

FEB 20 1992

**MINUTES OF THE BOARD OF REGENTS
WESTERN KENTUCKY UNIVERSITY**

February 20, 1992

Required statutory notice having been given, a special meeting of the Board of Regents of Western Kentucky University was held in the Regents Conference Room of the Wetherby Administration Building. The meeting was called to order at 9:30 a.m., CST, by Mr. Joseph Iracane, Chair.

AGENDA ITEM 1 - Invocation

The meeting opened with a prayer of invocation by Dr. Julia Roberts, Professor of Teacher Education, and Director, Center for Gifted Studies.

AGENDA ITEM 2 - Roll Call

The following members were present:

Mr. Bobby R. Bartley
Mr. Danny Butler
Mr. Stephen B. Catron
Mr. Robert L. Chambliss, Jr.
Dr. Eugene E. Evans
Ms. Heather E. Falmlen
Mr. Monnie L. Hankins
Mr. Joseph Iracane
Mrs. Patsy Judd
Mr. Fred L. Travis

Also present were Dr. Thomas C. Meredith, President; Dr. Paul B. Cook, Executive Vice President for Administration and Technology; Dr. Robert Haynes, Vice President for Academic Affairs; Dr. Jerry Wilder, Vice President for Student Affairs; Ms. Liz Esters, Staff Assistant for Special Projects and Secretary to the Board of Regents; and Mr. Franklin Berry, University Attorney and Parliamentarian, Dr. James Heck, Executive Assistant to the President, and Mr. Fred Hensley, Director, University Relations. Governor Louie B. Nunn and Mr. Bill Johnson were also in attendance.

AGENDA ITEM 3 - Disposition of minutes of the special meeting of January 28, 1992, and the regular meeting of January 30, 1992.

The minutes of the above meetings were presented by Chairman Iracane. Motion was made by Ms. Falmlen and seconded by Mr. Catron to approve the minutes as submitted inasmuch as copies had been mailed to members prior to the meeting. The motion passed by voice vote.

AGENDA ITEM 4 - Committee Reports**4.1 Finance and Investment Committee - Mr. Catron, Chair;****Mr. Bartley; Mr. Butler; Mrs. Judd; Mr. Travis**

Mr. Catron reported that the Finance and Investment Committee met on January 30, 1992, and approved the following recommendation to revise the 1991-92 Operating Budget:

RECOMMENDATION:

President Thomas Meredith recommends approval of the revised 1991-92 Operating Budget which reflects the budget reduction plan approved by the Board of Regents on December 2, 1991.

Background:

A memorandum to the Board dated January 15 regarding the Revised 1991-92 Operating Budget is attached to the minutes as Exhibit I. The 1991-92 Revised Operating Budget is filed in the Board's official files.

With approval of the Finance and Investment Committee, Mr. Catron moved and Mr. Bartley seconded approval of the revised 1991-92 Operating Budget. The roll call vote follows:

Aye: Bartley, Butler, Catron, Evans, Falmlen, Hankins, Iracane, Judd, Travis

Nay: None

Pass: Chambless

4.2 Academics Committee - Mrs. Judd, Chair; Dr. Evans; Mr. Hankins; Mr. Travis

Mrs. Judd reported that the Academics Committee met on January 30 and approved recommendations submitted through the Academic Council as follows:

RECOMMENDATION:

President Meredith recommends approval of the following items submitted through the Vice President for Academic Affairs from the Academic Council:

-A proposal to change the wording of the residence requirement policy on p. 42 of the University Catalog

Background:

At its meeting on October 24, 1991, the Academic Council considered and approved a recommendation from the Academic Requirements and Regulations Committee to change the wording of the residence requirements policy for baccalaureate degree seeking students. The wording of the residence requirements policy, included on page 42 of the University Catalog, would be changed as follows:

CURRENT POLICY:

The minimum residence requirement for the bachelor's degree is 36 weeks, in which at least 32 semester hours must be earned. Not

fewer than 18 of the 36 weeks must be in the senior year, regardless of the length of time the student has attended Western or other institutions.

PROPOSED CHANGE:

The minimum residence requirement for the bachelor's degree is 32 semester hours, at least 16 of which must be completed after the semester in which the student has earned a cumulative total of at least 90 semester hours.

BUDGET IMPLICATIONS

None

- **A proposal to revise the Area Study Major in Honors and to establish an Area Study Minor in Honors**

Background:

At its October 24, 1991, meeting, the Academic Council approved regulations for the Area Study Major and established an Area Study Minor in honors. The regulations revise and replace regulations which had been in effect since 1975. The major changes incorporated in the revised regulations are:

1. When used as a second major, the Area Study Major would require 30 rather than 36 hours. The earlier regulations required 36 hours for all Area Study Majors.
2. An Area Study Minor is added, consisting of 24 semester hours.
3. The area of concentration, previously dropped from Western's academic options, has been deleted from the current regulations document.
4. The revised administrative regulations clarify the Honors Committee's responsibility for approving all Area Study Major and Minors in Honors.
5. The old administrative regulations limited participation to 15 students in each classification. Although there have never been more than three students enrolled in the Area Study major program, the regulations restricting participation has been deleted.
6. Western currently requires that a student maintain a 3.2 grade point average to participate in the Honors Program and earn a 3.4 grade point average at graduation to be designated as an honors graduate. Administrative Regulation #6 has been revised to align the Honors Program requirements with University standards.

