

1 **FLORIDA GULF COAST UNIVERSITY BOARD OF TRUSTEES**

2
3 **AUDIT AND COMPLIANCE COMMITTEE WORKSHOP**

4
5 **Tuesday, September 10, 2019**

6
7 **COHEN CENTER, ROOM # 213**
8 **Florida Gulf Coast University**

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11 Meeting Minutes

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13 **The workshop was a voluntary attendance opportunity for the Audit and**
14 **Compliance Committee and the other members of the FGCU Board of Trustees.**

15
16 **Members:**

17 *Present:* Trustee Joseph Fogg III – Chair; Trustee Darleen Cors; Trustee Leo
18 Montgomery; and Trustee Stephen Smith.

19
20 **Others:**

21 *Trustees:* Trustee Josh Ballin; Trustee Ashley Coone; Trustee Richard Eide, Jr.; Trustee
22 Blake Gable; Trustee Jamie MacDonald; Trustee Robbie Roepstorff; and Trustee
23 Kenneth Smith.

24
25 *Staff:* President Mike Martin; Provost and Vice President for Academic Affairs James
26 Llorens; Vice President for Administrative Services and Finance, and Executive Director
27 of FGCU Financing Corporation Steve Magiera; Vice President and Chief of Staff Susan
28 Evans; Vice President and General Counsel Vee Leonard; Vice President for Student
29 Success and Enrollment Management Mitchell Cordova; Senior Vice President for
30 Strategy and Program Innovation Mike Rollo; Director of Internal Audit Bill Foster;
31 Director of Equity, Ethics and Compliance, and Title IX Coordinator Precious Gunter;
32 Director of Operations Tiffany Reynolds; Assistant Director of Board Operations Tiffany
33 Jackson; Project Manager Melissa Pind; and Executive Assistant to the Vice President
34 and Chief of Staff Bruna Ugolotti.

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37 **Item 1: Call to Order, Roll Call, and Opening Remarks**

38 Chair Joseph Fogg called to order the September 10, 2019 Audit and Compliance
39 Committee Workshop on Senate Bill 190 (SB190) at 12:56 p.m. He stated attendance
40 at the workshop was voluntary; therefore, roll call would not be taken, and no action
41 would be taken by the Committee. He welcomed non-Committee-member Trustees
42 from the Board. He stated that the workshop was noticed as a public meeting of the
43 Committee. He called on President Michael Martin for opening comments.

45 President Martin thanked Chair Fogg for organizing this workshop. He stated the policy
46 environment in which FGCU functioned was a perpetual work in progress, and he
47 believed it was appropriate to pause and understand how the rules might be changing.
48 He thanked Vice President for Administrative Services and Finance Steve Magiera and
49 Vice President for Student Success and Enrollment Management Mitch Cordova for
50 making today's presentation in an effort to explain what this particular piece of
51 legislation may mean for FGCU.

52

53 Chair Fogg noted the idea for the workshop emanated from the Audit and Compliance
54 Committee conference call meeting in June. He called on Mr. Magiera and Dr. Cordova
55 to present the on Senate Bill 190.

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57

58 **Item 2: Workshop on Senate Bill 190 (Presentation and Discussion) (TAB #1)**

59 Mr. Magiera reported he and Dr. Cordova reviewed Senate Bill 190 (SB190), removed
60 anything unrelated to universities, and compiled a list of talking points intended to
61 highlight the items they felt to be pertinent to FGCU. He noted that he and Dr. Cordova
62 still had many questions regarding SB190 and had asked the Board of Governors
63 (BOG) for clarification on a number of items; the BOG was attempting to obtain
64 clarification as well.

65

66 Mr. Magiera stated the first section he would review was Auditor General Duties. He
67 explained the Legislature was instructing the Auditor General to audit carryforward
68 funds annually. He explained auditors often did cycle auditing; however, the Legislature
69 was requiring carryforward funds be audited annually rather than in cycles. He briefly
70 explained carryforward funds and the process for submitting the University's plan to use
71 carryforward funds to the BOG for approval.

72

73 He reported the BOG-appointed accounting firm of Crowe LLP would review internal
74 controls regarding carryforward funds at each university in the State University System
75 (SUS). He noted Crowe LLP started its evaluation site visit at FGCU yesterday and
76 would be finished before the week's end. The firm will present a preliminary report on
77 all the universities to the BOG in October.

78

79 Chair Fogg asked if the Audit and Compliance Committee was allowed to substantially
80 rely on the audit prepared by Crowe. Mr. Magiera responded in the affirmative.

