



## CHARTER: AUDIT AND COMPLIANCE COMMITTEE

### 1.0 Purpose

The purpose of this document is to serve as the State University System of Florida (System) Board of Governors (Board) Audit and Compliance Committee's (AACC or Committee) Charter. This charter identifies the authority under which the AACC operates, and specifies its establishment, composition, quorum, meetings, governance structure, duties, and responsibilities.

A related, but separate charter governs the duties and responsibilities of the Office of Inspector General and Director of Compliance (OIGC).

### 2.0 Authority

Article IX, section 7 of the Florida Constitution establishes [a system of governance for the state university system, which is comprised of all public universities, each administered by a board of trustees yet governed by the Board.](#) ~~and the Board as the governing body corporate of the System.~~

Article VI, section C. (2) of the *Operating Procedures of the Board of Governors of the State University System of Florida* establishes the AACC as a standing committee of the Board.

### 3.0 Establishment

The AACC is charged with oversight of the System's audit, investigative, risk, and control functions, as well as the processes for monitoring compliance with laws, rules, and regulations.

### 4.0 Composition

The AACC will consist of at least five members of the Board and should include at least one member who is a "financial expert."<sup>1</sup> The AACC chair and members shall be appointed by the Board chair. The term shall commence upon appointment. To enhance the independence of the AACC and mitigate any potential conflicts that may arise from members serving in dual roles, the Board chair shall not serve as the AACC chair or vice chair.

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<sup>1</sup> Financial expert is defined as an individual who possesses expertise through education or substantial practical business experience in the function and meaning of financial statements and an understanding of proper oversight and accountability for financial matters.

## **AUDIT AND COMPLIANCE COMMITTEE CHARTER**

### **5.0 Quorum**

A majority of AACC members present at a committee meeting constitutes a quorum for purposes of committee business.

### **6.0 Meetings**

The AACC will meet at least four times a year, with authority to convene additional meetings, as circumstances require. Any meeting of the AACC may be conducted through a telephone conference call or by any other technological means. All AACC members are expected to attend each meeting.

AACC meetings shall be open and noticed to the public in accordance with Article I, section 24 of the Florida Constitution and the requirements of chapter 286, Florida Statutes.

The AACC chair will invite members of management, auditors, or others to attend meetings and provide pertinent information, as necessary.

Meeting agendas will be prepared and provided by Board Office staff in advance to members, along with appropriate meeting materials. Minutes will be prepared. Records of the meetings, including any video or audio recordings, are public records subject to chapter 119, Florida Statutes.

#### **6.1 Confidential/Exempt Issues**

Most matters addressed by the AACC are subject to public records consideration in accordance with chapter 119, Florida Statutes. However, the AACC will, from time to time, have to address matters which are either confidential or exempt under state or federal law.

Proper protection of confidential and exempt information helps to promote the integrity of the audit and investigative activity and protects the System and Board Office against breaches of data and information technology security.

To the extent provided by law, the inspector general and director of compliance (inspector general), will report issues of a confidential or exempt nature directly and individually to the Board chair, AACC chair, and the Board's chancellor (as appropriate).

### **7.0 Governance Structure**

The AACC, the inspector general, university boards of trustees audit and compliance committees, university chief audit executives (CAE), and chief compliance officers (CCO) each serve important roles in ensuring that processes are in place to meet the System's responsibility for operational and financial accountability, integrity, efficiency, and detecting fraud and abuse. Additionally, these individuals are responsible for activities that promote ethical conduct and maximize compliance with applicable laws, regulations, rules, policies, and procedures.

The inspector general shall provide leadership and coordination of audit, investigative, and compliance functions for the Board and is generally responsible for promoting accountability, operational and financial integrity, and efficiency.

### **8.0 Duties and Responsibilities**

## AUDIT AND COMPLIANCE COMMITTEE CHARTER

This section outlines the duties and responsibilities of the AACC, the AACC chair, and the inspector general.

