

MINUTES
STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
AUDIT AND COMPLIANCE COMMITTEE MEETING
UNIVERSITY OF CENTRAL FLORIDA
ORLANDO, FL 32816
JUNE 27, 2018

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and its Committees are accessible at <http://www.flbog.edu/>.*

Chair Wendy Link convened the meeting of the Audit and Compliance Committee on June 27, 2018, at 2:01 p.m., in the Grand Ballroom, on the campus of the University of Central Florida in Orlando, Florida. The following Audit and Compliance Committee members were present: Wendy Link, Patricia Frost (by phone), Ed Morton, Jay Patel, and Fernando Valverde. The following members of the Board were also present: Tim Cerio, Darlene Jordan, Sydney Kitson, Ned Lautenbach, Norman Tripp, Gary Tyson, Jalisa White, and Zachariah P. Zachariah (by phone).

1. Call to Order

Chair Link called the meeting to order.

2. Approval of Minutes

Mr. Patel motioned that the Committee approve the minutes of the Audit and Compliance Committee meeting held March 29, 2018, as presented. Mr. Valverde seconded the motion. The minutes were approved.

3. SUS Compliance and Ethics Program Implementation Status

Joe Maleszewski, the Board of Governors inspector general and director of compliance, updated Audit and Compliance Committee (Committee) members on the status of each university's implementation of a compliance and ethics program. The summary table provided in members' materials demonstrates that half of the System institutions have fully implemented all elements of Board of Regulation 4.003 except for the element requiring an external program review within five years of the regulation's approval, making the deadline November 2021.

The most recent implementation summary table, compiled in early June 2018, reflects that 92% of the regulation elements are completed. All universities continue to report that all required regulation elements will be in place by the November 2018 deadline.

The inspector general's office will assess universities' program implementation status again in November 2018 and report the results to the Committee in January 2019.

4. FGCU Corrective Actions Plan Update and Close-out

Mr. Maleszewski provided an update on Florida Gulf Coast University's progress in completing the remaining corrective action item resulting from his office's Whistle-blower investigation that began in October 2016. The investigative report was issued March 28, 2017, sustaining two allegations related to violations of Florida's Sunshine Law, Board of Governors regulations, and FGCU's policies; noting five ancillary issues; and making recommendations, including enhanced trustee training and orientation, as well as policy revisions and updates.

FGCU provided a corrective action plan in April 2017. The final corrective action item to be completed was to provide Ethics Training for the FGCU Board of Trustees in April 2018. With this item now completed, the Office of Inspector General and Director of Compliance (OIGC) has closed its case on this matter.

5. 2018-2019 OIGC Risk Assessment and Audit Work Plan

Mr. Maleszewski presented the Committee with its draft 2018-2019 Annual Work Plan, which is required to be developed and presented annually for the Board's consideration and approval.

The work plan is risk-based to provide the most effective coverage of Board office operations and OIGC System responsibilities. It will guide OIGC staff activities for the upcoming fiscal year and contains three planned audit projects: 1) Data Security; 2) Contract Procurement and Management; and 3) Travel. As an audit-related project, the work plan includes the coordination efforts for university chief audit executives to audit Performance-based Funding Data Integrity. OIGC staff expects to complete some compliance-related projects and perform follow-up work related to past audits and investigations.

Mr. Morton motioned to approve the work plan, and Ms. Frost seconded it. The Committee approved the OIGC's 2018-2019 Annual Work Plan and moved it to the full Board of Governors for their approval consideration.

6. SUS Performance-based Funding Data Integrity Audits and Certifications, Next Cycle

Mr. Maleszewski explained that at the last Committee meeting, he shared the System chief audit executives' concern that the annual requirement for a Performance-based Funding Data Integrity audit can take a significant portion, about 600-800 hours, of the

available audit hours. Some of the PBF data integrity audits have contained no adverse findings, and chief audit executives have requested to use the audit hours on other high-risk areas. At the last Committee meeting, Governor Link had asked Mr. Maleszewski to assess the annual audit requirement and provide the Committee with a recommendation for the upcoming fiscal year's PBF data integrity audit requirement.

Mr. Maleszewski stated that he had discussed the requirement with the System chief audit executives at their in-person meeting held in May 2018. He said it is important to note that one or more metrics have changed each year with "tweaks" to the model as recently as November 2017. Mr. Maleszewski recommended continuing the annual audit requirement with the chief audit executives having flexibility to adjust the scope of work based upon their identified risks and in coordination with university presidents and board of trustees' chairs. Ms. Link stated that no Committee vote was needed but opened the floor to any discussion or questions. Hearing none, the Committee agreed with Mr. Maleszewski's recommendation.

7. OIGC Quality Assurance and Improvement Program Results

As required by professional auditing standards, the OIGC implemented a Quality Assurance and Improvement Program (QAIP) and issued a memorandum of the results that are included in the Committee's meeting materials. This internal assessment, in combination with the Auditor General's "clean" quality assessment review issued in fall 2015, demonstrate that the OIGC's internal activity is adequately designed and complied with to provide reasonable assurance of conformance with the professional standards, as well as the Institute of Internal Auditor's Core Principles, Code of Ethics, and Definition of Internal Auditing.

Although not material to overall conformance with professional standards, Mr. Maleszewski explained that his office continues to perform its duties with limited staff and are challenged to complete its annual work plan projects due to competing deadlines and unplanned, non-audit projects.

Mr. Maleszewski listed the areas of improvement identified in the QAIP and stated that he expects the Auditor General to initiate their next external quality assessment review of the OIGC in early fall 2018.

8. OIGC Updates

Mr. Maleszewski provided the Committee with brief updates on the following items:

- Enterprise Risk Management – Mr. Maleszewski said he has shared ERM resources with university presidents, chief compliance officers, and chief audit executives. He has also encouraged chief audit executives to consider

conducting an audit of risk management practices at their individual institutions. He believes ERM is an area the Committee should continue to monitor in the future.

- FAMU Intercollegiate Athletics Cash Deficit – Mr. Maleszewski said that he and Ms. Link continue to monitor FAMU’s efforts to balance the annual athletic budget and further their plan to repay the moneys owed to other university auxiliaries. He expects to receive a report on the actual year-end results in the near future. Ms. Link asked President Robinson to report to the Committee, once the fiscal year’s budget is finalized, their progress in balancing the athletics program budget and in repaying the other university auxiliary programs as described in their corrective action plan.
- Mr. Maleszewski’s Last Meeting – Mr. Maleszewski stated that this is his last Committee meeting as he has accepted the position of City of Tallahassee Auditor starting July 9th. He expressed his appreciation for the Committee’s support.

9. Concluding Remarks and Adjournment

Chair Link asked Board members if anyone had any questions or comments. Hearing none, the Audit and Compliance Committee was adjourned at 2:19 p.m.

Wendy Link, Chair

Lori Clark, Compliance and Audit Specialist