FLORIDA GULF COAST UNIVERSITY BOARD OF TRUSTEES

AUDIT AND COMPLIANCE COMMITTEE MEETING

Monday, December 3, 2018 10 a.m.

EDWARDS HALL, ROOM #309
Florida Gulf Coast University

Minutes

Members:
Present: Trustee Joseph Fogg III – Chair; Trustee Leo Montgomery; and Trustee Stephen Smith.

Not Present: Trustee Darleen Cors (Excused Absence).

Others:
Staff: President Michael Martin; Provost and Vice President for Academic Affairs James Llorens; 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 General Counsel Vee Leonard; Vice President for Student Success & Enrollment Management Mitchell Cordova; Director of Internal Audit Bill Foster; Director of Equity, Ethics and Compliance, and Title IX Coordinator Precious Gunter, Director of Operations Tiffany Reynolds; Assistant Director of Board Operations Tiffany Tramontozzi; 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 10 a.m. He welcomed all members and said the meeting had been duly noticed. He requested Vice President and General Counsel Vee Leonard call the roll. Roll call was taken with three of four Committee members present, thus meeting quorum requirements. Trustee Darleen Cors was granted an excused absence.

Item 2: Consent Agenda (See Tab #1)
Chair Fogg stated there was one item on the Consent Agenda, the Minutes of the September 11, 2018 Meeting.

Trustee Stephen Smith made a motion to approve the Consent Agenda. Trustee Leo Montgomery seconded the motion. There was no public comment or Committee discussion. The vote was 3-0 in favor of the motion.
Item 3: Action Items (See Tabs #2-6)
Chair Fogg stated there were five action items and one information item. He asked Director of Internal Audit Bill Foster and Director of Equity, Ethics and Compliance, and Title IX Coordinator Precious Gunter to present these items.

International Travel: Outgoing Students and Faculty Audit (TAB #2)
Director of Internal Audit Bill Foster reported this was a limited scope audit of international travel (outgoing students and faculty) managed by Academic Affairs and Student Success & Enrollment Management for programs offered during the Spring, Summer and Fall 2017 semesters. He stated the evaluated programs, from various offices, were conducted in general compliance with applicable laws, rules and regulations, as well as University policies and procedures.

Mr. Foster explained international travel took place through different types of programs, such as: Faculty Led Study Abroad (FLSA), internships, non-credit volunteer and work experiences abroad, exchange programs, and trips associated with registered student organizations (RSOs). He noted, depending on the type of program, different Florida Gulf Coast University (FGCU) departments, offices or colleges provided oversight while the International Services Office (ISO) served as a central hub for international travel information and assisted students and other departments with orientation training for programs that ISO did not directly manage. He said export/import control regulations were reviewed in the context of international travel, as well as Federal regulations which could restrict travel abroad and currency exchange rates. He noted the review did not include programs where international students attended FGCU, nor Athletics, due to NCAA guidelines.

Mr. Foster reported the objectives were to determine whether there were documented policies and procedures to maintain the security of students and faculty abroad; to determine whether the impact of import/export controls had been addressed with policies and procedures, monitoring compliance, and the existence of a training and awareness program; to determine whether there were policies and procedures that required documentation of exchange rates which ensured travelers were trained regarding such requirements; and to determine whether study abroad programs were monitored for Federal regulations which restricted study abroad.

Mr. Foster listed the observations and recommendations under Objective A. He said under the first item International Services Office: Record Keeping, crisis management training attendance records for three faculty leaders with copies of signed waivers and release agreements for 15 students were requested from the International Services Office for three Faculty Lead Study Abroad (FLSA) programs, as well as pre-departure orientation training records for all participants. He reported it was discovered that although pre-departure sessions were provided, attendance records were not maintained for either faculty or students; additionally, copies of the signed waiver and release agreements could not be located for three of the 15 students. He stated it was recommended the International Services Office (ISO) enhance its procedures to document attendance at required trainings and ensure that signed waiver and release
agreements were properly retained for all participants. He reported management agreed with the recommendation and indicated the critical importance of documenting student and faculty leader participation in Pre-departure Orientations was noted and would be addressed by continuing to provide these sessions, in person or on-line, and ensuring that participant attendance and completion of training was recorded via participant signature.

