

MINUTES
BOARD OF GOVERNORS
STATE UNIVERSITY SYSTEM OF FLORIDA
AUDIT AND COMPLIANCE COMMITTEE MEETING
TALLAHASSEE, FLORIDA
September 20, 2023

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Chair Aubrey Edge convened the meeting of the Audit and Compliance Committee on September 20, 2023, at 11:02 a.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 for approval of the Audit and Compliance Committee meeting minutes held on June 22, 2023, as presented. Ms. Frost seconded the motion. The minutes were approved.

3. SUS Audits Summary, Fiscal Year 2022-2023

The Board of Governors Inspector General and Director of Compliance, Julie Leftheris, provided a summary of the audits conducted during the 2022- 2023 fiscal year on the state's 12 public universities. Audit coverage included the auditor general's office's financial statement audits for all universities and operational audits for four of the 12; the independent CPA administered audits for university affiliated support organizations; and university chief audit executives' internal audit reports.

Ms. Leftheris reported that the auditor general's financial statements indicated all were fairly presented; there were no reported issues of material weaknesses, significant deficiencies, instances of noncompliance, or "three-peat" findings. Additionally, the trend analysis for auditor general operational audits of public universities continues to reflect a reduction in the number of audit findings. Mr. Edge said this is a testimony to the audit and compliance staff throughout the university system and thanked university personnel devoted to such results. Chair Lamb concurred and encouraged university presidents and staff to continue making audit and compliance topics a priority.

As required by section 1008.322, Florida Statutes, and on Chancellor Rodrigues's behalf, Ms. Leftheris reported to the Committee each of the auditor general findings that violated

Florida Statutes. There were four such findings, which she briefly described: two were for university bonus schemes, one related to information technology user access privileges, and one for the collection of distance learning course fees in excess of the additional costs of the services provided. In addition to the operational audit findings, some of the Bright Futures Scholarship Program findings violated statutes. Several institutions were out of compliance with the law requiring the timely refunding of scholarship program funds for dropped courses or student withdrawals, untimely remittance of undisbursed Program funds, and untimely submission of disbursement enrollment, grade, and hours reports. Ms. Leftheris stated each university has implemented or is implementing corrective actions to address the auditors' concerns.

Ms. Leftheris explained that section 1008.322, Florida Statutes, requires university boards of trustees to document their compliance with any identified statutory violations. She said her office had contacted those universities to confirm their compliance in remedying the findings so identified. All confirmed they had done so and that corrective actions had been completed or were in progress.

Regarding the Office of Management and Budget's audit of the state's financial statements and major federal awards programs, which is fulfilled by the auditor general's statewide federal awards single audit, Ms. Leftheris reported there was one finding related to questioned costs. Auditors determined the University of South Florida's University Medical Service Association, Inc., a direct support organization, had inappropriately used Coronavirus Response and Relief Supplementation Appropriations Act funds to defray lost revenue. The university disagreed with the auditors' interpretation of the use of such funds and is in communication with the U.S. Department of Education to request its opinion. If the USDOE agrees with the auditors, the university will seek reimbursement from the DSO and use the funds elsewhere. The university's chief audit executive will notify IG Leftheris when a decision is made, and the finding resolved. Mr. Levine expressed his appreciation to universities for managing coronavirus funds so well as this is the only finding related to the use of those funds. Ms. Leftheris agreed and added that university chief audit executives provided audit and consulting services on the use of relief funds.

Last, the auditor general's office conducted two information technology operational audits. Findings related to user access and to security controls regarding vulnerability management, user authentication, encryption, university security awareness training, data recovery, configuration management, and account management. Ms. Leftheris said corrective actions are in progress.

Board of Governors Regulations require university affiliated organizations to have an annual financial audit conducted by an external, independent certified public accounting firm. There are approximately 90 of these affiliated support organizations for the state university system. Ms. Leftheris reported that all of the financial audits indicated the financial statements were fairly presented. There was one reported material weakness noted for the Seminole Boosters for Florida State University. The issues identified resulted

in an overstatement of the investment fund. The Seminole Boosters has already implemented corrective actions for each of the findings.

Ms. Leftheris noted that there were no identified significant deficiencies for university affiliated support organizations and that there is a downward trend in the number of material weaknesses or significant deficiencies for this past fiscal year as compared to the past two fiscal years. She believes this reduction in findings for our DSOs is directly correlated to the external review of financial controls that took place over the past two years and universities' efforts to correct those identified deficiencies.

For the last area of audit coverage, Ms. Leftheris described the university chief audit executives' responsibilities according to Board of Governors Regulation 4.002. One such responsibility is to conduct internal audits and provide a copy to the Board of Governors. For the past fiscal year, Ms. Leftheris said her office had received approximately 110 internal audit reports from university chief audit executives. The top three most common internal audit findings categories were policies and procedures, inadequate documentation, and "other" (which includes findings related to segregation of duties, approvals or authorizations, staffing, reporting, collections, policy enforcement, and more).

Mr. Edge recognized the volume of information in Ms. Leftheris's presentation and thanked her and her staff for compiling it. And, he said, we have never seen so few deficiencies, which is a testament to all the staff involved: chairs of the audit and compliance committees, university CFOs, chief audit executives, DSO CFOs, and university presidents. He said this is an incredible improvement from years past, and we need to keep the focus on achieving positive results.

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

Ms. Leftheris provided an update regarding the follow-up to last year's external review by the Crowe, CPA firm. The firm identified 122 observations or findings needing correcting. Chair Lamb had asked Ms. Leftheris to continue providing updates to the Committee on the status of those corrective actions until they are all resolved. She stated the last remaining observation, which was for New College of Florida's Foundation, has been resolved and is considered closed. With all observations or findings remedied, this is Ms. Leftheris's last follow-up report on this topic.

Mr. Lamb expressed his appreciation for university presidents and staff, as well as the DSO staff, for their work in fixing these issues. Mistakes happen, he said, but it is important to identify and remedy them. He asked trustees to remember their oversight responsibilities for DSOs.

5. Concluding Remarks and Adjournment

There were no other comments; the meeting adjourned at 11:24 a.m.

Aubrey Edge, Chair

Lori Clark, Compliance and Audit Specialist