FLORIDA GULF COAST UNIVERSITY BOARD OF TRUSTEES

AUDIT AND COMPLIANCE COMMITTEE MEETING

Friday, December 8, 2017

COHEN CENTER BALLROOM, ROOM #203-B
Florida Gulf Coast University

Minutes

Members:
Present: Trustee Joseph Fogg III - Chair; Trustee Darlene Cors; Trustee Leo Montgomery; and Trustee Kevin Price.

Others:
Staff: President Mike Martin; Vice President for Administrative Services and Finance, and Executive Director of FGCU Financing Corporation Steve Magiera; Vice President for University Advancement, and Executive Director of FGCU Foundation Chris Simoneau; Vice President and Chief of Staff Susan Evans; Vice President and General Counsel Vee Leonard; Chief Compliance and Ethics Officer Stacey Chados; Director of Internal Audit Bill Foster; Director of Operations Tiffany Reynolds; and Project Manager Melissa Pind.

Guests: Trustee-elect Richard Eide.

Item 1: Call to Order, Roll Call, and Opening Remarks
Chair Joseph Fogg called the meeting to order at 9:22 a.m. Roll call was taken with all 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 Conference Call Meeting on August 17, 2017.

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

Item 3: Action Items (See Tabs #2-6)
Chair Fogg informed the committee there were five action items to be approved for recommendation at the January 9, 2018 meeting of the FGCU Board of Trustees. He stated Director of Internal Audit Bill Foster, and Chief Compliance and Ethics Officer
Stacey Chados would be presenting these items, and then a vote for each item would be taken at the end of the staff presentation and any Committee discussion.

**Regulation: FGCU-PR-TBA Code of Ethics (Tab #2)**

Ms. Chados stated the first document to be considered was the Regulation on the Code of Ethics, which summarized the information contained in the Code of Ethics for Public Officers and Employees codified in the Florida Statutes. This Regulation mirrored information in the Florida Statutes and outlined matters such as restrictions on acceptance of gifts, hiring of relatives, and post-employment matters. It also outlined filing requirements for certain employees to make a public disclosure of financial interests to the Commission on Ethics. She stated before it was accepted, she would propose an addition to the Regulation, a copy of which had been distributed to the Committee. The amended section would read:

**E. PENALTIES**

“Violation(s) of this Regulation could subject you to progressive and cumulative discipline as outlined in the University’s Regulation on Disciplinary Actions or in the Collective Bargaining Agreement, as applicable. In addition, the State of Florida could subject you to civil fines and punishment as contained in Section 112.317, Florida Statutes, as well as a fine for failing to timely file a Statement of Financial Interests with the Florida Commission on Ethics as contained in Section 112.3144, Florida Statutes.”

Ms. Chados asked for acceptance of the Regulation on the Code of Ethics as amended and to recommend approval of the Regulation to the FGCU Board of Trustees.

Chair Fogg asked if there were any questions or comments.

Trustee Darleen Cors made a motion to accept the Regulation on the Code of Ethics as amended and to recommend approval to the FGCU Board of Trustees. Trustee Price seconded the motion. There was no public comment or Committee discussion. The vote was unanimous in favor of the motion.

**Code of Conduct (Tab #3)**

Chair Fogg asked Ms. Chados to present this item.

Ms. Chados said the Code of Conduct served as a guidance document and highlighted many of the requirements employees were expected to follow. It also served employees for answering basic questions or ethical dilemmas. The Code contained information about the University’s vision, mission and guiding principles, employee and manager responsibilities, principles of ethics and integrity, and information about the University’s Hotline. The Code applied to the members of the FGCU Board of Trustees; all University employees including the President, Cabinet, faculty, staff, and student employees; members of the boards of directors of the University’s Direct Support Organizations; as well as volunteers, contractors, vendors, and other representatives providing services to or acting on behalf of the University. She added the Code was
distributed to and vetted by the members of the FGCU Board of Trustees, the President and his Cabinet and other direct reports, the Deans, members of the FGCU Faculty Senate, and members of the Staff Advisory Council (SAC), as well as a sample of directors, department chairs, faculty and staff. She said changes were made to the Code based on comments made from these constituents. She added during the 2018 calendar year she would provide training on the Code. She asked the Committee to accept the Code of Conduct and recommend approval of the Code to the full Board.

Chair Fogg called for questions and comments.