BUDGET IMPLICATIONS:

There will be no impact on the existing budget as a result of these actions.

- **A proposal to create curricular options in the Environmental Science program (Reference Number 550)**

Background:

The Bachelor of Science degree program in Environmental Science was reactivated during the Spring Semester, 1991. That action followed a period of several years during which the program was suspended. To incorporate the many curriculum changes that occurred during the period of deactivation and accommodate new developments in the field of environmental science, the newly activated Environmental Science program was revised during Summer, 1991. The revised Environmental Science program is summarized as follows:

Major Core	71 - 72.5 hours
Options	18 - 35 hours
General Education	<u>39 hours</u>
	128 - 146.5 hours

A provision of reinstating the Environmental Science program was that specific options would be created subject to limitations. Accordingly, the faculty of the Department of Engineering Technology propose to create the following curricular options and to effect changes in the curriculum:

- a) Program: Environmental Science Major
Proposed Option: Environmental Sciences, 28-35 hours
- b) Program: Environmental Science Major
Proposed Option: Industrial Hygiene, 33 hours
- c) Program: Environmental Science Major
Proposed Option: Environmental Health, 28-31 hours
- d) Courses added/dropped as part of the above proposed curricular options:

Courses added:

ENV ET 440, Industrial Hygiene I, 3 hours
 ENV ET 441, Industrial Hygiene I, Lab, 1 hour
 ENV ET 442, Industrial Hygiene II, 3 hours
 ENV ET 443, Industrial Hygiene II, Lab, 1 hour
 MET 471, Industrial Ventilation, 3 hours
 CET 376, Drainage Design, 1.5 hours

Courses dropped:

ENV ET 440, Industrial Hygiene, 3 hours
 ENV ET 445, Industrial Hygiene, Lab, 1 hour

This proposal was approved by the Academic Council on December 12, 1991.

BUDGET IMPLICATIONS:

No new faculty positions will be required to implement the curricular options in the Environmental Science program. Existing faculty in Engineering Technology and other departments will provide the instructional support. The new courses replace courses which have been dropped or will be offered on a less frequent basis.

- Proposal to revise the Master of Arts degree program in Student Personnel Services

Background:

The proposal to revise the Master of Arts degree program in Student Personnel Services represents an effort by the Department of Educational Leadership to upgrade the knowledge, skills, and capabilities of individuals who complete the program and enter the field of Student Affairs. To that end, the Department of Educational Leadership submits the following request for approval:

- 1. That the title of the program be changed from Master of Arts in Student Personnel Services to Master of Arts in Student Affairs.
- 2. That the number of required hours be changed from 30 credit hours to 48 credit hours.

The change in title and increase in number of credit hours required to complete the program would increase the likelihood that the program would gain accreditation from the Council for Accreditation of Counseling and Related Education Programs (CACREP). The department would seek accreditation for the Student Affairs program in the future.

Five new courses would be added to the Master of Arts degree program should the proposal be approved. The courses are:

- CNS 572 - American College Student - 3 hours
- CNS 573 - Leadership in Student Affairs - 3 hours
- CNS 574 - Student Development in Higher Education - 3 hours
- CNS 575 - Administration of Student Affairs - 3 hours
- CNS 576 - Technology in Student Affairs - 3 hours

BUDGET IMPLICATIONS:

The Department of Educational Leadership has developed a two-year rotation cycle for offering courses in the revised Masters degree program. As a result the department will offer the program without the addition of new personnel. Existing faculty in the department possess the qualifications to teach one or more of the courses that comprise the program. Additionally, other full-time Western employees who have the appropriate terminal degree, will be available to provide instructional support to the program.

The addition of the new courses does not result in an overall increase in courses in the department since the department has dropped courses in previous revisions of programs.

Approved by the Academics Committee on January 30, 1992,

Mrs. Judd made a motion, seconded by Mr. Travis, to approved the above items. The motion carried by voice vote.

AGENDA ITEM 5 - International Education Committee, Dr. Eugene Evans

The Board heard a report from Dr. John Petersen, Associate Vice President for Academic Affairs, who distributed a current activities report for the international area to members of the Board. The report included demographic information and the annual report for 1990-91. A copy is filed in the Board's official records.

