

**MINUTES  
BOARD OF GOVERNORS  
STATE UNIVERSITY SYSTEM OF FLORIDA  
AUDIT AND COMPLIANCE COMMITTEE MEETING  
CONFERENCE CALL  
TALLAHASSEE, FLORIDA  
September 16, 2020**

*Video or audio archives of the meetings of the Board of Governors  
and its Committees are accessible at <http://www.flbog.edu/>.*

Chair Charles Lydecker convened the meeting of the Audit and Compliance Committee on September 16, at 3:22 p.m., via conference call. The following Audit and Compliance Committee members were present: Charles H. Lydecker, Kent Stermon, Aubrey Edge, Patricia Frost, and Alan Levine. The following members of the Board were also present: Tim Cerio, Darlene Jordan, Sydney Kitson, Brian Lamb, Ally Schneider, William Self, Eric Silagy, and Norman D. Tripp.

**1. Call to Order**

Mr. Lydecker called the meeting to order.

**2. Approval of Minutes**

Ms. Frost motioned that the Committee approve the minutes of the Audit and Compliance Committee meeting held July 21, 2020, as presented. Mr. Edge seconded the motion. The minutes were approved.

**3. SUS Audits Summary, Fiscal Year 2019-2020**

Ms. Julie Leftheris, Board of Governors Inspector General and Director of Compliance, presented a summary of fiscal year 2019-2020 audit coverage for the state's 12 public universities. Audit coverage includes reports from the Auditor General, Independent Certified Public Accountants (CPAs), and university chief audit executives (CAEs).

The auditor general produced 20 system related audits. Eleven of the 12 university financial statement audit reports found that the financial statements were fairly presented. One of the 12, however, indicated a material weakness and an instance of non-compliance in financial reporting at the Florida Agriculture and Mechanical University (FAMU). Auditors concluded that university controls were ineffective to ensure that account balances and transactions associated with other postemployment benefits are properly recorded and reported.

Two of the Auditor General's findings during the year were considered "three-peat" findings, which occurs when a university fails to take full corrective action in response to a recommendation included in two preceding audit reports. The universities who had "three-peat" findings include the University of South Florida (USF) related to severance payments exceeding the statutory limits; and the University of Florida (UF) related to

untimely cancellation of purchasing cards. Ms. Leftheris noted that the USF finding was based on a single-legacy contractual agreement and that the issue has been resolved. For UF, the university has implemented corrective actions. Ms. Leftheris noted the Auditor General's report stated that the audit did not find any inappropriate purchasing card charges as part of their review.

In accordance with section 1008.322(3)(b), Florida Statutes, the Chancellor for the State University System of Florida is required to report to the Board of Governors any state university statutory violations identified in Auditor General audit reports. On the Chancellor's behalf, Ms. Leftheris reported to the Committee that FGCU and FIU had findings relating to textbook affordability; FGCU, FIU and USF had findings relating to information technology user access privileges specifically related to student information; FIU, UF, and USF had findings relating to severance payments; FIU had findings relating to investment reporting and reconciliations; and UF had findings relating to student orientation fees.

External certified public accounting firms conducted approximately 90 audits relating to university affiliated support organizations. All financial-related audits indicated the financial statements were fairly presented. However, two of these audits indicated a significant deficiency (which is less severe than a material weakness). Ms. Leftheris stated that each university has addressed these deficiencies.

Regarding university athletic programs, the findings were immaterial except for FAMU. The most recent and available audited financial statement for FAMU's Intercollegiate Athletics program is from fiscal year 2017-2018. The audit for fiscal year 2018-2019 is underway. For the 2017-2018 fiscal year audit, auditors identified three material weaknesses in the areas of NCAA infractions, improper transfers of auxiliary funds, and financial viability. These items are included in the Board of Governors continuing monitoring and communications with the university regarding the Athletics Program budget.

Mr. Lydecker had questions regarding repeat findings and how they should be interpreted. Ms. Leftheris noted that the biggest finding related to textbook affordability. Mr. Lydecker asked why universities are having trouble meeting the 20-week severance limit in statute. Chancellor Criser explained that this instance was a one-time occurrence of a preexisting contract that had been undetected previously.

#### **4. UWF Complete Florida Plus Review**

Ms. Leftheris reported in the Fall of 2019, the University of West Florida and the Board of Governors dually engaged the firm of Saltmarsh, Cleaveland, and Gund to review the finances related to the Complete Florida Plus Program - a statewide program that has been managed within the University of West Florida since 2014. The engagement was originated based on questions related to the finances within the program, which included the amount and timing of administrative overhead, charged by the university.

The report was finalized and presented to the UWF Board of Trustees' Audit and Compliance Committee on August 5, 2020. The report demonstrated the University had not established appropriate procedures to timely account for and administer the financial activity of the program. This was illustrated by the questioned costs for the program [totaling \$936,209] related to payroll, furniture/equipment, travel, and leases, with the allocation of payroll for employees assigned both university and Complete Florida Plus duties being the majority of those questioned costs.

The report noted that the university swept approximately \$2.4M from the program's carryforward funds between fiscal years 2017 through 2019. Those sweeps were claimed to be based on a calculated differential of administrative expenses that had been charged to the Complete Florida Plus Program versus an appropriations proviso allowing administrative expenses not in excess of 5% of the annual approval for the program. The Auditor General, in their operational audit of the University issued March 20, 2020, questioned the university's authority to retroactively withdraw amounts for prior year administrative costs.

In response to the report, the university has identified areas where they can improve internal controls regarding oversight. Additionally, the university recognized there are differing opinions related to the timing and appropriateness of sweeping carryforward funds for entitled administrative overhead charges not previously collected. This topic was considered on August 20, 2020, by the UWF Audit and Compliance Committee and subsequently the Board of Trustees on September 9, 2020. At the September 9th meeting, trustees elected to repay the \$2.4 million in swept funds that the university was entitled to collect but failed to do so in the same fiscal year in which the funds were appropriated. The university is currently working with Board of Governors staff on a plan and timeline to restore these funds.

Mr. Lydecker noted he had received a letter from the university's board of trustees' chair, Dave Cleveland, on September 9, 2020, in response to his earlier correspondence on this issue. Chair Cleveland explained that although the university voted to repay the \$2.4M, the university agreed to disagree on this finding and that agreeing to repay the funds is not an admission of wrongdoing. Mr. Lydecker acknowledged the university's hard work in addressing the Auditor General's finding on this matter and thanked Chair Cleveland and President Saunders.

## **5. Florida Agriculture and Mechanical University Athletics Program**

Mr. Lydecker called FAMU Board of Trustees Chair, Kelvin Lawson, to present an update on the university's achievement in balancing the athletics program's budget. Chair Lawson mentioned that despite a revenue reduction due to the cancellation of the football conference for this season, they are working on their third year of a balanced budget and are continuing to repay university auxiliary organizations as planned.

## 6. Concluding Remarks and Adjournment

Mr. Lydecker asked Board members if anyone had any questions or comments. Hearing none, the Audit and Compliance Committee was adjourned at 4:00 p.m.

---

Charles Lydecker, Chair

---

Lori Clark, Compliance and Audit Specialist

DRAFT