

MINUTES
STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
AUDIT AND COMPLIANCE COMMITTEE MEETING
UNIVERSITY OF SOUTH FLORIDA
TAMPA, FLORIDA
JUNE 21, 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 June 21, 2017, at 3:51 p.m., in the Ballroom at the Marshall Student Union on the campus of the University of South Florida in Tampa, Florida. The following Audit and Compliance Committee members were present: Alan Levine (by phone); Patricia Frost; H. Wayne Huizenga, Jr.; Ned Lautenbach; Ed Morton; and Fernando Valverde. The following members of the Board were also present: Richard Beard, Sydney Kitson, Tom Kuntz, Kishane Patel, Norman Tripp, and Gary Tyson.

1. Call to Order

Ms. Link called the meeting to order.

2. Approval of Minutes

Mr. Huizenga motioned that the Committee approve the minutes of the Audit and Compliance Committee meeting held March 30, 2017, as presented. Mr. Morton seconded the motion. The minutes were approved.

3. FGCU Corrective Action Plan, Report of Investigation (OIGC No. 2017-025)

Mr. Joe Maleszewski, the Board of Governors Inspector General and Director of Compliance, provided Committee members with a summary of the corrective actions taken to date in response to the results of his office's whistle-blower investigation regarding allegations levied against Florida Gulf Coast University Board of Trustees members. The final report was issued March 28, 2017, and Mr. Maleszewski's presentation is in follow-up to the detailed report summary he had provided at the March 2017 Audit and Compliance Committee meeting.

Mr. Maleszewski explained the investigative report contained 13 recommendations (nine related to allegations, and four related to ancillary issues) made to FGCU Trustees and staff. At the March 2017 Board of Governors meeting, there were two additional recommendations made. Mr. Maleszewski stated that the University has

been very responsive to the recommendations and has been quick to initiate corrective actions. He expects to be able to report that corrective actions are complete by the November 2017 Board of Governors meeting.

To date Mr. Maleszewski said, 53% of the corrective actions have been completed, and the remaining 47% are in process. The completed corrective actions include:

- a) Electing a new Board of Trustees vice chair from among the appointed members;
- b) Making the Board of Trustees Audit and Compliance Committee an autonomous committee;
- c) Separating the duties for the Board of Trustees chair and the Audit and Compliance Committee chair;
- d) Providing training to the Board of Trustees regarding the Sunshine Law;
- e) Consulting with the Southern Association of Colleges and Schools (SACS) regarding the University's updated mission, vision, and strategic goals;
- f) Obtaining a legal opinion regarding the applicability of meeting minutes requirements contained within Section 1001.71, Florida Statutes, and Board of Governors Regulation 1.001(2)(j) to Board of Trustees advisory committee meetings;
- g) Providing administrative supervisory training related to policies and expectations regarding matters of discrimination and harassment; and
- h) Providing administrative coordination between the general counsel and the Office of Institutional Equity and Compliance.

Two of the in-process corrective actions relate to policy updates, and they are expected to be approved at the Board of Trustees meeting in June 2017. Such action will complete these two items. FGCU expects to complete the remaining five corrective actions by September 2017.

4. Approval of the 2017-2018 OIGC Work Plan

Mr. Maleszewski provided a brief summary to the Committee regarding his office's proposed 2017-2018 Work Plan. He explained that the plan is risk-based to provide the most effective coverage of Board office OIGC activities and OIGC System-related responsibilities with the three professional OIGC staff. Identified audit projects include Information Resource Management, IT Governance; and the Board of Governors Foundation.

Additionally, the OIGC will coordinate efforts for university chief audit executives to audit Performance Based Funding Data Integrity as has been done the past several years. The OIGC also expects to complete some compliance-related projects and perform follow-up work related to past audits and investigations. Last, the

Work Plan reserves 10% of project time to meet management's or the Board's needs as other priorities are identified.

