FLORIDA GULF COAST UNIVERSITY BOARD OF TRUSTEES

AUDIT AND COMPLIANCE COMMITTEE

Thursday, April 27, 2017

MARIEB HALL, ROOM #402
Florida Gulf Coast University

Minutes

Members:
Present: Trustee Joseph Fogg III, Chair; Trustee Leo Montgomery and Trustee Kevin Price.

Not Present: Trustee Darleen Cors (Excused Absence).

Others:
Trustees: Trustee Dudley Goodlette; Trustee Shawn Felton; and Trustee Jalisa White.

Staff: President Wilson Bradshaw; Vice President and Chief of Staff Susan Evans; Vice President and General Counsel Vee Leonard; Chief Compliance and Ethics Officer Stacey Chados; Interim Director of Internal Audit Bill Foster; Assistant Director of Board Operations Lauren Schuetz; Project Manager Danielle O’Brien; Director of Media Relations Lillian Pagan; and Executive Assistant to the Vice President and Chief of Staff Tiffany Reynolds.

Item 1: Welcome and Opening Remarks
Chair Joseph Fogg called to order the first meeting of the reconstituted Audit and Compliance Committee of the FGCU Board of Trustees at 1:00 p.m. Roll call was taken with 3 of 4 members present, thus meeting quorum requirements.

Chair Fogg directed the Committee members to organizational charts for (1) the Office of Compliance and Ethics; and (2) the Office of Internal Audit. He explained who the individuals were in each office and what their responsibilities encompassed. He noted there should be a line and box inserted for “Audit and Compliance Committee” between the existing boxes and lines of “FGCU Board of Trustees” to “Director of Internal Audit” and to “Chief Compliance and Ethics Officer,” in order to make it clear these departments report up through the Committee, and then ultimately to the Board.

Chair Fogg stated he hoped the charters before them would be completed today. He also stated that the charter for this newly formed Committee would need to be drafted, discussed and approved at a later meeting. He said he hoped the Audit and Compliance Committee’s charter would be completed in time to be approved at the FGCU Board of
Trustees meeting on June 13. He stated the next Audit and Compliance Committee meeting is scheduled for May 15 at 1:00 PM.

**Item 2:** Board of Governors Regulations 4.001, 4.002, 4.003 and 4.004 for Audit and Compliance, and Sample State University System Charters for Audit and Compliance Committees (See Tabs #1-2)

Chair Fogg asked Interim Director of Internal Audit Bill Foster and Chief Compliance and Ethics Officer Stacey Chados to present information regarding these Regulations.

Mr. Foster explained these were Board of Governors (BOG) regulations which reflected increased BOG emphasis on the internal audit and compliance functions. He said the four regulations became effective November 6, 2016, and a total of three FGCU charters were needed to comply with these regulations: One for the Office of Ethics and Compliance, one for the Office of Internal Audit, and one for the Audit and Compliance Committee of the FGCU Board of Trustees.

Chair Fogg said it would be helpful if Mr. Foster would explain who audited the different areas. Mr. Foster responded there were currently four individuals including himself, Viviana Lauke, Jena Valerioli and former Director of Internal Audit, Carol Slade, who has recently retired but is working in a temporary capacity to meet the demands of the office. He said these were the people who completed audits. He said the new Regulations required them to consider all Direct Support Organizations in their Audit Work Plan and in the audits performed. He added his department was preparing to do a risk assessment process, which included areas of high concern to senior management.

Chair Fogg said he recalled recently seeing a letter from an individual in Tallahassee about an upcoming audit. Vice President and Chief of Staff Susan Evans explained that was for the University’s financial audit, and she had responded to the auditors that Mr. Fogg was the Chair of the Audit and Compliance Committee; as such, he will be invited to participate in audit conferences. Ms. Evans said for the financial audit, Chair Fogg, along with auditors on the team, would have an entrance conference to discuss the scope of the financial audit. Ms. Evans said this conference could be done by phone or in-person.

Chair Fogg asked which individuals would be included at the meeting. Ms. Evans responded in addition to Chair Fogg, the meeting would include Mr. Foster, possibly Ms. Chados, Vice President for Administrative Services and Finance, and Executive Director of FGCU Financing Corporation Steve Magiera, the FGCU Controller, and a State Auditor. She said that meeting had not yet been scheduled.

Chair Fogg questioned Regulation 4.003, 7C, concerning an external review of the program’s design, and asked for clarification that this was referring to the Compliance program. Ms. Chados responded that was correct, and the first five years were from the date the Regulation went into effect.
Chair Fogg asked who would do this external review. Ms. Chados responded that had not yet been decided, but it could be a peer institution or an outside entity or firm.