81

82 Mr. Magiera stated the next section was the Legislature's instructions to the BOG
83 regarding Trustee training. He explained the BOG was required to develop and
84 annually deliver a training program for members of each university's boards of trustees
85 that addressed the role of the Trustees in governing resources and protecting the public
86 interest as stewards of those resources. He noted Trustees were required to participate
87 within one year of appointment or reappointment. He said, as Board Chair Gable
88 previously stated, there would be a Trustee Summit at the end of October. He
89 explained the training programs must include:

90

- 91 • Statutory, regulatory and fiduciary obligations of the board.
- 92 • Internal control process and accountability for the president and other
- 93 administrative officers.
- 94 • College affordability – minimize costs of fees, textbooks and materials.
- 95 • Creating university rules and regulations.
- 96 • Institutional ethics and conflicts of interest.
- 97 • Best practices for BOT governance.
- 98 • Understanding national and state current issues in higher education.
- 99 • Any other responsibilities the BOG deems necessary.

100

101 He noted that when implemented, this training program would be a presentation from
102 the BOG to the Trustees.

103

104 Chair Fogg noted that he was particularly interested in seeing how the BOG would
105 address point 2, “Internal control process and accountability for the president and other
106 administrative officers.” He stated that with existing Sunshine Laws, he was not sure
107 how point 2 was possible and where the Trustees would obtain the information.

108

109 Mr. Magiera stated the BOG was going to define the data components and methodology
110 used to implement Preeminent Research (1001.7065) and Performance-Based Funding
111 (1001.92). He noted each university would conduct an audit and the results were to be
112 submitted to the BOG Office of Inspector General. He reminded the Board that in the
113 past several years, the university had used an outside firm to perform the audit of
114 performance-based funding numbers. He said the FGCU Office of Internal Audit would
115 conduct the audit internally this year.

116

117 He stated the BOG was required to enter into an agreement with the Department of
118 Economic Opportunity that allowed access to individual reemployment wage records for
119 the purpose of auditing and evaluating higher education programs offered by state
120 universities. He noted he was unsure of exactly what this requirement meant, or if it
121 would be in the best interest of the University.

122

123 He noted regarding Public Education Capital Outlay (PECO), the BOG would authorize
124 and submit a prioritized list of projects that gave priority to previously approved projects
125 which had not been completed, as well as the top two priorities of each university. He
126 explained the BOG was to develop a points-based system based on the following
127 criteria:

128

- 129 • Whether the project was funded previously by the Legislature.
- 130 • Whether the project represented a building maintenance project or repair of utility
- 131 structure which was necessary to preserve a safe environment.
- 132 • Whether the project addressed the greatest current year need for space. For
- 133 example, classroom space, research space, etc.
- 134 • Whether the project reflected a ranked priority of the submitting university.
- 135 • Whether the project represented the most practical and cost effective
- 136 replacement or renovation of an existing building.

- 137 • For new construction, remodeling or renovation project—whether it had a prior
138 appropriation, whether it had funding from other sources, or whether the
139 institution allocated funding equal to a percentage of the total project costs.
140

141 He noted universities were permitted to apply for funding for two projects; however, only
142 one was chosen for funding. Therefore, FGCU had only been applying for one project -
143 Academic Building 9 (AB9).
144

145 He stated SB190 included a section regarding new construction funding. He explained
146 the Legislature required for preeminent universities six percent of construction to be
147 budgeted from university funds for new construction; for emerging preeminent
148 universities four percent was required; and for all other state universities two percent of
149 construction cost was required to be budgeted for new construction.
150

151 He stated the project achieving the highest score for each criterion would be awarded
152 the maximum points. He noted new construction, remodeling, or renovation projects
153 that have not received an appropriation in a previous year would not be considered for
154 inclusion on the prioritized list.
155

156 He stated there were some rules which he had questions about such as “A plan is to be
157 provided to reserve funds in an escrow account into which shall be deposited each year
158 an amount of funds equal to one percent of the total value of the building for future
159 maintenance.” He said that the University would need to get a definition of
160 “maintenance,” and if that included electric bills, building cleaning, etc. He stated that if
161 FGCU followed the rule as it was currently written, it would drive up the carryforward
162 balance due to always putting in the one percent without knowing when it could actually
163 be used. Chair Fogg stated he understood FGCU was not required to follow these rules
164 until the BOG interpreted the rules and provided written instruction to FGCU. Mr.
165 Magiera concurred.
166

