

MINUTES  
BOARD OF GOVERNORS  
STATE UNIVERSITY SYSTEM OF FLORIDA  
AUDIT AND COMPLIANCE COMMITTEE MEETING  
NEW COLLEGE OF FLORIDA  
SARASOTA, FL 34243  
SEPTEMBER 12, 2018

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

Chair Wendy Link convened the meeting of the Audit and Compliance Committee on September 12, 2018, at 3:00 p.m., in the Harry Sudakoff Conference Center on the campus of the New College of Florida in Sarasota, Florida. The following Audit and Compliance Committee members were present: Wendy Link, H. Wayne Huizenga, Patricia Frost, Alan M. Levine, Ed Morton, Jay Patel, and Fernando Valverde. The following members of the Board were also present: Tim Cerio, Shawn Felton, Sydney Kitson, Ned Lautenbach, Frederic Salerno, Norman Tripp, and Jalisa White.

1. Call to Order

Chair Link called the meeting to order.

2. Approval of Minutes

Mr. Patel motioned that the Committee approve the minutes of the Audit and Compliance Committee meeting held September 12, 2018, as presented. Mr. Morton seconded the motion. The minutes were approved.

3. Introduction of New Inspector General

Chair Link introduced the new Inspector General and Director of Compliance, Julie Leftheris, who formerly worked for the Department of Highway Safety and Motor Vehicles for nine years. Ms. Leftheris has 25 years of auditing experience in both the private and public sector; she more than meets the minimum statutory requirements for the position.

4. SUS Audits Summary

Ms. Leftheris provided a high-level summary of the system-wide audit coverage for fiscal year 2017-2018. Over the past fiscal year, the Board of Governors received, reviewed, logged, and followed up on audit reports from the Auditor General,

independent certified public accountants (CPA) for university affiliated support organizations, and university chief audit executives.

The auditor general's office completed 21 system-related audits. All twelve of the financial statements were considered to be "clean" and all contained "unqualified" opinions from the auditor. The auditor general provided five operational audits with a total of 28 findings, in which information technology, specifically access and security controls, was the most common finding. Eight of the 28 findings were considered to be repeat findings, and of those eight findings, two were considered to be "three-peat" findings from the University of North Florida and the University of South Florida. In addition, the Auditor General conducted one Annual Statewide Federal Awards Audit, one Bi-annual Bright Futures Program Audit and two Information Technology Audits of the Northwest Regional Data Center.

In addition to the auditor general reports, independent CPAs conducted audits on 110 State University System affiliated support organizations. All but one financial-related audit indicated that the financial statements were fairly presented. Florida A&M University's (FAMU) Rattler Boosters, Inc. was not fairly presented and contained two material weaknesses, as well as one significant deficiency. In addition to the Rattler Boosters, Inc. report, four other university affiliated support organization reports contained either material weaknesses or significant deficiencies.

Chair Link asked Ms. Leftheris if her office had received satisfactory responses to her follow-up inquiries from Florida State University (FSU) and FAMU regarding the material weaknesses and significant deficiencies on their Booster organizations audited financial statements. Ms. Leftheris confirmed that she had from FSU's Seminole Boosters and that she will follow-up and report back to the Committee on FAMU's Boosters audit report findings.

Regarding the last source of audit coverage, Ms. Leftheris indicated that her office had received 126 internal audits from university chief audit executives. Of the 126 internal audits, there were 163 audit findings related to internal controls and 115 related to information technology. Ms. Leftheris assured Committee members that she and her staff will continue to regularly review and track results from all of the system-wide reports and keep them informed of trends and concerns that would need following-up.

##### 5. FAMU Athletics Cash Deficit for FY 2017-2018

Ms. Leftheris provided Committee members with a brief background on her office's monitoring of FAMU's athletics program cash deficit. She introduced FAMU's Board of Trustees Chair Kelvin Lawson to provide the Committee with an update. Chair Lawson explained that at the March 29, 2018, Audit and Compliance Committee

meeting on the University of North Florida campus in Jacksonville, Florida, he had reported the University's discovery of \$1,000,000 of unplanned expenses. He reported that FAMU was able to balance the athletics program's budget this past fiscal year. He explained that the funds came from a number of programs including an internal fund-raising program ("FAMU Rising"), the Investing in Champions program, the National Alumni program, and their Boosters. In the 2018-2019 fiscal year, Chair Lawson said FAMU is projected to receive over \$9.9 million in revenues and expected to spend \$9.9 million in expenses. He concluded his presentation by explaining that FAMU's internal audit, compliance, finance, and athletics departments are working together to enhance and reinforce existing policies and procedures.

Chair Link asked for clarification regarding the repayment schedule of funds to auxiliary programs. Chair Lawson indicated that the 12-year repayment plan would not begin until the end of fiscal year 2019-2020 with a starting payment of \$56,000. He assured Chair Link that they will reflect this payment on their expense sheet.

#### 6. Florida Polytechnic Audits Follow-Up

Ms. Leftheris provided the Committee with the background of the issues and concerns surrounding Florida Polytechnic University's (FL Poly) Auditor General Operational Audit Report. She explained that finding number seven in the June 2018 operational audit report identified contract and procurement concerns related to a 2015 Legislative appropriation to the University for developing an online anti-hazing course. The Auditor General recommended the University provide the Board of Governors with documentation supporting the reasonableness of the course-related administrative costs totaling \$500,000 the University had retained and to return to the State Treasurer any portion of that amount that is not supported as reasonable administrative costs. Additionally, a separate audit report identified concerns about how the University Foundation will cover remuneration and long-term debt obligations related to student scholarship commitments. Ms. Leftheris introduced FL Poly's president, Randy Avent to address these issues and concerns.

President Avent began by addressing the anti-hazing program administrative expenses. He stated that because tracking the amount of administrative expenses associated with the program is difficult, the University used the 10% overhead rate the government allows to determine that \$330,000 would be returned to the state, and \$170,000 would be retained to cover approximate costs for administering this program.

Regarding the remuneration concerns, President Avent said they have reviewed the University Foundation's finances and have determined there is enough cash to cover the remuneration expenses.

As for scholarship commitments, President Avent reported the Foundation had positive cash flow but negative net worth because in the first three years, the University had granted large scholarship amounts to recruit students. The Foundation has committed to fund these scholarship amounts over a ten-year period. He added that the University is transitioning from a scholarship-based model to an admissions-based one.

Chair Link asked for further clarification on how the Foundation was paying for the four-year scholarships and how it was effecting the University's operations since they are not receiving the full tuition amount. President Avent clarified that the Foundation was paying the scholarships off as well as the tuition and fees associated with them. He also clarified that the scholarships were for three cohorts rather than four years.

Mr. Kitson asked President Avent to be more specific regarding the University's operational audit response that they will "enhance controls". President Avent replied that findings identified in the audit had already been addressed and fixed.

#### 7. OIGC Updates

Ms. Leftheris gave a brief overview of the current Office of Inspector General and Director of Compliance (OIGC) updates. She mentioned that on July 2, 2018, her office had issued their 2017-2018 Annual Report. She added that her office will again soon assess the status of each university's centralized compliance program implementation and will provide a summary of the results at the January 2019 meeting. She concluded by stating that notice has been received from the auditor general's office that the Quality Assessment Review of the OIGC office is scheduled for late September and that the results will be reported in the January 2019 meeting.

#### 8. Concluding Remarks and Adjournment

Chair Link asked Board members if anyone had any questions or comments. Hearing none, the Audit and Compliance Committee was adjourned at 3:39 p.m.

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Wendy Link, Chair

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Lori Clark, Compliance and Audit Specialist