

STANDARD NINE: FINANCIAL RESOURCES

The institution's financial resources are sufficient to sustain the achievement of its educational objectives and to further institutional improvement now and in the foreseeable future. The institution demonstrates through verifiable internal and external factors its financial capacity to graduate its entering class. The institution administers its financial resources with integrity.

DESCRIPTION

The University is financially stable. Total assets of \$448 million exceeded total liabilities of \$267 million as of June 30, 2006, as indicated in the audited statement of net assets, and the net assets of \$181 million reflect a 12.2% increase over two years. The University's current ratio was a positive 1.43 to 1 as of that same date. Operating results show total restricted and unrestricted budgeted expenditures of \$482 million in 2006-2007 (http://www.uri.edu/pspd/planserv/FY07_FS_Bud_Present.pdf), an increase of 33.5% above the consumer price index over the 10-year period 1996—1997 in which the total was \$281 million. The University manages its financial resources with attention to academic program assessments, cost efficiencies, and increasing student enrollments.

In 1996, academic programs were first evaluated with a financial model called the Program Contribution Analysis (PCA). For a discussion of the PCA, see the NEASC Evaluation Team Report from the visit of October 5–8, 1997, particularly the evaluation of Standards 2, 4, and 10; see also the 1996 Roush publication and the 1998 Swonger and Mead analysis (available in the workroom). One of the University community's constructive criticisms of the PCA was that it focused solely on quantitative aspects of delivering the curriculum. Consequently, the University administration, working with the Faculty Senate, developed an academic program assessment model that integrates both quantitative (e.g., financial, research awards) and qualitative parameters (e.g., quality of curriculum and quality of scholarly activities). This model, called the Academic Instructional and Investment Model (AIIM), analyzes the potential success of a department and its value to the institution. It provides information on the strengths and weakness of each academic department to assist in deciding whether to invest funds in various departments or to merge academic units. The results of the model have been used in decisions related to allocating faculty lines. They also are projected to be used to enhance the quality of academic departments' program delivery by integration with the learning assessment work currently being undertaken at the University as documented more fully under *Standard 4: Academic Programs*.

The State of Rhode Island contributes to the University's budget in two categories—one for general operating support and the other for capital projects. While the state has invested in the infrastructure of the University over the last decade, it has provided essentially level support (ignoring inflation) of approximately \$83 million per year for general operating funds through its appropriations since Academic Year 2001–2002 to 2006–2007 (http://www.uri.edu/controller/financial_reporting.shtml) and (http://www.uri.edu/pspd/planserv/FY07_FS_Bud_Present.pdf). This is a phenomenon common to other land grant institutions across the nation (<http://www.uri.edu/pspd/>). The University has been able to compensate for this shortfall by both increasing student enrollment (financial full-time equivalents or FTEs) by 1,046 students and increasing undergraduate in-state tuition and mandatory fees by 43.4% during this same period. Further, the University also reduced and streamlined administrative and support staff during this time period. For example, during the 2006–2007 budget allocation process, 9.15 non-faculty positions were eliminated. The Department of Professional Development and Training also has been eliminated; the necessary training is being coordinated by the Office of Human Resource Administration. An important corollary issue of student access to the University under this scenario of financial constraint is being addressed through a proposed shifting, from merit- to need-based, of some University scholarship funds and a heightened awareness and advocacy for students in financial need by the Rhode Island Board of Governors for Higher Education (RIBGHE).

The University has successfully addressed financial emergencies and unforeseen circumstances by accurately estimating revenue and expenditures and thus allowing senior staff to maximize available resources. A rigorous review of University resources during the allocation of budgets prior to the start of the new fiscal year and throughout the year ensure that resources are maximized and needs are addressed in a timely manner. The process to fill a position enables the institution to immediately slow down or stop the filling of positions at any point in time, should that become necessary. The budget and hiring process enables the institution to accurately fund positions only for the time period that they are staffed during a fiscal year. At times, depending upon the financial outlook, the President has informed the community that vacancy funds will be placed in a reserve account to address anticipated revenue shortfalls. This is reflected in the August 2005 memo to the campus community from the President (available in the workroom). In addition, on an annual basis, funds are budgeted for unanticipated environmental issues, emergencies, and claims. The constant tracking and review enables the institution to access available funds at any point in time to address financial emergencies and unforeseen circumstances.

