



CHARTER: AUDIT AND COMPLIANCE COMMITTEE

1.0 Purpose

The purpose of this document is to serve as the State University System of Florida Board of Governors (Board) Audit and Compliance Committee's (AACC) Charter. This Charter identifies the authority under which the AACC operates, and specifies its establishment, composition, quorum, meetings, governance structure, and duties and responsibilities.

A related, but separate Charter governs the duties and responsibilities of the Office of Inspector General and Director of Compliance.

2.0 Authority

Article IX, Section 7, Florida Constitution, establishes the State University System and the Board of Governors as the governing body corporate of the System

Article VI, Section C.(2), Operating Procedures of The Board of Governors of The State University System of Florida, establishes the AACC as a standing committee of the State University System of Florida Board of Governors.

3.0 Establishment

The AACC is the governance body that is charged with oversight of the System's audit and control functions as well as the process for monitoring compliance with laws, rules and regulations.

4.0 Composition

The AACC will consist of at least five members of the Board of Governors and should include at least one member who is a "financial expert."¹ The AACC

¹ Financial expert is defined as an individual who possesses expertise through education or substantial practical business experience in the function and meaning of financial statements and an understanding of proper oversight and accountability for financial matters.

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Chair and Committee members shall be appointed by the Chair of the Board of Governors. The term shall commence upon appointment. Each member shall serve for two years and may be re-appointed for additional terms at the discretion of the Board Chair.

5.0 Quorum

A majority of committee members present at a committee meeting constitutes quorum for purposes of committee business.

6.0 Meetings

The AACC will meet at least four times a year, with authority to convene additional meetings, as circumstances require. Any meeting of the AACC may be conducted through a telephone conference call or by any other technological means. All committee members are expected to attend each meeting.

AACC meetings shall be open and noticed to the public in accordance with the Article I, Section 24 of the Florida Constitution and the requirements of Chapter 286, Florida Statutes.

The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary.

Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared. Records of the meetings, including any video or audio recordings, are public records subject to Chapter 119, Florida Statutes.

6.1 Confidential/Exempt Issues

Most matters addressed by the AACC are public records subject to Chapter 119, Florida Statutes. However, the AACC will, from time to time, have to address matters which are either confidential or exempt. Section 119.07, Florida Statutes, provides that certain limited records are confidential and exempt from the public record and requires that such information be properly protected.

Proper protection of confidential and exempt information helps to promote the integrity of the investigative activity and protects the System against breaches of data and information technology security. Limited exemptions include, but are not limited to:

- Sections 112.3187-112.31895, Florida Statutes - "Whistle-blower's Act"

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- Section 119.071(2)(g)1.a., Florida Statutes - Complaints of discrimination
- Section 119.071(2)(k)1., Florida Statutes - Complaints of misconduct
- Section 282.318, Florida Statutes - Enterprise security of data and information technology

Issues of a confidential or exempt nature will be reported by the Inspector General and Director of Compliance (Inspector General) directly to AACC members and the Chancellor (as appropriate).

7.0 Governance Structure

The Board's AACC, the Board's Inspector General, the university boards of trustees audit committees and their respective Chief Audit Executive each serve important roles in ensuring that processes are in place to meet the State University System's responsibility for financial accountability, integrity and efficiency.

The audit committees of the university boards of trustees and their respective Chief Audit Executives serve as the central point for demonstrating the university's commitment to accountability, financial integrity, and efficiency in the operations of their respective institutions.

The Inspector General shall provide leadership and coordination of audit, investigative and compliance functions for the Board and is generally responsible for promoting activities that ensure accountability, financial integrity, and efficiency as required by law.

8.0 Duties and Responsibilities

This section outlines the duties and responsibilities of the AACC, the AACC Chair and the Inspector General.

8.1 AACC Responsibilities

The AACC will be responsible for:

- a. Assisting the Board of Governors in fulfilling oversight responsibilities in relation to financial reporting, internal control system, risk management system and internal and external audit functions. Its role is to provide advice and recommendations to the Board within the scope of this Charter.

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- b. Reviewing and approving the AACC Charter and the Office of Inspector General and Director of Compliance (OIGC) Charter.
- c. Reviewing the external quality assessment of the OIGC, required by law² and professional auditing standards.
- d. Directing the Inspector General to conduct investigations into any matters within its scope of responsibility and obtaining advice and assistance from outside legal, accounting, or other advisers, as necessary, to perform its duties and responsibilities. Meeting with and seeking any information it requires from employees, officers, directors, or external parties.

