

University of South Florida
Board of Trustees
Special Conference Call
Monday, November 5, 2018
Unofficial Minutes

Chair Brian Lamb convened the USF Board of Trustees special conference call at 1:30pm.

Chair Lamb asked President Judy Genshaft to call the roll.

President Genshaft called roll with the following Trustees present:

Trustee Michael Carrere (via telephone)
Trustee Stephanie Goforth (via telephone)
Trustee Oscar Horton (via telephone)
Trustee Moneer Kheireddine (via telephone)
Trustee Brian Lamb (via telephone)
Trustee Deanna Michael (via telephone)
Trustee Harold Mullis (via telephone)
Trustee Leslie Muma (via telephone)
Trustee John Ramil (via telephone)
Trustee Byron Shinn (via telephone)
Trustee Charles Tokarz (via telephone)
Trustee Nancy Watkins (via telephone)
Trustee Jordan Zimmerman (via telephone)

Chair Lamb thanked the Board for being present for this special last minute call and informed the Board the purpose of the call. The Board of Governors commissioned a review of the 12 State University System institutions and their use of carryforward funds used for construction dating back to 2008, specifically looking for any inappropriate usage of said funds. USF found a project that used approximately \$6 million in carryforward funds. Chair Lamb then asked General Counsel Gerard Solis to provide further information to the Board.

Mr. Solis provided background information to the Board, beginning with the BOG's directive that all state universities review their use of carryforward funds going back to 2008 in construction projects after it was reported that UCF misappropriated a significant amount of such funds to construct a new building. USF fully complied with the directive and went even further back to 2003 and reviewed over 50 projects worth over \$550 million. Of these 50+ projects only one, from 2006, was found that did not meet the standards or requirements for the use of carryforward funds for new construction. This project was the Patel Center for Global Solutions. Based on a review of all available records USF identified that of the total \$21.7 million project cost, approximately \$6.4 million of carryforward funds were inappropriately allocated to the Patel Center.

Mr. Solis informed the Board that the Patel Center followed established approval processes in place at the time: it was presented to and approved by the Board on June 1, 2006 as part of USF's 2007-2008 Fixed Capital Outlay Projects at an estimated cost of \$21.7 million and that all external approvals were also given. Mr. Solis went on that the listed source of funds provided to the Board at the June 1, 2006 meeting was private donations and that construction commenced in 2008; an update was given to the Board in 2010 indicating that the funding sources for the Patel Center were private donation and state matching funds and that construction was completed in 2010.

Mr. Solis stated USF found no other instance of misappropriation of carryforward funds in any construction projects and that our current processes, such as USF's delegation policy (USF Policy 0-100), would not permit a repeat of this incident.

Mr. Solis stated that USF has fully repaid the funds in question from appropriate sources. Mr. Solis ended his comments and turned the meeting back over to Chair Lamb.

Chair Lamb thanked Mr. Solis for his thorough briefing and detailed information provided to the Board. He then reminded the Board that over the past decade changes have been made, especially in regards to spending policy to always ensure there are preventative measures in place to avoid matters such as this. He moved on to say that he has already asked Trustee Nancy Watkins, as chair of the Audit & Compliance Committee, to lead a review of this matter so that USF's constituents can be assured that this was an isolated incident, that it has been fully restored, and that the appropriate controls are in place to prevent any repeat. This review will be led by Trustee Watkins who will coordinate with the Inspector General's Office at the BOG, and that, a third party will be considered to assist in the review if needed. Chair Lamb informed the Board that he had already been in discussion with SUS Chancellor Marshall Criser and that they have his full support in this collaborative process. Chair Lamb then turned the call over to questions from the Board.

Trustee John Ramil asked a question for clarification and equated to the incident as a matter of taking funds out of the "wrong bucket," and that no one benefited from this incident, that there was no cover up and that documentation showed no fraud. Chair Lamb confirmed this was accurate. Mr. Solis confirmed Chair Lamb's comment that there is zero indication of fraud and Senior Vice President for Business and Financial Strategy David Lechner wanted the record to show that this incident occurred under a chief financial officer who is no longer at USF.

Trustee Byron Shinn remarked about the expectations of the processes to use and apply funds seems to differ from what exists in writing and cited the projects at USF Sarasota-Manatee as an example. Chair Lamb stated that issue is not related to this call, but that the Board should pause on current projects before moving forward. Trustee Les Muma stated that this is not the way USF runs itself and that if this incident was perpetuated by a donor who reneged on a financial obligation, then the Board should look beyond this matter and use it as a learning opportunity. Trustee Ramil joined in Trustee Muma's comments that despite great controls every organization has issues, but we can learn from them and move on; comments that were reiterated by Trustee Jordan Zimmerman who added that the investigation would be swift and fruitful. Chair Lamb voiced his faith in Trustee Watkins' leadership of the investigation.

Trustee Watkins then spoke about how she would conduct the review that she will oversee. Her and the Audit & Compliance Committee's objective will be to find out exactly what happened and why and that they will work independently of specific offices at USF, with a transparent and complete process, all being done in coordination with the BOG.

Trustee Michael Carrere asked if from a control standpoint the BOG would have any discussion before the Board is able to see and respond to the review. Chair Lamb reminded the Board that they will be working closely with the BOG and that any trustee could ask him to respond to any questions that may arise from this matter, indicating the Board's ongoing commitment to transparent processes. Trustee Carrere thanked the Chair for his effort and leadership in this matter.

Trustee Ramil stated that this is a serious matter, but he was confident that the Board and USF are doing the right thing in handling it and will continue to improve processes and controls moving forward. Chair

Lamb responded with his confidence that Trustee Watkins and the committee will get to the bottom of the matter and ensure best practices for the future.

Trustee Hal Mullis congratulated Chair Lamb on his dedication to transparency and commitment to being forthright and stated that he feels assured the Board and USF will follow a responsible process. Chair Lamb thanked Trustee Mullis for his comments and adjourned the call at 2:09pm.