FLORIDA GULF COAST UNIVERSITY BOARD OF TRUSTEES

AUDIT AND COMPLIANCE COMMITTEE
CONFERENCE CALL MEETING

Thursday, August 17, 2017

CALL ORIGINATED FROM EDWARDS HALL, CONFERENCE ROOM #309
FLORIDA GULF COAST UNIVERSITY

Meeting Minutes

Members:
Present: Joseph Fogg III, Chair (by telephone); Trustee Leo Montgomery (in person); and Trustee Kevin Price (by telephone).

Not Present: Trustee Darleen Cors (Excused Absence).

Others:
Staff: President Mike Martin; Vice President & Chief of Staff Susan Evans; Vice President & General Counsel Vee Leonard; Chief Compliance and Ethics Officer Stacey Chados; Director of Internal Audit Bill Foster; Assistant Director of Board Operations Lauren Schuetz; and Executive Assistant to the President Beverly Brown.

Item 1: Welcome and Opening Remarks
Chair Joseph Fogg called the meeting to order at 1:02 p.m. He welcomed all members and said the meeting had been duly noticed. Roll call was taken with three of the four members present, thus meeting quorum requirements.

Item 2: Consent Agenda (See Tab #1)
Chair Fogg stated there was one item on the Consent Agenda, the Minutes of the May 15, 2017 Meeting.

Trustee Leo Montgomery made a motion to approve the Consent Agenda. Trustee Kevin Price seconded the motion. There was no public comment. The vote was unanimous in favor of the motion.

Item 3: Action Items (See Tabs #2-5)
Chair Fogg asked Director of Internal Audit Bill Foster to present the first three Action Items.
2016-2017 Internal Audit Annual Report (See Tab #2)

Mr. Foster highlighted the 2016-2017 annual report and said if anyone would like additional information he would be glad to provide it. He stated the Board of Governors (BOG) had increased its emphasis on audit and compliance functions by passing four regulations which became effective November 3, 2016. In addition, he stated the 12 state universities in Florida also adopted standards for complaint-handling investigations as a supplement to the BOG regulations. He said in order to meet professional standards, his office had a Quality Assurance review, and earned the highest possible rating. He said the BOG will require a Data Integrity Audit for the third year for the data submission processes which support the University’s Performance Funding Metrics. He said again for an enhanced appearance of independence, the accounting firm of Mauldin and Jenkins had been engaged to perform agreed on procedures, and his office oversaw the engagement.

Mr. Foster said his team was committed to providing independent, objective assurance services. He stated all audits were performed in accordance with the Institute of Internal Auditors’ international standards for the professional practice of internal auditing. The Work Plan and each individual audit were risk driven.

Trustee Montgomery commented that the data input for the matrix encompassed all aspects of the University. He asked Mr. Foster if he could further explain this item.

Mr. Foster stated the accounting firm of Mauldin and Jenkins performed the audit testing. He said his office resolved any issues that arose during the testing. He said he worked with various departments through Institutional Research, which sent all the data to the state system for reporting.

Trustee Montgomery asked if this included the computer aspects of accumulation of the data, accuracy, and inclusiveness of the data, as well as the general controls.

Mr. Foster said that was correct.

Chair Fogg called for further comments. Hearing none, he asked for a motion.

Trustee Montgomery made a motion to approve the 2016-2017 Internal Audit Annual Report. Chair Fogg seconded the motion. There was no public comment. The vote was unanimous in favor of the motion.

2017 Internal Audit Quality Assurance Review (See Tab #3)

Chair Fogg asked Mr. Foster to present the next item.

Mr. Foster stated this review could be seen as similar to an accreditation process in the academic area. He pointed out it answered the question of do our work and work processes meet the standards of the profession? He said again he was pleased to report the highest rating available from an external validator was earned. He said there
were two areas for improvement: (1) periodic attendance at Cabinet meetings, and (2) the filling of an Information Technology (IT) auditor position.

Trustee Montgomery asked about the last item on the review, which was the quality of knowledge of the Internal Audit Department in relation to IT.

Mr. Foster said in 2016, he studied for and passed the Certified Information Systems Auditor exam, which was one of the recognized IT Auditor exams.

Trustee Montgomery commented this would mean Mr. Foster was qualified. He said there were three aspects of an IT department: (1) general controls, (2) application controls, and (3) security. He said it would be a waste of time for Mr. Foster to have knowledge of all three, but it seemed in the area of general controls, he was qualified. Trustee Montgomery asked if the statement was accurate.

Mr. Foster said it would be helpful to hire another IT person, but that funding is not available in the budget at this time.

Trustee Montgomery reiterated Mr. Foster had the requisite knowledge.

Mr. Foster said hiring an outside firm was helpful as it did the detail testing, and then he reviewed it.

President Mike Martin added the situation will continue to be assessed to be sure Mr. Foster had the required help.

Chair Fogg added he had had a meeting with the individual who conducted the internal audit review prior to the review itself taking place. He said the scope of her work had been discussed, and his thoughts were that she was a good reviewer. He also stated one of the recommendations dealt with the issue of whether sufficient resources were being devoted to this department and its function. Chair Fogg said former president Bradshaw had indicated he thought resources were sufficient. Chair Fogg said he would now ask President Martin to consider the same question.

