

MINUTES
BOARD OF GOVERNORS
STATE UNIVERSITY SYSTEM OF FLORIDA
AUDIT AND COMPLIANCE COMMITTEE MEETING
TALLAHASSEE, FLORIDA
March 28, 2023

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Chair Aubrey Edge convened the meeting of the Audit and Compliance Committee on March 28, 2023, at 2:23 p.m. The following Audit and Compliance Committee members were present: Patricia Frost, Edward Haddock, Alan Levine, Craig Mateer, and Jose Oliva.

1. Call to Order

Mr. Edge called the meeting to order.

2. Approval of Minutes

Mr. Mateer motioned that the Committee approve the minutes of the Audit and Compliance Committee meeting held on January 24, 2023, as presented. Ms. Frost seconded the motion. The minutes were approved.

3. SUS Data Integrity Audits and Certifications Summary

Mr. Edge provided a brief description of the data integrity audit and certification requirement that has been required annually since January 2014 for System institutions. The statute and regulation require university chief audit executives to conduct or have conducted an annual audit of the data used for metrics upon which performance-based funding decisions are made as well as for the metrics used in preeminent and emerging preeminent status considerations. Additionally, university chief audit executives are required to prepare a data integrity certification for the university's president and board of trustees chair to sign certifying that the data submitted to the Board of Governors is accurate.

The Board of Governors inspector general and director of compliance, Julie Leftheris, reported that all universities determined adequate controls and processes were in place for complete, accurate, and timely data submissions; and she said all universities affirmed the audits provided a reasonable basis of support for the president's and board of trustees chair's certification of data integrity. Nine of the 12 universities were able to affirm the data integrity without exception. Florida International University (FIU), Florida State University (FSU), and the University of South Florida (USF) noted exceptions and provided a brief description for each of them. She highlighted each of them.

For USF's preeminence metrics, Ms. Leftheris said auditors had identified two issues related to the Higher Education Research and Development (HERD) survey. For the first finding, the auditors found the University's inclusion of \$19.1 million of imputed rent in research expenditures for the Moffitt Cancer Center facility was inappropriate. After receiving the audit report, Board staff contacted the National Science Foundation (NSF) for clarification and was informed that including imputed rent was not allowable.

Mr. Edge asked Dr. Christy England, the Board of Governors vice chancellor for academic and student affairs, and USF President Rhea Law to provide clarification on this concern. Dr. England acknowledged that the concern with USF's HERD survey reporting has been recurring. She said Board staff made follow-up inquiries and confirmed that the NSF said including the imputed rent is not allowable. She stated the university has been informed that the Board Office will follow the NSF's guidelines on this issue. For future reporting, she advised the university to call the NSF as well as the Board Office's Academic and Student Affairs staff before making changes to how they report information for the HERD survey. She said her staff will work with university staff to ensure accurate reporting.

Alan Levine expressed his frustration on this issue as he said it has been a running problem for the past three years. He said the faculty for the Moffitt Cancer Center are USF faculty, and they attract research money. He asked how they can permit the university to get credit on the HERD survey for the research funding the university's faculty attract. Mr. Edge said it would require a statutory change. Dr. England agreed and said it would require a change in how USF reports the Moffitt Cancer Center (MCC) on its financial statements. Mr. Levine asked if USF and MCC leadership have proposed language for the legislature to consider. President Law said this has been a long-standing issue that has been discussed with Moffitt. There is \$150 million in research grants being generated by USF faculty that they are not permitted to report on the HERD survey. She said they have spoken with the MCC, and they agreed that USF should be able to report the funds. But she said they have not had the NSF's cooperation to consider it further. She would like to find a resolution. If USF is not permitted to report these research dollars, no other universities can either; all System institutions are affected by this. Mr. Levine offered to assist in any way he could, such as by talking with the NSF. Mr. Edge asked Chancellor Rodrigues to follow-up with the Board Office unit most suited to pursue this further.

