

FLORIDA GULF COAST UNIVERSITY BOARD OF TRUSTEES

AUDIT AND COMPLIANCE COMMITTEE MEETING

Tuesday, April 2, 2019

**EDWARDS HALL, ROOM # 309
Florida Gulf Coast University**

Minutes

Members:

Present: Trustee Joseph Fogg III – Chair; Trustee Darleen Cors (by phone); Trustee Leo Montgomery; and Trustee Stephen Smith.

Others:

Staff: President Mike Martin; Vice President and Chief of Staff Susan Evans; Vice President and General Counsel Vee Leonard; Vice President for Student Success & Enrollment Management Mitchell Cordova; Interim Vice President for University Advancement, and Interim Executive Director of FGCU Foundation Bill Rice; 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 2:00 p.m. He welcomed all members and said the meeting had been duly noticed. He requested Vice President and Chief of Staff Susan Evans to call the roll. Roll call was taken with all Committee members participating, 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 February 19, 2019 Conference Call Meeting, starting on page 3, line 106 and ending on page 5, line 208. He explained the February meeting was held during the full FGCU Board of Trustees (BOT) conference call meeting.

Trustee Stephen Smith made a motion to approve the Consent Agenda. Trustee Leo Montgomery seconded the motion.

Trustee S. Smith asked if the vote was for the portion of the minutes applicable to the Audit and Compliance Committee, pages 3 through 5. Chair Fogg answered affirmatively, explaining the remainder of the minutes would be voted on by the full

46 Board at the April 9, 2019 FGCU BOT meeting. He pointed out that the minutes
47 reflected a good discussion during the FGCU Performance Based Funding Data
48 Integrity Audit for Board of Governors (BOG) item which led to an action item on the
49 agenda for today.

50
51 There was no further Committee discussion, or public comment. The vote was 4-0 in
52 favor of the motion.

53
54

55 **Item 3: Action Items (See Tabs #2-5)**

56 Chair Fogg noted there were four action items on the Agenda. He called on Director of
57 Equity, Ethics and Compliance, and Title IX Coordinator Precious Gunter and Director
58 of Internal Audit Bill Foster to present these items.

59

60 **Annual Compliance Report (TAB #2)**

61 Ms. Gunter reported on the Annual Compliance Report 2018 presented to the Board of
62 Governors pursuant to the State University System (SUS) Regulation 4.003, SUS
63 Compliance and Ethics Programs. The University was required to report on the
64 Compliance and Ethics Program at least annually. She explained that through the
65 Program Plan, which also previously was approved by the Audit and Compliance
66 Committee and the FGCU Board of Trustees (BOT), the Office of Institutional Equity and
67 Compliance (OIEC) had identified Compliance Liaisons throughout the University. She
68 stated the Compliance Liaison Committee had been reinstated, and helped to work on
69 the reporting information over the past calendar year. She explained the Compliance
70 Report covered the time from January 1, 2018 through December 31, 2018.

71

72 Ms. Gunter noted highlights of the Compliance Report included the Program Plan. She
73 stated the FGCU BOT approved the Code of Ethics and the Code of Conduct in 2018.
74 She noted in July of 2018 the Office of Institutional Equity and Compliance merged with
75 the Compliance Office. She stated the previous Compliance Officer was hired in 2016
76 and the University was approximately three years into its Compliance and Ethics
77 program, and was functioning within the regulations and requirements of the Board of
78 Governors (BOG) for having an effective Compliance and Ethics Program. She
79 indicated the report detailed the responsibilities of each Compliance Liaison and added
80 the Compliance Liaison Committee met quarterly to review updates, legislative
81 changes, and any relevant regulatory matters.

82

83 She stated other highlights in the report included a requirement for new employees to
84 review and acknowledge receipt of the Code of Conduct during New Employee
85 Orientation, and all current FGCU employees received a notice of Ethics training, which
86 also would be included in the annual performance evaluation of every employee at the
87 University. She explained the report was a review of the current program, but a full
88 external review of the program would take place in 2021. She noted the Compliance
89 Officers within the State University System (SUS) were working to develop criteria to
90 determine the process for the external audits of the programs. She stated that in terms

91 of the rating by the BOG currently, the only point that FGCU was missing was
92 completing the external review, which was expected because it was not due until 2021.

