

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



Audit & Compliance Committee Meeting

Trustee Craig Reed, Chair

Foster-Tanner Band & Rehearsal Hall

Wednesday, June 1, 2022 - 10:45 AM

Committee Minutes

Members Present: Trustee Belvin Perry, Jr. (Vice-Chair), Trustee Craig Reed (Chair - Absent), Trustee Ann Marie Cavazos, Trustee Michael Dubose, and Trustee Carrington M. Whigham

In Chair Reed's absence, Vice-Chair Belvin Perry, Jr., called the meeting to order. Ms. Kimberly Taylor called the roll. A quorum was established.

Vice-Chair Perry acknowledged five (5) Action Items:

- Minutes: Consideration of Approval – Wednesday, February 16, 2022;
- University Regulation 10.122: Conflicts of Interest and Commitment;
- Division of Audit Annual Work Plan;
- Internal Control and Enterprise Risk Management (ERM) Policy Update; and
- ERM Risk Appetite Statement.

The first action item – Vice-Chair Perry acknowledged consideration for approval of the Wednesday, February 16, 2022, Audit and Compliance Committee meeting minutes. A motion was made by Trustee Cavazos, seconded by Trustee Michael Dubose. The motion carried and the February 16, 2022, minutes were approved.

The second action item – Vice-Chair Perry recognized Chief Compliance and Ethics Officer Rica Calhoun to present University Regulation 10.122: Conflicts of Interest and Commitment. Vice-Chair Perry thanked Ms. Calhoun for the presentation and requested a motion. Trustee Michael Dubose moved to approve University Regulation 10.122: Conflicts of Interest and Commitment, and Trustee Cavazos, seconded the motion. The motion carried and the regulation was approved. Vice-Chair Perry requested that the approved item be included in the consent agenda for Full Board consideration.

The third action item – Vice-Chair Perry requested VP Maleszewski present the Division of Audit Work Plan for consideration of approval. VP Maleszewski discussed the Division of Audit Risk Assessment that will be presented as an information item and which serves as the basis for development of the Division of Audit Work Plan. VP Maleszewski then explained the audit work plan process and reviewed the planned

projects. He highlighted that some projects requiring audit coverage were identified in the section of the document entitled Audits and Advisory Services on the Horizon. Vice-Chair Perry thanked VP Maleszewski and asked if there were any questions or comments? Trustee Dubose, asked VP Maleszewski, if the Division of Audit has the team now that can accomplish all of this during this fiscal year and indicated that it seems to be a lot. Trustee Dubose inquired whether there were sufficient resources to accomplish the work plan. Trustee Moore also indicated that there were a number of high priority and time-sensitive items that would not be completed in the coming fiscal year. VP Maleszewski, discussed that, with additional resources, other items could be addressed.

Vice-Chair Perry thanked Mr. Maleszewski for the presentation and requested a motion subject to VP Maleszewski coming back to the Board with additional information regarding resource needs. Trustee Dubose moved to approve the Work Plan. Trustee Cavazos, seconded the motion. The motion carried and the Division of Audit Work Plan was approved.

The fourth action item – Vice-Chair Perry requested VP Maleszewski present, for consideration of approval, the University Policy, Internal Controls and Enterprise Risk Management. VP Maleszewski presented the policy updates. Vice-Chair Perry thanked Mr. Maleszewski for the presentation and requested a motion. Trustee Dubose moved to approve the University Policy. Trustee Cavazos, seconded the motion. The motion carried and the University Policy was approved.

The fifth action item – Vice-Chair Perry recognized Associate Vice President and Chief Risk Officer Melton to present the Enterprise Risk Management Risk Appetite Statement for consideration of approval. AVP/CRO Melton presented the Risk Appetite Statement and responded to questions. Vice-Chair Perry thanked AVP/CRO Melton for the presentation and requested a motion. There was discussion regarding the importance of AVP/CRO Melton having access to the University's leadership to perform the duties of her position. Trustee Cavazos moved to approve of the Risk Appetite Statement. Trustee Dubose seconded the motion. The motion carried and the Risk Appetite Statement was approved. Trustee Dubose requested that the Division of Audit review Enterprise Risk Management best practices, especially in the State University System of Florida, bring that information back to a future meeting, and use that information to adjust as appropriate.

