

**FLORIDA BOARD OF GOVERNORS
NOTICE OF PROPOSED AMENDED REGULATION**

DATE: April 1, 2022

REGULATION NUMBER AND TITLE: 4.002, State University System Chief Audit Executives

SUMMARY: This regulation recognizes that State University System of Florida chief audit executives are a point for coordination of, and 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. It also requires a charter for the office of chief audit executive which defines duties for audits, investigations and other activities that promote economy, efficiency, and effectiveness of university programs and operations.

The regulation provides for organizational independence of the chief audit executive through a functional reporting relationship to the board of trustees and provides the chief audit executive timely access to information and people necessary to carry out the duties of their office.

To maintain the applicability and relevance of Board of Governors Regulations, the Office of Inspector General and Director of Compliance recently reviewed the Chapter 4 regulations for possible amendments. The proposed amendments:

- Clarify, where applicable, reporting is to be to the Board of Governors Office through the Office of Inspector General and Director of Compliance;
- Add a new requirement for quarterly updates to the Board of Governors Audit and Compliance Committee of any chief audit executive vacancy of more than six months and the efforts to fill such vacancy; and
- Duplicate language from regulation 4.001, paragraphs (5) and (6), requiring university boards of trustees to adopt regulation(s) related to significant and credible allegations of fraud, waste, mismanagement, misconduct, and other abuses made against the university president, a board of trustees member, or chief audit executive.

This regulation has been reviewed internally by Board Office staff and externally by appropriate university representatives through the established regulation development process. The Committee approved the regulation draft on March 29, 2022, and the Board of Governors approved it for notice of intent to amend. It will then be noticed on the Board's website for 30 days and presented to the Board of Governors for final approval consideration at the June 2022 meeting.

FULL TEXT OF THE REGULATION IS INCLUDED WITH THIS NOTICE.

AUTHORITY TO PROPOSE REGULATION(S): Section 7(d), Art. IX, Fla. Const.; BOG Regulation Development Procedure dated March 23, 2006.

THE BOARD OF GOVERNORS' OFFICIAL INITIATING THE PROPOSED REGULATION: Julie Leftheris, Inspector General and Director of Compliance

COMMENTS REGARDING THE PROPOSED REGULATION SHOULD BE SUBMITTED WITHIN 14 DAYS OF THE DATE OF THIS NOTICE TO THE CONTACT PERSON IDENTIFIED BELOW. The comments must identify the regulation on which you are commenting:

General Counsel, Board of Governors, State University System, 325 W. Gaines Street, Suite 1614, Tallahassee, Florida 32399, (850) 245-0466 (phone), (850) 245-9685 (fax), or generalcounsel@flbog.edu.

4.002 State University System Chief Audit Executives

- (1) Each university shall have an office of chief audit executive as a point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency in the operations of the university.
- (2) Each board of trustees shall establish a committee responsible for addressing audit, financial- and fraud-related compliance, controls, and investigative matters. For purposes of this regulation, this committee will be referred to as the audit and compliance committee. This committee shall have a charter approved by the board of trustees and reviewed at least every three (3) years for consistency with applicable Board of Governors and university regulations, professional standards, and best practices. A copy of the approved charter and any subsequent changes shall be provided to the Board of Governors Office, through the Office of Inspector General and Director of Compliance (OIGC).
- (3) Each board of trustees shall adopt a charter which defines the duties and responsibilities of the office of chief audit executive. The charter shall be reviewed at least every three (3) years for consistency with applicable Board of Governors and university regulations, professional standards, and best practices. A copy of the approved charter and any subsequent changes shall be provided to the Board of Governors Office, through the OIGC. At a minimum, the charter shall specify that the chief audit executive:
 - (a) Provide direction for, supervise, and coordinate audits and investigations which promote economy, efficiency, and effectiveness in the administration of university programs and operations including, but not limited to, auxiliary facilities and services, direct support organizations, and other component units.
 - (b) Conduct, supervise, or coordinate activities that support management's responsibility for the ~~purpose of preventing prevention~~ and ~~detection detecting~~ of fraud, waste, and abuse within university programs and operations including, but not limited to, auxiliary facilities and services, direct support organizations, and other component units.
 - (c) Address significant and credible allegations relating to ~~waste,~~ fraud, waste, abuse, or financial mismanagement as provided in Board of Governors Regulation 4.001.
 - (d) Keep the president and board of trustees informed concerning significant and credible allegations and known occurrences of ~~waste,~~ fraud, waste, abuses, mismanagement, ~~abuses,~~ and deficiencies relating to university programs and operations; recommend corrective actions; and report on the progress made in implementing corrective actions.
 - (e) Promote, in collaboration with other appropriate university officials, effective coordination between the university and the Florida Auditor General, federal auditors, accrediting bodies, and other governmental or oversight bodies.