167 Trustee Robbie Roepstorff stated FGCU was required to be compliant with all Statutory
168 laws. She asked if Senate Bill 190 was in effect. Chair Fogg explained the Bill
169 indicated the “BOG shall make rules...” and he would not be surprised if the BOG went
170 back to the Legislature and requested a re-draft. Trustee Roepstorff stated she was
171 concerned about FGCU being caught in the middle and she asked if this Bill was
172 effective now. Mr. Magiera responded in the affirmative; however, he said this particular
173 section discussed new construction that had not previously received an appropriation so
174 this would not apply to AB9.
175

176 Mr. Magiera reported the Legislature also directed the BOG to look at space utilization.
177 He stated the space utilization method used in Florida was not consistent with the
178 national method, and this hurt FGCU. He explained space utilization reviewed how
179 much classroom space FGCU should have, how many teaching labs, etc., based upon
180 the size of the student body. He stated the formula being used in Florida was
181 detrimental to the SUS compared to other states. He explained, for example, that
182 FGCU was permitted a certain amount of classroom space, a certain amount of

183 research lab space, and a certain amount of teaching lab space; however, FGCU did
184 not need the permitted amount of research lab space, but could use additional teaching
185 lab space and classrooms. He noted it would be beneficial to use some designated
186 research lab space for teaching labs; however, this was not permitted. He said that
187 FGCU needed to get the Legislature and the BOG to allow the University to shift
188 between the permitted space categories, and they were working to get that done.

189
190 He reported regarding the Oversight section, SB190 said the Chancellor might
191 investigate allegations of noncompliance with any law or BOG regulation and determine
192 probable cause; following this, the Chancellor shall report its determination of probable
193 cause to the BOG, which may require the universities' boards of trustees to document
194 compliance. He noted the same rule applied to findings by the Auditor General, which
195 meant a university was acting without statutory authority, or contrary to general law.

196
197 He called on Dr. Cordova to present the next section.

198
199 Dr. Cordova reported SB190 specifically stated each state university shall execute at
200 least one "2+2" targeted pathway articulation agreement with at least one Florida state
201 college. He reported FGCU currently was in the process of developing a memorandum
202 of understanding (MOU) with the State College of Florida (SCF), specifically creating a
203 2+2 Targeted Articulated Pathway Program; the program is called "Destination FGCU:
204 SCF/FGCU Targeted Pathways Transfer Program." He explained the existing MOU
205 with Florida SouthWestern State College (FSW) was being adapted to meet SB190's
206 provision. He stated there were nine programs that were specifically targeted for this
207 articulation agreement:

- 208
209
- 210 • BA Biology
 - 211 • BS Biology (Pre-professional concentration)
 - 212 • BA Communication (Communication Studies)
 - 213 • BA Communication (Public Relations concentration)
 - 214 • BS Health Sciences
 - 215 • BS Management (General Management concentration)
 - 216 • BS Management (Human Resource Management concentration)
 - 217 • BS Management (Sports Management concentration)
 - 218 • BS Marketing

219 He explained FGCU created the draft MOU, and SCF currently was reviewing the draft.
220 He noted FGCU was working to prepare the MOU for both institutions' Presidents and
221 General Counsels to sign. He noted an implementation MOU would then be signed by
222 senior leadership in Student Success & Enrollment Management (SS&EM) and
223 Academic Affairs at both institutions; both documents would address the specific criteria
224 outlined in SB190. He stated FGCU would be updating the existing MOU with FSW to
225 ensure it reflected the new changes identified in SB190, including updating the
226 programs that they would specifically target. He said conversations had already begun
227 between FGCU and FSW.

228 Trustee Jamie MacDonald asked that because a large population of FGCU students
229 came from Broward County, would any consideration be given to the possibility of an
230 articulation agreement with Broward College. Dr. Cordova responded in the affirmative.
231 He explained once the articulation agreements were completed with FSW and SCF,
232 they would be used as a template to partner with other state colleges across Florida.
233

234 Trustee Ken Smith asked if it would be possible for FGCU to create targeted programs
235 in nursing and teaching with the state colleges. President Martin said he thought this
236 was an excellent idea. Discussion ensued regarding the possible benefits of targeted
237 2+2 programs for teaching, nursing, and others.
238

239 President Martin noted the two-year graduation rate for an Associate of Arts (AA)
240 degree in Florida was seven percent. He stated the three-year graduation rate for an
241 AA in Florida was slightly above 31 percent. He stated FGCU made money with lower
242 division coursework that subsidized the upper division coursework; therefore, FGCU
243 needed the lower division students. He stated FGCU needed approximately 2,600
244 freshman students to enroll every fall to cover the bonds on the residence halls;
245 therefore, it was important to consider the balance between transfers who were unlikely
246 to live in the residence halls, and freshmen who were almost certain to live in the
247 residence halls. He stated this balance was imperative. He explained FGCU wished to
248 transfer students in, but not at the expense of the minimum level of first-time-in-college
249 (FTIC) students necessary to fill the residence halls. Dr. Cordova reported 80 percent
250 of freshman FTIC students lived in South Village.
251

