Construct Facilities Management Building	\$386,000
Total		\$17,332,000

Higher Education Capital Supplants

Inst	Code	Project Title	FY2016
VT	18065	Renovate or Renew Academic Buildings	\$24,959,494
LU	18016	Additional Biomass Boiler	\$5,449,095
JMU	18173	Acquire East Campus Chiller Plant	\$2,800,000
JMU	18085	Renovate/Addition Madison Hall	\$15,741,438
RU	18067	Renovate Whitt Hall	\$7,397,093
VT-ext	17830	Improve Kentland Facilities, Phase I	\$7,936,259
VCU	18071	Renovate Raleigh Building	\$7,010,583
VCU	18070	Renovate Sanger Hall, Phase II	\$17,214,620
VCCS	18077	Renovate Engineering and Industrial Technology Building, Danville	\$6,221,993
Total			\$94,730,575

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**Radford University Board of Visitors
Business Affairs & Audit Committee
February 16, 2017**

**Action Item
Compliance with Debt Management Policy**

Item:

Adoption of a Resolution certifying that Radford University is in compliance with its Debt Management Policy. In addition, this certification is required annually by the Secretary of Finance for the Commonwealth of Virginia as part of Institutional Performance reporting.

Background:

The 2005 Session of the General Assembly adopted, and the Governor signed, legislation that provides Radford University and all other public colleges and universities in the Commonwealth the opportunity to attain certain authority and autonomy to manage its academic and administrative affairs more efficiently and effectively through implementation of the Restructured Higher Education Financial and Administrative Operations Act. At its meeting on June 30, 2005, the Radford University Board of Visitors approved a Resolution of Commitment allowing the University to exercise restructured financial and operational authority as identified in the Restructuring Act.

The 2015 Virginia Acts of Assembly, Chapter 665 includes a requirement in the General Provisions related to Higher Education Restructuring. §4-9.01 requires, in part, that: *“Consistent with § 23-9.6:1.01, Code of Virginia, the following education-related and financial and administrative management measures shall be the basis on which the State Council of Higher Education shall annually assess and certify institutional performance. Such certification shall be completed and forwarded in writing to the Governor and the General Assembly no later than October 1 of each even-numbered year. Institutional performance on measures set forth in paragraph D of this section shall be evaluated year-to-date by the Secretaries of Finance, Administration, and Technology as appropriate, and communicated to the State Council of Higher Education before October 1 of each even-numbered year. Financial benefits provided to each institution in accordance with § 2.2-5005 will be evaluated in light of that institution’s performance.”*

The Secretary of Finance collects information to fulfill the reporting requirements as they relate to paragraph D-Financial and Administrative Standards, specifically §4-9.01 d.2. which states: *“Institution complies with a debt management policy approved by its governing board that defines the maximum percent of institutional resources that can be used to pay debt service in a fiscal year, and the maximum amount of debt that can be prudently issued within a specified period.”* To assess this measure, the Secretary of Finance is seeking a statement from the Board of Visitors certifying Radford University’s compliance with said policy and the effective date of that policy.

Schedule A below provides the required ratio calculation and demonstrates the University is in compliance with its Debt Management Policy. Currently, as disclosed in the 2016 unaudited annual financial statements, the University’s debt obligations including affiliated foundations total

\$49,742,660 which is mainly attributable to the Student Recreation and Wellness Center and Renovations of four Residence Halls projects.

Schedule A				
RADFORD UNIVERSITY				
DEBT MANAGEMENT POLICY RATIO				
The calculation reflects June 30, 2016 unaudited Financial Statements for Total Operating Expenses (as defined in the University's Debt Management Policy); however, Annual Debt Service reflects expected payments as of June 30, 2017 plus new debt issuances expected payments for fiscal year 2017.				
Board Approved Ratios	Range	Formula	Unaudited Financial Statements as of 6/30/2016	
<u>Debt Burden Ratio</u>				
Max Annual Debt Service as % of Operating Expenses	< 7%	<u>Annual Debt Service*</u> Total Operating Expenses*	\$4,084,899	1.81%
			\$225,562,006	

* Ratio includes Radford University Foundation

The Debt Management Policy also identifies that an annual report shall be prepared for review by the Board of Visitors. The notes to the annual financial statements provide the required elements to comply with the Debt Management Policy. Below are the Financial Statement Notes related to outstanding obligations that were prepared for the year-ending June 30, 2016 (unaudited):

NOTE 6: Long-Term Debt

Notes Payable—Pooled Bonds

The University issued 9(d) bonds by participating in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority (VCBA) issues 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the University and various other institutions of higher education. The University's general revenue secures these notes.

The composition of notes payable at June 30, 2016, is summarized as follows:

<u>Notes Payable - Pooled Bonds:</u>	<u>Interest Rates</u>	<u>Final Maturity</u>
Student Fitness Center		
Series 2009B, \$3.720 million par amount	2.00% - 5.00%	September 1, 2029
Series 2011A, \$4.235 million par amount	3.00% - 5.00%	September 1, 2031
Series 2012B, \$11.155 million par amount	3.00% - 5.00%	September 1, 2032
Series 2013A, \$4.865 million par amount	2.00% - 5.00%	September 1, 2033

Bonds Payable—9c

The University has issued bonds pursuant to section 9(c) of Article X of the Constitution of Virginia. Section 9(c) bonds are general obligation bonds issued by the Commonwealth of Virginia

on behalf of the University. They are secured by the net revenues of the completed project and the full faith, credit, and taxing power of the Commonwealth of Virginia.