8.1.1 Reporting and Communication Responsibilities

With regard to reporting and communication responsibilities, the AACC shall:

- a. Regularly report to the Board about AACC activities, issues, and related recommendations.
- e. Provide for open communication among the OIGC, university board of trustees audit committees, university chief audit executives, external auditors, and the Board of Governors.

8.1.2 Internal Control

Regarding internal controls, the AACC shall:

- a. Consider the effectiveness of the Board Office and State University System of Florida's internal control system, including information technology security and control.
- b. Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

8.1.3 Financial Statements

The AACC shall receive and review Auditor General financial statement audits related to the Board Office and State University System of Florida and conducted for the purpose of determining whether the Board Office or university:

- a. Presented the basic financial statements in accordance with generally accepted accounting principles;

² Section 11.45(2)(i), Florida Statutes

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- b. Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- c. Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.

Receiving and reviewing any disclosure of: i) significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the System's ability to record, process, summarize, and report financial data; and ii) any fraud, whether material or not, that involves management or other employees who have a significant role in the System's internal controls.

The AACC shall follow up, as determined appropriate, on any findings continued in Auditor General financial statement audits of the Board Office and State University System of Florida.

8.1.4 External Audit

With regard to external audits, the AACC shall:

- a. Receive and review all external auditors' reports of Board Office operations, including the Auditor General and Office of Program Policy and Governmental Accountability (OPPAGA) and follow-up to ensure the Chancellor takes timely and appropriate corrective action.
- b. Receive and review all external auditors' reports of the State University System of Florida, including the Auditor General and OPPAGA, and follow-up to ensure university boards of trustees and presidents take timely and appropriate corrective action.

8.1.5 Internal Audit

With regard to internal audits, the AACC shall:

- a. Receive and review the Inspector General's Board Office risk assessment.
- b. Approve the OIGC risk-based audit plan and all major changes to the plan.
- c. Review the OIGC performance of audit activities relative to its plan.

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- d. Receive and review internal audit reports of Board Office operations and follow-up to ensure the Chancellor takes timely and appropriate corrective action.
- e. Direct the Inspector General and Director of Compliance to serve on the State University Audit Council.

8.1.6 Compliance

With regard to compliance, the AACC shall:

- a. Review the effectiveness of the State University System of Florida's efforts to comply with Board of Governors Regulations; and
- b. Direct the Inspector General and Director of Compliance to serve on the State University System Compliance and Ethics Consortium.

8.1.7 Investigative Responsibilities

With regard to investigations, the AACC shall:

- a. Ensure a process exists for receiving anonymous complaints and review the nature and disposition of reported matters.
- b. Institute and oversee special investigations as needed.
- c. Direct the Inspector General to conduct, coordinate, or request investigations when the Board determines that a state university board of trustees is unwilling or unable to address credible allegations relating to waste, fraud, or financial mismanagement within a state university [Section 20.155(5), Florida Statutes].

8.1.8 Other Responsibilities

The AACC's other responsibilities shall include but not be limited to performing activities consistent with this Charter, regulations, rules and governing laws that the Board or AACC determines are necessary or appropriate.

8.2 AACC Chair Responsibilities

The AACC Chair shall:

- a. Preside at all AACC meetings and shall have the authority to call any special or emergency meetings of the Committee. The AACC Chair shall assign members responsibility for specific projects.
- b. Approve decisions regarding the appointment, replacement and removal of the Inspector General. This responsibility will help ensure the Inspector General is independent and possesses the competencies necessary to

perform the position duties and responsibilities as outlined in the position description and the OIGC Charter.

- c. Provide input to the Chancellor on the annual performance evaluation of the Inspector General.
- d. Accept the Inspector General's determination of no further Board action when, as a result of a Preliminary Inquiry, the Inspector General recommends that no further Board action is warranted. In all other situations the Audit Committee shall review the matter at its next meeting.³

The AACC Vice Chair shall perform the duties of the AACC Chair and have the same power and authority in the absence or disability of the AACC Chair.

