

MINUTES
BOARD OF GOVERNORS
STATE UNIVERSITY SYSTEM OF FLORIDA
AUDIT AND COMPLIANCE COMMITTEE MEETING
FLORIDA POLYTECHNIC UNIVERSITY
LAKELAND, FLORIDA
JANUARY 26, 2017

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

Chair Wendy Link convened the meeting of the Audit and Compliance Committee on January 26, 2017, at 9:06 a.m., at the Innovation, Science and Technology Building on the campus of Florida Polytechnic University in Lakeland, Florida. The meeting was adjourned at 9:36 a.m. on January 26. The following Audit and Compliance Committee members were present: Alan Levine, Patricia Frost, Wayne Huizenga, Darlene Jordan, Ned Lautenbach, Ed Morton, Fernando Valverde. The following members of the Board were also present: Richard Beard, Daniel Doyle, Jacob Hebert, Sydney Kitson, Tom Kuntz, Norman Tripp, and Gary Tyson.

1. Call to Order

Ms. Link called the meeting to order. She thanked Mr. Levine for his service as the former Audit and Compliance Committee Chair and for his continuing service as Vice Chair of the Committee. She also acknowledged the return of Ms. Frost to the Committee.

2. Approval of Minutes

Mr. Valverde motioned that the Committee approve the minutes of the Audit and Compliance Committee meeting held September 21 -22, 2016, as presented. Ms. Jordan seconded the motion. The minutes were approved.

3. Update on Approved Regulations for OIGC

Mr. Maleszewski, the Board of Governors Inspector General and Director of Compliance, provided the Committee with an update on state universities' implementation of the four audit, investigations, and compliance-related regulations the Board approved at its November 3, 2016, meeting. He said the four regulations aid in combined assurance, which requires communications between assurance providers (such as auditors and compliance officers) and leadership (such as university presidents and boards of trustees).

Of the four regulations passed in November, regulation 4.003, *SUS Compliance and Ethics Programs*, is the most challenging for our universities to implement. Mr. Maleszewski gave examples of some of these challenges and reminded Committee members that they are the result of the natural “growing pains” associated with the implementation of a new program such as compliance.

Mr. Maleszewski informed the Committee that he has developed a survey instrument to use in monitoring universities’ implementation progress. He will use results of this survey to update the Committee every six months or so.

4. Update on Florida A&M University

Before asking Mr. Maleszewski to provide an update to the Committee on the progress Florida A&M University has made in their athletics deficit reduction, Ms. Link thanked FAMU President Robinson and Board of Trustees Chair Lawson for inviting her to participate in their monthly status consultations with Mr. Maleszewski and other University staff. She acknowledged and thanked them for their good progress on this concern.

Mr. Maleszewski explained that the monthly status consultations include Chair Lawson, President Robinson, Chief Financial Officer Wanda Ford, Athletics Director Milton Overton, and other University staff as needed. The monthly consultations assist in ensuring they are on track with incoming revenues and expenses month-by-month and year-by-year.

In his update, Mr. Maleszewski explained that the athletics cash deficit is a two-prong issue: one issue is to address the cumulative cash deficit, and the other is to address the annual operating budget. For the cumulative cash deficit, the University has identified the amounts to be repaid to auxiliary operations that had previously provided support to Athletics, contrary to Board of Governors regulations. The University has approved a 12-year plan that begins immediately and relies on support from the University’s Foundation.

Regarding the annual operating budget, the University has implemented a number of corrective actions which include monitoring revenues and expenditures, holding weekly meetings with the athletics department and chief financial officer, fund-raising, and cost-savings in travel expenses, salaries, and equipment. Mr. Kuntz asked if the athletics department will continue to accrue new debt in their current operations, which would result in an even bigger deficit. Board of Trustees Chair Lawson said it is true that they are incurring new debt but that they have built it into their current budget-balancing.

Mr. Maleszewski said the deficit would continue to be a finding in the University's operational audits by the Florida Auditor General. The University is currently undergoing an operational audit, and this is expected to be the third (repeat) audit finding. As such, the Joint Legislative Audit Committee will be seeking additional information on the University's corrective actions.

