

MINUTES
BOARD OF GOVERNORS
STATE UNIVERSITY SYSTEM OF FLORIDA
AUDIT AND COMPLIANCE COMMITTEE MEETING
FLORIDA A & M UNIVERSITY
TALLAHASSEE, FL
MARCH 28, 2019

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

Chair Tim Cerio convened the meeting of the Audit and Compliance Committee on March 28, 2019, at 10:34 a.m., in the Grand Ballroom on the campus of Florida A & M University in Tallahassee, Florida. The following Audit and Compliance Committee members were present: Tim Cerio, H. Wayne Huizenga Jr., Patricia Frost (phone), Alan M. Levine, Ed Morton (phone), Jay Patel, and Fernando Valverde. The following members of the Board were also present: Shawn Felton, Darlene Jordan, Sydney Kitson, Ned Lautenbach, Norman Tripp, Jalisa White, and Zachariah Zachariah (phone).

1. Call to Order

Mr. Cerio called the meeting to order.

2. Approval of Minutes

Mr. Levine motioned that the Committee approve the minutes of the Audit and Compliance Committee meeting held January 31, 2019, as presented. Mr. Morton seconded the motion. The minutes were approved.

3. Board of Governors Compliance Program Approval

Ms. Leftheris provided the Committee with a brief background of the Compliance Program. She explained the program incorporates some of the same components contained in Board of Governors Regulation 4.003, as well as some of the recommendations contained in the University of Central Florida (UCF) investigative report on the misuse of state funds. Mr. Patel motioned to approve the Program. Mr. Morton seconded the motion. The compliance program was approved.

4. Performance-based Funding Data Integrity

Ms. Leftheris provided the Committee with the results of each university's Performance-based Funding Data Integrity Audit and related Data Integrity Certification. She provided a brief overview and background of the audits and

explained that this was the sixth year for Performance-based Funding and the fifth year for the audit and certification requirement. She added Florida Polytechnic University is not yet eligible for Performance-based Funding consideration.

Ms. Leftheris summarized that all eleven audits concluded that university controls and processes were adequate and that the audits provided a reasonable basis of support for the university presidents and boards of trustees' chairs' Data Integrity Certification. She also noted that of the eleven audits, six contained no adverse audit findings and five did. Four of the five reports with findings required some level of corrective action. None of the audit findings were judged to be material enough to alter the overall conclusion that the universities' controls were adequate to ensure the completeness, accuracy, and timeliness of data submissions. Ms. Leftheris also reported that all eleven universities submitted the required data integrity certification and of those eleven, two certifications were modified; however, these modifications had no significant impact on the Performance-based Funding data. She said that the eleven university presidents, board of trustees' chairs, and chief audit executives concluded and represented that their data submissions were sufficiently complete, accurate, and timely and can serve as a sound basis for Board of Governors Performance-based Funding decision-making.

5. UCF E&G Funds Misuse Investigative Reports Update

Mr. Cerio gave a summary of the investigation into UCF's misuse of Education & General (E&G) funds that led to the Board of Governors' decision to continue to investigate the matter with the Bryan Cave Leighton Paisner Law Firm. Ms. Leftheris then provided the Board with an update on the Board of Governors' investigation. She stated that after signing an engagement letter that would formally retain Bryan Cave to conduct the investigation, Mr. Burby, Bryan Cave's lead investigator, stated in a letter that the firm no longer had any relations with UCF or the UCF Board of Trustees. Bryan Cave also retained PricewaterhouseCoopers (PWC) to assist in the investigation.

Ms. Leftheris explained that in the Board of Governors' investigation, Bryan Cave has primarily been focused on document collection. UCF is still working to produce the requested additional documents. In the interim, Bryan Cave is continuing to review records collected during the previous investigation, as well as to monitor the use of appropriated funds and review transcripts of depositions. In addition, Ms. Leftheris reported that Bryan Cave, PwC, and Board of Governors staff have been working to develop an agreed-upon methodology for identifying improper transfers and uses of E&G funds for capital projects at UCF during the time period under review.

