

**MINUTES
BOARD OF GOVERNORS
STATE UNIVERSITY SYSTEM OF FLORIDA
AUDIT AND COMPLIANCE COMMITTEE MEETING
MIAMI, FLORIDA
AUGUST 31, 2021**

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Chair Charles Lydecker convened the meeting of the Audit and Compliance Committee on August 31, 2021, at 3:08 p.m. The following Audit and Compliance Committee members were present: Charles H. Lydecker, Kent Stermon, Aubrey Edge, Patricia Frost, and Ken Jones. The following members of the Board were also present: Tim Cerio, Edward Haddock, Nastassia Janvier, Sydney Kitson, Brian Lamb, Steven Scott, William Self, and Eric Silagy.

1. Call to Order

Mr. Lydecker called the meeting to order.

2. Approval of Minutes

Mr. Jones motioned that the Committee approve the minutes of the Audit and Compliance Committee meeting held on June 22, 2021, as presented. Ms. Frost seconded the motion. The minutes were approved.

3. Annual SUS Audits Summary, FY 2020 – 2021

Ms. Leftheris presented the annual summary of the SUS audit coverage for the fiscal year 2020-2021. The SUS audit coverage included the 12 university Auditor General's financial statement audits; the Auditor General's operational audits; the independent CPA administered audits for university affiliated support organizations; the university athletic program audits; and university chief audit executives' internal audits.

Mr. Lydecker asked Ms. Leftheris to explain the three-peat findings issue for Florida Polytechnic University and to address the material weaknesses noted for the UNF and USF affiliated support organizations. Ms. Leftheris explained that three-peat findings result from a university's noncompliance for nine years since operational audits are typically conducted every three years. Governor Stermon asked if it will take another three years to see if the non-compliance is remedied. Ms. Leftheris explained the university (Florida Polytechnic) will likely hear from the Joint Legislative Auditing Committee in a few months, which means the university will have to explain their corrective actions completed or in progress regarding their compliance with the Textbook Affordability statute. Ms. Leftheris offered to follow up with the university and

provide an update to the Audit and Compliance Committee on the status of the three-peat matter.

Relating to the CPA firm's material weaknesses for the university affiliated support organizations for UNF and USF, Ms. Leftheris noted the most significant finding was related to USF's University Medical Services Association (UMSA). She said the university took swift and thorough action to address the concerns. In her follow up with university CAEs, she believes the universities are taking appropriate action to resolve any identified issues.

Governor Jones asked if USF looked at other areas for any other possible fraudulent activity. Although this particular incident was investigated, he asked if the university has taken other steps to avoid this kind of incident in the future. USF's Chief Audit Executive, Virginia Kalil, introduced herself and explained that she, along with other external resources, had conducted the investigation. She said the university conducted a stress test for all Direct Support Organizations (DSO) that controlled their own Procurement Card programs; they did not identify any issues with those programs. They also conducted a deep review into the fraud subject's other responsibilities at the University Medical Services Association (UMSA), and did not find any additional fraud concerns, but did identify areas for process improvement.

Chair Kitson reminded the Audit and Compliance Committee of his directive for a review of internal controls at all State University System institutions several years ago, which did not include DSOs. The same firm that conducted the earlier review has recently been retained to conduct a similar review to conduct the review of all Direct Support Organizations.

Regarding the findings about inappropriate severance pay, Governor Jones asked what the fix was for that issue and whether the severance pay is ever returned in those instances. General Counsel for the Board of Governors, Vikki Shirley, explained that once severance has been paid, it is difficult to recover; and ultimately, the university absorbs that cost.

4. FAMU Athletics Budget Status

FAMU Chair Lawson gave a presentation related to their athletics program's budgeting progress. He stated the university has met their financial targets in years past and is on track to meet the financial targets this year. At fiscal year's end, they are planning to end the year with a slight surplus as a result of budget cuts and additional receivables. Mr. Lawson also shared the university's strategies for the athletics department's management and oversight. Committee members commended Chair Lawson and senior management for their leadership of the athletics department and balancing the program's budget.

5. OIGC Updates

Ms. Leftheris provided a status update regarding Chair Kitson's directive for the aforementioned financial internal control reviews of the universities' direct and other affiliate support organizations. The Crowe firm has been procured to conduct the review, which is expected to be completed by the end of this fiscal year. The Audit and Compliance Committee will be updated on the progress of the review and will be presented with the results of the review. Additionally, Ms. Leftheris notified the Audit and Compliance Committee that all corrective actions that were identified during the Crowe firm's 2019 Internal Management and Accounting Control and Business Process Review have been resolved.

6. Concluding Remarks and Adjournment

There were no other comments by committee members. The Audit and Compliance Committee was adjourned at 3:44 p.m.

Charles Lydecker, Chair

Lori Clark, Compliance and Audit Specialist