

**Minutes of the Special Meeting of the Board of Regents
Murray State University
Jesse Stuart Room -- Pogue Library
Friday, August 17, 2007
8:00 a.m.**

The Board of Regents of Murray State University met on Friday, August 17, 2007, in Special Session in the Jesse Stuart Room in Pogue Library on the main campus of Murray State University. At 8:00 a.m. Chair Alan Stout introduced Judge-Executive Larry Elkins to administer the Oath of Office to two new members of the Murray State University Board of Regents.

Oath of Office Administered to Mr. Eric L. King and Dr. Laxmaiah Manchikanti

Mr. Eric King was elected President of Murray State University's Student Government Association on July 1, 2007, and qualifies to serve as Student Regent. Mr. King's term of office is July 1, 2007, through June 30, 2008.

In keeping with Section 164.321 of the Kentucky Revised Statutes, Governor Ernie Fletcher, August 1, 2007, appointed Dr. Laxmaiah Manchikanti, 2075 Natchez Lane, Paducah, Kentucky 42001, as a member of the Murray State University Board of Regents to replace Olivia Burr, Paducah, whose term expired June 30, 2007. Dr. Manchikanti shall serve for a term expiring June 30, 2013.

The Oath of Office was administered to Mr. Eric King and Dr. Laxmaiah Manchikanti by Judge-Executive Larry Elkins.

Mr. Stout welcomed the parents of Eric King, Stephanie King Lawson and Mike Lawson and thanked them for being in attendance.

At 8:15 a.m. Mr. Stout announced the Board would recess for the purpose of taking a group photograph. Recess ended at 8:30 a.m.

The Special Meeting of the Board of Regents was then called to order at 8:30 a.m. by Chair Alan Stout. In the absence of a Secretary to the Board of Regents, President Randy J. Dunn called roll and the following members were present: William C. Adams, Marilyn Buchanon, Beverly Ford, Peg Hays, Eric King, Laxmaiah Manchikanti, Jay Morgan, Alan Stout, Jeff Taylor, Vickie Travis and Gina Winchester. Absent: none.

Others present were Tom Denton, Vice President for Finance and Administrative Services and Treasurer of the Board of Regents; Dr. Gary Brockway, Provost and Vice President for Academic Affairs; Jim Carter, Vice President for Institutional Advancement; John Rall, University Counsel; members of the faculty, staff, students, news media and visitors.

**AGENDA
SPECIAL MEETING OF THE BOARD OF REGENTS
Murray State University
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Friday, August 17, 2007
8:00 a.m.**

1. **Swearing-In Ceremony – Eric L. King and Dr. Laxmaiah Manchikanti**
2. **Roll Call**
3. **Election of Officers – Vice Chair and Secretary** **Mr. Stout**
4. **Chair Appointment to BOR Standing Committees** **Mr. Stout**

5. **Naming of Campus Facility** **Dr. Dunn**
 - a. **Rosemary and Harry Crisp Soccer Complex**
6. **Consideration of Special Audit for Science Complex Construction** **Mr. Taylor**
7. **Executive Session** – to consider pending litigation
8. **Adjournment**

Mr. Stout presented a status report on recent campus activities:

- Meeting of the Presidential Evaluation Ad Hoc Committee – 8/14/07
- Federal Congressional Delegation Reception for staff members from the offices of Congressmen Jim Bunning, Mitch McConnell and Ed Whitfield – 8/14/07. Mr. Stout stated that the meeting was very positive and expressed appreciation to Senator Ken Winters and Representative Melvin Henley.
- Staff Recognition Day Luncheon was well attended – 8/14/07
- Formal Dedication of Clark College – 8/14/07
- Faculty/Professional Staff Luncheon where Dr. Dunn presented the “State of the University” Address - August 16
- 2008 U.S. News Rankings have been released as of 12:00 midnight last night. Murray State is 14th in the south for master’s comprehensive, up one from last year; 9th top public national for master’s comprehensive; 6th south top public; 15th in Great Schools/Great Price best value category master’s south/public and private; and 4th best value master’s south public. Dr. Dunn commended the work of the faculty and staff of Murray State University in maintaining this notoriety.

Election of Officers – Vice Chair and Secretary

Mr. Stout stated that according to KRS 164.330 the Board must meet within 30 days after each appointment of new members. At this meeting there shall be elected a Vice Chairperson and a Secretary of the Board.

The roll was called for nominations for Vice Chair of the Board of Regents. Mr. Adams nominated Jay Morgan. Mr. King also nominated Jay Morgan. All others passed. Mr. Stout declared that there only being one nomination for Vice Chair, Dr. Jay Morgan is elected by unanimous consent according to the Bylaws of the Murray State University Board of Regents.

