FLORIDA GULF COAST UNIVERSITY BOARD OF TRUSTEES

AUDIT AND COMPLIANCE COMMITTEE

Monday, May 15, 2017

MARIEB HALL, ROOM #402
Florida Gulf Coast University

Minutes

Members:
Present: Trustee Joseph Fogg III, Chair; Trustee Leo Montgomery; Trustee Darleen Cors (by telephone); and Trustee Kevin Price (by telephone starting at 1:13 p.m.).

Others:
Trustees: Trustee J. Dudley Goodlette (by telephone starting at 1:12 p.m.); and Trustee Shawn Felton.

Staff: President Wilson Bradshaw; Vice President and Chief of Staff Susan Evans; Vice President for University Advancement and Executive Director of FGCU Foundation Chris Simoneau; Vice President and General Counsel Vee Leonard; Chief Compliance and Ethics Officer Stacey Chados; Director of Internal Audit Bill Foster; Executive Assistant to the Vice President and Chief of Staff Tiffany Reynolds; and Project Manager Danielle O’Brien

Item 1: Welcome and Opening Remarks
Chair Joseph Fogg called the meeting to order at 1:03 p.m. Roll call was taken with three of the four members present, thus meeting quorum requirements. Trustee Kevin Price joined the meeting through conference call at 1:13 p.m. making the attendance four.

Item 2: Audit and Compliance Resources (See Tab #1)
Chair Fogg asked President Bradshaw to present information concerning Audit and Compliance resources.

President Bradshaw said Chair Fogg previously had asked about the adequacy of resources in the Compliance and Internal Audit departments. President Bradshaw stated he had spoken with the directors, Ms. Chados and Mr. Foster, in both of those divisions, and they assured him there currently were adequate resources.

Trustee Fogg called for discussion. He asked if in the future there was a change in this status, the directors would inform the Committee.
Trustee Montgomery asked Director of Internal Audit Bill Foster if there was a plan in place for the next three years. Mr. Foster responded that generally an Audit Work Plan was completed, and it was currently being developed under Risk Assessment procedures. This process was completed annually as opposed to three years.

Trustee Montgomery suggested that maybe some areas could be assessed every year and maybe some could be assessed every three years. Mr. Foster responded that this currently was being done.

President Bradshaw explained the process where he meets with key personnel and the Chair of the Board’s Audit and Compliance Committee, and together they create an Audit Work Plan. Then, the Plan would come to the Audit and Compliance Committee for recommended approval before going to the full FGCU Board of Trustees (BOT). He said the Plan would be submitted to the FGCU BOT in September, and to the Committee prior to that time.

**Item 3: Audit and Compliance Committee’s Responsibilities regarding Florida Gulf Coast University’s Direct Support Organizations (DSOs) (See Tab #2)**

President Bradshaw announced Mr. Bill Foster as the now permanent Director of Internal Audit, with the removal of “Interim” from his title. Congratulations were expressed.

Chair Fogg called on Vice President and General Counsel Vee Leonard to present this item.

Ms. Leonard pointed out there were three areas that governed universities’ Direct Support Organizations (DSOs): 1) Statute Section 1004.28; 2) Board of Governors Regulation 9.011; and 3) FGCU Board of Trustees Regulation 1.005. These provide a basis for how to create DSOs and how to manage the business of the organization. Ms. Leonard said the Office of Internal Audit and the Office of Compliance and Ethics would interact with the DSOs. She stated the Board of Governors (BOG) would like the universities to take a more active role in the auditing of the DSOs. She said, therefore, these two departments would work with the DSOs for their financial statements and operating procedures, and bring to the Audit and Compliance Committee any concerns. She added the statute and regulations mentioned provided a broad range of responsibilities, and the University’s Regulation was derived from the BOG Regulations and the statute as related to how the University would utilize and exchange property, and personal services. Ms. Leonard stated she had spoken with the Inspector General of the BOG, and he confirmed there would not be independent actions going to the Audit and Compliance Committee, but actions would come to the Director of Internal Audit or the Chief Compliance and Ethics Officer. She said the Audit and Compliance Committee would provide more specificity than what was mentioned in the statute and regulation.
Chair Fogg stated there were two FGCU DSOs, (1) the Financing Corporation, and (2) the Foundation. He said the Financing Corporation had an independent outside auditor, and the Foundation has an audit committee and an independent outside auditor. He asked Ms. Leonard how FGCU now will be involved in this process.