President Martin stated he did not want to answer the question at this time, but would have a conversation with Mr. Foster to assess the options available given the budget situation.

Trustee Montgomery offered an observation and said he had been associated with the audit functions of many Fortune 100 companies, and he thought FGCU had the appropriate framework.

Trustee Montgomery made a motion to approve the Quality Assurance Review. Chair Fogg seconded the motion. There was no public comment. The vote was unanimous in favor of the motion.
Chair Fogg asked Mr. Foster to present this item.

Mr. Foster listed the items on the draft of the 2017-2018 Work Plan. These included Academic Camps where students of various grades will come to the Florida Gulf Coast University campus, for example, for a math camp. He said his office had reviewed the procedures and controls for this item. He said the next item was the Performance Measures Data Integrity, which was an audit required by the Board of Governors (BOG) which must be certified by March 1, 2018. He said the third item was International Services, where outgoing students and faculty go to other countries for various studies. The final item was Information Technology Security which was a BOG regulation related to information and cyber security.

Mr. Foster stated before the Committee voted on the Work Plan, he requested an amendment to add Florida Highway Safety and Motor Vehicles Agreed on Procedures under Other Ongoing Activities to evaluate the controls in place to protect personal data from unauthorized access, distribution, use and modification or disclosure. He added about a week ago a notification was received from Florida Highway Safety and Motor Vehicles to perform this work this year. He said this was last done in 2014.

Chair Fogg asked if the Committee was being asked to add this to the audit plan, and Mr. Foster replied affirmatively.

Chair Fogg asked Mr. Foster if the Audit Plan had been reviewed with the President and his Cabinet, and the response was affirmative.

Trustee Montgomery asked what percentage of Mr. Foster’s time was spent on the listed projects. Mr. Foster responded it was listed in the Annual Report and was approximately 70 percent. Trustee Montgomery asked specifically how much time was spent on auditing the camps. Mr. Foster replied in the past year, athletic camps were audited, and nine observations were made. Trustee Montgomery asked if this was a revenue or quality driven issue. Mr. Foster replied it was more of a performance issue, making sure due diligence was done. Mr. Foster said it would be preferable to conduct an audit and make corrections, than have something unfavorable occur.

President Martin noted other universities have had problems in this area because often times the camps were run by individuals who had good technical skills but not necessarily good financial management or oversight skills. He said he felt comfortable Mr. Foster was monitoring these issues.

Trustee Kevin Price commented on the IT security piece, the third bullet in the report, which discussed determining whether the Information Security Risk Management Program included the risk of self-assessment component. He said it was one thing to say yes, it did include this, but it was completely different to ascertain the merit or effectiveness of that assessment. He asked from the Board level, what kind of visibility the FGCU Board of Trustees had into this assessment.
Mr. Foster responded from past meetings he had with Assistant Vice President and Director of Business Technology Services Mary Banks, an extensive IT Risk Assessment was performed, and he would be glad to provide additional information.

Trustee Montgomery said he concurred with Trustee Price that this was a very important area. He asked if this assessment was done internally.

Mr. Foster responded it was, and there was an extensive list of items which were included for review.

Trustee Montgomery made a motion to approve the 2017-2018 Internal Audit Work Plan as amended by Mr. Foster. Trustee Price seconded the motion. There was no public comment. The vote was unanimous in favor of the motion.

2016-2017 Compliance and Ethics Office Annual Report (See Tab #5)
Chair Fogg asked Chief Compliance and Ethics Officer Stacey Chados to present this item.

Ms. Chados reported the Compliance and Ethics accomplishments for Fiscal Year 2016-2017 were categorized based on the seven elements of an effective compliance and ethics program. She said she had completed the Charter and was in the process of finalizing the Compliance Plan, a regulation on ethics, and a Code of Conduct. She stated she anticipated completing these three documents for the December 8, 2017 meeting of the Audit and Compliance Committee, for placement on the agenda for the January 9, 2018 Board of Trustees meeting.

Ms. Chados reported during this fiscal year, she made a concerted effort to meet with each member of the FGCU Board of Trustees, the President and Cabinet, and the compliance liaisons to introduce the Compliance and Ethics Program. She stated she had initiated an Investigations Working Group to triage concerns received through the Hotline, and a Compliance Liaison Group to coordinate and communicate with the chief compliance office. She disseminated information about the Hotline to all University employees and an overview of the compliance function to the President, Cabinet, FGCU Faculty Senate and Staff Advisory Council (SAC). The offices of Institutional Equity and Compliance, Human Resources, and Environmental Health and Safety conducted various training initiatives, and the Institutional Equity and Compliance Office conducted a number of reviews regarding harassment, discrimination, and retaliation claims.

Ms. Chados said that during the 2017-2018 Fiscal Year, she will begin rolling out compliance and ethics training for all faculty and staff. She said in addition she anticipated working with compliance liaisons to conduct risk assessments and make a determination as to high-risk areas within the University.

