

Thursday, November 14, 2019
3:00 PM to 5:00 PM
James Welch Hall 360E

AD HOC EXECUTIVE COMMITTEE MEETING MINUTES

Members Present: Ron Coley, David Donell, Carrie Stewart, Roger von Ting, and Dana Ward

Guests: Richard Chester (Associate Executive Director), Amanda Dodd (Director of Human Resources and Payroll, Linda Doan (Director of Information Technology), Jerome Groomes (Executive Director) and Jinna Matzen (Manager Business Process Improvement, Board Relations), and Michael Williams (Chief Financial Officer)

I. Call to Order – Chair Roger von Ting.

Meeting called to order by von Ting at 3:10 P.M.

II. Approval of Meeting Agenda

Stewart moved, and Ward seconded. Motion carried.

III. Approval of Minutes of Previous Meeting(s)

- August 29, 2019, Meeting Minutes

Donell moved, and Ward seconded. Motion carried.

IV. Public Comment

No one was present to represent the public.

V. Informational Items

Audit Results and CFO Priorities

Williams opened his report addressing informational items “a” and “b” on the agenda. Williams presented a PowerPoint presentation on audit findings and his priorities. Williams reviewed his presentation with the Committee discussing six material weaknesses, issues, plans, and timelines to correct each finding. Under audit finding number one, "Accounting Processes and Y.E. Close," the Executive Committee discussed internal controls, documentation, interpretations, and employee training. Further conversations included discussion on consultants Grobstein Teeple and the deliverables expected. Groomes divulged to the Committee that an extensive report was received from Grobstein Teeple

and that he and Williams were still reviewing the documents received. Groomes further informed the Committee that Grobstein Teeple's presence at the next Board meeting was requested. Williams continued to review audit findings with the Executive Committee, under audit finding number two, "Depository Accounts and Agency Liabilities," the Committee discussed issues such as commingling of funds, endowment reconciliation, separate operating accounts, old accounts that still reflect on the general ledger, and cash management. Williams then continued on to audit finding number three, "Review of Journal Entries", Williams communicated that a policy was completed and implemented last week to address this issue. Williams then reviewed audit finding number four, "Management of Receivables", explaining that OneSolution does not provide clarity with Accounts Receivables. Williams consulted with Doan regarding timeline of this project, the Board inquired on why OneSolution's Accounts Receivables module does not provide clarity. Doan clarified that it wasn't necessarily a case of system or software error but a lack of training and expertise on the system and software with new employees and staff. Doan stated that she believes this to be more of a training issue. The Committee entered into conversations regarding invoices, invoicing, vendor codes, policies, communication with auxiliaries, the system of record, funds being accounted for, age receivables reports, write-offs, uncollectable funds, and different software systems being utilized. The Committee concluded conversations on audit finding number four with Williams explaining to the Committee that the target completion dates on his presentation were dates that he outlaid expressing that he would meet with Doan after the meeting to discuss the completion timeline. Williams continued to discuss audit findings with the Committee moving on to audit finding numbers five and six, "Procurement," and "Equipment Management," which Williams explained is a Grants and Contracts finding regarding federal requirements. The Committee discussed procurement policies, federal guidelines, and compliance. The Committee then held discussions on implications with Williams divulging that a notification was received from a federal agency a few days ago after the agency received the audit results. Williams announced that he would forward this information to the Committee and guests in attendance. The Committee urged Williams to move this item to the top of his priority list and to look at efficiencies and shared services with the University. The Committee continued to discuss staff training needs in regards to procurement, compliance, and thresholds for asset tracking. Williams concluded his report on audit findings and transitioned to report on the findings of Grobstein Teeple. Williams discussed with the Committee a list of key findings stated on the Grobstein Teeple report. Williams notified the Committee that the endowment reconciliation report between the Philanthropic Foundation and Foundation was not yet complete. Williams noted that he felt institutional knowledge and staff turnover contributed greatly to challenges faced last year and that he was confident that procedures would be put in place this year to rectify. The Committee held discussions on the implications of audit findings and the importance of having a collaborative environment with constituents who affect the outcome of an audit. The Committee conversed about some of the challenges faced with different departments and the need to make others understand the magnitude and importance of providing information the Auditors' request. The Committee discussed Grants and Contracts and the supervision of those employees not belonging to Foundation and the difficulties Foundation