The composition of bonds payable at June 30, 2016, is summarized as follows:

<u>Bonds Payable - 9c:</u>	<u>Interest Rates</u>	<u>Final Maturity</u>
Renovation of Washington Hall (residence hall)		
Series 2013A, \$5.040 million par amount	2.00% - 5.00%	June 1, 2033
Renovation of Pocahontas, Bolling, Draper (residence halls)		
Series 2014A, \$11.080 million par amount	2.00% - 5.00%	June 1, 2034
Series 2015A, \$8.820 million par amount	2.00% - 5.00%	June 1, 2035

Installment Purchase Obligations

The University has future obligations under an installment purchase agreement initiated in January 2009. The capitalized value of the asset purchased under this installment purchase agreement is \$114,460 and the repayment term is 10 years at an interest rate of 2.087 percent.

A summary of changes in long-term debt for the year ending June 30, 2016, is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Long-term debt:						
Notes payable - pooled bonds	\$23,962,841	\$ -	\$970,156	\$22,992,685	\$895,000	\$22,097,685
Bonds payable - 9c	26,605,375	-	935,495	25,669,880	870,000	24,799,880
Installment purchase obligations	48,737	-	11,807	36,930	12,055	24,875
Total long-term debt	<u>\$50,616,953</u>	<u>\$ -</u>	<u>\$1,917,458</u>	<u>\$48,699,495</u>	<u>\$1,777,055</u>	<u>\$46,922,440</u>

Future principal payments on long-term debt are as follows:

<u>Fiscal Year Ending</u>	<u>Notes Payable Pooled Bonds</u>	<u>Bonds Payable - 9c</u>	<u>Installment Purchase</u>
June 30, 2017	\$895,000	\$870,000	\$12,055
June 30, 2018	935,000	905,000	12,308
June 30, 2019	980,000	950,000	12,567
June 30, 2020	1,030,000	1,000,000	-
June 30, 2021	1,080,000	1,045,000	-
2022 – 2026	6,200,000	6,060,000	-
2027 – 2031	7,250,000	7,345,000	-
2032 – 2035	2,820,000	5,300,000	-
Unamortized Premium	1,802,685	2,194,880	-
Total	<u>\$22,992,685</u>	<u>\$25,669,880</u>	<u>\$36,930</u>

Future interest payments on long-term debt are as follows:

Fiscal Year Ending	Notes Payable Pooled Bonds	Bonds Payable - 9c	Installment Purchase
June 30, 2017	\$847,931	\$934,700	\$708
June 30, 2018	802,181	894,100	455
June 30, 2019	756,256	848,850	197
June 30, 2020	710,956	801,350	-
June 30, 2021	663,256	751,350	-
2022 – 2026	2,501,953	2,946,100	-
2027 – 2031	1,151,750	1,662,863	-
2032 – 2035	112,425	395,450	-
Total	\$7,546,708	\$9,234,763	\$1,360

NOTE 19F: Component Unit Financial Information

The following is a summary of the outstanding notes payable at June 30, 2016:

Note payable in monthly installments of \$10,439 through May 2020 with interest payable at LIBOR plus 1.48 percent (1.94 percent at June 30, 2016), outstanding principal due upon maturity, unsecured	\$480,658
Note payable in monthly installments of \$17,532 through July 2018, with interest payable at 2.01 percent, unsecured	429,576
Note payable in monthly installments of \$2,601 through November 2020, with interest payable at 1.54 percent. Secured by deposit accounts maintained by and investment property held with the institution.	132,931
	1,043,165
Less current portion of long-term debt	(282,528)
	760,637

Future principal payments on notes payable for years ending June 30 are as follows:

2017	\$282,528
2018	288,165
2019	100,282
2020	359,415
2021	12,775
Total long-term debt	\$1,043,165

NOTE 20: Subsequent Events

In July 2016, the Virginia College Building Authority (VCBA) issued Educational Facilities Revenue Refunding Bonds Series 2016A. The University was a borrower in bond Series 2009B for financing the construction of the Student Fitness Center. The Series 2009B bonds were included in the Series 2016A refunding.

In November 2016, the Commonwealth of Virginia issued 9(c) General Obligation Bonds, Series 2016A, on behalf of the University for the continued renovation of residence halls. The University's portion of the bond proceeds was \$7.160 million par amount with interest rates ranging from 3.0 percent to 5.0 percent during the term of the bond, which matures June 2036.

Action:

Board of Visitors adoption of a Resolution of Compliance with the Radford University Debt Management Policy.

**Radford University Board of Visitors
Resolution
Compliance with Debt Management Policy**

WHEREAS, the 2005 Session of the General Assembly adopted, and the Governor signed, legislation that provides Radford University and all other public colleges and universities in the Commonwealth the opportunity to attain certain authority and autonomy to manage its academic and administrative affairs more efficiently and effectively through implementation of the Restructured Higher Education Financial and Administrative Operations Act, and

WHEREAS, on June 30, 2005, the Radford University Board of Visitors approved a Resolution of Commitment allowing the University to exercise restructured financial and operational authority as identified in the Restructuring Act, and

WHEREAS, the Governor has established financial and management measures on which annual assessment and certification of institutional performance will be evaluated, and

WHEREAS, the financial and management measures require the Radford University Board of Visitors to approve a Debt Management Policy, and

WHEREAS, the Radford University Board of Visitors approved such Debt Management Policy at its March 30, 2007, meeting; revisions to this policy were approved by the Board of Visitors at its August 23, 2007, November 12, 2010, and February 8, 2012 meetings, and

WHEREAS, Schedule A demonstrates that the University meets the requirements outlined in the Debt Management Policy; and

WHEREAS, the Board of Visitors must annually certify Radford University's compliance with the approved Debt Management Policy to the Secretary of Finance for the Commonwealth of Virginia;

NOW, THEREFORE, BE IT RESOLVED, this resolution approved by the Radford University Board of Visitors certifies that the University is in compliance with its Debt Management Policy.