Ms. Leftheris concluded by explaining that she is the primary contact with Bryan Cave during this investigation and is receiving regular briefings on their work. There will be a written report of the investigation's findings and conclusions, as well as a presentation at the June 2019 Audit and Compliance Committee meeting.

Mr. Cerio asked if there was a time table on when this investigation would be completed. Ms. Leftheris responded that the time table is based on how quickly UCF can provide the requested records to Mr. Burby. Mr. Levine asked if the investigative team had enough resources. Ms. Leftheris responded that Mr. Burby is communicating any resource needs to her and that she is working with appropriate staff to ensure that the university is responsive to Mr. Burby's needs.

6. Florida House of Representatives Public Integrity And Ethics Committee Report of Investigation into Unauthorized Use of Appropriated Funds for Fixed Capital Outlay Projects at the University of Central Florida

Ms. Leftheris provided the background for this agenda item, explaining that Speaker Richard Corcoran of the Florida House of Representatives had initiated an investigation into the UCF misuse of E&G Funds for the construction of a new academic building through the House's Public Integrity and Ethics (PIE) Committee. The investigation was led by Staff Director Don Rubottom. Ms. Leftheris explained that the PIE Committee's investigative process included the review of financial transactions, meetings by the staff and governing boards, and interviews with key personnel that culminated in sworn testimony by thirteen individuals subpoenaed by the Committee. Ms. Leftheris presented the key findings and recommendations from the Committee's report.

This topic was opened for questions or comments. Mr. Levine said he had recently reviewed the audit topics listed on university work plans and found there was a broad approach to identifying audit plans at each university. However, there was no focus on enterprise risk management. He believes that there needs to be a focus on the standardization and uniformity of audit and compliance reporting and recommends universities take an enterprise risk management approach to developing their audit plans.

Mr. Kitson and Mr. Cerio commented that the Board of Governors must take action and must not forget that the PIE Committee's report made recommendations to the Board of Governors as well. Mr. Morton said he agreed with the PIE Committee's report and that it is important that all levels, including the Board and university boards of trustees, remember their responsibilities and follow the rules. Mr. Kitson added that these changes must start with the Board of Governors and that the universities' boards of trustees and staff will follow suit.

Mr. Huizenga commented on Finding No. 9, which discussed the Board's lack of resources. He stated that the Board Office has a staff that is a fraction of a typical state system office's staff and that providing them with the necessary resources is important. Mr. Levine added that although the Board Office has limited staff and resources, they

have been able to put a good system in place which has led to Florida being ranked as the number one state university system across the country.

Chancellor Criser commented that the Board of Governors is working to create a coordinated process between the Board Office and the universities on how best to work together to resolve these issues. He also stated that this Legislative Session may change some of our current processes and regulations, such as the process of whether a university is willing and able to conduct an investigation. Finally, the Chancellor assured Board members we will draft an inventory of what needs to be done, a response of what has been done, and a report to the Board and Legislature. Mr. Lautenbach stated he believes that the team has handled things well thus far.

7. USF Report of Findings, Review Into Use of Carryforward Funds in the Construction of The Dr. Kiran C. Patel Center for Global Solutions (Patel Center)

Mr. Cerio gave a brief background regarding the misuse of E&G carryforward funds for the University of South Florida's (USF) Dr. Kiran C. Patel Center for Global Solution project. Ms. Leftheris provided an update on the status of USF's investigation. She reported that USF is finalizing their review and has been providing weekly updates to her regarding the status of their review. Ms. Leftheris concluded that she expects to report on the matter at the next board meeting.

8. OIGC Updates

Ms. Leftheris gave a brief overview of her office's current and upcoming activities. She reported that her office is wrapping up their risk assessment for the OIGC's work plan for the upcoming fiscal year. This work plan will be presented at the June board meeting. She also notified the Committee that her office is close to completing a travel audit for the Board office. Lastly, Ms. Leftheris reported that the Auditor General's Office will begin their operational audit of the Board Office at the beginning of April.

9. Concluding Remarks and Adjournment

Mr. Cerio asked Board members if anyone had any questions or comments. Hearing none, the Audit and Compliance Committee was adjourned at 11:19 a.m.

Timothy Cerio, Chair

Rebekah Weeks, Investigations and Audit Specialist