Ms. Leonard responded the Internal Auditor and the Compliance and Ethics Officer would be more intimately involved with the DSOs. When the Foundation’s audit committee meets with the external auditor, Mr. Foster would be at that meeting to make sure there was nothing in the audit that he saw as problematic.

Chair Fogg suggested the Audit and Compliance Committee schedule at least one meeting a year with a specific agenda item for reports on the DSOs audits. He asked Mr. Foster and Ms. Chados to suggest the meeting where that would concur. Ms. Leonard agreed.

President Bradshaw asked what the current cycle was for the Foundation and the Financing Corporation audits.

Vice President for University Advancement and Executive Director of FGCU Foundation Chris Simoneau said the Foundation runs on a fiscal year through the end of June. He said last week was the entrance meeting with the independent auditor.

Chair Fogg asked if Mr. Foster was present at that meeting, and Mr. Simoneau’s response was he was not, as he was not aware of the interpretation for Mr. Foster to be there.

Ms. Leonard stated the Board of Governors had most recently directed Internal Audit to be included in the business, operating, and financial audits of the DSOs. She said her interpretation is that Mr. Foster would be included at both the entrance and exit conferences of the audit.

Chair Fogg said he did not know if including Mr. Foster at the Foundation audit’s entrance meeting could be corrected after the fact or just to make sure in the future he would be included.

Mr. Foster stated he could make a phone call to the auditor and obtain any appropriate notations and that would be sufficient for the current year. When the exit conference occurred, he would attend the meeting to make sure he was apprised of anything needing to be brought forward.

Chair Fogg asked when would be an appropriate time for Mr. Foster to come back to report to the Committee. Mr. Foster said it would depend on the timing of the audit.

Mr. Simoneau stated the preliminary work would start next week, and the plan was to have the audit done approximately the first or second week of October and have a
close-out meeting with the Foundation Audit Committee mid-October. Then the Foundation would bring the report to the January 9 FGCU Board of Trustees meeting.

Chair Fogg said to schedule this report for review at the December 8 Audit and Compliance Committee meeting. All were in agreement of this date.

Chair Fogg asked Ms. Leonard what Ms. Chados’ role should be in this process.

Ms. Leonard responded it would be appropriate for Ms. Chados and Mr. Foster to work together as she was sure there would be some compliance issues as it related to operations, but neither Direct Support Organization (DSO) had any employees, so there would not be employee issues. However, she stated that did not mean there would not be any operational issues that might need to be addressed.

Chair Fogg said Ms. Chados and Mr. Foster needed to work with Ms. Leonard to come up with a clear idea as to what their roles should be with the DSOs. He said there was a greater level of expectation at the Board of Governors level, which needed a response.

Ms. Leonard said she, Ms. Chados, and Mr. Foster could certainly meet together on a regular basis.

Chair Fogg suggested adding a report on the DSO audits from Ms. Chados and Mr. Foster to the December 8 meeting agenda. Mr. Simoneau said the Committee also would need to review and recommend the DSO audits to the FGCU Board of Trustees (BOT) for approval in January.

Trustee Montgomery said if this Committee had the responsibility for approving the audit, then it should be keenly aware of the planning process. He asked Mr. Foster if his internal audit function included any part of the operations of the DSOs during the year.

Mr. Foster responded he was required to consider DSOs in Risk Assessment this year, and it had been included.