AGENDA ITEM 6 - Presentation of personnel changes

RECOMMENDATION:

President Thomas C. Meredith recommends that the Board of Regents approve the recommended personnel changes which have transpired since the meeting of the Board on October 31, 1991.

(The recommendations are contained in the next fifteen pages.)

The recommended personnel actions were presented by Chairman Iracane. A motion to approve the actions as submitted was made by Mr. Catron and seconded by Dr. Evans. The roll call vote follows:

Aye: Bartley, Butler, Catron, Evans, Falmien, Hankins, Iracane, Judd, Travis

Nay: None

Pass: Chambless

AGENDA ITEM 7 - Employment of an auditor

Mrs. Judd moved that the firm of Arthur Andersen & Co. be employed to audit the books and records of Western Kentucky University extending back from the date of the audit for at least three years and longer if necessary.

I further move, as a part of the motion, that the employment be pursuant to an emergency declaration in view of the necessity of having an independent auditor examine the books and records immediately to ascertain whether there have been any illegal acts of improprieties committed by University personnel in the handling of University property and funds. Arthur Andersen & Co. should be paid at a rate to be agreed upon by the Board, but a rate comparable with other auditing firms rendering similar services. The Chairman will be authorized to sign a contract or engagement letter on behalf of the Board. All personnel employed by or connected with the University are directed to render full and complete cooperation with the auditors. The motion was seconded Mr. Butler.

The Chairman asked for any discussion.

Secretary's Note: The following is a transcript of the discussion that followed:

Mr. Catron: I have a couple of questions to ask if I could.

Mrs. Judd, you state in the motion that there is an emergency. Could you clarify what that emergency is?

Mrs. Judd: The controversy is detrimental to the University, and I feel that it has put it in an emergency condition. Could you address that Mr. Johnson?

Mr. Catron: I'm going to object to any comments by Mr. Johnson, with all due respect, Bill, but he was engaged for a specific purpose—to represent the Board in the litigation only. The same issues relating to the conflict of interest that were attributable to Mr. Berry, in that there is controversy among certain members of the Board, would also relate to the advice which would be rendered by Mr. Johnson now; therefore, I believe that

he has a conflict of interest by reason of this in representing the Board in any respect today. Secondly, I believe that the terms of his engagement by the Board were for the specific purpose of representing the Board of Regents in the litigation which Mr. Bartley and I filed. Thirdly, to my knowledge, Mr. Johnson is not operating under a personal services contract which has been approved through the procedures set forth in KRS.45A.690. To my knowledge, that procedure has not been completed, and the statutes specifically provide that no work under any contract can be undertaken until those procedures are complied with. So I have three bases for his not participating, with all due respect, Bill.

Mr. Johnson: You want me to answer the question?

Mrs. Judd: Yes.

Mr. Johnson: It would be my thoughts that the emergency obviously exists because (1) you have litigation pending by members of this Board against the Chairman, seeking to prohibit the audit procedures being followed as the majority of the Board has seen fit to put in place; (2) I would think just what you said, that this is a very detrimental thing for the University for it to be going on; (3) it seems to me that the Board has the duty, by virtue of some information having been brought to the Board relative to questionable practices at least, perhaps illegal activities; you have a duty under the statutory law to investigate those matters. The majority of the Board has seen fit to undertake the investigation. It's unfortunate that Steve and a colleague disagreed with that, but this is not unusual. Minorities exist in many places, and in particular, on Boards of Regents, and so it would seem to me that there is a justification for an emergency application. Here again this will address itself to the majority of the Board as to whether you need it and whether you need the emergency declaration.

Mr. Catron: I would simply submit, Mr. Chairman, that while I recognize there may be a desire or some urgency with regard to this question, I am not sure that there is, in fact, any type of an emergency that exists permitting the implementing a personal service contract. For that basis, I do have serious reservations about it.

May I ask one additional question? Am I to assume, Mrs. Judd, that the contract which would be entered into with Arthur Andersen & Co. would be submitted to the Legislative Research Commission pursuant to 45.A.690

Mr. Johnson: That would be my advice that it should be. Yes sir.

Mr. Catron: Thank you. Third question to be addressed to you, Mrs. Judd, relating to the bidding procedures. Is it your position that no bid is required to engage an auditor for the University?

Mr. Johnson: That would be my advice to anyone that asks me--that under these circumstances, where you have an emergency declaration, it is not necessary to go through the bidding process.

Mr. Catron: As I said, I continue my very sincere reservation about whether or not there is an emergency within the meaning of the statutes. We have bid, on prior occasions, all of the contracts with accountants that have been engaged by this University, to my knowledge, including the auditor of the University, Baird, Kurtz and Dobson, and I am very interested and intrigued by the prospect of this being declared an emergency today. I would take very strenuous exception to it. So it is your position that no competitive bidding is required. Is that correct?