Mr. Foster stated the second item was *International Services Office, University-Wide Policy or General Guidelines for International Travel*. He reported travel abroad activities which involved students and faculty not managed by the International Services Office, but sponsored by FGCU, such as performance tours, internships, etc., were identified. He reported the departments which managed these types of international activities informally knew to contact ISO for training and insurance, but failed to cover additional core areas that should have been addressed prior to travel. He indicated the responsibility for developing University-wide formal guidelines which covered best practices and attributes of international travel should be assigned to the International Services Office with guidance from the Office of the General Counsel. Additionally, he said these guidelines should be communicated to all persons and entities involved in international travel. He reported management recognized the need for University-wide formal guidelines for international travel and efforts were underway to pursue the implementation of best practices, including development of institutional policy with guidance from the Office of General Counsel.

Mr. Foster stated the third item was *Lutgert College of Business (LCOB) Lack of Waiver of Liability*. He explained the LCOB did not require outgoing exchange students to sign a waiver of liability. He stated it was recommended that the LCOB exchange program personnel work collaboratively with the Office of the General Counsel to identify the appropriate waiver of liability to be completed by all exchange program participants. He reported management agreed with the observation and recommendation.

Mr. Foster stated the fourth item was *Registered Student Organization: No Agreement with Sponsoring Third Party*. He explained the selected Registered Student Organization (RSO) which sent volunteer students abroad each year to participate in health and development programs did not have a signed written agreement with the sponsoring third party organization. He stated it was recommended the Office of Student Involvement ensured RSO agreements with third party organizations were approved and signed off by both parties, with copies maintained and available for review. He explained the University was not legally responsible for these agreements. Campus Life provided general oversight, but it was the responsibility of the RSO to maintain the necessary documentation for their activities. He stated an agreement was signed between the president of the RSO and the third party on May 14, 2018 which automatically renewed for one year periods unless terminated by either party before expiration. He stated management responded by indicating although the RSO was not a legal entity of the University, the Office of Student Involvement provided guidance to the RSO regarding travel pursuits. In order to ensure obtainment of appropriate documentation from the National Organization or affiliated entity that the RSO was...
traveling with, (if applicable), the Office of Student Involvement would add an item to the administrative travel checklist which would secure the document (as applicable) three months prior to the travel date. If the document was not secured by that date, travel would not be approved by the Office of Student Involvement.

Mr. Foster stated the fifth item was Internships & Co-Operative Programs Office: Policies and Procedures Enhancement. He stated the total number of international internships managed by the Internships & Co-Operative Programs Office (ICP) for fiscal year 2017 could not be supported; additionally, international internships procedures obtained from ICP were inadequate as the procedures did not address all critical aspects of international travel. He stated to enhance the effectiveness of its operations and accountability for international internships, ICP should develop comprehensive, written procedures, and maintain accurate records for international internships. He reported management believed the report accurate and indicated development of comprehensive, written procedures for international internships and maintaining accurate records would be included in the Job Duties for the new Associate Director of Internships & Co-Operative Programs.

Mr. Foster stated the next item was Office of Research and Graduate Studies (ORGS): Monitoring for Compliance and Training under Objective B. He reported at the time of review, some items required by FGCU Policy 2.014, Export Control had not been fully implemented, such as conducting an Export Control Analysis and establishing appropriate training. He stated it was recommended the ORGS continued its efforts to monitor international travelers by conducting the export control analysis before travel was approved and it was recommended that the ORGS create awareness of these regulations through export control training. He stated the ORGS agreed with the recommendation and indicated introduction and training on export controls and international travel would begin in the Fall, along with additional training and written communications on export controls.

Chair Fogg stated he did not realize there was such a large volume of international travel being conducted, nor that there were important documentation requirements. He stated he appreciated Mr. Foster’s presentation as it made him more aware of international traveling requirements.

Trustee Montgomery agreed with Chair Fogg. He stated he had the impression the opportunities for improvement discussed were documentation or record keeping issues, rather than non-compliance issues. He asked if Mr. Foster would ascertain these issues were corrected.

Mr. Foster responded that the departments mentioned were in the process of correcting the issues.

Trustee S. Smith stated found Mr. Foster’s report to be very interesting. He said he felt many items were housekeeping issues, and while the purpose of the audit was to ensure compliance, he noted some things were not being done properly. He
recommended encouraging the various departments to properly comply, as well as emphasizing the importance of compliance.

President Martin reported that the Office of Internships & Co-Operative Programs had made several fundamental changes driven by personnel changes which he felt would bring greater centrality. He reported a campus-wide Globalization Initiative had been launched to bring these processes together into a single epicenter. He stated a partnership with the American Council on Education had been forged to enable FGCU to become more like other universities who were more experienced in this area. He stated over time many programs were “bolted on” rather than integrated in, and he felt this was in the bookkeeping issues. He said the University was moving away from this practice. He stated he felt Mr. Foster did an excellent job of highlighting the necessary changes which needed to be made.

