

MINUTES
BOARD OF GOVERNORS
STATE UNIVERSITY SYSTEM OF FLORIDA
AUDIT AND COMPLIANCE COMMITTEE MEETING
UNIVERSITY OF SOUTH FLORIDA
September 18, 2024

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

Chair Aubrey Edge convened the meeting of the Audit and Compliance Committee on September 18, 2024, at 11:25 a.m. The following Audit and Compliance Committee members were present: Ashley Bell Barnett, Patricia Frost, Edward Haddock, Craig Mateer, and Jose Oliva.

1. Call to Order

Mr. Edge called the meeting to order.

2. Approval of Minutes

Ms. Frost motioned that the Committee approve the minutes of the Audit and Compliance Committee meeting held on June 27, 2024, as presented. Ms. Bell Barnett seconded the motion. The minutes were approved.

3. SUS Audits Summary, Fiscal Year 2023-2024

Julie Leftheris, the Board's Inspector General and Director of Compliance, presented a summary of the audit coverage for the state's public universities for the 2023-2024 fiscal year for the state's 12 public universities. She began with the Florida Auditor General's audit coverage, which includes a financial statement for each university and an operational audit for two: Florida Polytechnic University and the University of North Florida. All financial statements, she reported, were fairly presented, although the University of South Florida had a significant deficiency in its financial audit related to purchasing card controls for transaction reconciliation, monthly statement approval processes, and monthly financial reconciliation. The University confirmed that the appropriate controls have been implemented.

Ms. Leftheris noted a trend in the decline in the number of findings for this past year's operational audit reports and that there were no three-peat findings.

As required by section 1008.322, Florida Statutes, the chancellor is to report to the Board of Governors any Auditor General (AG) findings for a public university without statutory authority or that is contrary to law. Ms. Leftheris, as the inspector general, reports this information on the chancellor's behalf. She reported two findings from the AG's

operational audits and one finding from the AG's audit of the Bright Futures Scholarship Program and statute.

The operational audit finding related to Florida Polytechnic University's timeframe for purging sensitive personal information of prospective students. The University confirmed that it has implemented corrective actions and will continue to monitor their effectiveness.

UNF's operational audit finding related to the Student Government Association's use of student relief funds from the COVID pandemic to provide financial assistance to students facing hardships. To address the finding and recommendation, the university obtained a subsequent legal review that determined the University's interpretation and use of these funds was appropriate and authorized.

In addition to notifying the Board of Governors of these findings cited by the Auditor General, section 1008.322, Florida Statutes, also states the Board of Governors shall require university boards of trustees to document their compliance with the AG's identified statutory violations. Ms. Leftheris reported that each of these universities confirmed their compliance and provided the status of their corrective actions.

For the Bright Futures Scholarship Program audit, the auditors determined that the University of South Florida had not timely refunded the Florida Department of Education for the courses students had dropped or withdrew from after the end of the drop and add period. Ms. Leftheris said the University confirmed that corrective actions have been implemented to enhance their procedures and timeliness in issuing the necessary refunds.

The federal Office of Management and Budget requires an audit of the state's financial statements and major federal awards programs. The Auditor General's office performs a statewide federal awards single audit, which for the university system, includes coverage of the Student Financial Aid Cluster and the Research and Development Cluster. For the past fiscal year, there were two findings for the Northwest Regional Data Center (NWRDC), which is the state data center for the Board of Governors office and our public universities. Florida State University assumed management responsibility for the NWRDC in July 2022.

The first finding for the NWRDC relates to performing and documenting periodic access reviews to adequately ensure access privileges are appropriate. The second related to improvements needed in logical access, user authentication, and logging and monitoring. NWRDC confirmed that it is working to resolve the prior audit issues, and Florida State University's chief audit executive reported that his office is monitoring the corrective actions progress, which are expected to be implemented by the end of the fiscal year.

Ms. Leftheris provided follow-up information regarding a finding from the prior fiscal year's audit report. The finding stated that the University of South Florida had inappropriately

used 14.7 million dollars of Education Stabilization Funds to defray lost revenue from a direct support organization. USF consulted with the U.S. Department of Education to determine if their funds were allowable. The U.S. DOE concurred with the University and did not seek recovery of these funds.

Before moving to the next area of audit coverage for the System, Ms. Leftheris stated that a result of the recent publicity regarding the increased spending by the former University of Florida president's office's will be included in the Auditor General's audit of the University this year. She will keep the Committee updated on this topic.

For the next area of audit coverage, university affiliated organizations are required by Board regulations to have an annual financial statement audit performed by an independent certified public accounting firm. In the state university system, there are approximately 90 direct support organizations, health services support organizations, self-insurance programs, and other such entities. Ms. Leftheris reported that all financial audits determined the financial statements were fairly presented. For this reporting year, there were two university affiliated support organizations with material weaknesses.

