

MINUTES
BOARD OF GOVERNORS
STATE UNIVERSITY SYSTEM OF FLORIDA
AUDIT AND COMPLIANCE COMMITTEE MEETING
NEW COLLEGE OF FLORIDA
SARASOTA, FLORIDA
SEPTEMBER 21-22, 2016

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Chair Alan Levine convened the meeting of the Audit and Compliance Committee on September 21, 2016, at 4:43 p.m., at the Main Auditorium in the NCF Harry Sudakoff Conference Center on the New College of Florida campus, in Sarasota, Florida. The meeting was adjourned at 5:10 p.m. on September 21, and was resumed at 8:35 a.m. on September 22. The meeting was conclusively adjourned at 8:41 a.m. on September 21. The following Audit and Compliance Committee members were present: Ed Morton, Wayne Huizenga, Darlene Jordan, Ned Lautenbach, Wendy Link, and Fernando Valverde. The following members of the Board were also present: Richard Beard, Dean Colson, Tom Kuntz, Norman Tripp, Gary Tyson, and Jacob Hebert.

September 21, 2016 - 4:43 p.m.

1. Call to Order

Mr. Levine called the meeting to order.

2. Approval of Minutes

Mr. Valverde motioned that the Committee approve the minutes of the Audit and Compliance Committee held June 21, 2016, as presented. Mr. Morton seconded the motion. The minutes were approved.

3. Public Notice of Intent to Create Board of Governors Regulations

Mr. Maleszewski, the Board of Governors Inspector General and Director of Compliance, walked the committee through the four regulations the Board of Governors intends to publicly notice on its website. The four regulations are described below.

- Board of Governors Regulation 4.001, *State University System Processes for Complaints of Waste, Fraud, or Financial Mismanagement*, addresses the

creation and duties of the Office of Inspector General and Director of Compliance. It includes the board of trustees' responsibility to establish processes for addressing allegations of waste, fraud, or financial mismanagement.

Mr. Lautenbach motioned the committee to approve the public notice of intent to create Regulation 4.001. Ms. Link seconded the motion. Regulation 4.001 was approved for public notice of its intention to be created.

- Board of Governors Regulation 4.002, *State University System Chief Audit Executives*, recognizes that State University System of Florida chief audit executives are a point for responsibility for activities that promote accountability, integrity, and efficiency. It requires each board of trustees to have an audit and compliance committee with responsibilities defined in a charter approved by the board of trustees and periodically reviewed and updated. It also requires a charter for the office of chief audit executive which defines duties for audits, investigations and other activities which promote economy, efficiency, and effectiveness of university programs and operations.

Governor Levine noted that this regulation was initially controversial, because some chief audit executives did not report directly to the university president. He also noted that this regulation would require some universities to change their processes and structures, so that the chief audit executives and audit functions are fully independent.

Mr. Lautenbach motioned the committee to approve the public notice of intent to create Regulation 4.002. Mr. Morton seconded the motion. Regulation 4.002 was approved for public notice of its intention to be created.

- Board of Governors Regulation 4.003, *State University System Compliance and Ethics Programs*, is designed to set minimum requirements for university compliance and ethics programs based upon the guidelines in the Federal Sentencing Guidelines Manual. It provides for an effective compliance and ethics program to be implemented within 2-years of the regulation being adopted. The regulation also requires a charter document for the office of the chief compliance officer and periodic review by the board of trustees.

Governor Levine stressed that, with this regulation, the board will always be aware of the effectiveness of university compliance programs.

Brian Lamb, Chair of USF's Board of Trustees, noted that USF has already adopted the practices described in the regulation, and is now in process of separating its budget, compliance and audit functions. He stressed support of the regulation and was appreciative of its creation.

Mr. Maleszewski noted that other universities, such as UNF, have also moved in the direction of adopting the regulation.

Mr. Lautenbach motioned the committee to approve the public notice of intent to create Regulation 4.003. Ms. Link seconded the motion. Regulation 4.003 was approved for public notice of its intention to be created.

- o Board of Governors Regulation 4.004, *Board of Governors Oversight Enforcement Authority*, outlines the processes this Board may use to address repeat audit findings and other material noncompliance. These processes include Board authority to command compliance, investigate noncompliance, require periodic updates, withhold funds, and declare the university ineligible for competitive grants distributed by the Board.

Mr. Lautenbach motioned the committee to approve the public notice of intent to create Regulation 4.004. Mr. Valverde seconded the motion. Regulation 4.004 was approved for public notice of its intention to be created.

4. Update, Florida A&M University 2013 Corrective Action Plan

At the June 21, 2016, AACC meeting, Mr. Maleszewski provided an update of the FAMU corrective action plan the Committee has been monitoring since January 2013. Here, Governor Levine confirmed with Chair Lawson that the FAMU BOT was willing to own and address the issue of an Intercollegiate Athletics cash deficit.

FAMU Board of Trustees Chair Lawson and Angela Poole, FAMU Vice President for Finance and Administration, provided an update on the Intercollegiate Athletics Cash Deficit Plan. Ms. Poole stated that funds were being used from auxiliary accounts that were not allowed to be used for athletics. Seven million dollars will be refunded back to these auxiliaries over a twelve-year term. FAMU will be using allowable direct support organization funds to assist during the refund period. Ms. Poole noted that the athletics auxiliary has reflected the payable on its books, and funds have been transferred to no longer show the cash deficit.

The university has implemented a three-year Corrective Action Plan that will include monthly reviews of operating expenses with Board and university officials. Approval from the university CFO and President will be required to transfer any funds to the auxiliary accounts. The university has also implemented an aggressive fundraising campaign for athletics. A 20% increase has already been noted in season ticket sales. Governor Levine noted that FAMU athletics will continue to have an Auditor General finding related to this issue until the deficit is eliminated.

Concluding Remarks and Adjournment

The meeting of the Audit and Compliance Committee was adjourned at 5:10 p.m. on September 21, 2016, to resume the next morning.

September 22, 2016 - 8:35 a.m.

5. Update, 2015-2016 OIGC Annual Report

Mr. Maleszewski directed the Committee's attention to the OIGC Annual Report. The OIGC is required to submit an annual report outlining the work and activities performed that fulfill its mission to promote accountability, integrity, and efficiency in the State University System of Florida.

The report includes a review of system audits (181 total), receipt and disposition of matters including complaints and related requests (43 total), Performance Based Funding Data Integrity certifications and audits, and review of university senior official employment contracts and renovations. It also highlights regulations development and the monitoring of university corrective actions.

6. Update, Auditor General Operational Audit of Board of Governors Office

Mr. Maleszewski provided a brief update on the Auditor General's audit of the Board Office. Statute requires the operational audit to be performed once every three years. On March 24th of this year, an entrance conference for the Auditor General's operational audit of the Board Office was held. Audit staff were on-site through mid-July and an exit conference was held July 14th to discuss the Auditor General's work and potential audit findings. Subsequently, Board Office staff provided additional information and are awaiting the Preliminary and Tentative audit report. Once received, the Chancellor will have 30 days to review and respond to any audit findings.

7. Concluding Remarks and Adjournment

Mr. Maleszewski announced the following university staffing changes: Debra Gula of USF will be retiring in December of 2016, Carol Slade of FGCU will also be retiring in December of 2016, and Julia Hann has recently been appointed as the new Chief Audit Executive at UNF.

The meeting of the Audit Committee was adjourned at 8:41 a.m.

Alan Levine, Chair

Lori Clark, Compliance and Audit Specialist