The University receives the majority of its revenues from tuition and fees. Housing, dining, and other auxiliary and enterprise facilities are self-supporting operations. Tuition and fee revenue, sponsored research, and external revenue have all continued to increase, as reflected in the total budget growth from 2005–2006 to 2006–2007. During this period, the budget increased from \$468 million to \$482 million, an increase of 3%. In addition, sponsored research expenditures are approximately \$60 million annually and a major portion of the indirect cost recovered from this research is made available to academic departments. As well as providing the University with financial support from the annual general appropriation and Rhode Island Capital Funds, the state issues Rhode Island General Obligation (GO) Bonds which are approved by Rhode Island voters to support the University's comprehensive capital development program. The state pays the annual principal and interest on these GO Bonds.

Board of Governors' Fiscal Responsibilities and Processes. As discussed in *Standard 3: Organization and Governance*, the RIBGHE oversees the University. The Board's mission is "to provide an excellent, efficient, accessible, and affordable system of higher education designed to improve the overall educational attainment of Rhode Islanders and thereby enrich the intellectual, economic, social, and cultural life of the state, its residents, and its communities." According to Rhode Island General Law section 16-59-4:

The Board of Governors shall not engage in the operation or administration of any subordinate committee, university, junior college, or community college, except its own Office of Higher Education and except as specifically authorized by an act of the general assembly; provided, the presidents of each institution of higher learning shall be the chief administrative and executive officers of that institution; and provided that nothing contained in this section shall prohibit their direct access to or interfere with the relationship between the presidents and the Board of Governors.

The Board of Governors Finance and Management Committee (<http://www.ribghe.org/fincommittee.htm>) reviews in great detail and provides oversight for:

- Budget preparation, including development, allocation, modification, and audit;
- A system-wide tuition policy, including general tuition and fee pricing, regional contracts and tuition waivers, telecommunications infrastructure, and software implementation;
- Tables of organization and any changes to them;
- Auxiliary enterprises and enterprise operations (bookstore, housing, dining, W. Alton Jones Campus);
- Risk management for the Board of Governors, Board of Regents, and the Telecommunications Authority; and,
- Internal and external audits. (9.3, 9.5)

Operating Budget Process. Prudent financial management and organization is demonstrated by a well organized budget process in accordance with the RIBGHE Fiscal Accountability Regulations (<http://www.ribghe.org/f7.pdf>), timely financial reporting as evidenced by audited financial statements (http://www.uri.edu/controller/financial_reporting.shtml), adequate internal controls (http://www.uri.edu/controller/financial_reporting.shtml), and an effective program for risk assessment. This organization provides a basis for sound financial decision making. In addition, as more fully described under *Standard 2: Planning and Evaluation*, the University created the Joint Strategic Planning Committee in April 2003 to “advise the President and the Faculty Senate on broad policies and principles affecting the general direction of the University of Rhode Island in conjunction with its vision, mission, and values as a learning community.” (<http://www.uri.edu/facsen/JSPC.html>)

The Annual Budget Request is prepared 11 months prior to the fiscal year in accordance with state requirements and is submitted to the Office of Higher Education each August. Each Budget Request reflects a two-year time period and is based on the Strategic Plan, recommendations from the Joint Strategic Planning Committee as approved by the President, recommendations from division heads as approved by the President, and guidelines from both the State of Rhode Island Executive Branch and the Office of Higher Education on behalf of the RIBGHE.

The RIBGHE Finance and Facilities Committee reviews the Budget Request and makes a recommendation to the full Board; it then reviews the Budget Request and makes a recommendation to the Governor. In FY 2006 and in FY 2007, the appropriations bills passed by the legislature removed the RIBGHE authority to reallocate the state appropriation among the schools, colleges, and university; thus, the state appropriation to the University has been set by the legislature in the past two fiscal years.