Chief Compliance and Ethics Officer Rica Calhoun presented an Office of Compliance and Ethics Update. This update included information on the FAMU Fundamentals 2022 mandatory training; summary information on complaints and investigations; and other key Office of Compliance and Ethics initiatives (Faculty Misconduct/Retaliation, Retaliation, Health and Safety, Public Records, Foreign Influence, and Conflicts of Interest). Trustee Perry inquired about the level of compliance with the FAMU Fundamentals mandatory training requirement. Ms. Calhoun and Trustees discussed the need for strategies to enhance accountability and monitoring to increase the compliance rate. Chair Lawson encouraged the inclusion of business ethics training targeted specifically for managers and senior leaders. Trustee Cavazos inquired about whether the University's compliance program was sufficiently resourced – specifically to address complaints and investigations. Ms. Calhoun indicated that there are areas such as privacy and public records which could be better addressed with additional

resources. Trustee Harper encouraged the inclusion of requirements for training in annual performance goals and performance evaluations.

Ms. Calhoun discussed details around the Conflict of Interest disclosure requirements and processes. She next provided details around Foreign Influence including House Bill 7017, BOG reporting, Foreign Influence survey and screening, and policy updates.

Ms. Calhoun finished her update with a discussion of what's next. This included implementation of the external review recommendations, FAMU Fundamentals 2022 after-action plans; and Conflict of Interest disclosure automation. Ms. Calhoun reported the departure of Kentrell Kearney from FAMU athletics compliance. Mr. Kearney took an advancement opportunity with Dartmouth College Athletics. Ms. Calhoun reported that Lori Goodart, Financial Aid Coordinator would be serving as Interim Associate Athletics Director for Compliance within the Department of Athletics.

Chair Lawson asked that highlights of recent audits be reviewed. VP Maleszewski advised that a full update would be provided in the next segment of the meeting. Trustee Dubose requested information regarding key risks that "keep you up at night." VP Maleszewski indicated that those items are included as part of the Division of Audit Risk Assessment.

Vice-Chair Perry recognized VP Maleszewski, and AVP/CRO Melton to presented several informational items which included:

- I. Risk Assessment
- II. Quality Assurance and Improvement Program – External Assessment
- III. I/C Assessment – President Robinson's I/C Assurance Statement
- IV. Audit and Investigative Follow-up
- V. External Audit Updates
- VI. Division of Audit Update

As part of the Risk Assessment presentation, VP Maleszewski reviewed 8 key areas for management focus to enhance operations and risk management practices in FY2022-2023. These areas were:

1. Identify a person responsible for assessing and leading privacy efforts across the university;
2. Enhancing the policy and procedure governance framework to ensure up-to-date and aligned guidance;
3. Continuing efforts to align resource allocation with strategic priorities;
4. Enhancing all areas of the employee life cycle to increase the University's ability to recruit and retain high-performing individuals;
5. Enhancing financial and operational controls within the Department of Athletics;
6. Continuing efforts to enhance and expand emergency preparedness and response activities;
7. Continue efforts to build a comprehensive enterprise risk management function; and
8. Continuing to cultivate a culture of transparency and accountability.

VP Maleszewski discussed the useful management information contained in the Risk Assessment and how it pairs well with the management information in the President's Assessment of Internal Controls. VP Maleszewski discussed the 13 areas of risk

themes by business unit and the risk heat map containing over 130 risk areas with risk trend information.

VP Maleszewski then reviewed the results of the independent quality assessment and improvement program. This assessment, performed every 5 years, found that the Division of Audit generally conforms to professional standards. This rating is the highest possible rating that can be achieved. The report highlighted areas of strength and opportunities for continues improvement.