- (f) Review and make recommendations, as appropriate, concerning policies and regulations related to the university's programs and operations including, but not limited to, auxiliary facilities and services, direct support organizations, and other component units.
- (g) Communicate to the president and the board of trustees, at least annually, the office's plans and resource requirements, including significant changes, and the impact of resource limitations.
- (h) Provide training and outreach, to the extent practicable, designed to promote accountability and address topics such as fraud awareness, risk management, controls, and other related subject matter.
- (i) Coordinate or request audit, financial- and fraud-related compliance, controls, and investigative information or assistance as may be necessary from any university, federal, state, or local government entity.
- (j) Develop and maintain a quality assurance and improvement program for the office of chief audit executive.
- (k) Establish policies which articulate the steps for reporting and escalating matters of alleged misconduct, including criminal conduct, when there are reasonable grounds to believe such conduct has occurred.
- (l) Inform the board of trustees when contracting for specific instances of audit or investigative assistance.

(4) The board of trustees must:

- (a) Adopt a regulation(s) as prescribed by Board of Governors Regulation 4.001, paragraphs (5) and (6), regarding significant and credible allegations against the university president, board of trustees member or the chief audit executive;
- (b) ~~e~~Obtain Board of Governors' approval before outsourcing the chief audit executive's entire audit or investigative function; and
- ~~(a)~~(c) Provide quarterly updates to the Board of Governors Audit and Compliance Committee, through the OIGC, of any chief audit executive vacancy unfilled for six (6) months and describe efforts taken to fill ~~it~~such vacancy;

(5) Each board of trustees shall ensure that the university chief audit executive is organizationally independent and objective to perform the responsibilities of the position. The chief audit executive shall:

- (a) Report functionally to the board of trustees and administratively to the president.
- (b) Report routinely to the board of trustees on matters including significant risk exposures, control issues, fraud risks, governance issues, and other matters requested by the president and the board of trustees.

- (c) Conduct and report on audits, investigations, and other inquiries free of actual or perceived impairment to the independence of the chief audit executive's office.
- (d) Have timely access to any records, data, and other information in possession or control of the university including information reported to the university's hotline/helpline.
- (e) Notify the chair of the board of trustees' audit [and compliance](#) committee or the president, as appropriate, of any unresolved restriction or barrier imposed by any individual on the scope of an inquiry, or the failure to provide access to necessary information or people for the purposes of such inquiry. The chief audit executive shall work with the board of trustees and university management to remedy scope or access limitations. If the university is not able to remedy such limitations, the chief audit executive shall timely notify the Board of Governors [Office](#), through the OIGC, of any such restriction, barrier, or limitation.

(6) In carrying out the auditing duties and responsibilities set forth in this regulation, each chief audit executive shall review and evaluate controls necessary to enhance and promote the accountability of the university. The chief audit executive shall perform or supervise audits and prepare reports of their findings, recommendations, [conclusions](#), and opinions. The scope and assignment of the audits shall be determined by the chief audit executive; however, the president and board of trustees may request the chief audit executive direct, perform, or supervise audit engagements.

- (a) Audit engagements shall be performed in accordance with the *International Professional Practices Framework*, published by The Institute of Internal Auditors, Inc.; the *Government Auditing Standards*, published by the United States Government Accountability Office; and/or the *Information Systems Auditing Standards* published by ISACA. All audit reports shall describe the extent to which standards were followed.
- (b) At the conclusion of each audit engagement, the chief audit executive shall prepare a report to communicate the audit results and action plans to the board of trustees and university management. A copy of the final audit report will be provided to the Board of Governors consistent with Board of Governors Regulation 1.001(6)(g).
- (c) The chief audit executive shall monitor the disposition of results communicated to university management and determine whether corrective actions have been effectively implemented or that senior management or the board of trustees, as appropriate, has accepted the risk of not taking corrective action. If, in the chief audit executive's judgment, senior management or the board of trustees has chosen not to take corrective actions to address substantiated instances of ~~waste~~-fraud, [waste, abuse](#), or financial

mismanagement, then the chief audit executive shall timely notify the Board of Governors, through the OIGC.

- (d) The chief audit executive shall develop audit plans based on the results of periodic risk assessments. The plans shall be submitted to the board of trustees for approval. A copy of approved audit plans will be provided to appropriate university management and the Board of Governors Office, through the OIGC.
- (e) The chief audit executive must develop and maintain a quality assurance and improvement program in accordance with professional audit standards. This program must include an external assessment conducted at least once every five (5) years. The external assessment report and any related improvement plans shall be presented to the board of trustees, with a copy provided to the Board of Governors Office, through the OIGC.

(7) Each chief audit executive shall initiate, conduct, supervise, or coordinate investigations that fall within the purview of the chief audit executive's office and be designated by their board of trustees as the employee to review statutory whistleblower information and coordinate all activities of the university as required by the Florida Whistle-blower's Act. Investigative assignments shall be performed in accordance with professional standards issued for the State University System. All final investigative reports shall be submitted to the appropriate action officials, board of trustees, and if, in the chief audit executive's judgment, the allegations are determined to be significant and credible, to the Board of Governors Office through the OIGC ~~if, in the chief audit executive's judgment, the allegations are determined to be significant and credible~~. Such reports shall be redacted to protect confidential information and the identity of individuals, when provided for by law.

(8) By September 30th of each year, the chief audit executive shall prepare a report summarizing the activities of the office for the preceding fiscal year. The report shall be provided to the president, board of trustees, and the Board of Governors Office, through the OIGC.

Authority: Section 7(d), Art. IX, Fla. Const.; History: New 11-3-16-; Amended mm-dd-yy