Referring to the \$19.1 million of imputed rent finding, Mr. Edge said it needs follow-up. President Law said the university supports the MCC in providing the facility and the land for one dollar annually. Thousands of square feet of campus land are dedicated to the MCC. She said the university had received a legal opinion that imputed rent would be permissible to report on the HERD survey. They disclosed this information to the NSF in last year's survey, which was accepted. The auditors identified it this year as a potential but acceptable risk. She stressed that this issue does not impact the metrics. She offered to work with the Board of Governors and the NSF to remedy this issue. Dr.

England reiterated that in-kind contributions, like imputed rent, are not allowable and that additional conversation with the NSF is needed.

The second finding related to the university Foundation's support for university employees who perform Research and Development (R&D) activities. To avoid duplicate counting of these expenditures in the HERD survey, the auditors recommended excluding the USF Foundation's salary support expenditures when consolidating the Foundation's data and the USF expenditure data. Because this was not done for the period audited, \$7.3 million in salary was overreported as a non-science and engineering R&D expenditure. Ms. Leftheris added that this finding did not impact the metrics.

Inspector General Leftheris ended her presentation by confirming that none of the items identified in the USF Preeminence audit had impacted those metrics.

Mr. Edge thanked university presidents, board of trustees chairs, and chief audit executives for their due diligence in performing these audits. He said these audits help universities and the Board of Governors monitor the effectiveness of internal controls related to the data used in evaluating our universities' success in the various metrics.

4. Follow-up Report, SUS External Review of Financial Internal Controls for University DSOs, Corrective Actions Update

Mr. Edge introduced this topic by explaining that Chair Lamb had requested at the September 2022 Board of Governors meeting that the Committee follow up on universities' progress in implementing the recommendations from the SUS external review of financial internal controls for university direct support organizations. He asked that the Committee report the status at each meeting until all observations have been corrected.

Inspector General Leftheris stated that at the January 2023 Committee meeting, the number of observations needing corrective actions went from 122 initially in September 2022 to 16 in January 2023. As of February 2023, she reported there are eight observations whose corrective actions are in process. The pending observations are for three universities (New College of Florida, the University of Central Florida, and Florida Polytechnic University) and four direct support organizations. All corrective actions are expected to be completed by the end of June 2023. She will provide another update at the Committee's June meeting.

Mr. Edge acknowledged universities' progress in correcting the noted observations and reiterated that these support organizations are areas of high risk; universities need to continue monitoring them effectively. He thanked them for their due diligence in addressing these issues.

5. Approval, Revised Board of Governors AACC Charter, OIGC Charter, and Compliance Program Plan

As part of her office's compliance self-assessment, Ms. Leftheris explained that one of the areas of improvement was to review the Committee's charter, her office's charter, and the compliance program plan. The nature of the edits made, she said, were to better align the documents with each other, to better describe the Committee's role in overseeing the compliance function, to update her office's responsibilities in maintaining and monitoring compliance with Board of Governors' regulations, to require an annual assessment of the compliance program's design and effectiveness, and to make minor grammar edits. The revised documents were included in the meeting materials for Board members to review and consider for approval before presenting them to the full Board for their approval consideration.

Hearing no questions or discussion about the revised documents, Mr. Edge called for a motion to approve them. Mr. Haddock did so, and Mr. Mateer seconded it. The three documents were approved.

6. OIGC Updates

Based on the discussion and questions from several Board of Governors members at the last meeting related to foreign gift activity on our campuses, Mr. Edge asked Ms. Leftheris to prepare a more detailed presentation on this topic for the June Committee meeting. He would like information about the statutory definition of foreign gifts, the number of foreign gifts reported last year as well as information about the amount and results of the required background screening for research as well as the foreign travel activities reported. He requested that Ms. Leftheris invite campus representatives to be available for Board members' questions.

7. Concluding Remarks and Adjournment

There were no other comments; the meeting adjourned at 2:53 p.m.

Aubrey Edge, Chair

Lori Clark, Compliance and Audit Specialist