Ms. Leonard laid out a proposed timeline where after the Financing Corporation’s audit was completed and Mr. Foster reviewed it, he also would be included in the Foundation’s Audit Committee meeting, and from that meeting, the audit would come to the Audit and Compliance Committee meeting for recommendation to the FGCU BOT. It would be a recommendation, and the FGCU BOT would give final approval.

Mr. Simoneau stated the Foundation’s Board of Directors would give its approval in December before it came to the FGCU Board of Trustees. This was so the FGCU BOT did not receive an audit that was not approved by the Foundation Board of Directors.
Chair Fogg said the Financing Corporation has a similar type of process, except the Financing Corporation Board of Directors must approve the audit as it did not have an audit committee.

Trustee Darleen Cors asked if the item should be moved to the Committee’s January meeting.

Chair Fogg responded the FGCU Board of Trustees meet in January, and so the report would have to be reviewed by the Audit and Compliance Committee at the December meeting. He asked if the charters for these departments needed to be revised to include these issues.

Ms. Leonard stated the charters included language related to the DSOs. Chair Fogg stated this needed to be verified as to adequacy. Ms. Leonard said she would do so.

Chair Fogg said it was unclear what role the Office of Compliance and Ethics played in the process.

Ms. Chados said her impression was that through the University’s Hotline, anyone could come forward with any type of allegation of wrongdoing occurring at the University. She said certainly the same thing could occur through the Foundation or the Financing Corporation and if anyone observed something inappropriate, he or she could either come directly to her, Mr. Foster, or to any entry point to bring his or her concern. She then would handle the intake of the allegation and refer it to the appropriate department for review.

Chair Fogg stated the Office of Internal Audit had a proactive role and the Office of Compliance and Ethics had a reactive role.

Ms. Leonard said that was true; however, the Chief Compliance and Ethics Officer can be proactive in deterring any inappropriate behavior. Ms. Chados may recommend a policy or regulation she sees needed at the University.

**Item 4: 2017-2018 Schedule for Audit and Compliance Committee** (See Tab #3)

Chair Fogg asked for discussion of the proposed schedule for 2017-2018.

Vice President and Chief of Staff Susan Evans commented the schedule was developed with the input of Mr. Foster and Ms. Chados as to when certain items would be completed. She said she also had considered the schedule of the FGCU Board of Trustees meetings. The schedule provided a conference call meeting on August 17 at 1:00 p.m. Ms. Evans stated Mr. Foster would bring the proposed 2017-2018 Internal Audit Work Plan to this meeting for review and recommendation for the full Board. Ms. Evans stated this meeting would provide items to be reviewed and recommended to the FGCU Board of Trustees meeting scheduled on September 12, 2017.
Ms. Evans said on December 8, the Compliance Plan, Regulation for the Code of Conduct, and the reports on the Foundation Audit and the Financing Corporation Audit would be on the agenda. She said the Committee would have action items to recommend for the FGCU BOT January 9 meeting. Ms. Evans added the starting time for the December 8 and other BOT meetings was 8:30 a.m. The time for the Audit and Compliance Committee meeting would be five minutes after the FGCU BOT meeting ended.

Ms. Evans explained on the February 20 limited agenda FGCU BOT meeting, there was a timing issue related to the Data Integrity Audit required by the BOG. Ms. Evans said outside auditors complete the audit, and Mr. Foster said it should be ready in time for this meeting. She said on this date, the Audit and Compliance Committee would meet before the FGCU BOT meeting to review and recommend the audits. The FGCU BOT meeting would follow the Committee meeting.

Ms. Evans stated for the April 10 FGCU BOT meeting, a separate Audit and Compliance Committee meeting had not been scheduled, but if a need arose, one would be scheduled.

Ms. Evans said if needed, the Audit and Compliance Committee would meet on May 1, following the FGCU BOT meeting. Ms. Evans added the times listed on the schedule would depend on the length of the FGCU Board of Trustees meetings.

Chair Fogg asked if the Committee members concurred with the schedule as presented, and they indicated they did.