The Budget Allocation process begins each February as the University Budget Office estimates revenue and expenses based on the latest current year budget, taking into consideration new items included in the Budget Request submitted six months earlier to RIBGHE. Concurrent with this process, various departments are asked to provide budget projections for the allocation. For example, utility and insurance projections are requested from those offices responsible for those budgets; revenue projections from self-generated units are requested; interest income estimates are requested from the Controller, and enrollment projections are re-estimated based on new data from Admission, Enrollment Services, University College, Housing and Residential Life, Dining Services, Institutional Research, and from historical data. Constant communication with the legislature during this time is critical in order to project the estimated revenue from state appropriations for the coming year.

Information is solicited through BudInfo Sessions, which are held at least four times a year, chaired by the Director of Budget and Financial Planning and attended by fiscal staff and others throughout the institution. Through these sessions, fiscal staff are encouraged to remind their deans/directors of the budget cycle and that items not included in the Budget Request but needed by the unit should be brought to the attention of the Provost or Vice President of the division. Meetings are held with the Vice President for Administration, the Director for Budget and Financial Planning, the Assistant to the President for Planning Services and the President. Subsequent meetings are held with the President’s Team and other staff from the Planning Office, Communications, and Public Affairs. The Joint Strategic Planning Committee is apprised of the Allocation. As noted above, this committee participates in drafting the original Budget Request and makes recommendations to the President regarding items to include within it. (9.3, 9.5)

Operating Budget Results. As already noted, the University’s total budget for the 2006-2007 fiscal year of \$482 million represents a significant increase during the 10-year period since the last self-study for NEASC accreditation. As previously noted, the State of Rhode Island contributes to two categories of budget, general operating support, and capital projects. Ten years ago, the state appropriation for general operating support was 26% of the total budget with an additional \$3.6 million budgeted from the state level and dedicated to capital projects. In the current year, the state appro-

priation for general operating support including debt service on general obligation bonds is 17.5% with an additional 2.1% dedicated to capital projects and Rhode Island Capital Fund General Obligation Debt Service.

The budget consists of two categories: unrestricted funds and restricted funds. The unrestricted budget is funded by state appropriations, student tuition and fees, recovery of research and auxiliary indirect cost, service and cost centers, and other miscellaneous income. The unrestricted budget of \$265 million represents 55% of the total budget. In the 2006–2007 fiscal year, tuition and fee revenue comprise 32.7% of the total budget as compared with 26% in 1996–1997. The restricted budget is funded from student fees for, and sales revenue from, auxiliary and proprietary enterprise operations (e.g., housing, bookstore, and parking), federal and state sponsored research grants and contracts, external sources of student scholarships and loans and Rhode Island Capital Funds. The restricted budget is \$219 million and represents 45% of the total budget; 10 years ago the restricted budget was \$126 million and represented 44% of the total budget.

Unrestricted funds are allocated to each division in support of the University's student learning, research, and service mission as guided by the 2006-2009 strategic plan (http://www.uri.edu/pspd/Updates/Final_St_Plan_2006-09.doc). Fifty-seven percent (57%) of the budget is allocated to Academic Affairs and 14.7% is allocated for student aid. The remaining 28.3% is allocated to Finance and Facilities, Utilities, Athletics, Student Affairs, University Advancement, and Miscellaneous (http://www.uri.edu/pspd/planserv/FY07_FS_Bud_Present.pdf). The 2006–2007 allocation includes funding for new faculty, capital campaign, education center in the library, a new scholarship program, marketing program and related branding program. In addition, the allocation included salary increases for all faculty and staff as well as faculty development funds. A total of 57.1% of the institution's unrestricted budget (excluding interdepartmental transfers) for 2006–2007 is designated for the direct and indirect support of its academic purposes and programs. In addition, the restricted budget reflects support of academic purposes and programs with 31% of the budget allocated directly to the Provost and deans in the form of sponsored research and indirect cost recovery. In addition, 30% of the restricted budget is for student aid from external sources and the remaining 39% relates to the auxiliary, enterprise and Rhode Island Capital Fund programs, all of which directly or indirectly support the academic purposes and programs at the University. The institution's budget and actual data clearly reflect the support for academic purposes and programs.

