

MINUTES
BOARD OF GOVERNORS
STATE UNIVERSITY SYSTEM OF FLORIDA
AUDIT AND COMPLIANCE COMMITTEE MEETING
UNIVERSITY OF FLORIDA
GAINESVILLE, FL
OCTOBER 30, 2019

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Chair Tim Cerio convened the meeting of the Audit and Compliance Committee on October 30, 2019, at 10:01 a.m., in the Grand Ballroom on the campus of the University of Florida in Gainesville, Florida. The following Audit and Compliance Committee members were present: Tim Cerio, H. Wayne Huizenga, Jr., Patricia Frost, Alan M. Levine, Charles H. Lydecker, Edward A. Morton, Eric Silagy, and Kent Stermon. The following members of the Board were also present: Shawn Felton, Zenani D. Johnson, Darlene Jordan, Sydney Kitson, Brian Lamb, Ned C. Lautenbach, Steven Scott, and Norman D. Tripp.

1. Call to Order

Mr. Cerio called the meeting to order.

2. Approval of Minutes

Mr. Lydecker motioned that the Committee approve the minutes of the Audit and Compliance Committee meeting held August 28, 2019, as presented. Mr. Morton seconded the motion. The minutes were approved.

3. Florida Agricultural and Mechanical University – Athletics Program Finance Update

Florida Agricultural and Mechanical University's (FAMU) Board of Trustees' Chair Mr. Kelvin Lawson was invited to update the Committee on the ongoing athletics cash deficit issue. Mr. Lawson explained the most recent efforts regarding their corrective actions. He stated that the university has reassembled a team to develop a plan that includes aggressive expense reductions, reduced investment from Direct Support Organizations as well as reduced support from other auxiliary programs such as the Boosters Club to mitigate the athletics program budget deficit. He introduced the university's interim chief financial officer to provide more details.

FAMU's Interim Chief Financial Officer Mr. Richard Schweigert provided a timeline of the athletics program's projected expenses for the current year, which began at \$10.2 million. However, he noted that after closer review, expenses are currently projected to be approximately \$10.8 million. He stated that he informed the President of the increase

and was directed to implement spending controls and a hiring freeze. The budgeted revenues and expenses were updated to be more realistic and conservative, which resulted in a \$2.4 million projected deficit. Mr. Schweigert gave an overview of the interim financial controls put into place. He explained that the Board of Trustees has been informed, involved, and engaged throughout the process. He noted that the university has assembled an Athletics Assessment Team comprised of senior management to identify expense reductions and develop a plan to achieve a balanced budget to include more realistic support from university support organizations and a reduction in the number of athletics programs and athletic scholarships. Mr. Schweigert said they expect to cure the budget deficit this year.

Mr. Joe Maleszewski, FAMU's Vice President for Audit, described the Athletics Assessment Team's efforts to identify expense reductions and implement the hiring freeze. The team developed an in-depth framework for analyzing the associated expenses for sports teams and squads, such as athletic staff salaries, scholarships, and operational expenses. The assessment team identified \$800,000 in cost savings along with other cost-saving strategies to be considered.

Mr. Schweigert noted that expense controls will be implemented in November 2019 in order to meet the \$10.2 million athletics expense limit. Additionally, the university will change the funding source for scholarships to rely more on Title IX funds and student fees beginning in the 2020 spring semester. Mr. Schweigert identified several key outcomes for the intercollegiate athletics program, including achieving a balanced budget, university-wide involvement, and transparent engagement with stakeholders. He said they believe they have developed a sustainable approach to addressing the university's athletics budget deficit.

4. OIGC Updates

Ms. Leftheris provided follow-up information to the Committee regarding a finding from Florida Polytechnic University's (FL Poly) Auditor General Operational Audit Report (issued June 2018) related to unsupported administrative costs the university retained from a legislative appropriation to develop an Anti-Hazing program. She explained that the university previously reported that \$330,000 would be returned to the State Treasury as recommended in the audit. A recent letter from FL Poly's President Mr. Randy Avent addressed to Mr. Cerio, cited Sections 1013.74(6) and 1011.45, Florida Statutes, which allow the university to expend reserve or carryforward balances from prior year operational and programmatic appropriations for legislatively approved fixed capital outlay projects. Thus, the university will be retaining the funds they previously reported to the Committee they would be returning to the State Treasury.

Ms. Leftheris explained that recently, allegations of financial mismanagement and budget discrepancies have been made related to Complete Florida Plus, which is a statewide funded program within the University of West Florida. Many of the allegations center around UWF's use of state funds, earmarked for the Complete Florida Plus Program, to cover university revenue shortfalls and address deferred maintenance

issues on campus. Ms. Leftheris provided a background on the program. She explained that based on the alleged concerns, the university and the Board of Governors have jointly procured the accounting firm Saltmarsh, Cleveland & Gund, to investigate the Complete Florida Plus Program. The engagement will be overseen by the Board of Governors Office of Inspector General and will focus on financial decisions between the university and Complete Florida Plus and specifically their management of state appropriated funds.

Ms. Leftheris noted that her office recently released a compliance report of Board of Governors Regulation 3.001 Camus Emergency Management and its corresponding statute Section 252.365, F.S., *Emergency Coordination Officers; Disaster Preparedness Plan*. The purpose of the project was to evaluate the Board Office's emergency management staff's compliance with the regulation and statute. Ms. Leftheris noted that the report contained several recommendations.

Ms. Leftheris explained that her office will soon undergo an assessment to accredit its investigative function by the Florida Commission on Law Enforcement Accreditation. She will inform the Committee of the assessment's results once it is completed.

Ms. Leftheris noted that the Board Office recently underwent an operational audit by the Florida Auditor General that is performed on a three-year cycle. She summarized the three audit findings, recommendations, and Board Office response that resulted from the audit.

5. Concluding Remarks and Adjournment

Mr. Cerio asked Board members if anyone had any questions or comments. Hearing none, the Audit and Compliance Committee was adjourned at 10:44 a.m.

Timothy Cerio, Chair

Lori Clark, Compliance and Audit Specialist