Chair Fogg noted it was a clear, well-done and well-presented document. He suggested much of what was in the Code did not apply to the members of the FGCU Board of Trustees, and possibly in a separate memo or in an addition to the Code, it could be made clear what portions of the Code specifically applied to the trustees.

Ms. Chados agreed with Chair Fogg’s suggestion and said it could be done.

Chair Fogg asked if this suggestion was satisfactory to President Martin. President Martin responded it was.

Trustee Price asked if there was an annual affirmation of the Code for all employees.

Ms. Chados said that was a good question. She responded by saying in corporate America it was not unusual to have employees affirm and sign off on a code of conduct and understand they could reach out to contact the Compliance Office when they had questions. She said these procedures could be incorporated at FGCU, but as of right now, this was not being done.

Trustee Price said he would encourage this be done to ensure each year everyone was aware of the expectations.

President Martin said it was a good suggestion and asked Ms. Chados to consider doing something along those lines.

Chair Fogg called for a motion.

Trustee Price made a motion to accept the Code of Conduct with the changes described above and to recommend approval to the FGCU Board of Trustees. Trustee Cors seconded the motion. There was no public comment or further Committee discussion. The vote was unanimous in favor of the motion.

**FGCU Compliance and Ethics Program Plan (Tab #4)**

Chair Fogg asked Ms. Chados to present this item.

Ms. Chados said this Plan outlined how her Office would implement the seven elements of an effective Compliance and Ethics Program. The plan incorporated the Code of
Conduct, and described the governance structure of compliance and ethics training that would be rolled out to the workforce. She said FGCU employees could report concerns without fear of retaliation. The plan explained how employees would self-assess and monitor compliance with regulatory requirements, incentivize and discipline the workforce, and respond to detected offenses.

Ms. Chados asked the Committee to accept the Program Plan and to recommend approval to the full Board. She added upon approval, a copy of the plan would be provided to the Board of Governors (BOG).

Chair Fogg complimented Ms. Chados for her work on this item, and pointed out the provisions in the Plan which stated any of the complaints made will be made in good faith. He said it was clearer what the role of this Committee was, versus the other areas of the University that had similar responsibility. He asked where the information concerning quarterly meetings with the Chair of this Committee was located.

Ms. Chados responded it was in the Compliance and Ethics Program Plan in the Governance Structure section.

Chair Fogg called for comments or questions.

Trustee Montgomery made a motion to accept the Compliance and Ethics Program Plan and to recommend approval to the FGCU Board of Trustees. Trustee Cors seconded the motion. There was no public comment or Committee discussion. The vote was unanimous in favor of the motion.

**FGCU Financing Corporation Independent Auditor’s Report for the year ended 06/30/17 (Tab #5)**

Chair Fogg asked Director of Internal Audit Bill Foster to present this item.

Mr. Foster said this action was to accept the FGCU Financing Corporation Independent Auditor’s Report for the Fiscal Year ending June 30, 2017, and to recommend the Report’s acceptance by the FGCU Board of Trustees. He stated each Direct Support Organization (DSO) of a state university was required to have an independent certified public accountant conduct an annual audit, and that audit report must be submitted to the FGCU Board of Trustees.

Mr. Foster said the CPA firm of Tuscan and Company completed the audit report for the year ending June 30, 2017. He directed the Committee’s attention to the Summary Memo for the key points of the report, and to the Opinion on page two. He said the auditors had determined a clean opinion, the best that can be obtained. Mr. Foster continued that on pages four through nine, Management’s Discussion and Analysis, was a section where management described in reader friendly terms what occurred in the last fiscal year. He pointed out one key item to note was there was no additional debt taken on by the Financing Corporation during the year being reported.
Mr. Foster directed the Committee to page 10, Statement of Net Position, presented what was owned, owed and residual equity. He reported at year end the FGCU Financing Corporation had $228 million of total assets, $203 million in total liabilities, and a net position or residual equity of $25 million. He continued on page 11, there was a statement of Revenues, Expenses and Changes in Net Position. He reported for the year, there was $18 million in operating revenue, $14 million in operating expenses, and $10 million in non-operating expenses, which resulted in a decrease in net position of $6 million for the end of the year. He said page 12, Statement of Cash Flows, showed the effects to cash on the financial transactions for the year; the net effect was a $25,000 decrease in cash and cash equivalents. He said pages 13 through 24, Notes to the Financial Statement, contained a significant amount of information to explain the various line items in the Statement. He said compared to Management Discussion Analysis, these notes were not as reader friendly. He said pages 25 and 26 reported there were no deficiencies noted on internal control.

