

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

2
3 ***AUDIT AND COMPLIANCE COMMITTEE MEETING***

4
5 **Friday, December 13, 2019**

6
7 **EDWARDS HALL, ROOM # 309**
8 **Florida Gulf Coast University**

9
10

Minutes

11
12 **Members:**

13 *Present:* Trustee Joseph Fogg III – Chair; Trustee Darleen Cors; and Trustee Leo
14 Montgomery.

15
16 *Not Present:* Trustee Stephen Smith (Excused Absence).

17
18 **Others:**

19 *Staff:* President Michael Martin; Vice President for Administrative Services and
20 Finance, and Executive Director of FGCU Financing Corporation Steve Magiera; Vice
21 President and Chief of Staff Susan Evans; Vice President and General Counsel Vee
22 Leonard; Vice President for Student Success & Enrollment Management Mitchell
23 Cordova; Director of Equity, Ethics, and Compliance, and Title IX Coordinator Precious
24 Gunter; Director of Internal Audit Bill Foster; Director of Operations Tiffany Reynolds;
25 Assistant Director of Board Operations Tiffany Jackson; Project Manager Melissa Pind;
26 and Executive Assistant to the Vice President and Chief of Staff Bruna Ugolotti

27
28
29 **Item 1: Call to Order, Roll Call, and Opening Remarks**

30 Chair Joseph Fogg called the meeting to order at 9 a.m. He welcomed all Committee
31 members and said the meeting had been duly noticed. He asked Vice President and
32 Chief of Staff Susan Evans to call the roll. Roll call was taken with three of four
33 Committee members present, thus meeting quorum requirements. Trustee Stephen
34 Smith was granted an excused absence.

35
36
37 **Item 2: Consent Agenda (See Tabs #1-2)**

38 Chair Fogg stated there were two items on the Consent Agenda; the Minutes of the
39 September 10, 2019 Meeting and the Minutes of the September 10, 2019 Workshop.
40 He called for a motion.

41
42 Trustee Darleen Cors made a motion to approve the Consent Agenda. Trustee Leo
43 Montgomery seconded the motion.
44

45 Trustee Montgomery noted the September 10, 2019 meeting minutes indicated there
46 would be an Information Technology Security Audit, hoped to be completed by the end
47 of the year. He asked if this had been completed. Director of Internal Audit Bill Foster
48 responded his department was in the report writing stage at present, and that the Audit
49 would be ready for presentation at the April 2020 meeting of the FGCU Board of
50 Trustees.

51
52 There was no public comment, or further Committee discussion. The vote was 3-0 in
53 favor of the motion.

54
55 **Item 3: Information Items (See Tabs #3-4):**

56 Chair Fogg stated there were two information items. He asked Director of Internal Audit
57 Bill Foster to present the items.

58
59 **Investigation – Bishop (Purchasing Card) (TAB #3)**

60 Mr. Foster stated a full report regarding Mr. Bishop was included in today's agenda
61 packet for review. He indicated all misspent funds were recovered, and Mr. Bishop was
62 terminated from his FGCU employment. Mr. Foster noted that the situation occurred
63 due to failure to follow the University's existing policy and controls. He stated the
64 individuals involved were reminded of the policies and procedures in order to ensure the
65 controls would be followed in the future.

66
67 **FGCU Policy 1.004 Fraudulent or Other Dishonest Acts (TAB #4)**

68 Mr. Foster said the next item being presented for the Committee's review was FGCU
69 Policy 1.004 Fraudulent or Dishonest Acts. The policy was updated by moving items
70 from the exhibit section of the policy to the body, and it was presented as an information
71 item due to its subject matter.

72
73 Chair Fogg noted there was no substantive change, but rather only a reordering of
74 current information.