The roll was called for nominations for Secretary of the Board of Regents. Mr. Adams nominated Mrs. Jill Hunt Lovett. All others passed. Mr. Stout declared that there being only one nomination for Secretary, Mrs. Jill Hunt Lovett is elected by unanimous consent according to the Bylaws of the Murray State University Board of Regents.

Chair Appointments to BOR Standing Committees

Mr. Stout declared that the Board of Regents Standing Committee appointments stand as previously sent to each member of the Board with one change. Mr. Stout appointed Mrs. Buchanan to the Joint Investments Committee of the MSU Foundation. As Chair, Mr. Stout is the other Board member to serve on this Committee. The Committee listing is available on-line through the President’s website.

Naming of Campus Facilities

Dr. Dunn asked Mr. Bob Jackson, Associate Vice President for Institutional Advancement, to come forward to discuss the naming of the Rosemary and Harry L. Crisp II Soccer Complex at Cutchin Field.

Mr. Jackson stated the complex this will be an exciting new facility that is very much needed and long overdue. Currently there are no restrooms, locker, or concession facilities for tennis and soccer. In November 2005 this project was identified as one of the major needs of the University and was a project very much in line with the interests of Rosemary and Harry Crisp.

Mr. Stout read the recommendation in its entirety.

Mr. Taylor moved, seconded by Dr. Manchikanti, that the Board of Regents, upon the recommendation of the President and the University Naming of Campus Facilities Committee, approve the naming of the soccer complex at Cutchin Field the Rosemary and Harry L. Crisp II Soccer Complex at Cutchin Field. Motion carried.

Mrs. Travis asked where the facility would be located and Mr. Jackson responded that it would be located in the area between the Purcell Tennis Courts and the current soccer field.

Dr. Dunn reminded the Board that the Dedication of the Rosemary and Harry L. Crisp II Soccer Complex at Cutchin Field would be held on Tuesday, August 21, 2007, at 2:30 p.m.

Consideration of Special Audit for Science Complex Construction

Mr. Taylor reported that at the Board of Regents Retreat at Lake Barkley State Resort on July 14, 2007, he expressed concern that there have been funding problems with the Science Complex. In looking at the statutes and with his background in accounting, he feels the Board has an obligation and responsibility to oversee these projects and maintain financial accountability. Mr. Taylor requested that a separate audit be conducted to make sure we have dotted all our "i's" and crossed all our "t's." He concedes that underfunding and an escalation of costs have certainly occurred but the Board needs to take a separate, independent look at this particular project. With regard to the Chemistry Building we are almost at the point where we have to stop construction.

Mr. Taylor stated that the audit would not be extremely expensive. He is not suggesting that the project has not been funded properly but that the Board must be accountable to alumni and the legislature.

Mr. Taylor mentioned that Senator Ken Winters commented at a local meeting that he was under the impression sufficient funds existed to pay for the entire project. This misperception has damaged Murray State's credibility and with the upcoming legislative session regaining our credibility will be critical. Murray State must be able to show the Legislature in 2008 that we have done everything we can, including an independent audit, to fully examine the project and indicate any findings.

Mr. Taylor went on to state that in essence we are \$15 to \$20 million short to complete the entire project and additional funding will be a necessity. We know for sure Murray State will not be included in the special session next week and will have to seek the funding needed. This audit is a way to clear the air and regain credibility.

Mr. Taylor moved that Murray State University revise the scope of the existing BKD contract to include an examination of the appropriation revenue and expenditure transactions (with all transactions subject to testing), as well as the internal controls and processes associated with the construction of the College of Science Complex. A separate report for this purpose will include recommendations for improvement of internal controls and the approval process. This revision includes a price increase for the change in scope and shall be in accordance with the fee schedule set forth by the Government Contract Review Committee with a total not to exceed \$20,000. Mr. Adams seconded and discussion followed.

Ms. Hays asked Mr. Denton to address to the need for such an audit. Mr. Denton reported that there was a report produced in February 2007 by the State Director for the Department of Policy and Audit. Staff from that department came to campus and reviewed records and examined our processes in Facilities Management and our Accounting Office. Murray State's Internal Auditor, Al Choate, also conducted an internal audit and tested 100 percent of existing transactions.

Dr. Dunn, Mr. Denton, Mr. Jackson, Senator Winters and Representative Henley all appeared before the Capital Planning and Bond Oversight Committee to respond to their concerns. Mrs. Buchanan asked if the Finance and Administration Cabinet conducted an audit. Mr. Denton clarified that they conducted a review, not an audit. He went on to say that the review was extensive but it was not technically a formal audit. Mrs. Buchanan asked if any impropriety had been found and Mr. Denton responded that while we did have misclassification of codes and things of that nature, no impropriety was identified.

