Florida Agricultural and Mechanical University

**Board of Trustees**



**Audit & Compliance Committee Meeting**

# Trustee Craig Reed, Chair

**Grand Ball Room**

**Wednesday, December 01, 2021 – 11:00 AM**

**Committee Minutes**

 **Members Present:** Trustee Craig Reed, Chair, Trustee Ann Marie Cavazos

 Trustee Michael Dubose, Trustee Belvin Perry, Jr., and

 Trustee Carrington M. Whigham

Trustee Chair Craig Reed called the meeting to order. Ms. Barrington called the roll. A quorum was established.

**The first action item** – Chair Reed requested the approval of Audit and Compliance Committee, September 15, 2021, meeting minutes. Trustee Perry motioned to accept the minutes and Trustee Cavazos, seconded the motion. Chair Reed called for a vote and the minutes were approved.

**The second action item** – Chair Reed acknowledged VP Maleszewski to present the Audit and Compliance Committee Charter for consideration of approval. VP Maleszewski conveyed that the Audit and Compliance Committee Charter was updated to add the committee’s responsibility for oversight of the Enterprise Risk Management (ERM). VP Maleszewski indicated that the changes were in keeping with the Board’s action to adopt the Committee on Sponsoring Organizations of the Treadway Commission’s (COSO’s) Internal Controls and ERM frameworks. The language additions speak to the Committee’s oversight of the ERM the program to ensure it is designed so that risks are appropriately identified, assessed, managed, and considered in institutional decision making. VP Maleszewski offered to respond to any questions.

Chair Reed recognized Trustee Cavazos who discussed her perspective on the topic of where the ERM function should report – expressing that having a separate ERM function from the audit function would provide for clearer delineation of roles and responsibilities. Trustee Cavazos expressed that this separation would provide for basic checks and balances between the two functions and ensure the continued independence and objectivity of the internal audit regardless of who held that position. Trustee Cavazos referenced her review of peer institutions and related literature supporting the benefits of having a separate organizational structure for the two functions.

Chair Reed then asked VP Maleszewski to speak to the organizational structure currently used for the ERM function. VP Maleszewski first clarified that the action time under consideration relates to the Audit and Compliance Committee Charter which is associated with the Committee’s responsibilities and that Trustee Cavazos’ remarks relate to the organizational structure which is more closely aligned with the second charter document – the Division of Audit Charter.

VP Maleszewski reflected on his prior role at the Board of Governors and interest in State University System of Florida (SUS) university’s methods for effective risk management. VP Maleszewski indicated that across the higher education landscape there are a number of different models used to implement ERM. He further discussed the concept of combined assurance where some organizations including higher education institutions have the audit, compliance, and risk management functions reporting under the leadership of a single senior-level executive. VP Maleszewski further indicated that a number of higher education entities deploy their ERM program from the audit function and that this practice is permissible under Institute of Internal Auditor’s guidance with certain safeguards. Associate Vice President for Audit and Chief Risk Officer Melton continued the discussion by reviewing the variety of practice across the SUS and more broadly across higher education.

VP Maleszewski indicated that the combined assurance model would be prohibited in the SUS based upon Board of Governor regulation that requires separate reporting functions for both the audit function and the compliance and ethics function. VP Maleszewski shared that his recommendation for this structure to President Robinson was partly predicated on the skill sets housed in the Division of Audit related to ERM. He continued by discussing the ERM position paper from the Institute of Internal Auditors (IIA) on this topic and the definition of internal auditing from the IIA which is that Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. He emphasized the role to both evaluate and improved the effectiveness of risk management. VP Maleszewski discussed that the IIA position paper on ERM covers the topics that audit aught not perform like making management decisions about how to manage risks, establishing strategies, and evaluating performance. VP Maleszewski indicated that the Division of Audit would champion the ERM model, establishing an ERM committee, helping identify risk owners, and monitoring the implementation of risk mitigation plans to assist management and the Board. He discussed that avoiding certain activities will allow the Division of Audit to maintain their organizational independence and objectivity.

Chair Reed discussed taking each charter document independently for consideration of approval. Chair Reed called for a motion to approve the Audit and Compliance Committee Charter. Trustee Perry moved approval. Chair Reed clarified that it is just the Audit and Compliance Committee Charter. Trustee Cavazos seconded the motion. The motion was approved.

Chair Reed moved forward with consideration for approval of the Division of Audit Charter. Chair Reed recognized President Robinson who indicated he was comfortable with the current arrangement, expressed appreciation for Trustee Cavazos’ comments, and confirmed his perspective that the Division of Audit could manage this properly with the current structure.

Chair Reed emphasized that this starts our path toward a robust ERM program in support of the organization. Chair Reed called for a motion. Trustee Perry motioned approval of the Division of Audit Charter. Trustee Whigham seconded approval of the charter. The motion was approved.

Chair Reed asked Chief Compliance and Ethics Officer Calhoun to provide the Office of Compliance and Ethics Update. Ms. Calhoun presented an update highlighting:

* Compliance and Ethics Week 2021;
* Investigation activities;
* Mandatory training;
* Telecommuting Program;
* Foreign influence screening; and
* Conflicts of interest.

Chair Reed thanked Ms. Calhoun for her report.

Chair Reed then recognized VP Maleszewski and AVP/CRO Melton to present the following Division of Audit informational items:

* Risk Assessment Follow-up;
* Audit and Investigative Follow-up;
* External Audit Updates;
* Enterprise Risk Management;
* Risk Appetite and Tolerance Statement; and
* Division of Audit Updates.

VP Maleszewski congratulated Ms. Melton on receiving recognition from the Association of College of University Auditors (ACUA) - the 2021 Outstanding Professional Contributions Award for her outstanding and noteworthy contributions to the profession of internal auditing in higher education. Ms. Melton was acknowledged by those present.

Chair Reed thanked VP Maleszewski and AVP/CRO Melton for their report.

Chair Reed indicated that with no further business to come before the committee, the Audit and Compliance Committee Meeting is adjourned.