Ms. Chados asked the Committee to accept the Compliance and Ethics Office Annual Report for 2016-2017 and to recommend approval of the report to the FGCU Board of Trustees.
Chair Fogg made a motion to approve the Compliance and Ethics Office Annual Report. Trustee Montgomery seconded the motion. There was no public comment. The vote was unanimous in favor of the motion.

**Item 4: Information Item: Discussion of Whistleblower Procedures** (See Tab #6)

Chair Fogg stated there were various materials in Tab #6 which he previously had reviewed and found confusing. He asked if anyone else shared his confusion. He suggested the President and his staff endeavor to clarify the process for them.

Trustee Montgomery stated he was confused also and thought clarification was a good idea.

Chair Fogg said part of the confusion related to some of the Board of Governors’ rules and regulations recently issued which he felt were not internally consistent.

Trustee Montgomery said his major issue was who would be responsible for responding to whistleblowing complaints. He said he believed at one time it was the Internal Auditor.

Chair Fogg indicated that in some internal documents it stated that the Internal Auditor was responsible for whistleblowing response, and in some other documents, it stated the Chief Compliance and Ethics Officer was in charge. Also, in certain circumstances the Office of Institutional Equity and Compliance was involved.

Trustee Montgomery said only one person should be in charge of the program.

Chair Fogg asked President Martin to help the Committee understand.

President Martin stated clearly they needed to come together and look at three levels of the issue: (1) What was in the state law; (2) What was in BOG regulations; and (3) What was FGCU’s latitude within the system, which was clear and unambiguous to anyone who wanted to be a whistleblower?

Ms. Chados said she agreed there appeared to be some contradiction, and for purposes of clarity she explained that the Compliance office was responsible for the Hotline program; Internal Audit was responsible for conducting reviews on fraud, waste and abuse; and the Office of Institutional Equity and Compliance was responsible for conducting reviews on harassment, retaliation, and discrimination.

Chair Fogg said in any given issue, there might be some ambiguity as to what the issue was.

Ms. Chados responded she understood that, but there was a great deal of intricacy within the law, even in terms of someone being a whistleblower and how the process worked. She said she thought some type of clarification needed to be created. In other
words, she said if someone came to her office with a fraud, waste and abuse concern, could that individual be a whistleblower because he had not gone to the Office of Internal Audit to bring the concern forward? She stated none of that was clear in the law.

Chair Fogg said at the least FGCU needed to be clear about its own procedures, and if the Board of Governors disagreed, it could say so.

President Martin stated he also agreed, and thought it was necessary to look within the parameters given for how it could be made clear there was a one-stop way to be a whistleblower, and then to develop an internal process to determine where the concern would go for further investigation. He said it was not a good idea to tell a whistleblower to go somewhere else to make a report. He added he would meet with Vice President and General Counsel Vee Leonard and others to know where people should lodge their concerns if it fell under the definition of whistleblower.

Chair Fogg added the Committee also needed to decide what happened thereafter.

President Martin pointed out every University had its own nomenclature, and this made it hard to find a single example to use. He said he would try to make FGCU’s policy straightforward and it should include a way to determine a legitimate complaint. He said before this policy would go to the FGCU Board of Trustees, he would bring it back to this Committee.

Chair Fogg asked if there were any other comments.

Ms. Chados said she had an Investigations Working Group, which consisted of Director of Internal Audit Bill Foster, Director of Institutional Equity and Compliance and Title IX Coordinator Precious Gunther, an Employee Relations representative from Human Resources, Chief of Police Steven Moore, and her. She said the purpose of the group was to talk about concerns which were coming in and to triage them to make sure they were in the right hands. She said she was not so concerned with where the whistleblower reported as long as those involved communicated effectively and understood how to triage a concern.

Chair Fogg responded he wanted to make sure the ambiguities were tracked down and clarified. President Martin committed that he and staff would come back to the Committee with additional information and recommendation.

**Item 7: Old Business**

There was no old business for discussion.

**Item 8: New Business**

There was no new business for discussion.
Item 9: Chair's Closing Remarks & Meeting Adjournment

Chair Fogg stated the committee would be recommending approval of today’s actions to the full FGCU Board of Trustees at the next meeting on Tuesday, September 12, 2017. He announced the Audit and Compliance Committee will have its next meeting on Friday, December 8, 2017, immediately following the FGCU Board of Trustees meeting.

Chair Fogg adjourned the meeting at 1:37 p.m.

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

Agenda Items:

A. See Tabs #1 – 6

Attachment:

A. Record of Votes
# Record of Votes

## Audit and Compliance Committee

**DATE: 8/17/2017**

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Consent Agenda

(Tab #1)

1- Montgomery
2- Price

2016-2017 Internal Audit Annual Report

(Tab #2)

1- Montgomery
2- Fogg

2017 Internal Audit Quality Assurance Review

(Tab #3)

1- Montgomery
2- Fogg

2017-2018 Internal Audit Work Plan - As Amended

(Tab #4)

1- Montgomery
2- Price

2016-2017 Compliance and Ethics Office Annual Report

(Tab #5)

1- Fogg
2- Montgomery