The Budget Office undertakes extensive detailed projections throughout the budget year for all funds except research and private funds. The Budget Office monitors personnel, operating, travel, student aid, capital and debt service expenditures and commitments, as well as enrollment and all other revenue categories. The RIBGHE Fiscal Accountability Regulations require a mid-year review each year to consider any adjustments to the overall budget based on year-to-date revenues and expenditures and to report a year-end projection. Resources are reallocated according to the mid-year budget review and continue to be reallocated as necessary. These continuous projections of revenues and expenses allow the University to address any operating deficits in order to maintain the required balanced budget. A new process is being implemented whereby specific goals of the FY 2006–2009 Strategic Plan will be assessed and evaluated, and the cost estimated and reviewed, in order for University administration to decide on further actions required in the ensuing budget request or budget allocation.

The University reviews the distribution of financial aid on an annual basis. Adjustments in the distribution are made relative to increases in tuition and fees and to balance merit- and need-based financial support for students. The University forwards the distribution of financial aid to the RIBGHE three times a year during the budget request, budget allocation, and mid-year budget review processes. The Board of Governors, in turn, submits this information to the Governor and the General Assembly on behalf of the higher education institutions of the State of Rhode Island.

As a public institution of higher education with a land-grant, sea-grant, and urban-grant mission, the University provides educational opportunities for a wide range of students. The Centennial Scholarship program and the newly instituted

University Scholarships are designed to attract quality students from Rhode Island and the New England and tri-state regions. The Centennial Scholarship program has been effective in increasing the average SAT scores of incoming freshman from 1082 in 1997 to 1120 in 2005. Data for 2006 show an average decrease of 20 points that is consistent with a national average reduction attributed to the new SAT test and other issues documented in the Chronicle of Higher Education and elsewhere. In conjunction, Talent Development and Hardge scholarships are awarded to attract and retain low-income Rhode Island students from under-represented groups. The percent increase in students from under-represented groups for the incoming freshman classes has risen from 10.9% in 1997 to 13% in 2006 (Admission Annual Reports, available in the workroom).

However, like many other public institutions in the nation, the University faces the expanding challenge of providing affordable access to students. With the decrease in state support for public institutions and level funding in federal support for Pell and other grants, the burden on parents and/or students to pay the corresponding increases in tuition and fees has reached a critical juncture. At the University of Rhode Island, scholarships that once were offered primarily for merit now fill an increasing need base as well, and the gap in scholarship funding relative to the annual cost for attending the University continues to grow for minority students. This is the direct result of only a 0.6% increase in the state appropriation over the last three years with a corresponding 22% increase in tuition and fees.

Fiscal Oversight, Audit, and Compliance. Policies and procedures are in place to ensure that practices in the development of and maintenance of University financial resources are ethical and that the interests of higher education employees do not compromise their primary commitment to the students and the public. All employees are subject to the provisions of the Rhode Island Code of Ethics (<http://www.ethics.ri.gov>), the University Conflict of Interest Policy, and the Private Public Partnership Act (RIGL 16-59-26) (<http://www.uri.edu/research/compliance>). The latter was enacted into law by the 2003 legislature with the support of the Governor, the Rhode Island Ethics Commission, and the RIBGHE. It recognizes research as an inextricable part of the mission of public institutions of higher education and that such research by employees often lead to inventions that contribute to job creation and to the economic well being of the state. This Act specifically attends to those conflicts of interest arising from partnerships between University employees and private partnerships.