75
76
77 **Item 4: Action Items (See Tabs #5-11)**

78 Chair Fogg stated there were seven actions items.

79
80 **Florida Gulf Coast University Financing Corporation Independent Auditor's**
81 **Report Fiscal Year Ended June 30, 2019 (TAB #5)**

82 Mr. Foster indicated this item was a request to accept the Florida Gulf Coast University
83 Financing Corporation Independent Auditor's Report for the Fiscal Year ended June 30,
84 2019. He stated the Direct Support Organization (DSO) of a state university was
85 required to conduct an annual audit of its accounts and records by an independent
86 certified public accountant in accordance with section 1004.285 of the Florida Statutes,
87 and that FGCU PR1.005 required the annual reports related to FGCU Direct Support
88 Organizations be submitted to the FGCU Board of Trustees. He said the firm of Tuscan
89 & Company, P.A. completed the audit report of the FGCU Financing Corporation for the

90 fiscal year ended June 30, 2019. He noted the Financing Corporation Board of
91 Directors accepted the audit report at its September 24, 2019 meeting.

92
93 He stated page 2 of the Auditor's Report was the Opinion, which indicated the financial
94 statements fairly represented the financial position of the Financing Corporation. He
95 explained this was known as a clean opinion and what the Financing Corporation strove
96 to obtain. He stated pages 4 through 11 were the Management's Discussion and
97 Analysis which described in reader-friendly terms what occurred during the last fiscal
98 year. He explained this section pointed out major transactions and presented
99 comparative figures from the prior year.

100
101 He noted on page 12 the Statement of Net Position (previously known as the Balance
102 Sheet) reflected that at year end there were \$220.7 million in total assets, \$192.2 million
103 in total liabilities and deferred inflows, and a net position (or residual equity) of \$28.5
104 million. He stated page 13 was the Statement of Revenues, Expenses and Changes in
105 Net Position (formerly known as an Income Statement), which showed for the year
106 \$19.1 million in operating revenue, \$14.5 million in operating expenses, and \$1.6 million
107 in non-operating expenses, arriving at a net increase in position of \$3 million. He said
108 page 14 was the Statement of Cash Flows which showed effects to cash from the
109 financial transactions. He noted the net effect was a \$5,000 decrease in cash and cash
110 equivalents for the year. He stated pages 15 through 29 contained Notes to the
111 Financial Statements, which contained a significant amount of information to explain the
112 various 79 line items in the Financial Statements. He explained that compared to
113 Management's Discussion and Analysis, these Notes were not necessarily as reader-
114 friendly. He stated pages 30 and 31 contained the Auditor's Report on Internal Control
115 and Compliance, a report on internal controls related financial reporting and compliance
116 with Government Auditing Standards. He said there were no deficiencies in internal
117 controls noted. He stated pages 32 and 33 contained the Auditor's Report to
118 Management, and there were no comments in the current or prior years.

119
120 Chair Fogg asked about refinancing previously discussed. Vice President for
121 Administrative Services and Finance, and Executive Director of FGCU Financing
122 Corporation Steve Magiera responded the refinancing was completed in November and
123 went very well. He noted Trustee Richard Eide, Board Liaison to the Financing
124 Corporation, would discuss the details of the refinancing at the next FGCU Board
125 meeting in January, including the announcement of approximately \$850,000 per year in
126 present value savings.

127
128 Trustee Montgomery made a motion to accept the Florida Gulf Coast University
129 Financing Corporation Independent Auditor's Report for the Fiscal Year ended June 30,
130 2019 and recommend its acceptance by the FGCU Board of Trustees. Trustee Cors
131 seconded the motion.

132
133 There was no public comment, or further Committee discussion. The vote was 3-0 in
134 favor of the motion.

135

136 **Florida Gulf Coast University Foundation, Inc. Independent Auditor's Report**
137 **Fiscal Year Ended June 30, 2019 (TAB #6)**

138 Mr. Foster stated this item was a request to accept the Florida Gulf Coast University
139 Foundation, Inc. Independent Auditor's Report for Fiscal Year ended June 30, 2019 and
140 recommend its acceptance by the FGCU Board of Trustees.

141
142 He said the firm of Cherry Bekaert, LLP completed the audit report of the Foundation for
143 the fiscal year ended June 30, 2019. He noted the Foundation's Audit Committee
144 accepted the audit report at its October 15, 2019 Meeting. He stated the Foundation's
145 Executive Committee accepted the audit report at its November 20, 2019 meeting, and
146 it was accepted by the Foundation Board of Directors at its December 4, 2019 meeting.