252 Mr. Magiera presented the section on Excess Hours. He stated each university must
253 calculate an excess hour threshold for each student based on the number of credit
254 hours required for the degree. He noted if a student changed degree programs, the
255 excess hour threshold must be adjusted only if the new degree required more credit
256 hours than the previous degree. He stated the schedule was as follows:
257

- 258 • Fall 2009 –Summer 2011: 120 percent was permitted (144 hours); if a student
259 went above 144 hours, the student was required to pay 50 percent more for each
260 credit hour.
- 261 • Fall 2011 –Summer 2012: 115 percent was permitted (138 hours); if a student
262 went above 138 hours, the student was required to pay 100 percent more for
263 each credit hour.
- 264 • Fall 2012 –Spring 2019: 110 percent was permitted (132 hours); additional credit
265 hours required to be paid at 100 percent more.
- 266 • Summer 2019 – Thereafter: 120 percent was permitted (144 hours); additional
267 credit hours required to be paid at 100 percent more.
268

269 He noted SB190 required state universities to refund up to 12 excess credit hours if the
270 first-time-in-college (FTIC) student completed the degree in four years after the initial
271 start at the university.
272

273 He stated FGCU provided baseline notifications regarding excess hours to newly
274 admitted, or returning students, at the end of the first term. He reported students were
275 informed of the excess hours policy, individual thresholds, and attempted credit hours.
276 He noted students with undeclared majors were calculated based on a 120-hour-credit
277 program (the average) and then it was recalculated when a degree program was
278 selected. He stated FGCU issued warning notifications to students who had attempted
279 at least 90 percent of the credits required toward the degree. He reported students
280 were reminded of the policy and encouraged to meet with an advisor. He reported
281 despite those efforts, last year there were 387 students billed for excess hours, totaling
282 \$401,419.

283
284 Trustee K. Smith asked how excess hours were handled for students pursuing minor
285 degrees. Dr. Cordova explained students were limited to two minors and these were
286 calculated into the hours. Trustee K. Smith asked what happened when a student
287 switched majors. He stated he felt charging students for excess hours was poor
288 practice. He noted he understood the reasoning in theory, but in reality, students
289 should be encouraged to find their life path and passion. He noted graduating high
290 school students rarely knew what they wanted to do in life. Trustee Roepstorff noted
291 this was why career centers were being initiated at the high school level -- to provide
292 internships, and help high school students gain experience regarding life choices and
293 career possibilities.

294
295 Trustee K. Smith asked how many other states had similar excess hour policies.
296 President Martin said he had not yet experienced another state that had such a rigid
297 cap on excess hours. Discussion ensued regarding excess credit hours, the desire of
298 the Legislature to graduate students as quickly as possible, and the issues that could
299 come from excess credit hours, such as when students changed their majors.

300
301 Dr. Cordova presented the next item. He reported SB190 was filled with Bright Futures
302 language. He reported Bright Futures was the program set up by the Florida Lottery.
303 He noted there would be two big changes in Bright Futures with SB190; one was the
304 new criteria for receiving Bright Futures scholarships, and the other was the maximum
305 number of credits a student could earn with Bright Futures funds.

306
307 He stated FGCU had Bright Futures Academic recipients and Bright Futures Medallion
308 recipients. He stated that currently the Bright Futures Academic recipients were
309 required to have a GPA of 3.5 or higher and a SAT score of 1290 or above, or an ACT
310 score of 29. He stated the new Bright Futures SAT criteria required students to be in
311 the 89th national percentile rather than achieve a certain score. He noted under the new
312 89th percentile criteria, 34 additional FGCU students (or 1.2 percent of the cohort) would
313 now become eligible for the Bright Futures Academic scholarship. He stated the
314 previous SAT criteria for the Bright Futures Medallion required a SAT score of 1290 and
315 with the new SAT requirement set at the 89th national percentile, 74 additional FGCU
316 students from the Fall 2018 cohort (or 2.6 percent of the cohort) would qualify for the
317 Bright Futures Medallion scholarship.

318

319 He reported regarding the change of the 45-credit-hour maximum, Bright Futures
320 Academic and Bright Futures Medallion students were now allowed to take more than
321 45 credit hours a year. He noted the State was rewarding ambitious students who
322 wished to complete more than 45 credit hours annually. He said last year at FGCU, 58
323 percent of the Bright Futures Academic students took 30 credits or more, and three
324 students took 45 or more credit hours. He said 53 percent of Bright Futures Medallion
325 students took 30 credits or more, and 11 students took 45 or more credit hours.