### 8.1 AACC Responsibilities

The AACC is responsible for:

- a. Assisting the Board in fulfilling fiduciary and oversight responsibilities in relation to financial reporting, internal control systems, compliance, risk management systems, and internal and external audit functions. Its role is to provide advice and recommendations to the Board within the scope of this charter.
- ~~a.b.~~ Discussing the appropriate authority, role, responsibilities, scope, and services of the OIGC with the inspector general and the chancellor.
- c. Reviewing, at least once every three (3) years, the AACC and OIGC charters with the inspector general to consider other topics that should be included in the charter or changes affecting the System, Board, or Board Office.
- ~~b.d.~~ Reviewing and approving Approving the AACC and OIGC charters.
- ~~e.e.~~ Ensuring a quality assurance and improvement program has been established for the internal audit function and reviewing the results annually. Reviewing the The external quality assessment of the OIGC is required by section 11.45(2)(i), Florida Statutes, and professional auditing standards.
- f. Reviewing the results of the reaccreditation assessment of the OIGC investigations function, completed every three (3) years by the Florida Commission on Law Enforcement Accreditation, Inc.
- ~~d.g.~~ Reviewing the results of the internal and external program assessments of the OIGC compliance function.
- ~~e.h.~~ Directing the inspector general to conduct management or compliance reviews, audits, and investigations into any matters within its scope of responsibility.
- ~~f.i.~~ Obtaining advice and assistance from outside legal, accounting, or other advisers, as necessary, to perform its duties and responsibilities.
- ~~g.i.~~ Meeting with and seeking any information it requires from employees, officers, directors, or external parties.

#### 8.1.a Reporting and Communication Responsibilities

With regard to reporting and communication responsibilities, the AACC shall:

- i. Report regularly to the Board about AACC activities, issues, and related recommendations; and
- ii. Provide for open communication among the OIGC, university board of trustees chairs and audit and compliance committees, university presidents, university CAEs, university CCOs, external auditors, and the Board.

## AUDIT AND COMPLIANCE COMMITTEE CHARTER

### 8.1.b Internal Control

Regarding internal controls, the AACC shall:

- i. Consider the effectiveness of the Board Office and universities' internal control systems, including information technology security and control; and
- ii. Understand the scope of internal and external auditors' review of internal controls over operations and financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

### 8.1.c Financial Statement Audits

The AACC shall receive and review Board Office and university financial statement audits conducted for the purpose of determining whether the Board Office or university:

- i. Presented basic financial statements in accordance with generally accepted accounting principles;
- ii. Established and implemented internal controls over financial reporting and compliance which prevent or detect errors or actions that could have a direct and material effect on the financial statements;
- iii. Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements; and
- iv. Addressed any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the university's ability to record, process, summarize, and report financial data; or any fraud, whether material or not, that involves management or other employees who have a significant role in the university's internal controls.

The AACC shall follow up, as appropriate, on any findings contained in Board Office and university financial statement audits.

### 8.1.d External Audits

With regard to external audits, the AACC shall:

- i. Receive and review all external auditors' reports of Board Office operations and follow up to ensure the chancellor takes timely and appropriate corrective actions;
- ii. Receive and review all external auditors' reports of each state university operations and follow up, as appropriate, to ensure university boards of trustees and presidents take timely and appropriate corrective actions; and
- iii. Receive reports from the inspector general regarding external audits of universities submitted to the Board Office in accordance with Board regulations (e.g., auxiliary facilities and services, direct support organizations, and other component units) and follow up, as appropriate, to ensure such entities, university boards of trustees, and presidents take timely and appropriate corrective actions.

### 8.1.e Internal Audits

## AUDIT AND COMPLIANCE COMMITTEE CHARTER

With regard to internal audits, the AACC shall:

- i. Participate in discussions with the inspector general and chancellor regarding the “essential conditions” described in the Institute of Internal Auditors’ *Global Internal Audit Standards*<sup>TM</sup>, which establish the foundation that enables an effective internal audit function.
- ~~i.ii.~~ Receive and review the inspector general’s Board Office risk assessment results;
- ~~ii.iii.~~ Approve the OIGC risk-based work plan and all significant changes to the plan;
- ~~iii.iv.~~ Review OIGC audit activities relative to its plan Receive communications from the inspector general about the internal audit function, including its performance relative to its OIGC risk-based work plan;
- ~~iv.v.~~ Receive and review internal audit reports of Board Office operations and follow up to ensure the chancellor takes timely and appropriate corrective actions; and
- ~~v.vi.~~ Direct the inspector general to serve as liaison for the Board on the State University Audit Council, which is comprised of the CAEs at each state university.