Trustee S. Smith stated in his experience organizations were great at adding more to do, and not so good at taking away things which no longer needed to be done. He indicated he hoped removal of tasks which were no longer needed was considered in this matter moving forward.

President Martin agreed and said whatever was done, should be done a streamlined manner. He stated efforts were being made with this in mind.

Chair Fogg called for a motion.

Trustee S. Smith made a motion to accept the International Travel: Outgoing Students and Faculty Audit and to recommend it to the FGCU Board of Trustees. Trustee Montgomery seconded the motion. There was no public comment or Committee discussion. The vote was 3-0 in favor of the motion.

**Florida Gulf Coast University Financing Corporation, Inc. Independent Auditor's Report Fiscal Year Ended June 30, 2018 (TAB #3)**

Mr. Foster stated each direct support organization 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 1004.28(5) Florida Statutes. He stated FGCU Rule 6C-10-1.005(6), Florida Administrative Code (F.A.C.) required annual audit reports related to FGCU direct support organizations be submitted to the FGCU Board of Trustees. He reported the firm of Tuscan & Company, P.A. completed the audit report of the FGCU Financing Corporation for the fiscal year ended June 30, 2018 and the Corporation's Board of Directors approved the audit report at its October 22, 2018 meeting. He stated on 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 the Finance and Accounting Department had made great efforts to achieve this clean opinion.

Mr. Foster reported pages 4 through 9 referred to Management’s Discussion and Analysis. He explained this was the section in which management described in reader
friendly terms what had occurred during the last Fiscal Year; it pointed out major
transactions and presented comparative figures from the prior year. He stated page 10
was the Statement of Net Position which used to be known as a Balance Sheet. He
reported at year end the University had $222.7 million dollars in total assets, $197.3
million in total liabilities and deferred inflows, and a net position, or residual equity, of
$25.4 million. He stated page 11 was the Statement of Revenues, Expenses and
Changes in Net Position, formally known as an Income Statement. He reported the
University had $18.6 million in operating revenue, $14.5 million in operating expenses,
and $3.9 million in non-operating expenses, arriving at a net increase in position of $0.2
million. He stated page 12 was the Statement of Cash Flows which showed the effects
to cash from the financial transactions. He stated the net effect was a $20,000 increase
in cash and cash equivalents for the year. He stated pages 13 to 23 were Notes to the
Financial Statements which contained a significant amount of information to explain the
various line items in the financial statements. He explained compared to Management
Discussion and Analysis, these notes were not necessarily as reader friendly. He
stated pages 24 and 25 were the Auditor's Report on Control and Compliance which
related financial reporting and compliance with Government Auditing Standards. He
reported there were no deficiencies in internal controls noted. He stated pages 26 and
27 were the Auditor’s Report to Management, with again no comments for the current or
prior years.

Mr. Foster called attention to page 8, Factors Impacting Future Periods, which stated
the Financing Corporation was not aware of any known facts, decisions, or conditions
expected to have a significant effect on the financial position of operations during the
year ending June 30, 2019. He noted the Financing Corporation's financial outlook for
the future continued to be positive. He explained the level of variable rate (13.0
percent) versus fixed rate (87.0 percent) debt was one of the key factors influencing the
Financing Corporation activities. He stated there was also a schedule presenting the
Occupancy Rate which, for the year under audit, was 97.58 percent; this was more than
10 percent in excess of what was needed to maintain the current debt rating.

Chair Fogg stated Mr. Foster was the Committee’s eyes and ears on this Audit as Mr.
Foster attended the meetings of the Financing Corporation Audit Committee. Chair
Fogg asked if there was anything else which Mr. Foster felt should be brought to the
attention of the Committee. Mr. Foster responded there was nothing further to report.

Chair Fogg asked if there were any questions or discussion. Hearing none, he called
for a motion.

Trustee Montgomery made a motion to accept the FGCU Financing Corporation
Independent Auditor’s Report and recommend it to the FGCU Board of Trustees.
Trustee S. Smith seconded the motion. There was no public comment or 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, 2018 (TAB #4)

Mr. Foster reported the Firm of Cherry Bekaert, LLP completed the audit report of the
Foundation for the fiscal year ended June 30, 2018. He said the Foundation's Audit
Committee approved the audit report at its November 2, 2018 meeting, the Foundation's
Executive Committee approved the audit at its November 20, 2018 meeting, and it
would be considered by the Foundation Board of Directors at its December 5, 2018
meeting.

