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

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

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

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

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

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

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

She stated other highlights in the report included a requirement for new employees to review and acknowledge receipt of the Code of Conduct during New Employee Orientation, and all current FGCU employees received a notice of Ethics training, which also would be included in the annual performance evaluation of every employee at the University. She explained the report was a review of the current program, but a full external review of the program would take place in 2021. She noted the Compliance Officers within the State University System (SUS) were working to develop criteria to determine the process for the external audits of the programs. She stated that in terms
of the rating by the BOG currently, the only point that FGCU was missing was
completing the external review, which was expected because it was not due until 2021.

Trustee Montgomery made a motion to approve the Annual Compliance Report 2018
and to 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 remarked the report was a very thorough and a complete compilation
of the processes and procedures of the Compliance Program, as opposed to an audit.
He noted there were a number of places in the report where there is mention of
development or implementation of compliance training or awareness programs. He
noted the program seemed to do both, and the Committee might consider on the next
review language to include both practices, and not one or the other.

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

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

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

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

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

Mr. Foster asked the Committee to approve the recommendation to fully execute the
Performance Based Data Integrity Audit for the Board of Governors by the Office of
Internal Audit staff, without the use of an outside consultant. He explained the Office of
Internal Audit staff would use its available skill set and resources to facilitate bringing in
in house that portion of data testing which previously was contracted to an external CPA
firm.
Chair Fogg stated the basis of the request was to perform the audit internally. He called for a motion to approve the Process for the Agreed-On Procedures for the Performance Based Data Integrity Audit.

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

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

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

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

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

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

Mr. Foster reported the audit income statements for year-end June 30, 2017. He stated the station had $9.1 million in operating revenue, $9.5 million in operating expenses and $0.2 million in non-operating (investment income), which was a net decrease of $0.2 million. He stated page 9 was the Statement of Cash Flows which showed the effects...
to cash on the financial transactions. He noted the net effect for the year ended June 30, 2018 was a decrease in cash of $2,992 in cash and cash equivalents, and for the year ended June 30, 2017 there was a decrease of $43,073 in cash and cash equivalents.

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

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

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

Chair Fogg called for discussion.

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

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

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

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

President Martin stated there were four functions of the University’s Strategic Plan that related to community engagement: intercollegiate sports, music and art programs,
various kinds of guest lectures, and WGCU. He noted the News-Press recently named
WGCU the Business of the Year for this region, thanks to its reporting service
particularly during Hurricane Irma. He stated the station reached beyond the
boundaries of campus and provided opportunities for students to get involved with the
community.

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

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

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

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

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

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

President Martin replied the first priority of the NCAA report was to make sure the
University was viable financially and not likely to fall on hard times which could cause
the University to drop a sport or other program. Secondly, he stated the NCAA wanted
to make sure grants-in-aid to student-athletes were properly paid within the regulations
of what the University could give the student-athlete (cost of attendance). He explained
this would ensure no donor added to the grants-in-aid of the student-athlete beyond
what was the legitimate cost of full attendance. He explained the NCAA needed to
ascertain the total cost of the sports scholarships equaled the number of scholarships
given at the University for each of its sports programs.
Director of Athletics Ken Kavanagh added that Title IX statutes also were factors in the NCAA compliance procedures, as well as reserves.

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

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

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

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

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

Chair Fogg asked if there was any further discussion.

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

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

Trustee S. Smith remarked the salary for male coaches and assistant coaches was, on average, higher than the salaries for the female coaches. He said there might be a reason for that, but the University should be prepared to answer that question should it come up. Mr. Kavanagh explained salary factors might be due to market conditions, seniority and other factors in the various sports. He also stated that this report was behind as it was based on either 2017-2018 or 2016-2017 data. He noted that the current salary of the men’s basketball coach was less than the women’s basketball
coach. He indicated the sport itself dictated the salary; for example, baseball coach
salaries were generally higher than softball coach salaries. He said the women’s soccer
coach made more than the men’s coach; therefore, he felt able to provide a reasonable
explanation with supporting data should the issue arise.

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

Item 4: Old Business

There was no old business for discussion.

Item 5: New Business

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

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

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

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

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

Chair Fogg stated that prior to his position as Chair of the Audit and Compliance
Committee, he served on the FGCU Financing Corporation Board where the issue of
financial stress testing arose. He noted bond coverages, insurance, and many other
issues were discussed and an analysis was done, but that was a long time ago. He
noted he would like to see a report to determine what the University’s financial responsibility was now.

There was no further new business for discussion.

**Closing Remarks, and Adjournment**

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

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

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

**Agenda Items:**

A. See Tabs # 1-5

**Attachment:**

A. Record of Votes
## Record of Votes
**FGCU Board of Trustees**  
**Audit and Compliance Committee Meeting**  
**DATE:** **April 2, 2019**

<table>
<thead>
<tr>
<th>TRUSTEES</th>
<th>Yes/No</th>
<th>Yes/No</th>
<th>Yes/No</th>
<th>Yes/No</th>
<th>Yes/No</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Trustee Darleen Cors</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>2 Trustee Leo Montgomery</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>3 Trustee Stephen Smith</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>4 Trustee Joseph Fogg</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Consent Agenda (Tab #1)</th>
<th>Annual Compliance Report 2018 (Tab #2)</th>
<th>Process for Agreed-On Procedures for Performance Based Data Integrity Audit (Tab #3)</th>
<th>WGCU Public Media Audit Report for the Years ended June 30, 2018 and June 30, 2017 (Tab #4)</th>
<th>FGCU Athletics National Collegiate Athletic Association (NCAA) Report for the Year ended June 30, 2018 (Tab #5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1- Smith</td>
<td>1- Montgomery</td>
<td>1- Montgomery 2- Smith</td>
<td>1- Montgomery 2- Cors</td>
<td>1- Smith 2- Montgomery</td>
</tr>
</tbody>
</table>