

MINUTES
STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
AUDIT AND COMPLIANCE COMMITTEE MEETING
UNIVERSITY OF CENTRAL FLORIDA
ORLANDO, FLORIDA
JUNE 22, 2016

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

Chair Alan Levine convened the meeting of the Audit and Compliance Committee at 2:53 p.m., at the Grand Ballroom in the UCF *FAIRWINDS* Alumni Center on the University of Central Florida campus, in Orlando, Florida. The following Audit and Compliance Committee members were present: Darlene Jordan, Ned Lautenbach, Wendy Link, Ed Morton, and Fernando Valverde. The following members of the Board were also present: Richard Beard, Dean Colson, Daniel Doyle, Tom Kuntz, Katherine Robinson, and Norman Tripp (by phone).

1. Call to Order

Mr. Levine called the meeting to order.

2. Approval of Minutes

Ms. Link motioned that the Committee approve the minutes of the Audit and Compliance Committee held March 17, 2016, as presented. Mr. Valverde seconded the motion. The minutes were approved.

3. Discussion of Draft Regulations

Mr. Maleszewski, the Board of Governors Inspector General and Director of Compliance, described the Regulations Drafts Workshop, held the previous evening (Tuesday, June 21, 2016). Participants included university chief audit executives, chief compliance officers, general counsels, and other interested parties. The workshop's focus was to provide a setting where affected and interested parties could discuss the four draft regulations created the Office of Inspector General and Director of Compliance (OIGC). The four regulations are:

- 4.001 *State University System Processes for Complaints of Waste, Fraud, or Financial Mismanagement;*
- 4.002 *State University System Chief Audit Executives;*
- 4.003 *State University System Compliance and Ethics Programs; and*

- 4.004 *Board of Governors Oversight Enforcement Authority.*

Mr. Levine underscored the importance of these regulations as they are the first we have created that address, system-wide, the handling of waste, fraud, or financial mismanagement complaints; and the standardization and structure of our SUS chief audit executives and their functions. He said the purpose of these regulations is not to dictate to universities how to operate; they need to determine that themselves. These regulations provide them with the standards to guide their operations in these specific areas. Of the four draft regulations, according to Mr. Levine, the most critical is the one requiring the establishment of a compliance and ethics program at each university. With regard to compliance, Mr. Levine said each university is doing something different; they have varying maturity levels and reporting structures for their compliance and ethics activities. Additionally, we do not have a system-wide requirement for evaluation of university compliance and ethics activities or programs.

Mr. Levine stressed that university boards of trustees should consider which committee handles audit issues. Typically, audit committees have their own function. Having compliance combined with audit is fine, he said, but combining it with another function such as finance can create a conflict of interest. He asked university presidents to provide feedback and consider the possibility of separating the audit function from conflicting areas and in accordance with best practices.

Mr. Maleszewski said the draft regulations will be prepared for Board of Governors notice at its September 2016 meeting with an expectation they will be ready for Board approval at the November 2016 meeting.

4. Approval, 2016-2017 Risk Assessment and Work Plan

Mr. Maleszewski directed the Committee's attention to the OIGC Annual Work Plan (Tab 10.4 of the Diligent Books meeting materials). The OIGC is required to prepare a work plan annually for Board review and approval. He explained that the Plan is risk-based to provide the most effective coverage of Board Office operations and System responsibilities with the three professional staff positions in the OIGC.

The Plan includes two audit projects for the year in addition to reserving 10% of staff time to be responsive to the Board's needs for any special requests. One audit will focus on IT Governance, and the other on the Board's Foundation. Additionally, Mr. Maleszewski stated that each SUS institution will be required to conduct an audit of their Performance-based Funding Data Integrity, which will need to be certified by each university president and board chair.

Mr. Lautenbach motioned the Committee to approve the OIGC 2016-2017 Work Plan. Ms. Jordan seconded the motion. The Work Plan was approved.

5. Update, Florida A&M University 2013 Corrective Action Plan

Mr. Maleszewski provided an update on the on-going partnership between the Office of Inspector General and Director of Compliance and Florida A&M University regarding the 2013 Corrective Action Plan (CAP). The CAP was created from a variety of audit and investigative reports concerning issues at the university in 2012 and 2013.

In October 2014, Mr. Maleszewski had reported that 29 of the 30 original, high-level items being monitored had been satisfactorily corrected. The remaining item was the intercollegiate athletics cash deficit. At that time, the Board of Governors added two items for monitoring: 1) interim appointments, focusing on the President's appointment of a stable and permanent leadership team; and 2) two facilities construction investigations.

Discussion took place regarding the effects of the university's athletics deficit on student services. FAMU Board of Trustees Chair, Kelvin Lawson, committed that the university's board is focused on and will own the corrective action plan for addressing the athletics budget deficit. Additionally, he said they will work with the Board of Governors Inspector General.

Mr. Maleszewski provided an update on the number of interim appointments and the President's efforts to establish a permanent and stable leadership team. He recommended the Board of Governors continue to monitor the university's evaluation of the President and whether or not her contract is renewed or allowed to run out by April 1, 2017.

Additionally, Mr. Maleszewski stated that the President had reassigned the Vice President and CFO for Finance and Administration to a position of External Compliance Officer. He recommended that action be coordinated with the Board of Trustees, which would make it consistent with the university's Audit and Compliance Charter. This is another item, he said, the Board of Governors should monitor.

The remaining item being monitored, facilities construction investigations, are completed and no longer require monitoring.

6. Concluding Remarks and Adjournment

The meeting of the Audit Committee was adjourned at 3:43 p.m.

Alan Levine, Chair

Lori Clark, Compliance and Audit Specialist