147
148 He stated page 1 was the Opinion, in which the auditors determined the financial
149 statements fairly presented the financial position of the Foundation; this was known as a
150 clean opinion. He stated pages 2 through 11 contained the Management's Discussion
151 and Analysis which described in reader-friendly terms what occurred during the last
152 fiscal year, identified major transactions, and presented comparative figures from the
153 prior year. He noted page 12, the Statement of Net Position, reflected at year end there
154 were \$134.9 million in total assets, \$1.7 million in total liabilities and deferred inflows,
155 and a net position (or residual equity) of \$133.2 million. He stated page 13 was the
156 Statement of Revenues, Expenses and Changes in Net Position, which showed for the
157 year there were \$15.3 million in operating revenue, \$20.1 million in operating expenses,
158 and \$7 million in non-operating expenses (primarily \$6.5 million in investment gains),
159 and \$1 million in net contributions to endowments, arriving at a \$3.2 million increase in
160 net position. He reported pages 14 and 15 contained the Statement of Cash Flows,
161 which showed effects to cash from the financial transactions: the net effect was a \$1.4
162 million decrease in cash and cash equivalents for the year. He noted pages 16 through
163 30 were the Notes to the Financial Statements; this was a significant amount of
164 information which explained the various line items in the financial statements. He stated
165 pages 31 through 41 contained the supplemental information including the additional
166 required State Schedules and a breakdown of the financial statements by account site.
167 He stated pages 42 and 43 contained the Auditor's Report on Internal Control and
168 Compliance, a report on internal controls which related financial reporting and
169 compliance with Government Auditing Standards.

170
171 Chair Fogg asked the endowment amount at the end of the fiscal year period.
172 President Martin stated he believed this number was around \$100 million. Trustee
173 Montgomery noted the Foundation had a contingency asset of approximately \$11
174 million related to matching programs. He explained these funds would be spent if the
175 matching fund programs were approved by the State and the funds were matched by
176 the State. He stated these funds would not be listed as an asset. Mr. Foster stated the
177 State had not funded the Courtelis Matching Fund program in about ten years or longer.
178 Ms. Evans explained that it had been a funding and revenue issue. She said at one
179 point the State University System's list of unmatched requests was over \$300 million.
180 Trustee Fogg asked if the governor put this funding in the new budget and the
181 Legislature removed it. Ms. Evans responded that the governor can recommend it, but

182 the Florida Legislature ultimately makes the decision on whether to fund this program.
183 President Martin stated that there had been a move to bond to catch up with the funding
184 backlog, and there was resistance to this. He said recent governors had not been
185 willing to recommend bonding. Trustee Fogg asked if it would be worth asking
186 questions about the program. President Martin responded he thought it was a question
187 worth asking. He said he was at the University of Florida (UF) when the Courtelis
188 program was still active, and it was a wonderful program. President Martin described
189 the Courtelis program as a way to leverage private money into service of the public
190 sector. He said other states had adopted this program based on Florida's example, and
191 then Florida quit doing it. Ms. Evans noted that a number of FGCU's buildings in the
192 early years benefited from this program, and it successfully was used as an incentive for
193 donors. She said the Courtelis program was a dollar-for-dollar match, but the prevailing
194 view in Tallahassee is that it is pretty much a dead program at this time.

195
196 Trustee Cors asked why there was a large difference in the pledges receivable line on
197 page 15. Trustee Fogg said it looked like there were a lot of pledges paid off. Mr.
198 Foster said there was the \$100 million campaign the prior year (2018), so the
199 termination of that program may have incentivized people to pledge in 2018 to
200 contribute towards the campaign instead of in 2019 when they normally would have
201 contributed. Ms. Evans stated Foundation staff would be prepared to answer this
202 question during the January 14, 2020 Board meeting. Chair Fogg asked for Foundation
203 staff to be prepared to answer the endowment question as well.

204
205 Trustee Cors asked how much it cost to operate the Foundation. Trustee Montgomery
206 responded he believed it cost approximately \$2 million to operate the Foundation.
207 President Martin stated the Foundation was partially funded by Education & General
208 (E&G) fund dollars and partially funded by Foundation returns, which is why marketing,
209 communications, and WGCU fall under the same umbrella.