Trustee Montgomery asked if Ms. Chados’ role as Chief Compliance and Ethics Officer was new to the University, and the response was affirmative, that the position began in November of 2016. Ms. Chados said much of what she was doing was being driven by the BOG Regulations, including a charter, compliance plan, and training.

Trustee Leo Montgomery asked when these items would be substantially completed. Ms. Chados responded that the items must be completed within two years. Ms. Chados added that the documents for the plans should be done in the next year, after which the program would be fully implemented.

Trustee Montgomery asked if there had ever been a whistleblower program for the University, and the response was affirmative. Ms. Chados added the program was part of the Regulations, and her office was responsible for administering the hotline. She said Mr. Foster’s office was responsible for conducting reviews of fraud, waste, and abuse claims.

Chair Fogg asked Ms. Chados if she was satisfied with the resources available for her needs in order to comply with the new Board of Governors Regulations. She responded that she appreciated the question and that she had the resources to set up the program to administer the hotline, but what she did not have were resources for sufficient staff to conduct compliance-type reviews. She said she planned to work with the compliance liaisons within the University to make sure they were self-monitoring and self-assessing. She added if something was reported, she would refer it to Mr. Foster’s department for a suggested compliance review. Otherwise, she said if the University wanted to expand the staff in the future, it might be beneficial to have compliance specialists to assist with reviews.

Chair Fogg asked that Ms. Chados and President Bradshaw meet to review the resources available to be sure she had what was needed to undertake her responsibilities. Ms. Chados responded that any compliance program, according to the Federal Sentencing Guidelines, has to fit the size of the institution. She said that meant if FGCU wanted to self-assess and self-monitor, it was allowed.

Chair Fogg asked Ms. Chados to explain to the Committee what the Federal Sentencing Guidelines had to do with compliance. She responded that it was an odd situation that best business practices for a compliance and ethics program were embedded in the Federal Sentencing Guidelines. She said that was because similar to any criminal that committed a federal offense, there were sentencing guidelines for (NOTE: Listen to the tape – did she say what kind of “offenses” here?) offenses, which were either required or suggested, for those individuals. Embedded within were the seven elements of an effective ethics and compliance program and these were listed for companies whose employees commit crimes. She said those companies were placed under corporate
integrity agreements, and because of that, the best business practices have ended up in
the federal sentencing guidelines. The Board of Governors Regulations mirrored those

President Bradshaw stated it might be helpful if Ms. Chados would give the Committee
some of the seven elements. Ms. Chados responded the first element called for
appropriate policies and procedures, which FGCU has; in addition, there must be a
Code of Conduct, which was something she had been working on. She stated the
second element said there must be a proper governance structure in which the Chief
Compliance Officer reported to a very high-level position, and that had been set up
properly at FGCU; and the Officer should have some type of reporting relationship with
individuals who conduct compliance activities, and she was in the process of putting this
together. She stated another element directed that ethics training should be provided to
the entire workforce at the organization, including the FGCU Board of Trustees.

Chair Fogg said Ms. Chados would be preparing the plan, and when it was completed,
the Committee would review it. Ms. Chados stated each document required within the
BOG regulation needed to be approved by the Audit and Compliance Committee, and
the FGCU Board of Trustees, with a copy sent to the Board of Governors.

Chair Fogg asked Mr. Foster to explain his department, and he noted concern for two
vacant positions. Mr. Foster said things were busy, but he thought the office would be
able to meet its responsibilities to the Board.

Chair Fogg asked if he was actively recruiting for the vacancies. Mr. Foster said at that
point, due to his interim director status, recruitment had been put on hold at this time in
anticipation of the new President. Mr. Foster also said that the time it would take to get
the IT Auditor up to sufficient speed and productivity would be better spent by current
staff doing the audits themselves.

President Bradshaw added that one of the vacant positions was the one Mr. Foster had
formerly occupied until he was named interim director.

Chair Fogg asked if this was a matter for the President-elect, and the response was
affirmative.

Chair Fogg asked if there was any further discussion of this item.

President Bradshaw said Trustee Kevin Price mentioned risk assessment, and he
informed the Committee that the process had started. He said Mr. Foster would be
meeting individually with the Cabinet members to talk about areas of concern within his
or her respective Division. President Bradshaw stated that he would meet with Mr.
Foster and Chair Fogg to review these items, and from that, would develop a proposed
audit plan for next year.
Trustee Price stated he understood that issues were self-identified, but wondered if there was a mechanism in place to include items that were not self-identified. President Bradshaw confirmed that such a mechanism is in place, including items identified directly by the Internal Auditor, and also through discussions of the President, Internal Auditor, and Chair of the Audit and Compliance Committee.