The Board of Governors publishes a Request for Proposal (RFP) for Independent Certified Public Accountants for auditing services for the University, Rhode Island College (RIC), and the Community College of Rhode Island (CCRI) for a three-year period. A technical committee is assigned to review the proposals received and recommend an audit firm. The technical committee includes the Controllers of the three state institutions and the Director of Internal Audit from the Office of Higher Education (OHE). The recommendation is reviewed and approved by the Finance and Management/Facilities (FMF) Committee and the RIBGHE. According to state statute, review and approval from the State of Rhode Island Department of Administration and from the Rhode Island Auditor General's Office are required prior to engaging an audit firm. The audit firm is responsible for issuing an audit opinion on the University financial statements, a management letter, an A-133 Single Audit Act report, and an NCAA Athletic Report for the University by the required deadlines. The audit firm of KMPG LLP was awarded the audit contract for fiscal years 2006, 2007, and 2008. The annual audited financial statements are reviewed and approved by the Finance and Management/Facilities Committee, the Board of Governors, and the Rhode Island Auditor General's Office.

During fiscal year 2005, the University received unqualified opinions for the A-133 Single Audit on compliance with requirements applicable to major federal award programs. No material weaknesses in internal control over financial reporting were reported. Only nonmaterial internal control findings were noted at the University. The fiscal year 2005 Auditor Management Letter comments focused on the need to improve cash controls and to report accounts receivable and related allowance for bad debts on a consistent basis among the three state institutions. The University Controller has a documented process to monitor the implementation of audit recommendations in order to advance fiscal controls

(http://www.uri.edu/controller/pdf/financial/A-133_Corrective_Action_Plan_05.pdf). Internally, many financial staff members are certified professionals who subscribe and comply with all applicable professional standards of ethics.

New Revenue Planning. Prior to implementation, all projects and programs for new revenue streams are vetted through a number of administrative review and approval processes within the University, at the RIBGHE and, often, the Rhode Island General Assembly, state committees, and/or the Governor (e.g., to provide land lease or acquisition, capital development bond or other financing and budget approval). New development projects and programs are integrated into the University Strategic Plan, Capital Improvement Plan, and Budget Requests and Reviews. All improvements are coordinated through the Strategic Plan and the Campus Master Plan that clearly link the proposed programs to academic and educational improvement.

Foundation and Athletics. The University Development program solicits, acknowledges, and uses gifts in accordance with fund-raising practices utilized by college and universities nationwide. These practices follow Council for Advancement and Support of Education (CASE) and Council for Aid to Education (CAE) campaign standards guidelines. Accounting practices for development activities and resultant University revenues and assets conform to all relevant GASB (Governmental Accounting Standards Board) accounting standards. As part of the Division of Advancement, the University Development Office maintains and manages its own database of donors including alumni, parents, and friends, along with corporations, foundations, and organizations which have provided support to the University. All gifts made to the University are processed centrally in the Development Office's Information Services Unit and acknowledged by a formal receipt. Gifts are solicited by the University for a variety of current and future uses, and these gifts are always directed to those purposes for which they are given by each donor, with a written confirmation of the directed intent provided to each donor. Funds and gifts secured for restricted support, endowments, research, and capital initiatives as well as matching gifts and corporate giving are directed to and managed by the University Foundation, a separate 501(C)3 not-for-profit corporation with direct liaison functions with the University Division of Advancement.

The University will be launching its second major comprehensive capital campaign in fall 2007. The first such fund raising campaign was initiated in 1992, was conducted over a five-year period and exceeded its gift target of \$50 million. This second capital campaign is supported by a 2005 feasibility study and serves to link articulated University strategic initiatives, programs, and support facilities with actual fund-raising target areas. The campaign seeks to raise at least \$100 million over a three-year period to provide funding for faculty endowments, scholarships, academic and research initiatives, library endowments, athletics, and state-of-the-art facilities.

Fiscal Policies and Documentation. The University's fiscal policies are documented, published, and reviewed by departments or boards to ensure their currency via periodic updates. The University as well follows State of Rhode Island, RIBGHE, and federal policies. Among the powers and responsibilities of the RIBGHE are the duties to "formulate broad policy to implement the goals and objectives established and adopted by the Board of Governors from time to time and to adopt standards and require enforcement and to exercise general supervision over all public higher education in the state and over independent higher education in the state as provided [by law]."