Chair Fogg asked why the audit was being considered for approval by the Committee if
the Foundation Board of Directors had not yet approved it. Vice President for University
Advancement, and Executive Director of FGCU Foundation Chris Simoneau responded
the Committee was considering the audit in anticipation of the Foundation Board’s
approval on Wednesday. Chair Fogg commented this was unusual. Mr. Foster agreed.
Trustee Montgomery asked if the Executive Committee had approved the Audit. Mr.
Foster responded in the affirmative. Chair Fogg indicated the motion for this item would
be subject to the approval of the Foundation Board of Directors.

Mr. Foster reviewed a summary of the key points in the Financial Audit of the Florida
Gulf Coast University Foundation, Inc. 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 3 through 10,
Management’s Discussion and Analysis, was the section in which Management
described in reader friendly terms what occurred in the last fiscal year; this section
pointed out major transactions and presented comparative figures from the prior year.
He stated page 11 was the Statement of Net Position which indicated at year end, there
was $131.5 million in total assets, $1.6 million total liabilities and deferred inflows, and a
net position, or residual equity, of $129.9 million. He stated page 12 was the Statement
of Revenues, Expenses and Changes in Net Position which was formerly known as an
Income Statement. He reported for the year, there was $11.6 million in operating
revenue, $16.1 million in operating expenses, and $7.2 million in net non-operating
revenue (primarily $6.9 million in investment gains), and $3.7 million in net contributions
to endowments, arriving at a $6.4 million increase in net position. He stated pages 13
and 14 reflected the Statement of Cash Flows which showed the effects to cash from
the financial transactions. He reported the net effect was a $1.4 million decrease in cash
and cash equivalents for the year. He stated pages 16 through 29 were Notes to the
Financial Statements which contained a significant amount of information to explain the
various line items in the financial statements. He noted compared to Management
Discussion and Analysis, these notes were not necessarily as reader friendly. He
stated pages 30 through 41 contained Supplementary Information which included
additional required State schedules and provided a breakdown of the financial
statements by account type. He stated on pages 42 and 43 the Auditor’s Report on
Internal Control and Compliance related financial reporting and compliance with
Government Auditing Standards. He stated on pages 44 and 45 the Schedule of
Findings and Responses indicated there was a deficiency in internal controls noted as a
Material Weakness in Financial Reporting. He said the Foundation had taken an overly
conservative approach to valuing land held for investment, and in classifying
unrestricted funds used to supplement restricted projects. He stated as noted in the
Effect paragraph, these actions did not involve any loss, impairment, or overstatement
of Foundation assets.

Chair Fogg asked what the total size of the endowment was as of the end of the audit.
Mr. Simoneau responded the total was $91.9 million as of June 30, 2018 and
approximately $95 million or $96 million to date. Chair Fogg asked if it was correct the
total contributions last year were approximately $10 million or $11 million. Mr.
Simoneau responded in the affirmative.

Trustee Montgomery clarified the Foundation had not previously used this auditing firm
before and asked why a new company had been hired. Mr. Simoneau responded the
Audit Committee of the Foundation Board of Directors determined after 16 years with
the previous firm it was time for a fresh look at the Financial Statements. Chair Fogg
asked the name of the previous firm. Mr. Simoneau responded Clifton Larson Allen,
LLP. Trustee Montgomery asked about the new auditing firm’s performance. Mr.
Simoneau responded there were transition issues, communications issues and timing
issues which he attributed to being a “first-time relationship.” Trustee Montgomery
commented the items considered as material weakness were not very significant;
however, because the items were judged by the new auditors to be an error it would
then reflect as the correction of an error. He wondered if this result would raise an
alarm with the Office of the Chancellor at the Board of Governors (BOG). Mr. Simoneau
stated he understood the Inspector General would monitor FGCU to ensure it corrected
the errors as needed.

Chair Fogg asked if there were any further questions or discussion. Hearing none, he
called for a motion.

Trustee S. Smith made a motion to approve the FGCU Foundation Independent
Auditor’s Report subject to the final approval of the Foundation Board of Directors and
recommend it to the FGCU Board of Trustees. Trustee Montgomery seconded the
motion. There was no public comment or further Committee discussion. The vote was
3-0 in favor of the motion.

Compliance Office Charter (TAB #5)

Director of Equity, Ethics and Compliance, and Title IX Coordinator Ms. Precious Gunter
reported the Compliance Office Charter was a formal document which outlined the
purpose, authority, mission, scope of work, and responsibilities of a compliance office;
and provided for an appropriate governance structure, access to documents and
personnel in order to carry out the duties and responsibilities of the office, and a
periodic assessment of the Charter. She reported the Charter was approved at the
June 13, 2017 meeting of the FGCU Board of Trustees, and this was the first revision.