Florida Polytechnic University's Foundation material weakness related to inadequate internal controls over financial reporting that resulted in additional expenses for the Foundation and related liability. The University confirmed it has revised its methodology in accounting practices and that it considers this concern corrected.

The University of South Florida's material weakness involves the combined financial statements for two support organizations and a contract not being properly accounted for during its review of balance sheet reconciliations and supporting details. As a result, the net position of these two organizations was restated to correct the accounting for this contract. The University confirmed corrective actions have been implemented and that they consider this finding corrected.

Ms. Leftheris reported there were four university support organizations with significant deficiencies for the 2023-2024 fiscal year. The first was for Florida Polytechnic's Foundation's year-end procedures for closing out its financial records for the year reviewed. The University has implemented corrective actions and considers this finding resolved.

The University of Florida had two organizations, GatorCare Health Management Corporation and UF Historic St. Augustine, with significant deficiencies. For the former, the significant deficiency related to the controls for the reconciliation of significant account balances to ensure all amounts have been recorded and assigned to the appropriate fund. For the latter, auditors found an accounts payable amount that was not identified and posted at year-end. The University has implemented corrective actions and considers these findings resolved.

Last, auditors found the University of South Florida's Research Foundation had not properly recognized construction contractor invoices for work performed in the appropriate period. The University confirmed that corrective actions have been implemented.

For the last area of audit coverage, Ms. Leftheris briefly described the responsibilities of university chief audit executives (CAE) as found in Board of Governors Regulation 4.002. She referred to her presentation slide reflecting CAEs' various areas of audit topics coverage. She said her office had received approximately 95 university audit reports from our universities for this reporting year.

Mr. Edge thanked Ms. Leftheris and her staff for their work in processing and summarizing more than 220 audit reports. He also expressed his appreciation for university staff, who ensure corrective actions are taken or who did their due diligence to prove their case (in support of their actions) for more complex findings.

4. Revised Board of Governors AACC Charter and OIGC Charter

Ms. Leftheris explained that the professional auditing standards her office is statutorily required to follow were updated in January 2024 and will be in effect in January 2025. Accordingly, she has updated the Audit and Compliance Committee Charter and her office's charter to comply with the new standards, which focus on governance, enhanced board oversight, and communications.

Ms. Leftheris said the revised charters were based on the new standards' model charter and clarify Board members' role, responsibility, and committee member engagement in overseeing her office. The Committee voted to approve both revised charters with Ms. Frost making the first motion to approve, and Mr. Oliva making the second. Mr. Edge said the charters will be presented to the full Board for their approval consideration.

5. Investigation Results, FAMU Major Gift

Inspector General Leftheris briefly described that Mr. Gregory Gerami, chief executive officer of the Issac Batterson Family 7th Trust, had pledged a gift to Florida Agricultural and Mechanical University of 237 million dollars, which was announced at the University's Spring 2024 commencement ceremony. On May 15, 2024, the FAMU Board of Trustees approved an independent investigation into the events surrounding this announcement, with the University's Audit and Compliance Committee Chair, Trustee Michael White, overseeing it. The University hired the law firm of Buchanan Ingersoll & Rooney to conduct the investigation under the guidance and monitoring of Ms. Leftheris's office.

The investigative report was released on August 5, 2024, and determined the gift was fraudulent and the valuation of the privately owned stock donated to the University was baseless. Additionally, the report notes four primary issues that led to the advancement and announcement of the gift: senior leadership involvement and influence, secrecy and non-disclosure, a truncated timeline due to the decision to announce the gift at

commencement, and the University's failure to conduct adequate due diligence before announcing the gift. Ms. Leftheris said the University considered the investigative report at its meeting on August 8, 2024.

Mr. Edge noted this incident reflects poorly on the University and commended the University's trustees for their immediate and proactive response to the concerns raised. He asked the University's interim president, Dr. Timothy Beard, and Board of Trustees Chair, Kristin Harper, to comment on the actions they have taken.

Ms. Harper enumerated the corrective actions the University's Board of Trustees committed to. They include:

- Enhancing policies and procedures governing the gift acceptance process;
- Strengthening communication channels to enable informed decision making by stakeholders;
- Identifying clearly the roles and responsibilities in process and approval chains;
- Developing training to provide staff, management, and board members with the knowledge, skills, and abilities to be effective; and
- Establishing monitoring and continuous improvement protocols.

Board of Governors Chair, Brian Lamb expressed his confidence that the University will handle this appropriately. He suggested the University confer with other universities as resources for best practices.

Mr. Edge stressed the importance of trustees' chairs to create an environment of accountability and acknowledged that FAMU is on their way to doing so.

6. Concluding Remarks and Adjournment

There were no other comments; the meeting adjourned at 11:54 a.m.

Aubrey Edge, Chair

Lori Clark, Compliance and Audit Specialist