faces when being asked questions or held accountable for a department that the Foundation does not oversee. The Committee's discussions on this matter included contracting of the Sibson Group and the expansion of that contract to evaluate Pre-Award and Post-Award departments under Sponsored Research and Programs. Coley noted that Sibson Consulting should produce a report that he hoped would identify and reconcile the structure of Grants and Contracts. Williams transitioned his report notifying the Committee that he recently sent out a Customer Satisfaction Survey that would be used to show staff where Foundation is today and how Foundation could improve. Williams advised the Committee that the same survey would be sent out again in three months, six months, nine months, and twelve months to show how Foundation is progressing. The Committee held discussions on the correlation of insufficient staff to negative customer perception and that with the buildup of the team and adequate resources to be responsive to customers, the survey should result in a better customer service score. Williams concluded discussions on this topic noting that the survey would be shared with staff and utilized as a teaching tool. Williams then discussed item "b" on the agenda, CFO priorities. Williams reviewed his roadmap sharing his 90 day priority list and discussed the hiring of an accounting manager, proposal for Foundation's name change, the need for a new dining accounting clerk, expired operating agreements, and the development of a technical support service desk. Groomes commented that in the interest of time, the Committee should defer William's report on his 180 and 365-day priority list but noted to the Committee that they are present in the committee packet for members to review.

Sibson Consulting

Groomes opened his report inquiring whether Sibson Consulting had interviewed all members present. Stewart notified the Committee that she had not been interviewed. Groomes explained to the Committee that he was confident that Sibson Consulting would share their results and layout recommendations for corrective action of issues discerned within the next couple of weeks. Groomes further noted that he was expecting to receive a roadmap from Sibson as part of their final report. The Committee requested clarification between two projects, the customer service survey and the role of Sibson Consulting, requesting that the scope of Sibson be clarified. Groomes stated that Sibson was reviewing policies, procedures, staffing levels, and organizational capacity. The Committee understood that Sibson Consulting was assessing infrastructure, and the survey was assessing customer satisfaction. Groomes announced to the Committee that Coley was driving the diagnostic assessment being conducted by Sibson and that the report was due before Coley leaves at the end of the year. Groomes closed his report stating that he felt Sibson was on schedule to meet their deadline to Coley. Coley expressed the importance for Stewart to be interviewed by Sibson and urged Groomes to ensure that Stewart's voice was heard. Groomes agreed.

Philanthropic Foundation

Groomes reported to the Committee that Grobstein Teeple had met with individuals from the Philanthropic Foundation and that he was pushing for Grobstein Teeple to complete their endowment report. Stewart communicated to the Committee that since she is leaving

at the end of December, President Parham was in the process of deciding on who will serve in an interim role for her position and that the individual chosen would also have to be delegated the role as Executive Director of the Philanthropic Foundation. Stewart expressed that she and Williams are committed to resolving outstanding issues in regards to audit materials and endowment concerns before she leaves. Groomes concluded the discussion on this matter, expressing that he was pushing Grobstein Teeple to have a final report by the next Board meeting scheduled on December 05, 2019.

Cash Management

Groomes communicated to the Board that the presentation that was about to be shown by Doan ties into a previous conversation regarding improvements that have started to take place in Loker Student Union. Groomes noted that in the context of this project, he had previously mentioned a declining balance and the need to develop a system that is going to work with the declining balance and Onecard system. Groomes divulged that the current system was fifteen years old, and there was a need to update and replace the system that will be used for the declining balance. Doan opened her report explaining that she had worked closely with Chester and Fimbres from Campus Dining and that they had collected data and streamlined requirements for the Oracle project. Doan further notified the Committee that they had visited San Diego State University since SDU is using the system that Doan is proposing. Doan explained that the current POS system that Dining is using is fifteen years old and is on a d-supported software system that is not PCI compliant and that Foundation is paying penalty fees in regards to PCI compliance. Doan noted that with the new proposed technology Foundation will have a point to point encryption system which also aligns with the University's smart campus technology and that Foundation would be in a supported system environment with the latest version of the software. Doan cited the increased complexity in security, a centralized system for data collection, integration, real-time data access reports and analytics, and the improvement for efficiency and productivity, resulting in a better customer service experience. The Committee held discussions on reporting capability of the system proposed centralized kitchen concept, and expenses regarding labor. Doan presented the differences in the system we have now and the system being proposed noting that the new system would take, Apple Pay, Samsung Pay, Google, EBT, and more and may be able to integrate with Onecard. The Committee held discussions on the recent approval of Foundation to receive EBT and the benefits this would provide to the campus. Doan continued to explain that the Oracle System would contain multiple modules noting that the system was an Enterprise Solution with a dedicated secure PCI Vlan connection to the campus which then goes out to the internet. Doan further explained that this was real-time access reporting that could be accessed from mobile devices. Doan closed her report reviewing the "Cost of Implementation" citing that she was working with credit card payment gateways. The Committee held discussions on cost, the current outdated system, the need to improve technology, the necessity of the investment, network failures, system failures, limitations of working with unsupported software, integration of technology, fiduciary responsibilities, and disaster recovery of circuits. Coley requested that Foundation reach out to other organizations on campus that could use or benefit from a system like this, and to confer with the campus I.T. department. The Committee discussed