93
94 Trustee Montgomery made a motion to approve the Annual Compliance Report 2018
95 and to recommend it to the FGCU Board of Trustees. Trustee S. Smith seconded the
96 motion. Chair Fogg asked if there was any discussion.

97
98 Trustee S. Smith remarked the report was a very thorough and a complete compilation
99 of the processes and procedures of the Compliance Program, as opposed to an audit.
100 He noted there were a number of places in the report where there is mention of
101 development or implementation of compliance training or awareness programs. He
102 noted the program seemed to do both, and the Committee might consider on the next
103 review language to include both practices, and not one or the other.

104
105 Chair Fogg recommended that the Audit and Compliance Committee members read the
106 “Draft Report of Investigation into Unauthorized Use of Funds for Fixed Capital Outlay
107 Projects at the University of Central Florida by the Florida House of Representatives
108 Public Integrity and Ethics Committee.” He stated that one of the points that was made
109 consistently throughout the report was that trustees needed to ensure that all reports
110 submitted to the BOG and other regulatory bodies were compliant from a legal
111 perspective. He asked Vice President and General Counsel Vee Leonard if the FGCU
112 Compliance Report complied with the law. Ms. Leonard replied affirmatively.

113
114 Trustee Montgomery asked if the deadline for completing evidentiary review and
115 procedures on the Annual Compliance Report was in 2021. Ms. Gunter answered in
116 the affirmative. She explained the five-year deadline, which would include the external
117 audit in November of 2021. Trustee Montgomery asked Ms. Gunter if the OIEC wanted
118 to achieve any specific benchmarks before the audit deadline. Ms. Gunter responded
119 that the SUS Compliance Consortium met in January and began working on a package
120 of best practices and standards to propose to the BOG for the external review.

121
122 There was no further Committee discussion, or public comment. The vote was 4-0 in
123 favor of the motion.

124
125 **Process for Agreed-On Procedures for the Performance Based Data Integrity**
126 **Audit (TAB #3)**

127 Chair Fogg called for the report on the Process for Agreed-On Procedures for the
128 Performance Based Data Integrity Audit from Director of Internal Audit Bill Foster.

129
130 Mr. Foster asked the Committee to approve the recommendation to fully execute the
131 Performance Based Data Integrity Audit for the Board of Governors by the Office of
132 Internal Audit staff, without the use of an outside consultant. He explained the Office of
133 Internal Audit staff would use its available skill set and resources to facilitate bringing in
134 in house that portion of data testing which previously was contracted to an external CPA
135 firm.

136

137 Chair Fogg stated the basis of the request was to perform the audit internally. He called
138 for a motion to approve the Process for the Agreed-On Procedures for the Performance
139 Based Data Integrity Audit.

140
141 Trustee Montgomery made a motion to approve the Process for the Agreed-On
142 Procedures for the Performance Based Data Integrity Audit and to recommend its
143 approval to the FGCU Board of Trustees. Trustee Darleen Cors seconded the motion.

144
145 There was no Committee discussion, or public comment. The vote was 4-0 in favor of
146 the motion.

147
148 **WGCU Public Media Audit Report for the Years ended June 30, 2018 and June 30,**
149 **2017 (TAB #4)**

150 Chair Fogg called on Mr. Foster to present the WGCU Public Media Audit Report.

151
152 Mr. Foster reported the audit was performed to meet the requirements of the
153 Corporation for Public Broadcasting. He explained that WGCU Public Media was a
154 department of the University, not a Direct Support Organization (DSO). He noted the
155 CPA firm that was used conducted multiple broadcasting audits. He stated the radio
156 station had eight employees, while the television station had 35 employees. He stated
157 WGCU and the CPA firm informed him about relevant items such as broad inquiries and
158 proposed audit adjustments. He stated page 4 of the Audit Report noted these items
159 included monetary amounts from the Public Media Department of the University and
160 related monetary amounts from the FGCU Foundation. He pointed out there was an
161 audit adjustment for a depreciation of \$80,510. He explained this adjustment resulted
162 from an incorrect beginning number for accumulated depreciation found during the
163 consolidation process which was corrected during the audit. He stated the numbers on
164 the University's record were correct.