Mr. Johnson: That would be the advice that I would give to the Board, yes sir. Under these circumstances--for instance--just this morning I picked up the newspaper here and see that the Grand Jury wants to investigate. If a Grand Jury is showing that much interest in what is going on and can relate to auditing activities, it would appear to me that, if there has ever been an emergency that existed anywhere, it must be here.

Mr. Catron: But under any set of circumstances this ought to be the occasion when each and every--the complete letter of the law should be followed, and I would have very sincere reservations about the engagement of the accounting firm under these circumstances, but I will not belabor the point. I have made my objections to it; and hopefully, very clearly.

Mr. Travis: I have a question. These allegations, supposedly that this auditing firm is going to look into, who is directing them as to where or what to look for or what allegations have been made? Where is that coming from?

Mr. Iracane: We have a committee headed by Mr. Chambless that indicated the questions.

Mr. Travis: The committee has met one time.

Mr. Iracane: I'm assuming they'll meet again.

Mrs. Judd: Mr. Chairman, As this is worded, I feel that the Chairman would be the one to enter into the engagement letter. The Chairman is the Board's elected leader.

Mr. Travis: Which chairman, are you talking about--Joe?

Mrs. Judd: I'm talking about Mr. Iracane.

Mr. Iracane: At the wishes of the Board--I assume I'll meet with them and get the engagement letter and give them the information that I have gathered and ask them to audit those questions that we have received.

Mr. Travis: Don't you think the whole Board, though, should see these questions that you are going to submit to the auditing firm.

Mr. Iracane: Sure, no problem. Everyone can see them, as far as I am concerned.

Mr. Travis: And you are to decide solely on how much they are to be paid according to her motion that she made? We have no say into how much is to be paid?

Mrs. Judd: Let me provide some more information. The Audit Committee headed by Mr. Chambless, contacted people who have bid on the audit--

Mr. Hankins: Excuse me, you need to clarify that. The Audit Committee really never met to do any of that.

Mrs. Judd: We had one meeting. We did have a meeting.

Mr. Travis: One meeting is all that we have had.

Mrs. Judd: But what I was going to report is that Mr. Chambless contacted auditors who had bid on the University's audit and got some information. Would you mind to share the information that you got, Bob?

Mr. Chambless: I don't have the letter with me. All of the Board has the letter. It was passed out to them.

Mrs. Judd: If anyone needs a copy of the letter--this relates to their fees. Some of the people you contacted, I understood, were not available to do it.

Mr. Travis: Are you telling me that only Arthur Andersen outside of Baird, Kurtz and Dobson, is the only one that has been contacted?

Mr. Chambless: There was another firm contacted that bid on Western's audit previously, but they could not take on the engagement in a timely fashion.

Mr. Travis: What's the reason we don't use Baird, Kurtz and Dobson since they are our auditors?

Mr. Chambless: I think we are rehashing old ground here. Don't you recall talking about the fact that they were going to fly people in from Missouri?

Mr. Travis: But don't you have another letter, though, that says they could do it from the local office. Weren't you told that also?

Mr. Chambless: I don't have a letter.

Mr. Travis: But weren't you told that?

Mr. Chambless: You told me that.

Mr. Travis: I understand they told you that.

Mr. Chambless: You told me that you didn't see any reason that they could not use their local people; but the thing is, I did not make the decision as to which people they used from Baird, Kurtz and Dobson. They are the ones that initiated the letter that said they would bring people in from Missouri to conduct it. So obviously, they have some problem with using their local people; because why in the world would they think up the idea to bring in people from Missouri?

Mr. Travis: You know exactly why. They told you why. They told you--

Mr. Chambless: They had a conflict of interest.

Mr. Travis: No, they didn't have a conflict of interest. They said it was that they thought that the people thought they had a conflict of interest; and therefore, they were willing to bring outsiders in from their office to do it. They have indicated that they could do the audit within the local office. I think that should be looked into before we start hiring auditors. We have an auditor hired now to do the work.

Mrs. Judd: I have a letter from them that is dated January 24 that says "I am sure you know enough about public accounting firms to realize it would be quite difficult for us to begin working on the engagement at this time of the year. What I suggest, therefore, is that field work for the engagement begin April 6." I feel that we need to do this immediately and get it behind us for the good of the University.

Mr. Iracane: Let me indicate that I understand that letter, but also the fact remains that they indicated to us that they would prefer having other people from their offices outside of Kentucky to do the audit and that there was an additional expense to those people coming in from Missouri to do the audit. When they changed back and said we can do it out of the Bowling Green office, it indicated to me that initially they might have had a conflict of interest opinion in their mind. And that when the cost factor came into play as far as the Board was concerned--indicating that we didn't want

to take on the additional expense of bringing people in here from Missouri, they said they could do it from the local office. So to solve any kind of conflict of interest, we have no relationship with Arthur Andersen or Ernst and Winney or anyone else. This is an independent Big Eight Accounting Firm. They are charging us the same rate that anyone else would charge--a fair and equitable rate; so I don't think there should be any problem of who does the audit or why. Our people that did the audit did a fine job. They are an outstanding firm--I have no problem, but we're still going to have to pay them, and we are going to be paying them at the same rate that we are going to be paying Arthur Andersen. So, it should make no difference of who does the audit one way or the other. I think Arthur Andersen is the choice; and with the fact that there was a consideration of a conflict of interest by the local firm, this eliminates any kind of thought that there could be any conflict of interest.