Chair Fogg called for questions or comments. He commented the Board of Governors' (BOG) expectation of the need for this Audit and Compliance Committee to have more of a supervisory role with the Direct Support Organizations had been discussed at prior Committee meetings. He said it was still not clear to him exactly what that meant or exactly what was the increased responsibility. He said he thought it meant that he, the Chair, needed to attend the FGCU Financing Corporation Board of Directors meetings, and when he had, the FGCU Financing Corporation Board of Directors members rightfully wanted to know why he was in attendance. He said he thought it was a loose end which possibly President Martin could consider.

President Martin responded he agreed, and his plan was to possibly poll some of his president colleagues and ask how they were responding to that expectation, so responses could be consistent. He asked Mr. Foster to poll his counterparts as well. He added the expectation that Chair Fogg attend the meetings might be expecting too much of his time.

Trustee Montgomery stated his view was if Mr. Foster could attend the planning sessions and meet with the auditors in person pre-audit and subsequent to the audit with the audit committee of the FGCU Financing Corporation Board of Directors, this would give the FGCU Board of Trustees Audit and Compliance Committee comfort in knowing at least there was someone in the room who could advise on their observations.

Chair Fogg said he agreed with that, but some guidelines were needed as to exactly what was the role of the Audit and Compliance Committee. He added the Board of Governors (BOG) also should be asked because they made the rule.

Trustee Montgomery said his biggest concern was the Committee was approving something for which they did not know anything about. He asked if they were approving the Auditor's Report or accepting it.
Trustee Fogg said that was a good point.

Vice President for Administrative Services and Finance, and Executive Director of FGCU Financing Corporation Steve Magiera said the Committee needed to accept the Report because the FGCU Financing Board of Directors had already approved it. He said it would become quite awkward if for some reason the FGCU Board of Trustees did not approve it. He said he thought what the Board of Governors (BOG) wanted was to have a trustee attend the Audit Exit, in particular, so the trustee was there at the meeting when the independent auditor was presenting. He said the BOG thought it was important the Audit and Compliance Committee hear first-hand from the auditors and not from the staff. He said attendance at the meeting would give the Chair of this Committee an opportunity to ask the auditor any questions.

Chair Fogg stated he had done so for the FGCU Foundation, but not for the FGCU Financing Corporation.

Mr. Magiera said he believed Mr. Foster had gone to the FGCU Financing Corporation meetings as a representative. He said as Mr. Foster worked as staff, it was acceptable.

Chair Fogg continued by referring to page 7 of the Financial Statements, first paragraph, last line, which reported a decrease of a half million dollars in net student residence rental income, primarily from a decrease in occupancy. He said this was something the FGCU Board of Trustees should be thinking about because depending on admissions and enrollment, this could cause a real impact on debt service and could cause future problems.

Mr. Magiera said the Financing Corporation had met Wednesday, December 6 and addressed many of these issues. He said there was a drop in the revenue numbers which had to do with enrollment. He reported the number one factor for the revenue was the freshman class. He said part of the plan was to increase the number of freshmen, which would help take care of the residences. He said in January Financing Corporation Board Chair Joe Catti would be presenting other things which were being done to increase revenue, such as summer programs and lakefront improvements. He said for the year housing would be at about 95 percent, which was still very good and their break point was 83 percent occupancy. He added housing was financially sound at the moment with $11 million of unrestricted balance, which needed to be higher.

Chair Fogg said he was not suggesting there was a problem, but the FGCU Board of Trustees needed to be reassured people were looking at this area.

President Martin said at some future meeting it would be a good idea to have Director of University Housing Brian Fisher give an overview of the entire strategy for housing on campus. He said there were a number of things going on in campus housing such as a new dining hall in North Lake Village, and a plan for a new Recreation and Wellness Center in South Village that help to make University Housing attractive. He said FGCU
faced ever-increasing competition from the private sector, and it would be beneficial to get the input of the full Board on the strategies for on-campus housing.

Chair Fogg asked Vice President and Chief of Staff Susan Evans to read the motion.

Ms. Evans stated that a motion had not yet been made but it would be to accept the Financing Corporation Independent Audit and recommend its approval to the full Board of Trustees on January 9.

Trustee Montgomery made a motion to accept the FGCU Financing Corporation Independent Auditor's Report and recommend its approval to the full Board of Trustees in January. Trustee Price seconded the motion. There was no public comment or further Committee discussion. The vote was unanimous in favor of the motion.