The *RIBGHE Policies Manual* (<http://www.ribghe.org/polman.htm>) includes five main categories: Board of Governors, finance, academic, students, and personnel. The finance section specifically identifies a sub-section entitled Research and Grants—Overhead Policy and Regulations. Within the manual, the Board policies most critical to University processes discussed herein include Budgeting (F - 19.0 Budget Preparation and Control), Inter-fund Borrowing (Interinstitutional Borrowing Policy F - 23.0), and Fund Raising and other institutional advancement and development activities (Capital Campaign Funding Policy F - 24.0, F - 5.0 Capital Development -- Policy and F - 6.0 Capital Development – Regulations). The State of Rhode Island Policies most critical to University control functions can be found on the State Controller's

Office policy web site (<http://controller.admin.ri.gov/>). As well, the State of Rhode Island Budget Office Budget Primer is meant to clarify the annual budget and appropriations process.

In April 2003, the University created the Joint Strategic Planning Committee to “advise the President and the Faculty Senate on broad policies and principles affecting the general direction of the University in conjunction with its vision, mission, and values as a learning community” (<http://www.uri.edu/facsen/JSPC.html>). University policies follow the RIBGHE requirements and the majority are posted online in Appendix G of the *University Manual* (http://www.uri.edu/facsen/APPENDIX_Gconts.html). Some of the policies are available only in hardcopy form. University fiscal, contract, and grant policies are maintained by the Controller’s Office (<http://www.uri.edu/controller/policies.shtml>) and the Grant and Contract Accounting Division under the Vice President for Administration (<http://www.uri.edu/research/tro/urpol.htm>). Together, these offices have compiled and published a *Post Award Administration Handbook* to assist Principal Investigators with University procedures and policy and Federal OMB Circular A-21 and A-110. (http://www.uri.edu/controller/pdf/grant/Post_Award_Administration_Handbook_Rev12.htm). Also included on the web site is an *Effort and Reporting Manual for Grants* (http://www.uri.edu/controller/pdf/grant/Post_Award_Administration_Handbook_Rev12.htm). The Cost Transfer Policy is posted on the web site at (http://www.uri.edu/controller/accounting/Cost_Transfers.pdf).

The University Research Office also maintains policies on its web site in addition to their inclusion in the *University Manual* (http://www.uri.edu/facsen/Appendix_H.html). Policies available on the Research Office web site include Intellectual Property (<http://www.uri.edu/research/tro/UManual1040.htm>); Institutional Review Board Protection of Human Subjects (<http://www.uri.edu/research/compliance/IRB%20Policies%20and%20Procedures.doc>); Institutional Animal Care and Use Committee Policies and Procedures (<http://www.uri.edu/research/compliance/uriiacucpolicy.doc>); and other related research policies (<http://www.uri.edu/research/tro/urpol.htm>).

University Advancement policies complying with RIBGHE guidelines can be found at (<http://www.advance.uri.edu/giving/annualgiving/fundforuri/default.htm>). University Safety and Risk Management includes information on Certificate of Insurance Request at (<http://www.uri.edu/safety/>).

APPRAISAL

The budget is the foundation of the University’s system of financial control. The University follows a strict annual budget submission and mid-year review calendar specified by the Board of Governors Fiscal Accountability Policy. The University Controller’s Office is responsible for closing the financial books of the University at the end of the fiscal year and making timely submission of audited financial statements. The University’s fiscal year 2006 audited financial statements were submitted on time to the State Controller and State Auditor General. Effective for fiscal 2006, the State of Rhode Island enforced General Law 36-6-36 requiring all public agencies to submit audited financial reports to the State Controller no later than 90 days after the state’s fiscal year close of June 30th. In previous years, it was acceptable to submit draft forms of audited financial statements by the September 30th deadline. The University’s A-133 Single Audit was also submitted by the deadline of October 31st.