210
211 Trustee Montgomery made a motion to accept the Florida Gulf Coast University
212 Foundation, Inc. Independent Auditor's Report for Fiscal Year ended June 30, 2019 and
213 recommend its acceptance by the FGCU Board of Trustees. Trustee Cors seconded
214 the motion.

215
216 There was no public comment, or further Committee discussion. The vote was 3-0 in
217 favor of the motion.

218
219 **FGCU Regulation (# TBD) Complaints of Waste, Fraud, or Financial**
220 **Mismanagement (TAB #7)**

221 Mr. Foster reported this item was to approve FGCU Regulation (#TBD) for Complaints
222 of Waste, Fraud, or Financial Mismanagement. He stated the Board of Governors
223 (BOG) Regulation 4.001 required each institution in the State University System of
224 Florida to adopt a regulation to address complaints made against the President, a
225 member of the FGCU Board of Trustees, the Chief Audit Executive, and the Chief
226 Compliance Officer of any significant and credible allegations of waste, fraud, financial
227 mismanagement, misconduct, or other abuses, with the regulation requiring timely

228 notification to the BOG through the Inspector General and Director of Compliance
229 (OIGC).

230
231 Chair Fogg commented hopefully this Regulation would never need to be used.
232 Trustee Cors made a motion to approve the FGCU Regulation for Complaints of Waste,
233 Fraud, or Financial Mismanagement. Trustee Montgomery seconded the motion.

234
235 There was no public comment, or Committee discussion. The vote was 3-0 in favor of
236 the motion.

237
238 **FGCU Regulation 1.006 Whistle-Blower Reporting and Protection (TAB #8)**

239 Mr. Foster reported this item was to approve the amendments to FGCU Regulation
240 1.006 Whistle-Blower Reporting and Protection. He explained this regulation was
241 amended to align with Florida Statutes to include language on whistle-blower reporting
242 procedures; previously the regulation only included whistle-blower protection.

243
244 Vice President and General Counsel Vee Leonard stated she would like to recommend
245 an amendment from the floor at Section E, page 3, "Retaliatory Adverse Actions
246 Prohibited." She stated the word "Retaliatory" should be removed in the section
247 heading because it made it too narrow. She said the section itself talked about *any*
248 adverse action. Chair Fogg asked if a separate motion was required to remove this
249 word. Ms. Leonard responded in the negative. Chair Fogg stated the motion would
250 approve the regulation as just amended.

251
252 Trustee Cors made a motion to approve FGCU Regulation 1.006 Whistle-Blower
253 Reporting and Protection as amended on the document and from the floor. Trustee
254 Montgomery seconded the motion.

255
256 There was no public comment, or further Committee discussion. The vote was 3-0 in
257 favor of the motion.

258
259 **Audit and Compliance Committee Charter (TAB #9)**

260 Chair Fogg stated there had been much discussion over the past year regarding what
261 was meant by the Charters' phrase "reports administratively to the Audit and
262 Compliance Committee and functionally to the President." He stated FGCU staff sought
263 guidance from the BOG, but to no avail; therefore, he wrote a letter to Chancellor Criser.
264 He stated the Chancellor responded with a well-thought-out letter clarifying the
265 language. Chair Fogg stated he believed other universities would benefit from this
266 clarification as well. He said he had held discussions with President Martin and his staff
267 regarding how to amend the Charters to fall in line with this guidance. He indicated the
268 Charters had been redlined to enable the Trustees to see the changes that were made.
269 He noted these changes flowed through all three Charters: the Audit and Compliance
270 Committee Charter, the Office of Internal Audit Charter, and the Compliance Office
271 Charter. He noted the substantive change (seen on page 4 of the Audit and
272 Compliance Committee Charter) was to indicate quarterly meetings of the Audit and
273 Compliance Committee Chair, the Director of Internal Audit, and the Director of Equity,

274 Ethics, and Compliance would be held. He said that he would keep the Audit and
275 Compliance Committee informed on what was occurring in the compliance areas.
276