Dr. Dunn pointed out that the key finding from the review was that Murray State awarded bids for construction on the Chemistry Building and we did not have the authority to do so. Mr. Taylor went on to say that we have a \$28 million project that has not come to fruition. We have an empty building we cannot complete. If we proceed with an audit, we will have undertaken a complete examination of our project from an external, independent auditor, BKD, and we can take that back to the General Assembly to show them our accountability.

Mrs. Buchanan stated this same sort of thing happens at other universities; we are not the only university this has happened to.

Dr. Dunn stated it is the prerogative of the Regents to request an audit. The issue is Murray State awarded bids without money to pay for it. Mr. Taylor stated that we need to get past this in Frankfort. If there is something there we need to find it out whether it is old news or not or we will have no credibility. If nothing is found, it doesn't hurt us but it says we went above and beyond.

Mrs. Buchanan asked if Step #1 shouldn't be to put out a Request for Proposals before the Board makes a decision. Dr. Dunn stated that internal discussion has focused on conducting the audit by using BKD by expanding the scope of their existing audit. Mr. Denton stated this was a more efficient way to accomplish this because a new firm would have to expend much more time and resources simply learning about Murray State staff and processes.

Mrs. Buchanan stated that she would like to have a concrete figure of how much it will cost for the audit. Mr. Denton said an exact amount would be hard to determine but that rates permitted by the state allow up to \$20,000. If we also use Murray State's internal auditor it will cut down on the cost and time required from BKD. Mr. Stout stated that it is imperative that the Board act on this very soon. BKD is our auditor and he is confident in the fees they have charged us in the past.

Ms. Hays asked if the Board would be setting a precedent for future projects. Mr. Stout replied that the precedent would be if we have projects with massive overruns we will do an audit to determine what happened. Mr. Taylor added that he would rather find out now that there are issues rather than two years from now have a \$5-12 million cost overrun, and perhaps something illegal, and then have to explain why the Board did not fulfill its fiduciary responsibility at the time.

Dr. Morgan asked if the Board could have a report by the September 14 meeting. Mr. Denton indicated that contract renewals go to the State Review Committee on September 11 to approve the scope increase. October 1 is the deadline for our regular audit. He could report back by the November 30 Board meeting.

Mr. Stout stressed that the Board should pass the motion today. Dr. Morgan asked Mr. Denton if his staff could handle this request. Mr. Denton stated that the October 1 audit was the main focus for his office and agreed that it would be tight.

Ms. Hays asked about the cost of the audit and what the cost in terms of university personnel would be. Mr. Denton replied that it is a busy time on campus for everyone and we would have to take into consideration personnel costs in the Facilities Management, Accounting and Procurement units. Dr. Dunn added that Murray State would be paying the employees anyway so it really is a sunken cost and time is of the essence.

Mrs. Buchanan asked Mr. Denton his opinion on whether this audit is really something that needs to be done. Mr. Denton replied that we have already done two reviews that were very

extensive but there might be an advantage to having a formal review conducted by an auditing firm. Mrs. Buchanon stated that Murray State is already audited fully once a year and that we pay BKD \$125,000 to perform that audit. She further indicated she felt this was a “witch hunt” where there is nothing to be found.

Mr. Taylor added that in a general university audit one specific project would not be examined extensively. Mr. Stout thanked Mr. Denton and his staff for their hard work. It was decided that November 30 would be the goal and a special Board meeting could be called if necessary. Mr. Denton expressed his appreciation for the flexibility.

The roll was called with the following voting: Mr. Adams, yes; Mrs. Buchanon, no; Mrs. Ford, yes; Ms. Hays, yes; Mr. King, yes; Dr. Manchikanti, yes; Dr. Morgan, yes; Mr. Stout, yes; Mr. Taylor, yes; Mrs. Travis, yes; and Mrs. Winchester, yes.

Mr. Stout then asked for a motion to go into Executive Session pursuant to KRS 61.810 (1) (c) to discuss pending litigation. Dr. Morgan moved, seconded by Dr. Manchikanti, that the Board convene into Executive Session. Executive session began at 9:30 a.m.

Executive Session ended at 10:45 a.m. Mr. Stout asked for a motion to convene into regular session. Dr. Manchikanti moved, seconded by Ms. Hays, and the Board convened into Open Session at 10:50 a.m. Mr. Stout stated that no action was taken during the Executive Session.

Mrs. Buchanon asked where the Library is on the Council on Postsecondary Education Capital Projects list and Dr. Dunn responded that the Library is 16th out of 33 projects. He reminded her about the e-mail sent to all Board members detailing where Murray State’s projects appear on the Capital Projects list.

Mrs. Travis moved, seconded by Dr. Manchikanti, that the meeting adjourn. Adjournment was at 10:55 a.m.


Secretary


Chair