VP Maleszewski then provided an overview of the President's annual Internal Controls Assurance Statement. The assessment highlighted areas of strength which included launching an ERM function; development of the strategic plan, policy and regulation assessment, revisions to key policies, allocating budget to areas of strategic priority, as well as training and awareness actives. The President's overall assessment is that internal controls at the university continue to be strong. With continued effort in the areas of highlighted strength it is believed that we will continue to mature our internal controls.

Trustee Dubose highlighted a need to ensure that our contracting processes work effectively and include Legal – he inquired how those processes have been tightened up. VP Maleszewski highlighted advisory services work with the Procurement Office which is ongoing. Contract management and monitoring are key topics for management to consider in the Procurement Office.

VP Maleszewski then reviewed identified areas for improvement including succession planning and career development; accountability measures to strengthen compliance; risk management plans and trainings; entity-wide assessment of business processes; strengthen Direct Support Organizations (DSOs) internal control systems; and communication of BOT meeting outcomes.

AVP/CRO Melton then provided updates on the status of audit findings and related corrective actions. Since the last BOT meeting 4 items were closed. Ms. Melton provided updates on the corrective actions related to Bragg Stadium safety and maintenance; Emergency Preparedness; Federal Contracts and Grants disclosure reporting and policies; and Knight Foundation expenditures.

Ms. Melton then provided updates on the status of investigations-related internal control recommendations and related management actions. Two items were closed since the last report and a number of the other items are anticipated to be closed in the near future. Ms. Melton discussed the Athletics-related items and ongoing efforts to work with Interim AD Smith.

VP Maleszewski provided a status report on recently completed external audits. Those included clean audits from the Auditor General on the Financial Statement Audit for FYE June 30, 2021, and the State of Florida, Compliance and Internal Controls Over Financial Reporting and Federal Awards. In addition, VP Maleszewski highlighted the positive Auditor General Operation Audit received in January of this year. This audit only noted one minor finding related to the Special Investment Account recording methodology and reconciliation procedures.

External Audits in process included the State-wide Financial Aid Audit – Bright Futures (FYE 2019 & 2020) which will have a noted audit issue with the late return of funds in late Summer and Fall 2020. The report will be forthcoming. VP Maleszewski discussed the Athletics Financial Statement Audit (FYE 2021) which is late and the Athletics annual Agreed Upon Procedures Audit (FYE 2021) which was due in mid-January and is also late. The Crowe DSO Internal Control review for FAMU's three DSOs provided initial observations of internal control weaknesses and we await the final report for each of the three DSOs. Corrective action plans are currently under development.

Trustee Dubose inquired about controls related to Athletics Name, Image, and Likeness (NIL) legislation. VP Maleszewski discussed the current status. AVP/CRO Melton discussed coordinated efforts with the Office of Compliance and Ethics as well as the Division of Legal Affairs. The result of those discussions will drive the review of current activities by Athletics and the Office of Compliance and Ethics. CCO Calhoun emphasized the points made by Ms. Melton.

Chair Lawson asked for perspective on the reported audit findings. VP Maleszewski provided information indicating the positive audit findings reflecting the President's focus on enhancing internal controls. Chair Lawson recognized the heavy lifting that it took to achieve these positive audit results.

AVP/CRO Melton then provided updates for the Division of Audit: highlighting a Senior IT auditor vacancy; hiring of a new staff auditor; internal audit awareness; Division staff leadership roles in professional organizations; and professional speaking engagements. Ms. Melton highlighted the events of International Internal Audit Awareness Month. Finally, she highlighted the Division of Audit staff's professional associations and services.

Trustee Dubose recognized the Division of Audit for their work efforts. Chair Lawson discussed the logistics for assessing resources at an upcoming meeting.

Vice-Chair Perry thereafter adjourned the meeting.