277 Trustee Montgomery commended Chair Fogg for his efforts in this regard. He stated, in
278 substance, the evaluation of the internal audit process was between Chair Fogg and the
279 President. He said major decisions made involving personnel and work quality would
280 be jointly discussed between the two. President Martin said the Board's role through
281 the Audit and Compliance Committee and through the Chair was to be continually
282 engaged in decisions regarding compliance, the credibility of audits, and a variety of
283 other things. He stated he believed this amendment to the Charter would be beneficial.
284 President Martin said he and Provost and Vice President for Academic Affairs Jim
285 Llorens and discussed the proposed changes to the Charters with Dr. Belle Wheelan,
286 the head of the Southern Association of Colleges and Schools Commission on Colleges
287 (SACSOC), who found no fault with the amendments. President Martin said this was
288 the University's accrediting agency, so it was important to see there were no concerns
289 with the changes.
290

291 Trustee Cors made a motion to approve the amended Charter of the Audit and
292 Compliance Committee. Trustee Montgomery seconded the motion.
293

294 There was no public comment, or further Committee discussion. The vote was 3-0 in
295 favor of the motion.
296

297 **Office of Internal Audit Charter (TAB #10)**

298 Chair Fogg stated the next two Charters were amended to align with the previously
299 described amendment to the Audit and Compliance Committee Charter. He noted the
300 changes were redlined. He called for a motion to approve the Charter of the Office of
301 Internal Audit.
302

303 Trustee Cors made a motion to approve the amended Office of Internal Audit Charter.
304 Trustee Montgomery seconded the motion.
305

306 There was no public comment, or Committee discussion. The vote was 3-0 in favor of
307 the motion.
308

309 **Compliance Office Charter (TAB #11)**

310 Chair Fogg called for a motion to approve the Compliance Office Charter as amended.
311

312 Trustee Cors made a motion to approve the amended Compliance Office Charter.
313 Trustee Montgomery seconded the motion.
314

315 There was no public comment, or Committee discussion. The vote was 3-0 in favor of
316 the motion.
317

318
319

320 **Item 5: Old Business**

321 There was no old business for discussion.

322

323

324 **Item 6: New Business**

325 There was no new business for discussion.

326

327

328 **Item 7: Closing Remarks and Adjournment**

329 Chair Fogg indicated today's agenda items would be recommended for final approval by
330 the full Board at the January 14, 2020 meeting. He noted that he, Mr. Foster, and Ms.
331 Gunter would hold the first quarterly meeting as provided by the Charters just approved
332 prior to the January 14, 2020 Meeting. He stated he would report on this quarterly
333 meeting to the Board on January 14.

334

335 Chair Fogg adjourned the meeting at 9:31 a.m.

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

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350 Agenda Items:

351 A. See Tabs # 1-11

352 a. <https://www2.fgcu.edu/Trustees/AgendaFile/2019/12-13-19/FGCUACCMTG-AGENDAPACKET-12-13-2019.pdf>

353

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356

357 Attachment:

358 A. Record of Votes

359

Record of Votes Audit and Compliance Committee DATE: <u>12/13/2019</u>			Florida Gulf Coast University Financing Corporation Independent Auditor's Report Fiscal Year Ended June 30, 2019 (Tab #5) 1- Montgomery 2- Cors	Florida Gulf Coast University Foundation, Inc. Independent Auditor's Report Fiscal Year Ended June 30, 2019 (Tab #6) 1- Cors 2- Smith	FGCU Regulation (# TBD) Complaints of Waste, Fraud, or Financial Mismanagement (Tab #7) 1- Cors 2- Montgomery	FGCU Regulation 1.006 Whistle-Blower Reporting and Protection (Tab #8) 1- Cors 2- Montgomery	Audit and Compliance Committee Charter (Tab #9) 1- Cors 2- Montgomery	Office of Internal Audit Charter (Tab #10) 1- Cors 2- Montgomery	Compliance Office Charter (Tab #11) 1- Cors 2- Montgomery
	TRUSTEES	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No
1	Trustee Darleen Cors	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2	Trustee Leo Montgomery	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3	Trustee Stephen Smith (excused absence)								
4	Trustee Joseph Fogg	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes