

**Florida Agricultural and Mechanical University
Board of Trustees**



**Division of Audit & Compliance Committee Minutes
Trustee Karl White, Chair**

Date: Tuesday, June 1, 2015 – Conference Call * 11:00 AM

Trustee Karl White, Chairman, called the meeting to order.

Members Present: Trustee Torey Austin, Trustee Belinda Shannon, Trustee Spurgeon McWilliams, Trustee Robert Woody

Debra M. Barrington, Administrative Assistant to the Vice President, called the roll.

It was motion and seconded that the Wednesday, March 4, 2015, Audit Committee meeting minutes be approved. The motion passed.

- VP Givens presented the Minutes of the March 4, 2015, meeting; the minutes were approved.
- Proposed changes to the charters of the Audit Committee and the Division were presented and discussed. The Committee added a provision to require that the evaluation be done within 60 days after the end of the fiscal year. Changes to the Audit Committee's charter were adopted as revised, and the Committee recommends approval of the revised Charter by the Board of Trustees. Changes to the Division's charter were approved.

Vice President Givens presented the report on the Division's activities for April 2015 through May 2015. The following projects were in process:

- Field work for the follow up of findings for the audit of grade change process is completed, and the report is in the review phase. The report is expected to be issued in June 2015.
- The audit of information technology functions was suspended while the performance funding audit was conducted. The Division is re-evaluating the status of the project.
- Field work for the Athletics Department investigation (non-NCAA related) has been completed, and the report is in the review phase. The report is expected to be issued in June 2015.
- The Financial Aid process review is approximately 50% complete. The project was suspended while the NCAA investigation was conducted. The projected completion date is August 2015.
- The Pharmacy Phase II investigation was contracted out at the request of the Board of Governors. Field work for Pharmacy Phase II investigation is complete, and a report is expected to be issued in June 2015.
- A review of the eligibility of band members to participate and travel is in process. Field work is complete, and the report is to be issued in June 2015.
- Field work for the follow up of findings for the audit of the P-Card and travel is completed, and the report is in the review phase. The report is expected to be issued in June 2015.

The following audits have been completed by the Auditor General

- Audit of the University's financial statements for the year ended June 30, 2014.
- Audit of the University's Federal Program awards for the year ended June 30, 2014

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There were no findings in either audit. Vice President Givens indicated that the Federal Awards Audit was limited to follow up on findings of the prior Federal Awards Audit.

The Division received 54 allegations from July 2014 through May 2015. Of the 54 allegations received, 12 reports were issued; 12 were closed with no investigation; 14 are in process; 9 have been referred to another department for review, and 7 are pending investigation. The investigations are classified into the following categories:

	<u>July 2014 – May 2015</u>	<u>Year Ended June 30, 2014</u>	
	<u>Number of Allegations</u>	<u>% of Total</u>	<u>% of Total</u>
Diversity, equal opportunity, and workplace respect	17	31	38
Environment, health, and safety	1	2	7
Financial and business integrity	26	48	31
Misuse or misappropriation of assets or information	10	19	24
Totals	<u>54</u>	<u>100</u>	<u>100</u>

In-process and Upcoming Projects

Specific objectives for an accounts payable review were developed, and the review is scheduled to begin in June 2015.

The risk assessment and development of an audit plan is to be done in June and July 2015.

Other projects & information

Board of Governors Follow up

The Board of Governors (BOG) is following up on the University's progress in implementing corrective action for the following issues noted in prior audit reports, SACS review, and matters reported direct to the BOG:

- Athletic Program Deficits
- Establishment of permanent and stable leadership team
- Allegations concerning Pharmacy Phase II Construction
- Allegations concerning the DRS Sports Complex construction

Information related to the status of the above has been provided to the BOG.

Proposed Board of Governors Regulations

Pursuant to a discussion at the March 18, 2015, Board of Governors Audit Committees Workshop, the Board of Governors (BOG) has proposed four regulations for review and feedback prior to entering into the formal regulation

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development process. These proposed Regulations impact the Board of Trustees Audit Committee function. A summary of each draft regulation is as follows:

1. Office of Inspector General and Director of Compliance and University System Complaint Handling

This regulation includes the Board of Governors requirement to address allegations of waste, fraud, or financial mismanagement in instances where a University BOT is either unwilling or unable to do so. This draft was created when the chief audit executives and the BOG Inspector General discussed implementation of subsection 20.155(5), F.S., and they expressed a need for BOG guidance on implementation of these provisions. The proposed regulation 1) provides a process for handling complaints received by the Board of Governors that are against universities, 2) requires that allegations of wrongdoing against the University president, chief audit executive, executive staff member, or board of trustees member be reported to the Board of Governors, and 3) requires the chief audit executive report allegations of waste, fraud, or financial mismanagement to the Board of Governors, when appropriate.

2. SUS Compliance and Ethics Programs

This draft regulation was developed at the direction of the Board of Governors Audit and Compliance Committee and is designed to set minimum requirements for university compliance and ethics programs based upon the guidelines in the Federal Sentencing Guidelines Manual.

3. Board of Governors Oversight Enforcement Authority

This draft regulation was developed to implement the requirements contained in section 1008.322, Florida Statutes. This statute relates to the Joint Legislative Auditing Committee and the Board of Governors' escalation procedures for repeat Auditor General Audit findings and other university noncompliance. The proposed regulation authorizes the BOG to take specified actions if a university is "unwilling or unable" to comply with a law or regulation.

4. State University System of Florida Chief Audit Executives

This draft regulation recognizes that State University System of Florida Chief Audit Executives are the central point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency. It also increases reporting responsibilities significantly through various requirements.

The proposed requirements are extensive and impose significant changes to the audit and compliance functions of the state universities. Implementation of the proposed regulations will require a significant commitment of additional resources. The requirements for the SUS Compliance and Ethics Program are extensive and would require a restructuring of the University's compliance function, changes to the Audit Committee and Division of Audit & Compliance charters, additional personnel, and a peer review on a periodic basis.

The BOG solicited feedback from the State University Audit Council (SUAC), which met on May 27-28, 2015. Based on the feedback provided by the SUAC, the Board of Governors is to revise the proposed regulations and re-issue revised proposed regulations for additional feedback. The due date to respond to the revised proposed regulations is July 31, 2015.

Automated Work Paper System

The Division is reviewing a Memorandum of Understanding for access to an automated work paper system in use by 12 state agencies. The annual cost is expected to be approximately \$1,500. Implementation will begin in July 2015.

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Performance Evaluation for Vice President of Audit and Compliance

The performance evaluation for Vice President Givens was presented and discussed. There was discussion concerning establishment of a process that could be followed each year.

Chairman Karl White adjourned the meeting.