She explained the Committee had a red-lined version, as well as a clean version, of the
updated Charter which outlined the merger of the Compliance Office with the Office of
Chair Fogg called for a motion.

Trustee Montgomery made a motion to approve the revised Compliance Office Charter and recommend it to the FGCU Board of Trustees. Trustee S. Smith seconded the motion. Chair Fogg asked if there was any discussion.

Trustee S. Smith stated he had a telephone conference call with Ms. Gunter and other staff members, during which he commented on several grammatical errors and areas where the language was confusing in the Charter document. Ms. Gunter stated the comments had been addressed and no material changes were necessary.

Trustee Montgomery asked if the FGCU Code of Conduct was State required. Ms. Gunter responded in the affirmative; as part of BOG Regulation each University had to institute a compliance office, as well as a compliance and ethics program plan which included creation of a Code of Conduct.

Chair Fogg stated he had recommended a checklist be developed regarding required deadlines and filing dates. He asked whether the checklist would be developed. Ms. Gunter responded in the affirmative; she was in the creation process. Chair Fogg requested the checklist, upon completion, be circulated to the Committee. Ms. Gunter indicated this would be done.

Chair Fogg stated there was motion and asked if there was any public comment. 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 #6)**

Ms. Gunter stated the updated Audit and Compliance Committee Charter identified the authority under which the Audit and Compliance Committee of the Florida Gulf Coast University Board of Trustees operated, as well as the composition, meeting protocol, and responsibilities of the Committee. She stated the Charter was approved at the June 13, 2017 meeting of the FGCU Board of Trustees, and this was the first revision to the Charter.

She stated the Committee had a red-lined version and a clean version. She indicated Trustee S. Smith's requested changes were included in the revision, as well as Chair Fogg's recommendations.

Chair Fogg called for a motion.

Trustee Montgomery made a motion to approve the revised Audit and Compliance Committee Charter and recommend it to the FGCU Board of Trustees. Trustee S. Smith
seconded the motion. There was no public comment or Committee discussion. The vote was 3-0 in favor of the motion.

**Item 4: Information Item - Update on Board of Governors Construction Funding Certification and Audit**

Mr. Foster reported on September 19, 2018 the Board of Governors (BOG) requested each university to review the funding sources for all University Capital Projects approved by the Board of Trustees from July 1, 2008 to the present. He stated projects approved prior to July 1, 2008 which had a cost adjustment after this date were also to be included for review. He stated, per the Board of Governors’ instructions, projects over $2 million, or projects which added 10,000 gross square feet, were listed and reviewed; remodeling, repair, and renovations were excluded. He stated there were 19 projects in total and a certification was signed and delivered in a timely manner. He stated the Board of Governors also asked the Florida State University Procurement Office to prepare a Request for Quotation (RFQ) which would involve a firm sending out a survey, to the twelve institutions within the State University System (SUS), related to capital project control. He stated the firm was not required to be a Certified Public Accounting (CPA) firm, but could be a CPA firm, a consulting firm or a combined firm. He reported as of November 28, 2018 the RFQ had not yet been issued. He stated at this time he did not know if the survey included an audit or not.

**Item 5: Old Business**

There was no old business for discussion.

**Item 6: New Business**

There was no new business for discussion.

**Item 7: Chair’s Closing Remarks & Meeting Adjournment**

Chair Fogg stated the items voted on today would be recommended for final approval to the full Board at its meeting on January 8, 2019.

Chair Fogg adjourned the meeting at 10:36 a.m.

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

**Agenda Items:**

- See Tabs #1 – 6
  - [https://www2.fgcu.edu/Trustees/AgendaFile/2018/12-3-2018/FGCUACCMTG-AGENDAPACKET-12-3-18.pdf](https://www2.fgcu.edu/Trustees/AgendaFile/2018/12-3-2018/FGCUACCMTG-AGENDAPACKET-12-3-18.pdf)
Attachment:
A. Record of Votes
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<td>Trustee Joseph Fogg</td>
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Consent Agenda (Tab #1) 1- Smith 2- Montgomery
International Travel Audit (Tab #2) 1- Smith 2- Montgomery
Florida Gulf Coast University Financing Corporation, Inc. Independent Auditor's Report Fiscal Year Ended June 30, 2018 (Tab #3) 1- Montgomery 2- Smith
Florida Gulf Coast University Foundation, Inc. Independent Auditor's Report Fiscal Year Ended June 30, 2018 (Tab #4) 1- Smith 2- Montgomery
Compliance Office Charter (Tab #5) 1- Montgomery 2- Smith
Audit and Compliance Committee Charter (Tab #6) 1- Montgomery 2- Smith