

**MINUTES  
BOARD OF GOVERNORS  
STATE UNIVERSITY SYSTEM OF FLORIDA  
AUDIT AND COMPLIANCE COMMITTEE  
CONFERENCE CALL  
November 5, 2008**

Meeting called to order at 9:36 a.m.

Members Participating in Call:

Chair Norman Tripp  
Governor Frank Martin  
Governor Gus Stavros  
Governor John Temple

Members not present:

Vice Chair Lynn Pappas  
Governor John Dasburg  
Governor Charles Edwards  
Governor Tico Perez  
Governor Zachariah Zachariah

BOG Staff Participating in Call:

Chancellor Mark Rosenberg  
Derry Harper, Inspector General and Director of Compliance

No quorum.

**1. Call to Order and Welcome**

Chair Tripp called the meeting to order and gave an overview of the agenda items to be discussed.

**2. Approval of Minutes**

Minutes from August 7, 2008 Audit and Compliance Committee meeting approved.

**3. Audit and Compliance Committee 2009 Meeting Schedule**

The Audit and Compliance Committee (the Committee) members agreed that four meetings throughout the year would be needed with conference calls in between if the need arises. The agreed-upon schedule is:

- January 28-29, 2009 in Tallahassee
- March 25-26, 2009 in Tallahassee
- June 17-18, 2009, location to be determined
- September 23-24, 2009, location to be determined

#### **4. Board of Governors Audit and Compliance Committee Charter**

Chair Tripp stated the Committee needs to have a Charter drafted and approved by the Board of Governors (the Board). He asked that Charter discussions and drafts be handled as appropriate before January so that a final draft can go before the Board for notice, with approval expected in the March Board meeting.

Derry Harper provided background and status of the current draft: An earlier draft of the Charter, which was a single document that covered the duties and responsibilities of the Audit and Compliance Committee as well as the Office of the Inspector General and Director of Compliance, was disseminated to a limited audience last January, 2008. Initial feedback was that the document needed to be separated into two: one for the Committee, and one for the Inspector General's office. The separation of the original draft was done, and new drafts were sent to Committee members October 31, 2008, for discussion in this conference call. Feedback from university boards of trustees, Chief Audit Executives, and other appropriate entities will be solicited before the final draft goes before the Board for approval.

Mr. Harper explained that the Charter is an enabling document that follows a fairly standard format.

In its Introduction, the Audit and Compliance Committee Charter provides a brief background for the formation of the Committee to achieve its goals and objectives "by providing a systematic and disciplined approach to the evaluation of the Board's operations and to be primarily responsible for improving the effectiveness of the state university system's risk management, control, and governance processes."

In the Organization section of the Audit and Compliance Committee Charter draft is a statement that the Committee should "include at least one member who is a 'financial expert'." Governor Temple thought this requirement could be restrictive. Mr. Harper stated that this would be a matter determined by the Committee and the Board and that this requirement is a component of the State University Audit Council's White Paper and is considered a Best Practice. Chair Tripp suggested that the Committee define "financial expert" and make it broad enough to include someone from the Board. It could include someone with an accounting or legal background, for example. Being in a political setting rather than in a private business setting, it may not be as necessary to have a strict definition of "financial expert." Chair Tripp asked Mr. Harper to research further to identify someone on the Board who might have the appropriate background and experience. Governor Dasburg, for example, might qualify based on his past experience on an audit committee for a public company. Governor Temple agreed that the Board should consider a "looser" definition.

Mr. Harper continued the review of the Audit and Compliance Committee Charter draft and highlighted that as stated in the Organization section, the Committee, "in

collaboration with the audit committees of the Boards of Trustees for the state universities and their respective internal audit executives, [should] help to ensure that processes are in place to meet those responsibilities.” This results from feedback with initial Charter reviewers. This collaborative approach is the governance structure we have now and is working well.

As for independence and reporting, the Chancellor says there should be a dual reporting structure to demonstrate the independence of this office and whatever is required from the Board. The Inspector General reports functionally to the Audit and Compliance Committee and administratively to the Chancellor.

In response to the description of the role of the Inspector General to “provide leadership and oversight of audit and compliance functions for the Board Office and the state university system and is generally responsible for coordinating activities that promote accountability, integrity, and efficiency as required by law,” Chair Tripp asked Governors Temple and Stavros to discuss how much leadership the Committee should expect the Board to have. Mr. Tripp acknowledged that some universities do not want Board oversight, but it’s required that the Board have such a role according to the Constitution. For example, if there’s an incident like the unauthorized computer access and grade-changing by students at Florida A&M University, the Legislature will ask the Board what they know and are doing to resolve the matter.