Mr. Lautenbach motioned to approve the OIGC Annual Work Plan for Fiscal Year 2017-2018. Mr. Huizenga seconded the motion. The plan was approved.

5. Update, Florida A&M University Athletics Cash Deficit

Ms. Link expressed her appreciation to Interim President Robinson, Board of Trustees Chair Kelvin Lawson, Athletics Director Milton Overton, Interim Chief Financial Officer Wanda Ford and other University staff for their participation in monthly calls and that they have been forthcoming and very transparent in their efforts to remedy the cash deficit.

Mr. Maleszewski presented the Committee with an update on the athletics cash deficit at Florida A&M University. Mr. Maleszewski explained that the deficit, which has grown over the last decade to \$8 million, is contrary to Board of Governors Regulation 9.013, Auxiliary Operations. The regulation requires that university athletics departments must be self-supporting. Additionally, the deficit has been an audit finding in the last three Auditor General operational audits of the University, which may prompt legislative oversight. Mr. Maleszewski said that Board of Trustees Chair Kelvin Lawson and Interim University President Larry Robinson may be asked to describe their corrective action efforts to the Joint Legislative Auditing Committee on this issue later in the year. Mr. Maleszewski explained that the Auditor General will continue to cite this deficit as a finding until the cumulative cash deficit has been paid, which is expected to take 12 years.

Mr. Maleszewski explained that corrective actions have been led by Athletics Director Milton Overton, Interim Chief Financial Officer Wanda Ford (among other University administrators) with diligent oversight by Chair Lawson and Interim President Robinson. They have consulted on a monthly basis with Mr. Maleszewski and Audit and Compliance Committee Chair Wendy Link to define, assess, and address the cash deficit. At this point, Mr. Maleszewski asked Interim President Robinson to provide additional information on the University's corrective actions to date.

Interim President Robinson expressed his gratitude to Ms. Link and Mr. Maleszewski for their support and assistance during the monthly calls. Dr. Robinson said they expect to balance the athletics department's budget this year and have a surplus of \$9,000.00. He commended University staff, especially Athletics Director Overton, for implementing cost-saving measures that were not always popular. Referring to his prepared slides, Dr. Robinson provided an overview of the University's efforts to date to reduce the deficit. He noted that the University expects the Athletics program will be self-supporting by year four of their corrective action plan.

Mr. Tripp asked how we can know if university athletics departments are self-supporting. He suggested the Board consider having an annual certification from universities that they are in compliance with our regulation requiring university athletics programs be self-supporting. This process may aid in preventing a growing deficit that would eventually lead to a university having to go before the Joint Legislative Auditing Committee. Ms. Link and Mr. Maleszewski agreed that the certification process Mr. Tripp suggested is implementable.

6. Update, Six-month Follow-up Report, Auditor General Operational Audit of the Board of Governors Office

Mr. Maleszewski provided Committee members with an update on the corrective actions taken to date in response to the Auditor General's operational audit of the Board of Governors office (report released November 2016). As required by statute, the inspector general is required to provide a six-month follow-up report to the chancellor, Board of Governors chair, Audit and Compliance Committee chair, and the Joint Legislative Auditing Committee. He did so May 17, 2017, and summarized the report for the Committee. He said the operational report contained no adverse findings regarding the Board office's operations. It did, however, contain one finding with five areas identified as needing regulatory enhancement.

The finding stated, "The [Board of Governors] needs to enhance regulations to help State universities establish uniform standards that conform to statutory requirements." The five areas identified for regulatory enhancement were remuneration of university presidents and administrative employees; sponsored research; anti-hazing policies; student code of conduct; and purchasing practices. Mr. Maleszewski provided a brief status of the corrective actions in process and said he will continue to monitor and report Board office progress on each item in future Committee meetings.

7. Concluding Remarks and Adjournment

Ms. Link asked Board members if anyone had any questions or comments. Hearing none, the Audit Committee was adjourned at 4:22 p.m.

Wendy Link, Chair

Lori Clark, Compliance and Audit Specialist