

**MINUTES
BOARD OF GOVERNORS
STATE UNIVERSITY SYSTEM OF FLORIDA
AUDIT AND COMPLIANCE COMMITTEE
Grand Ballroom, Student Union
Florida A&M University
Tallahassee, Florida
January 28, 2009
2:45 - 5:00 p.m.**

Meeting called to order at 3:05 p.m.

Members Present:

Chair Norman Tripp
Governor Charles Edwards
Governor Tico Perez
Governor Zachariah Zachariah

Other Board Members Participating:

BOG Chair Sheila McDevitt
Governor Carolyn Roberts
Governor Judy Solano (via phone)

Members not present:

Committee Vice Chair - Vacant Position
Governor John Dasburg
Governor Frank Martin
Governor Gus Stavros
Governor John Temple

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. The Chair announced that Lynn Pappas had resigned from the Board of Governors. He expressed his appreciation for her leadership and years of experience with the Board.

A new Vice Chair to serve on the Committee will be selected at the next meeting. Chair Tripp suggested John Temple because of his direct experience in this area, and urged others who might be interested in serving to nominate themselves. Board of Governors Chair, Sheila McDevitt, said she will appoint Governor Temple if he is willing and interested in serving as the Vice Chair.

2. Approval of Minutes

Minutes from the November 5, 2008 Audit and Compliance Committee conference call approved.

3. Overview of the Final Report of the Task Force on FAMU Finance and Control Issues

Derry Harper, Inspector General and Director of Compliance for the Board of Governors, provided background information on the mission of the Task Force on FAMU Finance and Control Issues that was funded by the Florida Legislature in March 2007. The goal of the Task Force was to restore public trust and credibility and to demonstrate the University's and the Board's accountability to the public. The role of the Board of Governors staff was to oversee the Task Force, but the responsibility to fix the University's problems rested with Florida A&M University's Board of Trustees, President James H. Ammons, and his staff.

On June 28, 2007, the Southern Association of Colleges and Schools (SACS) placed Florida A&M University on probation, primarily because of the Auditor General of Florida financial audit report. A Corrective Action Plan was created along with mission goals and objectives, resulting in the lifting of the University's probation status. Its success was due to help of the BOG's internal work group; members from the State University System; the outside vendor, Accretive Solutions; and the full support and cooperation of President Ammons and his staff.

Mr. Harper stated that the Task Force was disbanded in June, 2008.

4. Presentation: Status of Florida A&M University Corrective Action Plan

Florida A&M University President, Dr. James H. Ammons, provided an Update on Corrective Actions by the University. He began his presentation by stating that all audit criticisms have been rectified.

President Ammons stated that the University has strengthened its financial processes. He commended Teresa Hardee, FAMU's Chief Financial Officer, for her good work and dedication. He said knowledge is being transferred to mid-level managers, and a workshop was provided for the University's Board of Trustees to review the Corrective Action Plan from the Task Force. President Ammons expressed his appreciation to the Board of Governors and to the auditing firm contracted to assist the Task Force, Accretive Solutions. He stated that their work combined with that of University staff influenced the Southern Association of Colleges and Schools' site review, which led to the lifting of the University's probationary status in June, 2008.

President Ammons summarized the University's Corrective Action Plan and provided an update on each (excerpted from his PowerPoint presentation):

1. Salary Payment Cancellations
 - a. Reviewed all salary warrant cancellations for fiscal year 2007-09
 - b. Determined that the controls and procedures are adequate.
2. Competitive Procurement of Contractual Services
 - a. Reviewed contracts and
 - b. Determined that the University has adequate purchasing controls
 - c. Complied with Board of Governors purchasing rules and regulations
 - d. Determined that the process for awarding contracts ensures contractual goods and services are procured competitively.
3. Vehicle Records

- a. Determined vehicle usage logs for University vehicles are being maintained
 - b. Ensured that Department heads reviewed completed usage logs and signed
 - c. Continue to review the logs to determine compliance with procedures.
4. Communication Expenses
- a. Maintained long distance telephone logs in accordance with University procedures
 - b. Revised cell phone usage procedures in order to comply with the IRS Code and U.S. Treasure Regulations
 - c. Permits accurate reporting of cell phone services and justifies the assigned cell phones and approval by appropriate department heads.
5. Schedule of Expenditures of Federal Awards (SEFA)
- a. Reviewed the schedule of expenditures of federal awards following the upgrade to PeopleSoft 9.0 and the implementation of the PeopleSoft billing module.
 - b. Developed policies and procedures to enhance the accuracy of contracts and grants reporting, as well as procedures to prepare the SEFA report accurately.
 - c. Upgraded PeopleSoft 9.0 will enhance the ability to reconcile actual expenditures to the general ledger, as needed.
 - d. Review by the Division of Audit and Compliance to conduct periodic reviews of the schedule of expenditures.
6. Information Technology – Security Controls
- a. Committed to improving information technology security controls and has completed corrective actions as of December 2008, including the following:
 - i. Development of procedures and processes to effectively maintain and monitor PeopleSoft Financial System access
 - ii. Identification and removal of privileges for terminated employees
 - iii. Restricted access to ensure proper segregation of duties
 - iv. Updated security documentation to reflect changes to PeopleSoft roles and permission lists
 - v. Implemented logging and review of security changes to the PeopleSoft Financial System roles.