Chancellor Rosenberg confirmed that the Joint Legislative Audit Committee expects the Board to be engaged and responsible for any university issues. They view the State University System as a *system* for purposes of accountability.

Debbie Gula (Executive Director, USF University Audit and Compliance) expressed her appreciation for the Board’s efforts to improve the draft Charter. In response to Chair Tripp’s question to her about the governance structure in the current Charter draft, she said that university audit executives report directly to their own boards and Presidents and that reporting to the Board of Governors Inspector General and/or Audit and Compliance Committee does not seem necessary. She said the State University Audit Council and university Chief Audit Executives can develop system-wide initiatives or a periodic reporting structure to identify emerging trends or issues to satisfy the Board’s requirement as stated in the Constitution. Mr. Harper agreed that Chief Audit Executives are the primary contact for his office and that we need to reach out to our other constituencies for their input on the Charter draft and the role of the Board of Governors and its staff in audit and compliance matters. In response, Mr. Tripp reiterated that time is of the essence and that the Board needs to have a Charter in place as soon as possible. He stressed that the Board is required to have oversight of the system as provided for in the Constitution and by the Legislature. He does not feel it is necessary for Board staff to participate in university audit meetings but does believe the Board Office should receive university audit reports. The Board staff cannot micromanage audits with its limited staff, nor can staff be expected to pull reports from

university Web sites. However, he said Board staff should have a record of and review university audits and be able to provide oversight and leadership should it see that a university is going in the wrong direction. We need more discussion with university boards of trustees audit committees to find a workable procedure that will allow the Board staff to fulfill its obligation in receiving and reviewing reports.

Nur Erencuc (Chief Audit Executive, University of Florida) stated that the flow of information already exists whereby universities already submit their audit reports to the Board's Office of the Inspector General and Director of Compliance in addition to other appropriate offices. These reports are public record as well and can be accessed on most universities Web sites.

Chancellor Rosenberg asked Mr. Harper if all universities submit their audit reports to the Board office. Mr. Harper explained that the University of Florida sends most if not all audit reports but that the Board has not yet instructed universities to submit all audit reports.

To clarify, the Chancellor explained that the Auditor General's office performs an operational audit every two years and financial audits every year on our universities. These audit reports are sent to the Board Office, but it's the internal university audit reports that are not submitted. Chair Tripp said we don't have the manpower to receive and review university internal audit reports. The Chancellor says we need to be confident that university audit committees have internal procedures in place to review their internal audits and that they are managing matters. We need to clarify the mechanism to Board will use in exercising its authority in oversight of the State University System with its limited resources. We need to maintain and strengthen our relationship with the Chief Audit Executives and their boards of trustees; we should not interfere.

Governor Stavros asked if someone like the state's Chief Financial Officer (CFO) should be invited to join this Committee. Chair Tripp replied that if the Legislature thought that having the CFO on the Board of Governors would be advisable, they would have included that in the Constitutional Amendment.

To conclude the discussion on the Audit and Compliance Committee Charter, Mr. Harper reiterated that Board of Governors oversight needs more examination and discussion given the limited staff in the Board Office. He also stated that the Board needs to maintain and even strengthen its relationship with university Chief Audit Executives, university boards of trustees, and university Audit Committees.

## **5. Board of Governors Office of the Inspector General and Director of Compliance Charter**

Mr. Harper began the review and discussion of the Office of the Inspector General and Director of Compliance (OIGC) Charter by explaining that having such a Charter is

necessary to describe the duties and responsibilities of the Inspector General as provided for in s. 20.055, F.S. (Agency Inspectors General). As for the compliance component of this office, Mr. Harper asked for more direction from the Board of Governors.

The OIGC Charter explains that the Board's Inspector General functions as the Chief Audit Executive for the Board and the Board Office and that he or she will plan a risk assessment and devise and audit plan for the Board Office. The Board and the Chancellor can assign other duties to the Inspector General. For example, the Inspector General was the primary staff support for the FAMU Task Force.

Additionally, the OIGC Charter includes information from s. 20.155, F.S. (Board of Governors Office of the Inspector General), which gives the Board the authority for the Inspector General to review and investigate matters if the university is unable or unwilling to do so. For these reasons, Mr. Harper stated, we need two separate Charters.