Mr. Catron: One more question, Joe--

Mr. Travis: Let us have our say, Joe.

Mr. Iracane: Yeah, I'm sorry.

Mr. Travis: We know where we're standing, but we want our say.

Mr. Iracane: Go for it.

Mr. Catron: The way that we are going to cure this situation then, is to engage--as I understand it--first of all my understanding is the hourly rate for Baird, Kurtz and Dobson is \$60 an hour across the board; so the way that we are going to cure this is to approve an accounting contract at \$60 per hour for staff people and \$100-\$250 per hour for supervisory level people. Do we have an estimate of any kind as to what Arthur Andersen and Co. will cost the University to undertake this audit--an overall cost--have they given us a range or an estimate of what this thing is going to cost, or is this a carte blanche check--an open check to them for any costs that are incurred? I'd be interested in that. What's the estimate?

Mr. Iracane: I don't--Bob, do you have information between the differences between--

Mr. Chambless: I don't think that you are accurate on that \$60 per hour across the board either, Steve.

Mr. Catron: That's what their proposed engagement letter reflected.

Ms. Falmlen: It says that they expect the engagement to average \$60-65 per hour.

Mr. Catron: But here, we're looking at a range of \$100-\$250 an hour for supervisory level people, and \$60 an hour for staff people--what's their average going to be--what's Arthur Andersen's average going to be?

Mrs. Judd: Mr. Catron, I feel sure that when the Chairman gets the engagement letter that he would not approve anything that was not reasonable and fair and in the best interest of Western.

Mr. Catron: Well, as a Board member, I would like to know what that is. I would like to know the amount that the Board is going to be asked to expend, both in terms of what they anticipate their average hourly rate to be; and more importantly, I would be very interested to know the total extent of the expenditures that we are looking at. Maybe Mr. Johnson knows, everybody seems to be conferring with him.

Mr. Chambless: Joe, maybe I can address that one.

Mr. Johnson: I know what they charge Kentucky State University which was consistent with what the prices were in the area. I would expect them to be here. Steve, it would seem to me that what you are approving here today is the contract only if the rates are comparable to what other firms charge in this area. So it seems to me that the Chairman, who's going to sign the document, is going to have to be doggoned sure that he has complied therewith; and it would seem to me that should give you the protection you're concerned about.

Mr. Catron: I'm not interested, necessarily, totally from the prospective of protection. I'm interested in dealing with an already strapped budget of this University and looking at writing a blank check today to an accounting firm to undertake this audit. I am very interested in that, and I am very interested--I would think that we would have some idea of a range of total cost of this audit for the University before we start entering into this kind of an agreement. It could cost us \$100,000, or more. It could cost \$50,000--we don't know how much it's going to cost.

Mr. Chambless: Joe, let's think about a little bit of the history of this situation. Baird, Kurtz and Dobson audited this entire University--every account was audited for \$39,950. Now, Arthur Andersen bid on that same bid, and I don't know--what was their bid? Paul do you recall? Let me say this--was it very close? \$10,000 more--in the \$40,000's. So, what this motion calls for, that was passed some time ago, was a limited number of accounts. So, if Baird, Kurtz and Dobson can audit the entire

University for \$39,950, I would think that Arthur Andersen should be able to audit some limited number of accounts for dramatically less. Now that's just based on the contract--the bid that was accepted from Baird, Kurtz and Dobson, and I think this is something, that if I understood Mrs. Judd's motion, that the Chairman will negotiate that they are in the ballpark. Is that not the case?

Mr. Travis: But is it not the case when you and I talked the first time that you said this audit that we are asking for now could run as much as \$30,000-\$40,000, did you not tell me that?

Mr. Chambless: No, I never said that. Now, I read in the paper that now it's up to \$200,000, and I'd like to know the author of that number because that's an intriguing number. Why would it cost \$200,000 to audit a dozen accounts if it only cost \$39,950 to audit every single account?

Mr. Catron: I go back, though, to my original question. We can sit in this room and speculate all day long as to what we think it might cost or could cost, but we still don't know from Arthur Andersen & Co. any kind of estimate of total expenditure. I think just out of pure responsibility we ought to have an idea of what that kind of cost will be before a motion of this type is voted on. That's simply my position. Others might disagree with it.