Additionally, in the University's most recently released Operational Audit (Report No. 2009-087, Issued January 2009) from the State of Florida Auditor General, there were seven findings, down from 35 in the previous audit. Many of the seven remaining findings involve matters already addressed by the Corrective Action Plan. The Committee lauded President Ammons and his staff for their good work and progress. Chair Tripp thanked President Ammons for his leadership in this achievement.

5. Discussion of Audit and Compliance Committee Charter (Final Draft)

Chair Tripp provided the Committee with background information on this agenda item. Until now, the Committee has been operating without a Charter in place. He instructed Derry Harper, the Board's Inspector General, to draft a Charter in collaboration with university counterparts and have it ready for the Committee's review at this meeting. It will be presented to the full Board at its March 26, 2009 meeting for ratification. Chair Tripp expressed his appreciation to Board staff, as well as university staff who participated in the drafting process, for their hard work on this document.

Derry Harper announced that the most recent version of the Charter draft was in the supplementary packet of materials Committee members were given today. This version has been reviewed and discussed by staff at all of our universities. He noted that this version includes a statement about the Board's commitment to accountability and also defines the term "financial expert," which was not in the previous version.

Mr. Harper briefly highlighted two new paragraphs in the Organization section that describe the role of the University Boards of Trustees and their respective internal audit executives, as well as that of the Board of Governors Audit and Compliance Committee and the Board's Inspector General in meeting the state university system's responsibility for financial accountability, integrity, and efficiency.

The "State University System" section of the Charter lists the Committee's duties to the university system. Mr. Harper asked the Committee to review this section in particular and stressed that it is not a conclusive list and that it has been reviewed and approved by our university constituents. Chair Tripp asked if the "receiving and reviewing university audit reports" meant that universities will send all audit reports to the Inspector General's office and that staff won't have to request them. Mr. Harper confirmed that all reports will be submitted to the Board Office and that the new pending regulation regarding University Board of Trustees Powers and Duties states the same. Board Chair Sheila McDevitt asked Mr. Harper to clarify whether or not this meant that all final *internal* audit reports would need to be submitted to the Board Office. Mr. Harper confirmed that it did. Chair Tripp clarified that the Committee or Board staff will not be involved in the university internal audit process but that having final reports will enable Board staff to identify any system wide trends that might need to be addressed. Mr. Harper said that Board staff will collaborate with university staff to ensure good communication.

Chair Tripp reiterated that universities are responsible for their operations and that the Board of Governors also plays a role. Everyone must be accountable.

Jamie Keith, Vice President and General Counsel at the University of Florida, joined the meeting by conference call and expressed her appreciation to the Committee for permitting the call-in option. On behalf of Joelen Merkel, the Chair of the University of Florida Audit and Operations Review Committee, Ms. Keith commended the hard work and collaboration necessary to draft the document presented to the Committee today. It reflects good governance and openness by the Board of Governors, and they feel very positive about it. Chair Tripp confirmed that the Committee believes it is important to build good relationships in the university system.

Governor Edwards moved to approve the draft and present it to the Board for ratification. Governor Roberts seconded the motion. The Committee approved the Charter draft with one technical change as noted by Governor Perez: He noticed the title of the Florida Student Association was incorrect. The correction will be made, and the Charter will be presented to the full Board for ratification at its March 26, 2009 meeting.

Audit and Compliance Committee Charter Approved.

Mr. Harper informed the Committee that the Charter for the Office of the Inspector General and Director of Compliance (OIGC) will be revised and ready for Committee notice by the March 26th meeting with full Board approval expected in June. Initially, the two Charters were being drafted and revised in tandem, but it was decided to proceed with the Audit and Compliance Committee Charter first.

6. Audit and Compliance Committee Work Plan

Mr. Harper presented the newly-formatted Committee Work Plan that mirrors those of the Board's other committees. He asked the Committee to review the suggested committee member in the "Lead Person Responsible" column. The lead person will work with staff in the planning and work stages of the item. Each assignment was reviewed, and members not present at today's meeting will be contacted before the next Committee meeting to see if they will agree to the new assignments as suggested on the work plan.

Mr. Harper stated that the Charter and the Committee Work Plan are important documents in that they show our accountability and demonstrate our goals and deliverables in meeting those objectives.

Chair Tripp agreed that all of our Board committees are important but that the Audit and Compliance Committee is the most important when something malfunctions. He states that we must be diligent in working with our universities and boards of trustees; we will have an annual workshop to enhance all audit activities.

Governor Roberts motioned to approve the adoption of the Committee's Work Plan. The motion was seconded by Governor Perez, adding that the Committee Chair should be able to replace a committee member assignment should the member not be able or willing to assume responsibility for the task.

The work plan was approved.

7. Concluding Remarks

Board Chair Sheila McDevitt thanked the Committee and staff for their hard work on the Charter and the work plan. She extended additional appreciation to Vikki Shirley, BOG General Counsel, and the university staff participating via the phone for their time and work on assisting in the creation and revision of these documents, which will serve as a guideline for the Board in scheduling and planning.

The meeting adjourned at 4:02 p.m.