FGCU Foundation Independent Auditor’s Report (Tab #6)

Chair Fogg asked Mr. Foster to present this report.

Mr. Foster presented the Foundation Audit Report for the fiscal year ending June 30, 2017. He said page two indicated the statement had been given a clean opinion. He said pages 4 through 11, the Management Discussion and Analysis, pointed out the major transactions and presented comparative figures from the prior year. He said page 12 was a Statement on Net Position and reported at year end there were $127 million of total assets, $3 million total liabilities, and net position (residual equity) of $124 million.

He stated on page 13, Statement of Revenues, Expenses and Changes in Net Position, showed that for the year, there was $14 million in operating revenue, $17 million operating expenses, $10 million net non-operating revenue (primarily $9 million in investment gains), and $6 million net contributions to endowments, arriving at a $13 million increase in net position at year end. He continued that pages 14 and 15, Statement of Cash Flows, showed the effects to cash from the financial transactions for the year. The net effect was an $893,000 increase in cash and cash equivalents for the year. He reported that on pages 16 through 31, Notes to the Financial Statements, was a significant amount of information to explain the various line items in the financial statements, and compared to Management’s Discussion and Analysis, these notes are not necessarily as reader friendly. He added pages 32 through 42 contained supplementary information and included additional required State schedules and provided a breakdown of the financial statements by account type. He said pages 43 and 44, Auditor’s Report on Internal Control and Compliance, related financial reporting and compliance with Government Auditing Standards. There were no deficiencies in internal controls noted.

Chair Fogg stated that he had similar comments for this audit report as he provided during the FGCU Financing Corporation’s audit report, so he would not repeat them.

Chair Fogg asked for questions or comments. Hearing none, he called for a motion.
Trustee Cors made a motion to accept the FGCU Foundation Independent Auditor's Report and recommend its approval to the full FGCU Board of Trustees in January. Trustee Montgomery seconded the motion. There was no public comment or Committee discussion. The vote was unanimous in favor of the motion.

Item 4: Summary of Direct Support Organizations and Other Attestation Services issued to date during 2017-2018 (Tab #7)

Chair Fogg stated there were two information items, and he called on Mr. Foster to first present Tab #7.

Mr. Foster said as the Committee had just reviewed the Audit Reports of the two Direct Support Organizations, he stated he just wanted to be sure the Committee knew that he did review the audits and had no issues at all.

There were no further comments or discussion.

Item 5: Lines of Reporting for Whistleblower and Other Complaints (Tab #8)

Chair Fogg asked President Martin to present this item.

President Martin said there had been some confusion about the corridors through which various kinds of complaints and concerns would be responded; who would do it and when; and when would it be known it was completed. He said there was a large organization available, including the Office of Institutional Equity and Compliance, Office of Compliance & Ethics, Office of Internal Audit, Office of the General Counsel, University Police Department, and Office of University Ombuds. He said he was confused about the process himself, but he was working to define it for everyone. He indicated that he has assembled a team to work through these processes. He said the questions to be answered included who would be responsible for investigations, for ultimately adjudicating the outcome, and who would declare if it was a frivolous and non-significant issue or that some action must be taken. He said he hoped to come back with a much clearer definition of the wiring network which would get through these issues. He said it had been noted earlier in the full Board meeting by Director of Institutional Equity and Compliance and Title IX Coordinator Precious Gunter that there has been an uptick in issues coming through, and FGCU needed to be satisfied these issues were being handled appropriately. He said it needed to be clarified what various members of the team would do to ensure the University was compliant with all the regulations and expectations. He added that it might be necessary to change the titles of some offices to be clearer for everyone to know where to go to report their issues.

Chair Fogg asked President Martin if the Committee would hear more about this at the next meeting in February, and he responded positively.

Trustee Price suggested a picture of a decision tree might help emphasize and force the focus. President Martin agreed that was a good idea.
Item 6: Old Business
There was no old business for discussion.

Item 7: New Business
There was no new business for discussion.

Item 8: Closing Remarks, and Meeting Adjournment
Chair Fogg adjourned the meeting at 10:02 a.m.

Minutes prepared by Transcription Experts, and reviewed by Tiffany Reynolds, Director of Operations.

Agenda Items:
A. See Tabs #1 – 8

B. Handouts

Attachment:
A. Record of Votes
Record of Votes
Audit and Compliance Committee
DATE: 12/8/2017

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