

MINUTES
BOARD OF GOVERNORS
STATE UNIVERSITY SYSTEM OF FLORIDA
AUDIT AND COMPLIANCE COMMITTEE
NEW COLLEGE OF FLORIDA
SARASOTA, FLORIDA
NOVEMBER 7, 2012

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and its Committees are accessible at <http://www.flbog.edu/>.*

The chair, Ava Parker, convened the meeting of the Audit and Compliance Committee at 1:33 p.m., at the Sudakoff Conference Center, New College of Florida, in Sarasota, Florida. The following members were present: Matthew Carter, Patricia Frost, Tom Kuntz, Gus Stavros, John Temple, and Elizabeth Webster.

1. Call to Order

Ms. Parker called the meeting to order.

2. Approval of Minutes

Mr. Carter moved that the Committee approve the Minutes of the meeting of the Board of Governors Audit and Compliance Committee (Audit Committee) held June 21, 2012, as presented. Mr. Kuntz seconded the motion. The Minutes were approved.

3. Report: Florida A&M University Division of Audit and Compliance Corrective Action Plan

Mr. Derry Harper introduced an invited speaker, Mr. Rick Givens, the Vice President for Audit and Compliance at Florida A&M University (FAMU), to present the University's corrective action plan as requested by the Board last year. At the Committee's last meeting, June 21, 2012, Mr. Givens described FAMU's corrective action plan in response to a Whistle-blower investigation that the former Vice President for Audit and Compliance had submitted to the board of trustees and the Board of Governors audit summaries of audits that did not exist. The Committee invited Mr. Givens to today's meeting to provide them with an update of the University's further response to findings.

Mr. Givens covered the following topics in his presentation:

- A. **Background.** As a result of findings that FAMU's Division of Audit and Compliance did not follow professional standards governing the performance of

internal auditing services, the University contracted with Ernst & Young to redo eight audits or reviews that were identified in the earlier investigative report into this matter by Sniffen & Spellman, P.A. Ernst & Young was also tasked with assessing investigations to determine if they were performed objectively and in accordance with applicable professional standards and that they were adequately documented.

- B. **Audit 1: Bank Reconciliations.** Mr. Givens reported five findings: 1) procedures need to be strengthened; 2) monthly reconciliations were not completed in a timely manner, and preparation and approval dates were not consistently documented; 3) there were outstanding checks in excess of 365 days, and procedures for handling them need to be strengthened; 4) there were two occurrences of deposits outstanding greater than 30 days; and 5) reconciling items spanned more than one period, and sometimes they went across the entire fiscal year. Also, supporting documentation was not consistently maintained.

Audit 2: Athletics Revenue. Mr. Givens reported seven findings: 1) adequate documentation was not maintained for revenue collected from parking, concessions, and sponsorships; 2) there were inadequacies found on the inventory control sheets used to document program/parking sales, and the change in/out worksheets used to document cash given to employees to be used as change; 3) revenue accounts were not designed to consistently identify game revenue. The A-receipts report used to document deposits sent to the cashier's office did not agree to the game day support or the general ledger; 4) revenue recorded on the General Ledger is not reconciled to the revenue journal entry prepared by the Athletics Department; 5) duties are not adequately segregated among the collection of cash, preparation of deposits, and preparation of cash journal entries to be posted to the GL; 6) the vending permit contract does not consistently document standard rate per game or payment amounts due; 7) the University's contract with Sodexo may be unfavorable and an opportunity may exist to improve the contract's terms and impact on the University.

Audit 3: Technology Fee. Mr. Givens reported three findings: 1) technology fee funds spent are not monitored and compared to the amount budgeted for approved projects; 2) there was not a control in place to validate that recipients of the Florida Bright Futures Scholarship do not pay technology fees with scholarship funds; and 3) one project funded from Technology fees did not evidence the approval of the University President or Provost. Management was unable to provide the approval form.

Audit 4: Textbook Affordability. Mr. Givens reported six findings: 1) approximately one-third of the textbooks were not adopted and posted by the deadlines established by Board of Governors regulation; 2) textbooks were posted without the ISBN, copyright date, or published date; 3) the University

does not perform a reconciliation of textbooks and information posted to the Text Aid System and Barnes & Noble web portal; 4) course book request forms were not retained for a fall 2010 and spring 2011. Textbook requests are submitted through various methods, including online, fax, and outdated forms; 5) the Course Book Request form does not capture sufficient information to provide justification for the use of new editions; and 6) University policies and procedures do not document the textbook voucher limit of \$799 per student per semester, and PeopleSoft is not designed to limit the receipt per semester.

Audit 5: Sub-recipient Monitoring. Mr. Givens reported three findings: 1) policies and procedures could be strengthened by adding or enhancing particular areas of A-133 reporting and monitoring for compliance, among other things; 2) the Office of Sponsored Programs and Division of Audit and Compliance do not consistently maintain, review findings from, or ensure corrective action of findings on the A-133 reports; and 3) two sub-recipient payments did not evidence approval prior to payment. These invoices did not follow the standard procedures and were sent directly to the department sub-contracting the work rather than the Office of Sponsored Programs.

Audit 6: Contracts and Grants Expenditures. Mr. Givens reported one finding: policies and procedures could be strengthened by updating the purchasing department's roles and responsibilities; updating the responsibilities for maintenance of documentation; updating the names of the Financial Status reports for A-133; updating the process for review and approval of final technical reports; and updating the process for monitoring A-133 audit compliance.

