FLORIDA GULF COAST UNIVERSITY BOARD OF TRUSTEES

AUDIT AND COMPLIANCE COMMITTEE MEETING

Friday, December 13, 2019

EDWARDS HALL, ROOM # 309
Florida Gulf Coast University

Minutes

Members:
Present: Trustee Joseph Fogg III – Chair; Trustee Darleen Cors; and Trustee Leo Montgomery.

Not Present: Trustee Stephen Smith (Excused Absence).

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

Item 1: Call to Order, Roll Call, and Opening Remarks
Chair Joseph Fogg called the meeting to order at 9 a.m. He welcomed all Committee members and said the meeting had been duly noticed. He asked Vice President and Chief of Staff Susan Evans to call the roll. Roll call was taken with three of four Committee members present, thus meeting quorum requirements. Trustee Stephen Smith was granted an excused absence.

Item 2: Consent Agenda (See Tabs #1-2)
Chair Fogg stated there were two items on the Consent Agenda; the Minutes of the September 10, 2019 Meeting and the Minutes of the September 10, 2019 Workshop. He called for a motion.

Trustee Darleen Cors made a motion to approve the Consent Agenda. Trustee Leo Montgomery seconded the motion.
Trustee Montgomery noted the September 10, 2019 meeting minutes indicated there would be an Information Technology Security Audit, hoped to be completed by the end of the year. He asked if this had been completed. Director of Internal Audit Bill Foster responded his department was in the report writing stage at present, and that the Audit would be ready for presentation at the April 2020 meeting of the FGCU Board of Trustees.

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

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

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

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

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

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

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

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

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

Chair Fogg stated there were seven actions items.

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

Mr. Foster indicated this item was a request to accept the Florida Gulf Coast University Financing Corporation Independent Auditor’s Report for the Fiscal Year ended June 30, 2019. He stated the Direct Support Organization (DSO) of a state university was required to conduct an annual audit of its accounts and records by an independent certified public accountant in accordance with section 1004.285 of the Florida Statutes, and that FGCU PR1.005 required the annual reports related to FGCU Direct Support Organizations be submitted to the FGCU Board of Trustees. He said the firm of Tuscan & Company, P.A. completed the audit report of the FGCU Financing Corporation for the
fiscal year ended June 30, 2019. He noted the Financing Corporation Board of
Directors accepted the audit report at its September 24, 2019 meeting.

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

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

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

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

There was no public comment, or further Committee discussion. The vote was 3-0 in
favor of the motion.
Florida Gulf Coast University Foundation, Inc. Independent Auditor’s Report
Fiscal Year Ended June 30, 2019 (TAB #6)

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

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

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

Chair Fogg asked the endowment amount at the end of the fiscal year period.
President Martin stated he believed this number was around $100 million. Trustee
Montgomery noted the Foundation had a contingency asset of approximately $11
million related to matching programs. He explained these funds would be spent if the
matching fund programs were approved by the State and the funds were matched by
the State. He stated these funds would not be listed as an asset. Mr. Foster stated the
State had not funded the Courtelis Matching Fund program in about ten years or longer.
Ms. Evans explained that it had been a funding and revenue issue. She said at one
point the State University System’s list of unmatched requests was over $300 million.
Trustee Fogg asked if the governor put this funding in the new budget and the
Legislature removed it. Ms. Evans responded that the governor can recommend it, but
the Florida Legislature ultimately makes the decision on whether to fund this program. President Martin stated that there had been a move to bond to catch up with the funding backlog, and there was resistance to this. He said recent governors had not been willing to recommend bonding. Trustee Fogg asked if it would be worth asking questions about the program. President Martin responded he thought it was a question worth asking. He said he was at the University of Florida (UF) when the Courtelis program was still active, and it was a wonderful program. President Martin described the Courtelis program as a way to leverage private money into service of the public sector. He said other states had adopted this program based on Florida’s example, and then Florida quit doing it. Ms. Evans noted that a number of FGCU’s buildings in the early years benefited from this program, and it successfully was used as an incentive for donors. She said the Courtelis program was a dollar-for-dollar match, but the prevailing view in Tallahassee is that it is pretty much a dead program at this time.

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

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

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

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

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

Mr. Foster reported this item was to approve FGCU Regulation (#TBD) for Complaints of Waste, Fraud, or Financial Mismanagement. He stated the Board of Governors (BOG) Regulation 4.001 required each institution in the State University System of Florida to adopt a regulation to address complaints made against the President, a member of the FGCU Board of Trustees, the Chief Audit Executive, and the Chief Compliance Officer of any significant and credible allegations of waste, fraud, financial mismanagement, misconduct, or other abuses, with the regulation requiring timely
Chair Fogg commented hopefully this Regulation would never need to be used. Trustee Cors made a motion to approve the FGCU Regulation for Complaints of Waste, Fraud, or Financial Mismanagement. Trustee Montgomery seconded the motion.

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

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

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

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

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

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

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

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

Trustee Montgomery commended Chair Fogg for his efforts in this regard. He stated, in substance, the evaluation of the internal audit process was between Chair Fogg and the President. He said major decisions made involving personnel and work quality would be jointly discussed between the two. President Martin said the Board’s role through the Audit and Compliance Committee and through the Chair was to be continually engaged in decisions regarding compliance, the credibility of audits, and a variety of other things. He stated he believed this amendment to the Charter would be beneficial.

President Martin said he and Provost and Vice President for Academic Affairs Jim Llorens and discussed the proposed changes to the Charters with Dr. Belle Wheelan, the head of the Southern Association of Colleges and Schools Commission on Colleges (SACSOC), who found no fault with the amendments. President Martin said this was the University’s accrediting agency, so it was important to see there were no concerns with the changes.

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

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

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

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

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

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

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

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

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

There was no public comment, or Committee discussion. The vote was 3-0 in favor of the motion.
Item 5: Old Business
There was no old business for discussion.

Item 6: New Business
There was no new business for discussion.

Item 7: Closing Remarks and Adjournment
Chair Fogg indicated today’s agenda items would be recommended for final approval by the full Board at the January 14, 2020 meeting. He noted that he, Mr. Foster, and Ms. Gunter would hold the first quarterly meeting as provided by the Charters just approved prior to the January 14, 2020 Meeting. He stated he would report on this quarterly meeting to the Board on January 14.

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

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

Agenda Items:
   A. See Tabs # 1-11

Attachment:
   A. Record of Votes
## Record of Votes
### Audit and Compliance Committee
**DATE: 12/13/2019**

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**Consent Agenda**
- Tab #1
  - 1- Cors
  - 2- Montgomery

**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
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  - 2- Montgomery

**Office of Internal Audit Charter**
- Tab #10
  - 1- Cors
  - 2- Montgomery

**Compliance Office Charter**
- Tab #11
  - 1- Cors
  - 2- Montgomery