### 8.1.f Compliance

With regard to compliance and in addition to the AACC’s role described in the Internal Audits section above, the AACC shall:

- i. Review the effectiveness of the Board Office in implementing laws, rules, regulations, contracts, and grant agreements;
- ii. Review the effectiveness of the System’s efforts to comply with laws, rules, regulations;
- iii. Receive and review compliance assessments of Board Office operations and follow up to ensure the chancellor takes timely and appropriate corrective actions; and
- iv. Direct the inspector general to serve as liaison for the Board on the State University System Compliance and Ethics Consortium, which is comprised of the CCOs, and other compliance directors and representatives at each of the state universities.

### 8.1.g Investigative Responsibilities

With regard to investigations, the AACC shall:

- ~~i.~~ Provide a process for receiving anonymous complaints and review the nature and disposition of reported matters;
- ~~ii.i.~~ Direct the inspector general to conduct, coordinate, or request investigations when the Board determines that a state university board of trustees is unwilling or unable

## AUDIT AND COMPLIANCE COMMITTEE CHARTER

to address significant and credible allegations relating to waste, fraud, or financial mismanagement within a state university; and

- iii-ii. Receive and review investigative reports, and follow up to ensure timely and appropriate corrective actions are taken by the responsible party.

### 8.1.h Other AACC Activities

The AACC may conduct other activities that the Board or AACC determine are necessary and appropriate, consistent with this charter, regulations, rules, and governing laws.

### 8.2 AACC Chair Responsibilities

The AACC chair shall:

- a. Preside at all AACC meetings and call any special or emergency meetings of the committee. The AACC chair may assign members responsibility for specific projects.
- b. Approve decisions regarding the appointment, replacement, and removal of the inspector general. This responsibility ensures selection of an inspector general who possesses the qualifications and competencies necessary to perform the position duties and responsibilities [and manage the functions of the OIGC in conformance with applicable state law, professional standards, and best practices](#). Additionally, this responsibility ensures that the inspector general is operationally independent.
- ~~c. Provide input to the chancellor on the annual performance evaluation of the inspector general~~ [Review and provide input to the chancellor on the inspector general's annual performance evaluation.](#)
- ~~d. Participate in discussions with the inspector general and the chancellor about the "essential conditions" described in the *Global Internal Audit Standards*, which establish the foundation that enables an effective internal audit function.~~
- ~~e. Discuss with the inspector general and the chancellor the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.~~
- ~~e.f. Make appropriate inquiries of chancellor and the inspector general to determine whether scope or resource limitations are inappropriate.~~

The AACC vice chair shall perform the duties of the AACC chair and have the same power and authority in the absence or disability of the AACC chair.

### 8.3 Inspector General Responsibilities

The inspector general is responsible for:

- a. Fulfilling the *Office of Inspector General and Director of Compliance Charter* including its mission, standards of work, code of ethics, access, independence and objectivity, organization, and responsibilities;

## AUDIT AND COMPLIANCE COMMITTEE CHARTER

- b. Serving as the CAE and CCO of the Board Office and performing all such duties as necessary to assist the AACC's implementation of its duties and responsibilities;
- c. Serving as the AACC's liaison for communications with university CAEs and CCOs;
- d. Serving as liaison for the Board on the State University Audit Council;
- e. Serving as liaison for the Board on the State University System Compliance and Ethics Consortium;
- f. Keeping the AACC informed of all issues affecting or that may affect the Board Office and universities and make recommendations for improvement, if necessary;  
[and](#)
- g. Attending and participating in meetings of the AACC and preparing and submitting such reports or meeting materials as may be required by the Board or by law, or as deemed necessary by the Board chair, AACC chair, chancellor, or the inspector general;\_-
- h. [Reporting annually to the Board and the chancellor regarding the internal audit function's mandate, performance, and conformance with the \*Global Internal Audit Standards\*, which will be assessed through the quality assurance and improvement program described within the OIGC charter;](#)
- i. [Reporting, as necessary, to the AACC and the chancellor regarding significant risk exposures, including fraud risks, governance issues, and other areas of focus for the Board that could interfere with the achievement of the Board's strategic objectives; and](#)
- g.i. [Reporting, as necessary, to the Board, through the AACC, and the chancellor regarding management responses to risks that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the Board's risk appetite.](#)

### 9.0 Review

The AACC shall [periodically](#) review [and approve](#) this charter, [at least once every \(3\) years](#), [and to](#) assess its adequacy in achieving the goals and objectives of the Board.

**History:** Adopted 3-26-09, Reviewed and Amended 6-18-10, 6-21-12, 6-19-14, 1-25-18, 3-29-23, [mm-dd-yy](#)