8.3 Inspector General Responsibilities

The Inspector General is responsible for:

- a. Carrying out the mission, standards of work, code of ethics, access, independence and objectivity, organization, and responsibilities specified in the *Office of Inspector General and Director of Compliance Charter*.
- b. Serving as the Chief Audit Executive (CAE) of the Board Office and shall perform all such duties as necessary to assist the AACC's implementation of its duties and responsibilities.
- c. Serving as the AACC's liaison for communications with university CAEs.
- d. Representing the Board of Governors on the State University Audit Council which is comprised of the CAEs at each of the System Universities.
- e. Representing the Board of Governors on the State University System Compliance and Ethics Consortium.
- f. Keeping the AACC informed of all issues affecting or that may affect the Board Office and the System and make recommendations for improvement, if necessary.
- g. Attending and participating in all meetings of the AACC and preparing and submitting such reports or meeting materials as may be required by the Board or by law, or as deemed necessary by the AACC Chair, Chancellor or the Inspector General.

³ The Board of Governors granted the AACC Chair authority to make such determinations at the June 21, 2012, meeting of the Board of Governors.

9.0 Review

The AACC shall periodically review this Charter and assess its adequacy in achieving the goals and objectives of the Board.

History: Adopted 3-26-09, Reviewed and Amended 6-18-10, 6-21-12, x-xx-14

STATE UNIVERSITY SYSTEM OF FLORIDA BOARD OF GOVERNORS

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INTRODUCTION:

~~The State University System of Florida, Board of Governors ("Board") Audit and Compliance Committee ("Audit Committee") was established to demonstrate the Board's commitment to accountability. The *Audit and Compliance Committee Charter* ("Charter") articulates the powers and duties of the Audit Committee, provides for a systematic and disciplined approach to the evaluation of the Board's operations, and fosters a management environment committed to integrity, efficiency, sound financial controls, and accountability for the State University System.~~

~~This Charter establishes clear lines of authority, responsibility and expectations related to the Office of Inspector General and Director of Compliance ("Inspector General"), which shall coordinate activities designed to promote accountability, efficiency and effectiveness in the operations of the Board and activities to support accountable, efficient, and effective practices in the State University System.~~

~~The Charter is presented with the following sections: I. Organization, II. Authority, III. Duties and Responsibilities, and IV. Meetings/Reporting Responsibilities, V. Annual Review.~~

I. ORGANIZATION:

~~The Board is comprised of seventeen members, fourteen of whom are appointed by the Florida Governor and confirmed by the Florida Senate for a term of seven years. The remaining members are the Chair of the Advisory Council of the Faculty Senate, the Commissioner of Education, and the President of the Florida Student Association.~~

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The Audit Committee serves as the central point for demonstrating the Board's commitment to accountability, financial integrity, and efficiency in the operations of the State University System. The Audit Committee shall be comprised of five to nine members of the Board appointed by the Chair and should include at least one member who is a "financial expert."⁴

The audit committees of the University Boards of Trustees and their respective internal audit executives serve as the central point for demonstrating the university's commitment to accountability, financial integrity, and efficiency in the operations of their respective institutions.

The Board's Audit Committee, the Board's Inspector General, the University Boards of Trustees audit committees and their respective internal audit executives each serve important roles in ensuring that processes are in place to meet the State University System's responsibility for financial accountability, integrity and efficiency.

The Chair of the Audit Committee shall preside at all Audit Committee meetings and have the authority among other things to develop the agenda and assign members responsibility for specific projects. In the absence of the Chair, the Vice Chair will preside at the Audit Committee meeting(s).

The Chancellor for the State University System of Florida, Board of Governors ("Chancellor") is primarily responsible for providing support to the Board in achieving its mission, goals, and objectives. Among other duties, the Chancellor is responsible for the development and implementation of Board policies and the day-to-day operations of the Board Office, including supervision of professional and support staff.

The Inspector General shall provide leadership and coordination of audit and compliance functions for the Board and is generally responsible for promoting activities that ensure accountability, financial integrity, and efficiency as required by law.

To achieve necessary independence and to ensure maximum effectiveness and coordination, the Inspector General has a dual reporting relationship with the Audit Committee and the Chancellor. The Inspector General shall report functionally to the Audit Committee and shall report administratively directly to the Chancellor. To report functionally means the Inspector General shall, among other duties, provide to the Audit Committee:

⁴ Financial expert is defined as an individual who possesses expertise through education or substantial practical business experience in the function and meaning of financial statements and an understanding of proper oversight and accountability for financial matters.