Mr. Chambless: If you can audit the whole place for \$39,950, you sure ought to be able to audit a half a dozen or a dozen accounts for significantly less, and I think it is incumbent upon the Chairman to make sure that significantly less than \$39,950 is spent to audit some few accounts.

Mr. Catron: But I also recall that an estimate from Baird, Kurtz and Dobson, who are extraordinarily familiar with the various accounts of this University, Bob, was an estimate of about \$50,000 to complete the audit as originally designed, and they are here.

Mr. Chambless: How could it cost \$50,000 to audit part of what costs less--so we'd be better off to audit the whole situation, because it would be cheaper than auditing a few accounts.

Mr. Catron: But you know as well as I do that every account of the University is not checked and reviewed during the general audit process.

Mr. Chambless: I thought that was what the bid was for.

Mr. Catron: Well, then someone has misread it because I did not read it that way, and you are as familiar with how these audits work as I

am. You know that when banks are audited that every account and every piece of detail within the banks are not reviewed as a part of the audit process. The audit process function is simply to verify that the budgets are being complied with and the budget accounts are spot checked, if you will, during that process. When you go back to look at the detail that was requested, you would anticipate a great deal of time being expended on it, particularly on a very short-term basis. I can't debate with anyone in this room nor can, I think, anyone in this room debate with me today what the costs would be of Baird, Kurtz and Dobson or Arthur Andersen & Co. or Deloitte & Touche or anybody else--we don't know. My request is that we have some idea of what the general cost--what they expect the cost of this audit to be. I think we ought to know that before we get involved in an agreement and write a blank check. Bob, as you know very well, all of us have been struggling with the idea of a very depressing budget picture for the upcoming months and the upcoming fiscal year, and the prospect of spending any substantial amount of money out of this budget is not a very appealing thought. And it's coming out of somebody's pocket.

Mr. Chambless: Keeping in mind too, though, if you are hemorrhaging, a \$100 hemostat is not so bad.

Mr. Catron: I'm not sure we're hemorrhaging, and at the same time, the one thing I know--

Mr. Chambless: The shortfalls are dramatic.

Mr. Catron: And we know about those shortfalls, the one thing that I do know is that if we sign a carte blanche check, it will create a hemorrhage, and I have a real problem with that. That is my point. I am simply asking what the general range is, and nobody can answer that question for me.

Mr. Johnson: But that will be set out, Steve, as you well know in the contract. I believe these contracts carry the hourly charges with a maximum amount, and it seems to me the language that says "comparable" would mean comparable to this area.

Mr. Catron: But the point is, Bill, that we are being asked to vote on that today, and we don't know the answers to those questions. That causes me a problem.

Ms. Falmlen: Mr. Chairman, I think that time is of the essence when we are dealing with this daily. I watch the news, I read the newspapers, and Western is definitely under surveillance. We are definitely being

watched very closely by the eye of the public, and I think that it is going to be in the best interest of Western to get this audit finished, over with, done with, put it behind us so that we can move forward for this coming school year. We have lots to do with the rest of this semester, and I don't want to see the remaining weeks of my term on this Board completely consumed by this audit. I would like for us to be able to bring the auditors in, get all of the information, give it to them, let them analyze it, and let's get this thing finished with. This has dragged out far too long already, and the longer we sit and debate about it right here, the longer the process is not going to be completed and will still be hovering over us.

Mr. Catron: I do not quarrel with the need for the audit. I am not going to sit here and tell you that. I agreed that an audit should be undertaken, but when we start declaring an emergency to exist and delegating authority of the Board to write checks and not knowing what the total costs of this will be to the University, I do have a problem with that, and nothing would be wrong with going through the correct procedure to engage the auditor. As all of us in this room know, sometimes you can do quite well by bidding these type of things in a competitive environment, but even if we are not going to competitively bid it, then to at least let it work its way through the correct process for approval instead of attempting to, in my mind, contrive an emergency under the statutes--I don't think an emergency exists--but to contrive that, and go on with it. No emergency exists within the context of the statutes, and I take real serious exception with it. I've made my point.

Mr. Iracane: Let me--one point, and that is--I'm going to make the bid as competitive; I'm going to be concerned about it; I'm embarrassed about the initial expense that we have incurred over a period of time. If it were up to me, we could have had the audit six weeks ago. We should have had it finished by February 7. We are in this realm. It is an emergency in my eyes also, but I will be sure that it is competitive and that we'll look to and be very, very concerned of the costs. It's a shame that the costs and the time has lapsed to this point. Any way, I'll call for the question.

Mr. Travis: Will you notify us, though, as to the questions that you are going to look into and also the costs?

Mr. Bartley: Mr. Chairman.

Mr. Iracane: Yes.

Mr. Bartley: We do have an internal auditor who is free. Why not use him.

Ms. Falmlen: We've had a call for the question.