The University’s financial control systems are subject to regular and periodic audits by qualified external audit agencies and departments. These include the Internal Audit Department of the State Office of Higher Education, the State Auditor General’s Office, the State Bureau of Audits, federal agencies, and the external audit firm engaged by the Board of Governors to oversee the annual financial statements. All audits are performed in accordance with auditing standards generally accepted in the United States of America: the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. In addition, the University’s internal audit function ensures that local departments maintain good fiscal controls.

The University's audited financial statements do not identify any material weaknesses in internal controls. The University's system of internal controls includes measures to protect our resources from waste, fraud, and inefficiency, to ensure accurate and reliable accounting data, to secure compliance with University policies, and to evaluate performance in all departments. Controls such as segregation of duties and budget checks are incorporated into the University's PeopleSoft accounting system and provide reasonable assurance that the University operates in accordance with management's plans and policies.

The Department of Safety and Risk (<http://www.uri.edu/safety>) coordinates all insurance and risk management needs of the University. This department, working with the Department of Facilities and Operations, makes inspections and recommendations for improvements which reduce the University's overall liability exposure. Improvements are recorded and used to negotiate lower insurance premiums. To further reduce costs, the University has a noninsured replacement fund for items that are stolen from offices. In addition, the University has taken measures to improve security such as installing gates and cameras throughout the campus to reduce theft and liability and to improve safety for students and others on campus (see also, for example, discussion of the Student Senate's lighting walks to examine campus safety under *Standard 6: Students*).

University and RIBGHE ethics policies prohibit public officials and employees from using their position for private gain or advantage. These policies obligate the University and the Board to impose such restrictions as is necessary to manage, reduce, or eliminate any actual or potential conflict. In many instances, a conflict of interest can be resolved by simple disclosure. In other cases, the conflict may be monitored by independent reviewers, a research plan may be modified, or a relationship that is creating the actual or potential conflict may be severed.

Conflict of commitment between the employee's interest and interests of the institution are taken very seriously. For instance, the approval process for public-private partnerships is very comprehensive. Any request for an exception to policies in this area is reviewed by the University's Conflict of Interest Management Committee. This committee makes a recommendation to the President as to what restriction and/or oversight should be imposed to manage, reduce, or eliminate any actual or potential conflict of interest. Also, any proposed licensing agreement, research agreement, compensation agreement, or faculty start-up business plan must be reviewed by the committee and forwarded with the recommendation. Based on the detail information, the President shall act upon these requests for exception. If the President approves, the request is then forwarded to the RIBGHE with all supporting documentation. If the RIBGHE approves and grants the request for exception, it promptly notifies the Rhode Island Ethics Commission in writing as required by Rhode Island General Law 16-59-26. The RIBGHE reports annually to the Governor, the President of the Senate, the Speaker of the House of Representatives, and the Ethics Commission on all exceptions granted by the Private Public Partnership Act. Presently, only one exception has been granted.

The University's development efforts during the past 10 years have included notable successes such as fund raising for the Ryan Center, a premier athletic and community program venue; historic Green Hall, an original campus reading room and library; and Ballentine Hall, home of the College of Business Administration. Fund raising via the upcoming capital campaign will target \$20 million for the purpose of supporting a new athletic training facility, biotechnology center, and ocean exploration center/marine library. The University's current endowment has a March 2006 market value of \$78 million. The latest capital campaign seeks to raise an additional \$60 million to be added directly to the University endowment.

During the 2005 fiscal year, private support from more than 14,169 individuals, businesses, foundations, and other organizations totaled \$13,760,770. This amount is a combination of actual dollars received, pledges, and deferred gifts including endowment, outright and gift-in-kind contributions. The University Annual Fund received a total of \$1,195,757 for the fiscal year 2005.