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- ~~the proposed internal risk assessment and audit plan for the Board Office; and~~
- ~~reports on the results of internal audits, preliminary inquiries, investigations and other matters as requested by the Audit Committee, or as may be required by law, applicable auditing standards or the independent professional judgment of the Inspector General.~~

~~To report administratively to the Chancellor shall mean all matters within the Board's office management structure that facilitate day-to-day operations of the internal audit and investigation function such as budgeting, human resources administration, internal communication flows, and administration of Board Office internal policies and procedures.~~

II. AUTHORITY:

~~Article IX, Section 7, subsection (d) of the Florida Constitution mandates that the Board operate, regulate, control, and be fully responsible for the management of the State University System of Florida, including but not limited to defining the distinctive mission of each constituent university and its articulation with free public schools and community colleges; ensuring the well-planned coordination and operation of the system; and avoiding wasteful duplication of facilities or programs. The Board's management is subject to the powers of the Legislature to appropriate for the expenditure of funds, and the Board is required to account for such expenditures as provided by law. Under Article IX, Section 7, subsection (c) of the Florida Constitution and Board authorizations, the Board of Trustees of each university in the State University System is responsible for oversight and administration of the university.~~

~~The authority of the Audit Committee comprises the specific duties and responsibilities delegated to it by the Board as set forth in this Charter.~~

III. DUTIES AND RESPONSIBILITIES:

A. BOARD OF GOVERNORS

~~The Audit Committee's essential functions relative to the operation and management of the Board are to provide oversight of activities related to internal audit, financial controls, compliance and ethics; to review significant accounting and reporting issues and confirm appropriate management responses; to review risk assessment methodologies and risk management policies; to assess the effectiveness of the internal control system; and to review and confirm appropriate management response to any report of significant audit or~~

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compliance-related findings and recommendations. Specifically, the Audit Committee will:

- review the operational and financial audits conducted by the Auditor General;
- review periodic reports issued by the Inspector General on audits, management reviews, and investigations;
- review corrective action plans implemented by the Chancellor;
- approve the Charter for the Board's Inspector General's Office;
- review and approve risk assessments and internal audit plans prepared by the Inspector General, who shall determine operationally the scope and assignment of the audit;
- direct the Inspector General to perform audits of special programs, functions, or organizational units;
- provide guidance on establishing and maintaining strong working relationships with external auditors and other stakeholders and assist the Board in obtaining adequate funding and resources needed by the Board's Office of Inspector General to fulfill his or her mandated duties.

When as a result of a Preliminary Inquiry the Inspector General recommends that no further Board action is warranted, the Audit Committee Chair is delegated the authority to accept that determination. In all other situations the Audit Committee shall review the matter at its next meeting.

B. STATE UNIVERSITY SYSTEM

The Audit Committee's duties relative to the State University System include:

- acting as a liaison with the University Boards of Trustees audit committee;
- receiving and reviewing university independent audited financial statement reports;
- receiving and reviewing university internal audit reports;
- identifying trends in all such reports and confirming that adverse trends are being addressed by the universities;
- initiating inquiries if the Audit Committee has reasonable cause to believe that a university is not providing for appropriate response to significant audit findings;
- directing the Inspector General to conduct an inquiry or investigation if the Audit Committee has reasonable cause to believe that a University Board of Trustees is unwilling or unable to provide for objective investigation of credible allegations of fraud or other substantial financial impropriety; and

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- ~~working collaboratively with the universities to develop resources that will support sound audit and financial compliance practices.~~

IV. MEETINGS/REPORTING RESPONSIBILITIES:

~~The Audit Committee shall generally meet face to face or by conference call four times a year or as needed. The Audit Committee shall report regularly to the Board about Audit Committee activities and provide an open and effective avenue of communication between the Inspector General, external auditors, and the University Boards of Trustee's audit committees.~~

V. ANNUAL REVIEW

~~The Audit Committee shall confirm annually that the duties and responsibilities outlined in this Charter have been carried out and will review and assess the adequacy of the Charter in achieving the goals and objectives of the Board.~~

~~Approved by the State University System of Florida, Board of Governors.~~

~~History: Adopted 3-26-09, Reviewed and Amended 6-18-10, 6-21-12~~