Mr. Bartley: Why spend money when you can get it free of charge?

Mr. Iracane: Liz.

Mr. Bartley: Will you answer me?

Mr. Iracane: We've been through that discussion--

Mr. Bartley: Answer me.

Mr. Iracane: We've been through that discussion before. We are not satisfied with the Internal Auditor at this point, and we need to go on and have an external report.

Roll call vote on Mrs. Judd's motion is as follows:

Aye: Butler, Chambless, Evans, Falmlen, Iracane, Judd

Nay: Bartley, Catron, Hankins, Travis

AGENDA ITEM 8 - President's Report

President Meredith made the following comments:

"Let me refocus us a little bit. We have a record spring enrollment again. As I have stated before, we now have the brightest student body on this campus that we have ever had. Not to hurt the feelings of our alumni, we have the brightest student body on this campus right now that Western Kentucky University has ever had. The records and the achievements of those students have been outstanding--those that we have been bringing in for the last three to four years. I am extremely proud of the student body."

"I'd like to point out that we had an excellent news release last week of a gift of over \$700,000 from the Jostens Learning Corporation to our University. We will now be a national laboratory in instructional technology for Jostens. We are their national laboratory. It is a great achievement. It is a compliment to the entire University, but specifically it's a compliment to our College of Education under Dean Martray, and Dr. Leroy Metzger who heads up the computing operations for the College of Education. This, I'm afraid, has a much greater impact than is being given credit for. I would like to have seen that to have been a focus of celebration today."

"Let me make two or three other comments, Mr. Chairman. We are facing a very difficult time at Western. Aside from all of this, we are facing a very, very difficult time at this institution. There are a lot of major decisions to be made over the next few months that are going to be critical to our future. They go beyond our discussion here today--far beyond our discussion here today. We are facing a state dollar reduction for next year's budget of \$4,734,704. As of July 1, we will have that much less money than we had when we started this year. That is a major problem. The dollars involved will go beyond that because we are going to come back with a restructuring plan and a plan that will address the priorities of this institution in a way that will require more than \$4.7 million dollars, and it's going to be a very painful kind of ordeal for this institution."

"I am deeply distressed that we will come back to you at a later time with recommendations for no raises next year, and that

deeply bothers me. It bothers me because this is an institution that we have struggled and scraped to stay ahead of inflation in terms of salary increases over the last three years. That's been difficult to do, and it's not enough. We have an outstanding faculty here--an outstanding staff--teaching an outstanding student body, and we can't keep them up to par on salaries. That is a major problem facing us--it surpasses anything else. If we are going to be competitive as a university, we've got to keep our good people, and our budget situation coming up this next year is going to put us in dire straights to be able to do that. We have a faculty here who deserve raises. I wish I could share with you the anecdotes that I receive on a daily basis regarding the effectiveness of faculty. One of the things that we preach about a lot at Western Kentucky University is the fact that this is a personal experience. We have almost 16,000 students, and yet we maintain an absolute drive and desire to make this a personal experience, and it happens--it happens all across this campus on a daily basis. Our faculty know our student's names, and it makes that learning so much easier."

"I have a commitment as President to maintain and preserve and enhance the classroom instructional activities. I've said that over and over again, and I am maintaining that commitment to the greatest extent possible. When you are going to take out over \$5 million, it's going to be difficult, but it's still our commitment. It's primarily what we are about, and our attention has to remain focused there."

"Additionally, we've been given a trust of millions of dollars in facilities, and we've got to maintain those facilities. We cannot let them fall into an irreparable state, and we have a commitment to that on the budget committee as we work on a recommendation to bring forward."

"The driving force behind all of the recommendations that you are going to receive in these very difficult times is going to be Western XXI. This institution has spent, and this Board spent, a great deal of time and a lot of labor since the spring of 1989, when we first introduced the concept of strategic planning for this institution for the first time in its history. We've come a long way in setting the priorities for this institution, and they will be observed."

"The campus Budget Committee is working very hard. We recently solicited recommendations from all across campus on things that should be addressed in meeting the budget needs, and I must tell you that the recommendations that were sent forth were absolutely outstanding. The people on this campus put their minds to work and sent in excellent, excellent recommendations. The Budget Committee is working through each and every one of those. None have been tossed aside. They have been extremely helpful."

"The bottom line--we're facing more major decisions over the next few months than this institution will ever have faced at one time in its history. Decisions regarding budget and cutbacks, major cutbacks; maintaining the quality of this institution; what it is going to do with its Food Services; what it's going to do with its Student Health Services; a major question regarding student access, student cost, and the list goes on and on and on--one major decision after another will have to be made. These are decisions of such magnitude that they require all of our physical, our mental, and our emotional energies. We've got to be about the business of this institution on a day to day basis. Other things have to be done, but they cannot drown out what we've got to be about. The decisions are too important. This place is too important to be overshadowed by other things. Other things have to be taken care of; I've called for that. I was the first to call for that, but the business of this institution is too important. The decisions that we've got to make, and the decisions that we've got to make in terms of recommendations to this Board are monumental. They cannot take a back seat, and I call for us to move forward and deal with this institution."