**Item 5: Approval of the Minutes of the April 27, 2017 Meeting** (See Tab #4)

Chair Fogg asked for a motion to approve the minutes of the April 27 Audit and Compliance Committee meeting.

Trustee Montgomery made a motion to approve the minutes of the April 27, 2017 meeting. Trustee Cors seconded the motion. Chair Fogg called for discussion.

Chair Fogg asked if the meetings were recorded. Ms. Evans responded they were recorded. The recordings were then sent out to a company to be transcribed, and then the minutes were reviewed by her office for accuracy.

Chair Fogg asked if the approved minutes or the recording were the official record. Ms. Evans said the minutes were the official record. He asked if the recordings were kept. Ms. Evans said yes, and the recordings were public record.

There was no public comment. The vote was unanimous in favor of the motion.
Item 6: Audit and Compliance Committee Charter (See Tab #5)

Chair Fogg said this item was the Charter for the Audit and Compliance Committee, as opposed to the two charters for the two departments that recently were approved. He asked for a motion for this action item.

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

Chair Fogg called for discussion of this item.

Chair Fogg directed attention to Page 2, the fifth bullet point under – “The Committee is authorized to” -- which states, “Receive updates on matters of substantial import from external, state, and regulatory auditors, as well as other independent consultants.” Chair Fogg pointed out that the Committee should receive the report first and then receive updates. He asked Ms. Chados and Mr. Foster to revise the language.

Ms. Chados stated the Charter was not talking about reports, but rather something coming up prior to a report. She said the language could be changed to “be briefed on matters” rather than “updates.”

Chair Fogg suggested simply changing the word “updates” to “reports.” Ms. Chados agreed.

Ms. Leonard asked if the report would be written or could it be verbal. Chair Fogg responded it could be either.

Ms. Chados stated “informational briefings” would work, as she did not see the referenced reports as something written.

Chair Fogg suggested “informational briefings and reports.” All agreed this language would work well.

Chair Fogg stated the Charter if approved, would then go to the Board for final approval.

Trustee Price made a motion to approve the Charter as amended. Trustee Montgomery seconded the motion. The vote was unanimous in favor of the motion.

Item 7: Old Business

There was no old business for discussion.

Item 8: New Business

Chair Fogg asked what role the Audit and Compliance Committee played, if any, in the Whistleblower program.
Ms. Leonard answered it depended on the type of whistleblower. She stated if it was a local issue, the report would come first to this Committee. She said there was a Board of Governors regulation which handles allegations against the President or the Board, and those would be addressed at the level of the Board of Governors.

Chair Fogg asked when the Committee would be notified of an allegation.

Ms. Leonard responded it would depend on how the notice was received. If the allegation came through the Hotline, Ms. Chados would determine the course of action. If she wished, she may call Chair Fogg and inform him.

Chair Fogg asked what part of the process was exempt from the Sunshine Laws.

Ms. Leonard said the identity of the whistleblower is exempt from the Sunshine Laws. She said the Committee as a whole would not be informed an investigation was taking place.

Ms. Chados said she intended always to keep someone informed of any issues from the Hotline. She said she would always let Chair Fogg know of any allegations.

President Bradshaw asked if the President should be informed of any allegations, except if they were related to him.

Ms. Chados said she also would inform the President.

Item 9: Chair’s Closing Remarks & Meeting Adjournment

Chair Fogg adjourned the meeting at 1:45 p.m.

Minutes prepared by Transcription Experts, and reviewed by Danielle O’Brien, Project Manager.

Agenda Items:
   A. See Tabs

Attachment:
   A. Record of Votes
## Record of Votes

Audit and Compliance Committee

**DATE: 5/15/2017**

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Minutes of April 27, 2017 Audit and Compliance Committee Meeting (Tab #4)
1- Montgomery
2- Cors

Audit and Compliance Committee Charter - As Amended (Tab #5)
1- Price
2- Montgomery