326

327 Mr. Magiera presented SB190's Carryforward section. He discussed the following
328 SB190 requirements:

329

- 330 • Each University shall maintain a minimum carryforward balance of at least seven
331 percent of its state operating budget. Failing to maintain the seven percent
332 required submission of a plan to the BOG to get it refunded within the next fiscal
333 year.
- 334 • Each university shall submit a spending plan for any moneys in excess of the
335 seven percent. This is to be completed by September 1, 2020 and each
336 September 1 thereafter.
- 337 • Universities may now commit funds to a Public Education Capital Outlay (PECO)
338 project for which an appropriation has previously been provided that requires
339 additional funds for completion. Mr. Magiera explained FGCU's AB9 was an
340 example.
- 341 • Completion of a renovation, repair, or maintenance project up to \$5 million per
342 project and replacement of a minor facility that does not exceed 10,000 gross
343 square feet in size up to \$2 million.
- 344 • Completion of a remodeling or infrastructure project including a project up to \$10
345 million per project. The project must be survey recommended.

346

347 Mr. Magiera stated for the last five years there was no funding available for
348 infrastructure, and he was pleased to see a method to obtain possible infrastructure
349 funding being implemented. Additional SB190 carryforward requirements were noted
350 as:

351

- 352 • Completion of a repair or replacement project necessary due to damage caused
353 by a natural disaster.
- 354 • Operating expenditures that support the university mission and that are
355 nonrecurring.

356

357 He reported the BOG's staff met with the universities' CFOs to define what was
358 nonrecurring, which could be difficult. He explained many universities used
359 carryforward monies to fund summer school, and although summer school happened
360 every year and could be defined as recurring; summer programs differed every year and
361 could also be defined as nonrecurring. He continued:

362

- 363 • Any purpose specified by the board or in the General Appropriations Act.

364

365 He noted he asked the BOG what “board” this requirement referred to; the BOG was
366 unsure and would ask the Legislature. He continued:

- 367
- 368 • Annually by September 30, the CFO of each university shall certify the
 - 369 unexpended amount of Education and General Expenses (E&G) funds.
 - 370 • A university may spend the minimum carryforward balance of seven percent if a
 - 371 demonstrated emergency exists and the university’s board of trustees and the
 - 372 BOG approve the plan.
- 373

374 He stated FGCU as a university located in Florida was subject to hurricanes. He stated
375 he was unsure if FGCU would have enough time to get FGCU Board of Trustees (BOT)
376 approval and Board of Governors’ approval for emergency expenditures prior to
377 spending.

378

379 He noted many of the questions regarding SB190 would be clarified as the BOG
380 continued its discussion with the Legislature. He stated as he was updated, he would
381 keep the FGCU BOT and the Audit and Compliance Committee updated.

382
383

384 **Item 3: Closing Remarks, and Adjournment**

385 Chair Fogg thanked President Martin and the staff for today’s presentation of important
386 information, and adjourned the workshop at 1:45 p.m.

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390 Minutes prepared by Transcription Experts, and reviewed by Tiffany Jackson, FGCU
391 Assistant Director of Board Operations.

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399 Agenda Items:

400 A. See Tab #1

401 [https://www2.fgcu.edu/Trustees/AgendaFile/2019/9-10-](https://www2.fgcu.edu/Trustees/AgendaFile/2019/9-10-2019/FINALFGCUACCMTG-AGENDAPACKET-WORKSHOP-9-10-2019.pdf)
402 [2019/FINALFGCUACCMTG-AGENDAPACKET-WORKSHOP-9-10-](https://www2.fgcu.edu/Trustees/AgendaFile/2019/9-10-2019/FINALFGCUACCMTG-AGENDAPACKET-WORKSHOP-9-10-2019.pdf)
403 [2019.pdf](https://www2.fgcu.edu/Trustees/AgendaFile/2019/9-10-2019/FINALFGCUACCMTG-AGENDAPACKET-WORKSHOP-9-10-2019.pdf)

404

405 B. Handouts

406 a. [https://www2.fgcu.edu/Trustees/AgendaFile/2019/9-10-](https://www2.fgcu.edu/Trustees/AgendaFile/2019/9-10-2019/FGCUACWORKSHOPHANDOUTS_9-10-2019.PDF)
407 [2019/FGCUACWORKSHOPHANDOUTS_9-10-2019.PDF](https://www2.fgcu.edu/Trustees/AgendaFile/2019/9-10-2019/FGCUACWORKSHOPHANDOUTS_9-10-2019.PDF)

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