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AGENDA ITEM 9 - Other business to come before the Board.

There was no further business to come before the Board.

AGENDA ITEM 10 - Adjournment

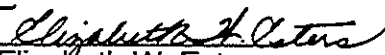
Motion for adjournment was made by Mrs. Judd and seconded by Dr. Evans. The meeting adjourned at approximately 10:30 a.m.

CERTIFICATION OF SECRETARY

I hereby certify that the minutes herein set forth an accurate record of votes and actions taken by the Board of Regents of Western Kentucky University in a special meeting held on February 20, 1992, in the Regents Conference Room of the Wetherby Administration Building on the Western campus, and further certify that the meeting was held in compliance with KRS 61.810, 61.815, 61.820, and 61.825 (enacted as Sections 2, 3, 4 and 5 of House Bill 100, 1974 Regular Session, General Assembly).


Elizabeth W. Esters
Secretary


Joseph Iracane
Chairman


Elizabeth W. Esters
Secretary

April 30, 1992

April 30, 1992

FEB 20 1992

EXHIBIT I

Office of the President



Bowling Green, KY 42101
502-745-4346
FAX: 502-745-4492

January 15, 1991

MEMORANDUM

TO: Members of the Board of Regents

Mr. Joseph Iracane, Chair
Mrs. Patsy Judd, Vice Chair
Mr. Bobby R. Bartley
Mr. Danny Butler
Mr. Stephen B. Catron

Mr. Robert L. Chambless, Jr.
Dr. Eugene E. Evans
Ms. Heather E. Falmlen
Mr. Monnie L. Hankins
Mr. Fred L. Travis

FROM: Thomas C. Meredith
President

SUBJECT: Revised 1991-92 Operating Budget

Enclosed is a copy of the 1991-92 Operating Budget as revised by the action of the Board of Regents on December 2, 1991. The reduction in expenditures changes the total 1991-92 budget from \$109,007,188 to \$107,743,651, a difference of \$1,263,537.

As you know, all current changes affect Education and General expenditures; there are no changes in budgets for auxiliary enterprises. The E&G total changed from \$95,812,786 to \$94,549,249, the same difference of \$1,263,537.

In the Operating Budget, pages 11 - 33 form the Summary which is made up of two components--the revenue (Estimated Budget Resources) and the expenditures (Summary of Departmental Budgets).

1. Estimated Budget Resources, Revised, 1991-92 (pp. 11-18) show the following changes (marked in the book by asterisks):

Registration Fees	\$ 425,000
State Regular Appropriation	-2,359,900
New Debt Service	- 526,300
Transfer from reserve (p. 15) (a new entry)	1,197,667

These changes bring the E&G revenue (p. 15) to \$94,549,249 and the total revenue (p. 18) to \$107,743,651.

The Spirit Makes the Master

Board of Regents
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2. The Summary of Departmental Budgets (pp. 19-33) reflects changes in allocations to budget units which originated both from the state reduction and the reorganization of athletic budgets approved by the Board of Regents on October 31, 1991. The budget units which were changed are marked by an asterisk.

The actual reductions to line items total \$1,263,537 and include the following:

Summer School (210701, p. 94)	\$ 50,000
Incentive Grant (275001, p. 218)	100,000
Contingency (210410, p. 89)	218,000
Lapsed compensation in various units	241,700
Debt Service on Educational Plant	526,300
Other line item reductions	127,537
TOTAL	<u>\$1,263,537</u>

3. The pooled listing of budget units (pp. 34 - 283) completes the Operating Budget, Revised, 1991-92.

For your convenience in reviewing the reductions, Enclosure 1 shows a list of affected budget units including the original budgeted figure, the amount reduced, and the revised amount in each pool where a reduction took place. The athletic budgets reflect many changes, but only one change is related to budget reduction--travel in football.

Please note also that although one budget reduction strategy included taking some lapsed salary funds, no individual salary shows a reduction because we did not want to remove any compensation allotment permanently from the personnel base. For your convenience, Enclosure 2 lists positions from which lapsed salary was taken. Also, you can further identify each reduced position in a budget unit by the # sign and footnote to the personnel list of a unit budget.

For your information, reductions in addition to lapsed salary and fringe benefits were absorbed by the four administrative areas as follows:

President's Area	\$ 29,716
Academic Affairs	37,113
Administration and Technology	50,377
Student Affairs	10,331
TOTAL	<u>\$127,537</u>

Please call if you have questions or comments. We now begin the task of making permanent changes as we initiate preparations for the 1992-93 budget.

TCM:dh

Enclosure