**Item 3: Charter for the Office of Compliance and Ethics** (See Tab #3)

Chair Fogg asked Ms. Chados to present the proposed charter.

Ms. Chados explained that a charter was basically a document that set the governance structure for the program. She said in this case, the Charter for the Office of Compliance and Ethics outlined the purpose, authority, mission, scope of work, and responsibilities of the office. She said it also provided appropriate governance structure, access to documents and personnel, and a periodic assessment. She said the Charter mirrored what was required from the Board of Governors Regulations and also was set up in the format recommended by the Institute of Internal Auditors.

Chair Fogg asked if Ms. Chados had amended the Charter that was included in the agenda packet. Ms. Chados responded that there had been no changes.

Trustee Shawn Felton asked where Ms. Chados’ performance review process appeared in the organizational chart or where provisions were made for her evaluation.

Ms. Chados responded the input of the selection, retention, and appraisal of both the compliance and audit function would be through the Chair of the Audit and Compliance Committee with input from the FGCU Board of Trustees, as well as the President.

Trustee Montgomery asked if the Charter documents covered the Foundation, Housing, and other ancillary businesses or relationships FGCU had. Ms. Chados responded the Direct Support Organizations (DSO) were not necessarily covered in this document, although portions of the compliance plan under development would incorporate some oversight of those functions.

Trustee Montgomery asked if Mr. Foster had that responsibility, and the response was affirmative. Mr. Foster added that the new BOG regulations now required consideration of DSOs in audit plans.

Trustee Montgomery agreed that the Charter covered all of those organizations.

Chair Fogg asked Vice President and General Counsel Vee Leonard, along with Ms. Chados and Mr. Foster to provide information to the Committee at the next meeting about what specifically FGCU’s responsibilities were for the DSOs.

President Bradshaw pointed out that the legislature had focused on the DSOs at state universities, and some legislation may be forthcoming. He added the Board of
Governors had been discussing the DSOs as related to audit and compliance. He said FGCU had two DSOs whereas some institutions have as many as 20.

Chair Fogg realized he had skipped over a section in the agenda where there were samples of other Audit and Compliance Charters from other universities. He said this was for information purposes, and the Charters included had been approved by the BOG.

Chair Fogg asked for a motion to approve the Charter for the Office of Compliance and Ethics and recommend to the FGCU Board of Trustees it be adopted.

Trustee Montgomery made a motion to approve the Charter for the Office of Compliance and Ethics. Trustee Price seconded the motion. There was no public comment or discussion. The vote was unanimous in favor of the motion.

**Item 4: Charter for the Office of Internal Audit** (See Tab #4)  
Chair Fogg called for discussion of the Charter for the Office of Internal Audit.

Mr. Foster directed the Committee to “Organizational Independence, Objectivity and Authority,” Item 1, which he read. He said the Committee would need to insert before the FGCU Board of Trustees, “…to the Chair of the Audit and Compliance Committee of the FGCU Board of Trustees.”

Chair Fogg pointed out that this was an amendment. He asked if there was further discussion. Hearing none, he called for a motion to approve the Charter.

Trustee Price made a motion to approve the Charter for the Office of Internal Audit as amended by Mr. Foster. Trustee Montgomery seconded the motion. There was no public comment or discussion. The vote was unanimous in favor of the motion.

**Item 5: New Business**  
There was no new business for discussion.

**Item 6: Closing Remarks and Adjournment**  
Chair Fogg reminded the Committee of the May 15 meeting, and adjourned the meeting at 1:36 p.m.

Minutes prepared by Transcription Experts, and reviewed by Lauren Schuetz, FGCU Assistant Director of Board Operations.
Agenda Items:

A. See Tabs

B. Handouts

Attachment:

A. Record of Votes
# Record of Votes
Audit and Compliance Committee

**DATE:** 4/27/2017

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<th>TRUSTEES</th>
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<td>1  Trustee Darleen Cors</td>
<td>Yes</td>
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<td>(excused absence)</td>
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<td>2  Trustee Leo Montgomery</td>
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<td>3  Trustee Kevin Price</td>
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<td>4  Trustee Joseph Fogg</td>
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- **Approve and Recommend Charter for the Office of Compliance and Ethics (Tab #3)**
  - 1- Montgomery
  - 2- Price

- **Approve and Recommend Charter for the Office of Internal Audit as Amended (Tab #4)**
  - 1- Price
  - 2- Montgomery