165
166 He noted the auditors had determined the financial statements fairly presented the
167 financial position of WGCU, which was called a clean opinion. He noted the Statement
168 of Net Position (formerly known as a balance sheet), on page 7, reflected at year-end
169 on June 30, 2018 the station had \$5.1 million in total assets, \$1.1 million in total
170 liabilities, and residual equity of \$4 million. At the end of June 30, 2017, the station had
171 \$5.3 million in total assets, \$1.5 million in total liabilities, and a net position of \$3.8
172 million. He indicated the Statement of Revenues, Expenses and Changes in Net
173 Position (income statements) beginning on page 8 showed an operating net income of
174 \$9.2 million at the end of June 30, 2018. For the year ended June 30, 2017, WGCU
175 had \$9.1 million in operating revenue, \$9.5 million in operating expense, and \$0.2
176 million in non-operating revenue (primarily investment income), resulting in a net
177 decrease of \$0.2 million.

178
179 Mr. Foster reported the audit income statements for year-end June 30, 2017. He stated
180 the station had \$9.1 million in operating revenue, \$9.5 million in operating expenses and
181 \$0.2 million in non-operating (investment income), which was a net decrease of \$0.2
182 million. He stated page 9 was the Statement of Cash Flows which showed the effects

183 to cash on the financial transactions. He noted the net effect for the year ended June
184 30, 2018 was a decrease in cash of \$2,992 in cash and cash equivalents, and for the
185 year ended June 30, 2017 there was a decrease of \$43,073 in cash and cash
186 equivalents.

187
188 He stated Notes to the Financial Statements in the report for the years ended June 30,
189 2018 and June 30, 2017 were located on pages 10 through 24; pages 25 through 27
190 were Supplemental Information on revenues, expenses and changes of position in the
191 TV and radio stations, listed by functional category.

192
193 Chair Fogg called for a motion to accept the WGCU Public Media Audit Report for years
194 ended June 30, 2018 and June 30, 2017.

195
196 Trustee Cors made a motion to accept the WGCU Public Media Audit Report for years
197 ended June 30, 2018 and June 30, 2017 and to recommend it to the FGCU Board of
198 Trustees. Trustee Montgomery seconded the motion.

199
200 Chair Fogg called for discussion.

201
202 Trustee S. Smith mentioned that typically when reviewing a balance sheet in a
203 corporate environment, assets and liabilities would be equal but they were not in the
204 University environment. Trustee S. Smith asked Mr. Foster to clarify that the remaining
205 amount of assets available is what the University would call net position, but in a
206 corporate environment it would show as shareholder equity. Mr. Foster responded that
207 the terms were congruent.

208
209 Trustee Montgomery asked if the University subsidized any portion of the station
210 operating budgets, as referenced in the profit and loss statements. WGCU General
211 Manager Rick Johnson replied there were Education and General (E&G) funds used for
212 staff salaries.

213
214 Trustee Montgomery asked if students were taking classes at WGCU. Mr. Johnson
215 said there are 10 interns during the fall semester working in various capacities. He
216 stated students used the facilities to support the public media outlets, which included
217 ESPN3. He noted the stations provided hands-on experience and learning. He
218 estimated approximately 150 such hands-on opportunities were available for students
219 during basketball season.

220
221 Trustee Montgomery observed the footnotes stated all funds held and invested by the
222 Foundation on behalf of WGCU were invested in uninsured and unregistered
223 investments. He asked for confirmation that those investments were under the control
224 of the FGCU Foundation and pursuant to the overall policies. Mr. Johnson answered
225 affirmatively.

226
227 President Martin stated there were four functions of the University's Strategic Plan that
228 related to community engagement: intercollegiate sports, music and art programs,

229 various kinds of guest lectures, and WGCU. He noted the News-Press recently named
230 WGCU the Business of the Year for this region, thanks to its reporting service
231 particularly during Hurricane Irma. He stated the station reached beyond the
232 boundaries of campus and provided opportunities for students to get involved with the
233 community.

234
235 There was no further Committee discussion, or public comment. The vote was 4-0 in
236 favor of the motion.

237
238

239 **FGCU Athletics National Collegiate Athletic Association (NCAA) Report for the**
240 **Year ended June 30, 2018 (TAB #5)**

241 Mr. Foster summarized the key points of the NCAA Agreed-On Procedures Report,
242 which included procedures performed and prescribed by NCAA Bylaws to present the
243 financial activities of the athletics department and which ensured the accuracy of data
244 for NCAA sport sponsorships, Pell grants, and grants-in-aid.