Mr. Levine expressed his appreciation to Chair Lawson and President Robinson for their hard work and ownership to address the deficit. Chair Lawson commended University staff, Athletics Director Milton Overton in particular, for their dedication and team work in addressing the deficit. He said the monthly meetings are important for transparency in this process.

5. Update on Auditor General Operational Audit of Board of Governors Office – Result and Corrective Action Plan

Mr. Maleszewski provided a brief report on the Florida Auditor General's operational audit results of the Board of Governors office. In accordance with Florida Statutes, the Auditor General conducts operational audits of state agencies every three years. In November 2016, the Auditor General released its operational audit report of the Board Office, which covers the period of July 2014 through May 2016. Mr. Maleszewski said there were no adverse audit findings related to Board Office operations, but there was one finding related to guidance and oversight. The finding contained six subparts in the areas of remuneration of teaching faculty, sponsored research, anti-hazing, student code of conduct, and procurement. Mr. Maleszewski explained each and described the corresponding corrective action plan for addressing them. The operational audit report, which includes the corrective action plan, is included in Board members' materials in Diligent Books under tab 6.5.2. Mr. Maleszewski added that in accordance with statutory requirements, his office will provide a six-month follow-up report in May on the status of corrective actions taken.

6. Update on Performance-based Funding Audits and Certifications

In June 2016, Mr. Kuntz notified university board chairs and presidents that an audit would again be required for Performance-based Funding data integrity. The audit and accompanying certification would be due in time for inclusion in the meeting materials for the March 2017 Board of Governors meeting.

Mr. Maleszewski explained that this is the third year for the required Performance-based Funding data integrity audits and certifications. He said he would provide the Committee with a summary of results at the March 2017 Board of Governors meeting.

For this year's audits and certifications, Mr. Maleszewski explained that university chief audit executives had asked if they could use their discretion to determine whether or

not to perform these audits. Mr. Kuntz considered the request but decided that audits should be done again this year. Chief audit executives were, however, provided flexibility in establishing their own scope based upon prior audit findings and known risks. Mr. Maleszewski said providing chief audit executives the discretion regarding whether to conduct the audit or not maybe requested again for next year.

Mr. Kuntz underscored the importance of this process, specifically for the boards of trustees chairs. Each of these audits is presented to the respective boards of trustees for their certification that the data collected and the calculations performed for Performance-based Funding metrics were done correctly. He reminded board chairs that this is a serious obligation and that they need to engage in detailed discussions regarding these audit reports and data accuracy. Ms. Link echoed the importance of holding detailed discussions as these audits are presented.

Mr. Huizenga encouraged each board of trustees to have an audit function for their board. Mr. Maleszewski confirmed that each university has an audit function and that each board of trustees has a committee that includes audits. There are a few universities, however, that combine audit and compliance with their budget or finance committees. Those universities are moving to separate audit and compliance as a stand-alone committee. Additionally, Mr. Maleszewski reminded the Committee that one of the regulations (4.003) passed in November 2016 requires universities to have an effective and centralized compliance and ethics program.

7. Summary of State University Audit Council and SUS Compliance Consortium Meetings

Mr. Maleszewski described the recent activities of the State University Audit Council, which is comprised of university chief audit executives. This group meets twice a year in person to collaborate and discuss topics relevant to the State University System as a whole. Among other topics, at the last meeting, they discussed and adopted a set of investigative standards in accordance with the newly approved Board of Governors Regulation 4.002 *State University System Chief Audit Executives*.

The SUS Compliance and Ethics Consortium is comprised of the chief compliance officers. The Consortium meets quarterly by conference call and, two years ago, began holding a two-day in-person meeting once a year. Mr. Maleszewski explained that the Consortium is newer and that not all universities participate on a routine basis. Nonetheless, it is an effective group in bringing together compliance professionals to share ideas and collaborate. Mr. Maleszewski encouraged participation by each university in this group.

8. Concluding Remarks and Adjournment

Ms. Link asked Board members for suggestions for other topics this Committee should consider. Hearing none, the Audit Committee was adjourned at 9:36 a.m.

Wendy Link, Chair

Lori Clark, Compliance and Audit Specialist