other CSUs that use this system; Coley noted that since sister campuses use this system, it was likely that a strategic relationship with Oracle may be in place. Coley urged Doan to contact the Chancellor's Office, Stewart added that Manriquez, the Vice President of Information Technology at CSUDH, used to run the system-wide I.T. V.P. group and continues to work closely in collaborative efforts with other institutions and would be a great person to facilitate. Stewart further noted that AOA would be a great resource. Coley urged Foundation to look into bringing the price down on the cost of implementation by reaching out to the aforementioned individuals and groups. Doan concluded her report noting that she does not feel there will be any downtime in implementing. The Committee stated that the project was approved with an understanding that staff would reach out to individuals and groups as mentioned earlier to determine if the cost of implementation could be brought down. Von Ting communicated that he believes additional costs may be incurred during installation that are not currently anticipated. Von Ting stated that he was comfortable approving the project with a threshold of \$150,000 or less; von Ting asked the Committee for approval. The Committee agreed with Coley noting his approval was subject to the research requested. Von Ting addressed the Committee bringing up another topic under cash management, commingling of funds. A discussion ensued regarding operating costs, negative balances, reimbursable arrangements with costs being fronted, long term investment funds, Philanthropic Foundation, endowment assessment, the short term investment fund, operating agreements, true-time analysis for operating agreement costs, allocation of interest-based on cash balances, obligations to Philanthropic Foundation donors, managing of transactions if different accounts are created, using the general ledger to reconcile, accounting software systems properly, and institutional vision and support. The Committee agreed that a decision was not ready to be made. Von Ting urged staff to perform an analysis on how much would need to be transferred out of the Long Term Investment Fund if accounts were separated, how much work and logistical problems would be caused by setting up separate checking accounts, and can Foundation give customers accurate visibility to their accounts if Foundation does not set up separate checking accounts? The Committee discussed Grants and Contracts administration and the need to understand the upfront costs associated with them. The Committee also discussed IDC thresholds and the need for a strategic discussion, full visibility, and losses on accepting low IDC grants.

VI. Financial Reports

Statement of Operations as of September 30, 2019, and Investment Review as of September 30, 2019

Von Ting acknowledged the time, 4:59 P.M., and the number of items still on the agenda. Von Ting suggested that the discussion of the financial reports, with the detail provided in handouts, be skipped and that members of the Committee review the materials on their own. The Committee agreed.

VII. Other Items

Committee Vacancies

Von Ting reported that this item was on the agenda to mainly discuss the retirement and replacement of Stewart on the Executive Committee. Von Ting suggested that whoever is placed as interim in Stewart's position be named to the Executive Committee. Stewart agreed noting that it has been helpful for her to have this dialogue with the Executive Committee since Foundation plays such a critical role in the Philanthropic Foundation and that her recommendation would be to have her interim replace her on the Committee after her departure, December 23rd, 2019. The Committee agreed pending approval of the interim.

Board Presentations Unrelated to Foundation Business

Von Ting opened discussions on this matter detailing his desire to have a conversation on whether the Board wanted to continue to allow individuals to present items unrelated to Foundation's business. Von Ting communicated that with the switch to quarterly Board meetings, it seemed the Board had a hard time getting through the agenda. The Committee held discussions on individuals using Foundation's Board meetings to get in front of high ranking University officials, the productivity of meetings, educating the Board on the mission of the University and institutional goals, strategic presentations, allocation of time, and value of presentations on a case by case basis. Von Ting concluded his report stating that requests should be vetted by Groomes and Williams to determine informational value.

VIII. Action Items

University Emergency Housing Repair

Groomes announced that this item should be an informational item, and no action was needed. Groomes communicated to the Committee that there are several deficiencies with the current housing that University students are residing in and that emergency repairs were needed as well as other desired repairs. Groomes detailed that an estimate was received for a little over two million dollars for the current repairs and a little north of ten million for full repairs. Groomes further disclosed that this was not a request for a specific amount but rather communication to notify the Executive Committee that if the University requires funds from Foundation it would come in the form of a loan. Coley clarified that the request could come in the form of a loan, a grant, or a combination of the two. Groomes disclosed to the Committee that due to renovations on campus, several departments went to the Library on the third and fourth floor, and as a result, there is an effort to seek offsite office space. The Committee held discussions on availability of funds, visibility of revenue, demands, risk, management of space, inadequate privacy in the Library, sustaining operations, replacement of reserves, University needs, viable replacements of revenue, pro-active revenue, land development, ownership of land development, feasibility study, placement of Grants and Contracts, and Foundation's strategic plan.

RFP – 3 Finalists

No action was required. The Committee deferred the decision on this matter to management. The Committee discussed proposals received and management fees proposed. The Committee deferred the final decision of the three finalists to management and noted that they would be on-site on December 05, 2019, to interview the three finalists.

IX. Adjournment

von Ting moved to adjourn, Ward seconded. Motion Carried. Meeting adjourned at 5:58 P.M.