245
246 He stated the NCAA prescribed procedures must be performed by independent
247 accounting sources; the University could not audit the NCAA procedures reports. He
248 stated the Independent Accountant's Report, on pages 1 through 9, showed the
249 procedures performed, and noted for each procedure, there were no exceptions, or in
250 other words, the variances were within the tolerable limits as prescribed. He stated
251 pages 10 and 11 described the Supplemental A Revenue Variances, which included
252 increases in season ticket holder donations due to changes in Federal tax laws.

253
254 He noted pages 12 through 90, Supplement B, contained data required by the NCAA for
255 Division I. He said the University had six men's teams and nine women's teams. As of
256 June 30, 2018, Athletics operating revenues totaled \$16.3 million, and operating
257 expenses totaled \$15.8 million, with a net increase of \$0.5 million. He said Athletics
258 operations essentially broke even.

259
260 Chair Fogg noted the NCAA report was clean from an audit point of view. He asked Mr.
261 Foster or President Martin to list the top four or five most significant highlights from the
262 report apart from the fact that it was clean.

263
264 President Martin replied the first priority of the NCAA report was to make sure the
265 University was viable financially and not likely to fall on hard times which could cause
266 the University to drop a sport or other program. Secondly, he stated the NCAA wanted
267 to make sure grants-in-aid to student-athletes were properly paid within the regulations
268 of what the University could give the student-athlete (cost of attendance). He explained
269 this would ensure no donor added to the grants-in-aid of the student-athlete beyond
270 what was the legitimate cost of full attendance. He explained the NCAA needed to
271 ascertain the total cost of the sports scholarships equaled the number of scholarships
272 given at the University for each of its sports programs.

273

274 Director of Athletics Ken Kavanagh added that Title IX statutes also were factors in the
275 NCAA compliance procedures, as well as reserves.

276
277 Chair Fogg asked if the reserves operated under the Board of Governors (BOG)
278 guidelines. President Martin replied in the affirmative. He said code section 2.1.1 and
279 6.1.1 of the NCAA Division I Manual made it clear it was his responsibility the University
280 adhered to the NCAA-Division I Guidelines.

281
282 Mr. Foster stated that in relation to grants-in-aid, the Office of Internal Audit did perform
283 an audit a few years ago in that area. He said that results were good. He said the
284 grade point averages for the FGCU's athletic teams were higher than the average grade
285 point at the University.

286
287 President Martin explained the recruiting and retention process was complicated, but it
288 was monitored closely to make certain that student-athletes who received scholarships
289 were deserving of the scholarships.

290
291 Chair Fogg called for a motion to accept the FGCU Athletics National Collegiate Athletic
292 Association (NCAA) Report for the Year ended June 30, 2018.

293
294 Trustee S. Smith made a motion to accept the FGCU Athletics National Collegiate
295 Athletic Association (NCAA) Report for the Year ended June 30, 2018 and to
296 recommend it for approval to the FGCU Board of Trustees. Trustee Montgomery
297 seconded the motion.

298
299 Chair Fogg asked if there was any further discussion.

300
301 Trustee S. Smith asked if there was concern about student-athletes buying their way
302 onto a team, in light of recent national events. President Martin responded in the
303 negative. He noted if any individual offered a bribe, he would notify the FGCU Board of
304 Trustees (BOT) immediately.

305
306 Trustee S. Smith noted that the cost of the women's athletics scholarships were 30
307 percent higher than the men's athletics scholarships. He indicated it may be due to the
308 out-of-state cost of tuition, but wanted to be certain. President Martin said he believed
309 the reason for the difference was due to the out-of-state versus in-state tuition
310 differential; however, he would confirm this information and report back to the
311 Committee.

312
313 Trustee S. Smith remarked the salary for male coaches and assistant coaches was, on
314 average, higher than the salaries for the female coaches. He said there might be a
315 reason for that, but the University should be prepared to answer that question should it
316 come up. Mr. Kavanagh explained salary factors might be due to market conditions,
317 seniority and other factors in the various sports. He also stated that this report was
318 behind as it was based on either 2017-2018 or 2016-2017 data. He noted that the
319 current salary of the men's basketball coach was less than the women's basketball

320 coach. He indicated the sport itself dictated the salary; for example, baseball coach
321 salaries were generally higher than softball coach salaries. He said the women's soccer
322 coach made more than the men's coach; therefore, he felt able to provide a reasonable
323 explanation with supporting data should the issue arise.