Chair Tripp announced a correction to the sixth bulleted item on page 5 of the OIGC Charter. The clause at the end of that bulleted item should not have included, "...including serving as chair of the state university system Audit Council." Chair Tripp as well as Governor Stavros agreed that the Charter's Scope of Work for the Board of Governors was clear and appropriate. Debbie Gula (Executive Director, USF University Audit and Compliance) restated her interest in more discussion regarding the Board of Governors directing university audit and compliance activities rather than having their own university board of trustees do so. She also questioned what "evaluate university reports" means in this bulleted item on page 5 of the OIGC Charter:

- Review and evaluate audit, investigative, and management advisory reports issued by the university offices of audit and compliance and from these reports, identify significant systemic issues, problematic trends, or issues with policy implications, and report those findings to the Audit and Compliance Committee and when appropriate, make recommendations for improvements.

Chair Tripp reiterated the need for the Board to have a role in the system but not with the expectation that it will be involved on a daily or monthly basis as the university's board of trustees is the entity responsible for that.

The Chancellor expressed concern that there is much variability in the level of effort and the breadth and depth of university audit committees and that eventually, less variability is desired. He recognized that there can be considerable variability in the engagement of university audit committee chairs, but that over time, that could lead to serious issues we would eventually have to deal with.

Chair Tripp agreed with the Chancellor and said they need to do at least a minimum standard of audit and compliance activities at their university. Having a Charter in place is the right beginning to having a process in place to provide support to our university audit committees. He restated the need for the Board to have a Charter in place as soon as possible. Any changes or improvements can be done later if necessary.

Governors Temple and Stavros agreed that having a Charter in place is necessary and added that the Board might consider establishing a Best Practices model. It is necessary for the public to know the Board has a Charter in place. Governor Stavros said that “oversight” means we support the UBOTs in their responsibilities to perform university audits.

Mr. Harper appreciates the urgency of the Committee to have a Charter approved by the Board of Governors and assured the Committee that the March deadline will be met.

## **6. OIGC Annual Report**

The Office of the Inspector General and Director of Compliance met its statutory requirement to submit an Annual Report of its activities by September 30<sup>th</sup>. The report highlighted the work done by the Board of Governors Task Force on Florida A&M University Finance and Operational Controls issues as well as the Office’s other reviews and investigations conducted.

Mr. Harper stated that the Office of the Inspector General and Director of Compliance will be accountable and will do what it needs to do although it cannot do everything because of limited staffing. He said the Office’s theme is “We’re about making a difference!”

The Annual Report was accepted and approved by the Committee.

## **7. Auditor General’s Operational Audit of the Board of Governors Office**

Mr. Harper provided an historical overview of the Auditor General’s first Operational Audit and stated that we received complimentary reports from the Auditor General’s office that Board staff was cooperative and provided timely and professional responses to their inquiries.

The Audit was announced in the fall of 2007 and was to include a team of 10 – 11 auditors to review 12 or so topics or areas of the Board of Governors Office. An internal work group was convened, and the AG’s final report was released October 8, 2008. The audit team fluctuated between six and 12 auditors, and there were three findings in three areas. These findings and the Board’s responses are in the meeting materials. A status of the corrective actions will be provided in six months after the release of the final Audit Report. These findings will require us to review and implement policies

and procedures. A motion was made to accept the Audit Report. It was seconded and accepted.

The Chancellor commended the Board staff for their cooperation and hard work during the audit. He said the staff has gone through considerable reorganizations but that only three findings were cited. The staff's commitment to compliance with statutory requirements is commendable.

### **8. Work Plan**

The Office of the Inspector General and Director of Compliance (OIGC) Work Plan was provided to the Committee for review and assistance in prioritizing activities. Mr. Harper explained that Board of Governors Chair, Sheila McDevitt, has requested a work plan for each Committee. The format of the OIGC Work Plan will be converted to the Committee work plan, using the template suggested by the Chancellor. The Work Plan contains activities as required by statute as well as by the Board. Mr. Harper asked the Committee to review all activities to see if any activities are missing and to provide direction to the Board staff as resources are limited. He noted that several top priority items (the preparation of a Work Plan, the OIGC Annual Report, and the Response to the Auditor General's BOG Operational Audit) have been completed. Unless instructed otherwise by the Committee, the Inspector General will replace those items with new priorities as determined by the Inspector General.

The Work Plan was accepted and approved by the Committee.

### **9. Concluding Remarks**

Mr. Harper announced that a status report on the Corrective Action Plan for the BOG Task Force on Florida A&M University Finance and Operational Controls issues will be given in the January Board meeting.

Chair Tripp asked that Mr. Harper also be prepared to report on any additional information that becomes available regarding the unauthorized computer access and grade-changing incident this past year at Florida A&M University.

The meeting adjourned at 10:45 a.m.