Audit 7: Insurance Coverage on Buildings. Mr. Givens reported two findings: 1) the insurable value calculation did not evidence review and approval of the Director. The approval is informal and not documented; and 2) policies and procedures do not address the process for determining insurable values, frequency of the computation, or the addition or removal of assets.

Audit 8: Investigations. Mr. Givens reported five findings: 1) policies and procedures governing the conduct of investigations did not exist, creating a lack of consistency; 2) files did not include original complaint and investigator name, or certification of the investigator's independence and objectivity; 3) work papers were not clearly and completely documented to support findings in the reports; 4) the review of policies, procedures, controls, and contracts applicable to the investigation was not consistently documented in work papers; and 5) two reports were not finalized.

Mr. Givens stated that the University has corrective actions in place in response to the findings and recommendations.

[Presentation paused at 1:53 p.m. for Governor Rick Scott's presentation to the Board of Governors. Committee meeting resumed at 3:10 p.m.]

C. Presentation from Karl White, Chair of the University Board of Trustees Audit Committee. Mr. White addressed the Board of Governors to offer the Board of Trustees perspective on this matter. He said the problems fall into the following categories:

i. Issues with opportunities to improve policies.

Mr. White said the report revealed a need for more automation and staff training. He said they are working with Ernst & Young on improvements to policies, across the University. Additionally, the Board of Trustees has asked Ernst & Young to provide training for the audit committee at their next meeting.

Regarding the Athletics Department, at the last Budget & Finance Committee meeting, they asked the Athletics Director to talk with his counterparts at Florida State University and other institutions to learn about the best ways to implement their policies and procedures.

ii. Issues with opportunities to ensure policies are adhered to.

Mr. White said polices were properly in place but not adhered to. The Board of Trustees asked Dr. Robinson at their last meeting to report to them at a future meeting with a more in-depth report of how they can ensure staff training is properly done.

As a result of one of the reports regarding the spending of Student Government Association funds, they determined staff training needs to take place annually because students in SGA leadership positions change each year.

iii. More investment is needed in technology and efficiencies.

Mr. White said the Board of Trustees would like to communicate to the Board of Governors that they are aware these are occurring. They have charged themselves and President Robinson with ensuring corrective actions are implemented for each area of concern.

Mr. Kuntz said the Ernst & Young report is sobering; there are a lot of issues. He asked Mr. White what their plan is to go back later and ensure policies and procedures are in place and that these problems have really been fixed. Is there a time specific date for someone to check that the corrective action plan has been implemented and that it's been effective? Mr. White said they are trying to have realistic deliverables. Regarding the Bank Reconciliations audit, there were policies and procedures in place, but over time, they fell by the wayside. The solution is to have the right policy in place as well as

the right people in place and to have the right training occurring. The Board of Trustees and President have to be accountable for ensuring these things occur.

Mr. White said the Ernst & Young report revealed the University's processes are mostly manual. They need to invest more in technology. They are trying to reach a point where they can determine a definitive date of completion, but Mr. White said he doesn't have that date now.

Mr. Kuntz suggested they establish some target dates for completion and follow-up. Without that, there could be some "slippage."

Mr. Hosseini said the University's work new plan presented by Dr. Robinson was very realistic. The one before that was a disaster. Mr. Hosseini said there should be some accountability among the Trustees; the Board of Governors trusts Trustees to look at University Work Plans and to question the President. If they had done so with the first work plan, they would not have let the President submit it to them. Mr. White said, "Point well-taken."

Mr. Colson said he spent a couple of hours with President Robinson last week in anticipation of this meeting. Mr. Colson said Universities have to rely on their Presidents. He said he's impressed with President Robinson's commitment. Mr. White responded they have to have the right people in the job.

Chancellor Brogan said institutional control is essential. Institutional Controls means having appropriate policies, practices, and procedures in place and to ensure that they are expressed to all staff. People are then held responsible for implementing them. Lastly, the Chancellor said the University needs to ensure they have people in place who are capable of implementing them.

Ms. Parker asked Mr. White to work with Rick Givens to ensure, as Mr. Kuntz suggested, timelines are added to the corrective action plan and to let the audit committee know what they are.

Ms. Parker said our Board Chair spoke to the Board of Trustee Chair to ensure they had appropriate resources to provide the appropriate oversight. Mr. White said he believes they do have sufficient resources and that they have requested training for the Board of Trustees audit committee from Ernst & Young.

Mr. White said they understand they need to take a more active role as a Board.

4. Discussion of Pending Investigations

Mr. Harper said the information he will provide to Committee members today is an update from what the Chancellor provided to Board members a couple of months

ago. The time table in that communication indicated we would be done with our investigation at about this time. The investigation began earlier this year. However, we were bound by two or three different circumstances to coordinate our investigation with the pending criminal investigation of the matters that occurred on November 19, 2011. Additionally, there was a second criminal investigation into band finances at the University.

We began our active investigation and interviews in mid-July. We have the full cooperation of the University, and are gathering additional information. At this time, Mr. Harper said we anticipate a preliminary report on institutional and internal controls issues as well as the allegations made by individuals in the next two to three weeks. The University will have 15 days to respond in writing. We will make any changes to report based upon the University's response and then will issue the final report at that time.

5. Concluding Remarks and Adjournment

The meeting of the Audit Committee was adjourned at 3:48 p.m.

Ava Parker, Chair

Lori Clark,
Compliance Analyst