324
325 There was no further Committee discussion or public comment. The vote as 4-0 in
326 favor of the motion.

327
328

329 **Item 4: Old Business**

330 There was no old business for discussion.

331
332

333 **Item 5: New Business**

334 Trustee S. Smith said a copy of the University Financial Audit for the end of the year
335 arrived at his home, but was outside the scope of today's meeting. Chair Fogg stated
336 he planned to cover the topic in a few moments.

337

338 Chair Fogg advised the Committee members to read the Draft House Report on UCF.
339 He stated it was a very thorough report and was clearly directed at every trustee in the
340 State University System (SUS). He requested staff prepare an analysis of the report to
341 present at the next Audit and Compliance Committee meeting.

342

343 Vice President and Chief of Staff Susan Evans informed the Committee that the
344 Legislature was looking at the various elements recommended in the Draft House
345 Report on UCF. She added FGCU and the Board of Governors anticipated changes,
346 possibly in state law. She indicated those changes likely would be available by the next
347 meeting of the Committee.

348

349 Trustee S. Smith asked for a copy of the Draft House Report on UCF. Ms. Evans said
350 she would send a paper copy to each Committee member.

351

352 Trustee Montgomery asked if financial stress testing was being conducted regarding the
353 impact of downsizing markets, which may affect the University. President Martin
354 responded it was worth a conversation. He explained the University was required to
355 have approximately \$5 million on reserve in case of severe downturns. He stated this
356 was more than the state minimum, but not so much more that the Legislature would
357 think the University was sitting on excessive sums of money. He noted these funds
358 would pay salaries and carry daily operations in case of such things as another
359 Hurricane Irma or if enrollment went down. He said the University always should
360 consider the "what if" scenarios.

361

362 Chair Fogg stated that prior to his position as Chair of the Audit and Compliance
363 Committee, he served on the FGCU Financing Corporation Board where the issue of
364 financial stress testing arose. He noted bond coverages, insurance, and many other
365 issues were discussed and an analysis was done, but that was a long time ago. He

366 noted he would like to see a report to determine what the University's financial
367 responsibility was now.

368
369 There was no further new business for discussion.

370
371

372 **Closing Remarks, and Adjournment**

373 Chair Fogg said the items voted out of the Committee would be recommended for final
374 approval by the full Board at the April 9, 2019 meeting. He stated there was one item to
375 take to the full Board for the June 11, 2019 meeting, which was the University Financial
376 Audit Report. He said the Committee would hold a conference call meeting prior to
377 June 11, 2019 and that Ms. Evans would contact the Committee members with a date.

378
379 Chair Fogg adjourned the meeting at 2:40 p.m.

380
381

382
383 Minutes prepared by Transcription Experts, and reviewed by Tiffany Jackson, FGCU
384 Assistant Director of Board Operations.

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386

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388

389 Agenda Items:

390 A. See Tabs # 1-5

391 a. [https://www2.fgcu.edu/Trustees/AgendaFile/2019/04-2-2019/FGCUACCMTG-
392 AGENDAPACKET-4-2-19.pdf](https://www2.fgcu.edu/Trustees/AgendaFile/2019/04-2-2019/FGCUACCMTG-AGENDAPACKET-4-2-19.pdf)

393
394

395 Attachment:

396 A. Record of Votes

Record of Votes FGCU Board of Trustees Audit and Compliance Committee Meeting DATE: <u>April 2, 2019</u>		Consent Agenda (Tab #1) 1- Smith 2- Montgomery	Annual Compliance Report 2018 (Tab #2) 1- Montgomery 2- Smith	Process for Agreed-On Procedures for Performance Based Data Integrity Audit (Tab #3) 1- Montgomery 2- Cors	WGCU Public Media Audit Report for the Years ended June 30, 2018 and June 30, 2017 (Tab #4) 1- Cors 2- Montgomery	FGCU Athletics National Collegiate Athletic Association (NCAA) Report for the Year ended June 30, 2018 (Tab #5) 1- Smith 2- Montgomery
	TRUSTEES	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No
1	Trustee Darleen Cors	Yes	Yes	Yes	Yes	Yes
2	Trustee Leo Montgomery	Yes	Yes	Yes	Yes	Yes
3	Trustee Stephen Smith	Yes	Yes	Yes	Yes	Yes
4	Trustee Joseph Fogg	Yes	Yes	Yes	Yes	Yes