The institution has not made substantive changes relative to revenue sources and continues to rely on tuition and fee revenue and state appropriation. However, the University continues to explore opportunities for new revenue streams that will support its academic and educational programs. Feasibility studies are ongoing for land expansion and development for a variety of uses that will generate contributing revenue to university programs including: 1) a research and technology park, a public-private venture planned to coincide and link with the development of a new pharmacy and biotechnology building; 2) a Professional Golf Learning Center that will be an integral part of the new academic program in Professional Golf Management; 3) faculty and alumni housing that will provide needed affordable housing opportunities for new faculty and townhouse condominiums for alumni which will generate institutional revenue; 4) a College Inn and retail bookstore, two possibilities that will greatly increase student service and provide revenue for student affairs; 5) a new retail convenience store and student café, as part of the new dining hall that is expected to be highly profitable; and 6) the sale of undeveloped, noncontiguous University land that is also being considered as a one-time revenue generating opportunity to support the University Libraries and financial aid.

PROJECTION

The University must keep current with changing federal and state laws, standards, and regulations that impact internal controls. Two examples of these requirements include the Sarbanes-Oxley Act, oriented towards publicly traded for-profit entities, but with the potential implications for governmental and not-for-profit entities as well, and the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 112, "Communicating Internal Control Related Matters Identified in an Audit," effective for fiscal years ending after December 15, 2006. The downsizing of the Internal Audit Department of the State Office of Higher Education may bring about a need to increase internal audit capacity at the University.

The University is currently in the process of finalizing the audited financial statements with the Rhode Island Auditor General and KPMG LLP. As noted earlier, the financial statements must be in final form (signed by the auditors) by September 30 after the year-end date, reducing the year closing and audit period by 6 weeks. As well, the A-133 Single Audit report will be submitted to the State Controller and Rhode Island Auditor General in final form (signed by the auditors) by October 31st of each year. The University is currently in the process of both the A-133 Single Audit and the year-end financial statement audit. Both are expected to be issued by the deadlines with an unqualified opinion on the financial statements and an unqualified A-133 report with only nonmaterial findings, if any.

In the interest of ensuring ethical oversight of its financial resources and practices, the Research Office will continue to monitor and document all cases of conflicts of interest and public-private partnerships.

With the 2007 Capital Campaign ready to commence, the University seeks to raise at least \$100 million in new gifts by 2010. This will represent the single largest capital campaign in University history and will require strengthened and coordinated support, resources, and administrative oversight. To that end, the 2005 URI Campaign Feasibility Report recommended the integration of fund-raising programs with the University Foundation by the start of the 2007 Capital Campaign (Feasibility Report available in the workroom). On June 15, 2007, the RIBGHE approved the reorganization of the University's Advancement function and authorized the University to contract with the Foundation to provide support for the designated amounts of the Capital Campaign and other fund-raising activities.

While the State of Rhode Island, RIBGHE, and University policies are clearly stated in writing, the University will review and update its own policies periodically to ensure they are current. The University will publish all policies on the web in one official location such as the *University Manual*. All other web sites referring to a policy need only provide a hyperlink to the official University policy web site. This consolidation of policies in one place will eliminate the possibility of a department's web site referring to outdated policies. As University modifies and redesigns the website, the Webmaster will include this objective in the plan.

In the future, the University may be able to utilize resources based on recently approved legislation allowing the carryover of general revenue funds.

INSTITUTIONAL EFFECTIVENESS

The University of Rhode Island has appropriate internal and external mechanisms in place to evaluate its fiscal practices, policies, and procedures. Vigilant financial management is in place to ensure the integrity of its systems. The Rhode Island Board of Governors for Higher Education, its Financial Management Committee, the Office of Higher Education, the Rhode Island Auditor General, and the Rhode Island State Controller all have an active role in the financial audits of the University. No changes in this overall structure are anticipated in the near future.

The University continues to streamline administrative procedures and monitor closely its revenues and expenditures. University efforts to expand the resources available to meet its educational, research and outreach missions have broadened since the 1996–1997 self-study report through increasing student enrollments, development activities, success with legislative agenda to expand the University’s ability to control its resources, and other initiatives. The University has met the challenges of instituting appropriate monitoring and control systems over these resources and will continue to do so with the guidance of the Joint Strategic Planning Committee as it develops new initiatives identified in this accreditation Self-Study report.