



**COMMITTEE ON AUDIT AND COMPLIANCE
MEETING MINUTES**

March 28, 2019

President's Room 215B, Emerson Alumni Hall

University of Florida, Gainesville, FL

Time Convened: 2:00 p.m.

Time Adjourned: 2:38 p.m.

Committee and Board members present:

Marsha D. Powers (Committee Chair), David L. Brandon, Ian M. Green, James W. Heavener, Morteza Hosseini (Board Chair), Leonard H. Johnson, Daniel O'Keefe, Rahul Patel, Jason J. Rosenberg, Robert G. Stern, Katie Vogel Anderson, Anita G. Zucker.

Others present were:

Winfred Phillips, Executive Chief of Staff; Charlie Lane, Senior Vice President and Chief Operating Officer; Amy Hass, Vice President and General Counsel; Elias Eldayrie, Vice President and Chief Information Officer; Zina Evans, Vice President for Enrollment Management and Associate Provost; Antonio Farias, Chief Diversity Officer and Senior Advisor to the President; Jodi Gentry, Vice President for Human Resources; Edward Jimenez, Chief Executive Officer for UF Health Shands; Mark Kaplan, Vice President for Government and Community Relations; Mike McKee, Vice President and Chief Financial Officer; Thomas Mitchell, Vice President for Advancement; David Nelson, Interim Senior Vice President for Health Affairs and President of UF Health; David Norton, Vice President for Research; David Parrott, Vice President for Student Affairs; Nancy Paton, Vice President for Strategic Communications and Marketing; Jack Payne, Senior Vice President for Agriculture and Natural Resources; Curtis Reynolds, Vice President for Business Affairs and other members of the University community.

1.0 Verification of Quorum

Vice President Liaison Joe Cannella verified a quorum with all members present except Thomas G. Kuntz.

2.0 Call to Order and Welcome

Committee Chair Powers called the meeting to order at 2:00 p.m. and welcomed all Trustees and everyone in attendance at the meeting.

3.0 Review and Approval of Minutes

Committee Chair Powers asked for a motion to approve the minutes of the December 6, 2018 Committee meeting, which was made by Trustee Patel, and a second, which was made by Trustee Brandon. Committee Chair Powers then asked for further discussion, and then all in favor of the motion and any opposed, and the motion was approved unanimously.

Committee Chair Powers then asked for a motion to approve the minutes of the February 22, 2019 Committee meeting, which was made by Trustee Brandon, and a second, which was made by Trustee Stern. Chair Powers asked for further discussion, and then all in favor of the motion and any opposed, and the motion was approved unanimously.

The Committee next considered the one Action Item that it had to address.

4.0 Action Item

AC1. University of Florida Annual Financial Report for the Fiscal Year ended June 30, 2018

On February 7, 2019 the State of Florida Auditor General issued its report on the audit of the financial statements of the University of Florida for the Fiscal Year ended June 30, 2018. The Auditor General issued a clean, “unmodified” opinion on the financial statements. Subsequent to the release and receipt of the opinion, the university published its Annual Financial Report (AFR) on February 13, 2019, which included the Auditor General’s report. Assistant Vice President West presented the AFR to the Committee and gave an overview of Governmental Accounting Standards Board (GASB) Statement 75 that changed the way the Other Post-Employment Benefit Payable liability was calculated and how it now reflects the entire amount of unfunded actuarial liability from fiscal year 2016-17 and not a portion of this amount, as per the prior accounting standard, GASB Statement 45.

Committee Chair Powers asked for a motion to approve Committee Action Item AC1 for recommendation to the Board for its approval on the Consent Agenda, which was made by Trustee Green, and a second, which was made by Trustee Brandon. Chair Powers asked for any further discussion, and then asked for all in favor of the motion and any opposed and the motion was approved unanimously.

The following Discussion Items were the addressed by the Committee:

5.0 Discussion Items

5.1 Update on External Audits

Denita Tyre of the Auditor General’s Office appeared before the Committee and provided a brief introduction. Ms. Tyre explained that her office conducts the external financial, operational, federal and Bright Futures Scholarship Program audits of the university. She mentioned that they have sent the engagement letter recently for next year’s financial, Bright Futures and operational audits. Regarding prior audit projects, she reported the financial statement audit was released, as previously discussed, and the Statewide report of Compliance and Internal Controls Over Financial Reporting and Federal Awards was issued on March 28th, 2019. Board Chair Hosseini asked for clarification with regards to the scope and testing done as part of the Bright Futures audits. Ms. Tyre provided additional explanation indicating that the audit covers compliance with state regulations relative to the Bright Futures program, including eligibility and enrollment reporting for the three levels of Bright Futures awards, each of which have different eligibility.

5.2 Compliance Program Update

Executive Associate Vice President Ruszczyk gave a compliance update to include the status of the UF BOT Compliance Training Module. The trustees discussed the training and need to make sure the university is up to date and provides training on an ongoing basis. They suggested the university work with the BOG to develop relevant training. Executive Associate Vice President Ruszczyk indicated that her office is working with the BOG and expects to have a draft training module ready for distribution next quarter, either electronically or in-person training. Committee Chair Powers will review and make recommendations prior to the final approval and presentation to the BOT. Executive Associate Vice President Ruszczyk also advised that Outside Activity and Financial Interest Disclosure software has been approved for purchase and implementation across campus, which is expected for early fall. Board Chair Hosseini requested the BOT complete the training, then have the DSO boards complete training. He encouraged the university to take the lead and go through training before the June BOT meeting.

Additionally, Executive Associate Vice President Ruszczyk advised that UF leadership met to discuss Enterprise Risk Management. The consulting group James Moore helped facilitate this process at the university and may provide additional support to UF leadership to further this endeavor.

5.3 Audits of Affiliated Organizations

Assistant Vice President West provided information relating to audits of university affiliated organizations. This information was compiled by the general accounting and financial reporting department of the Office of the Controller. He advised that they have received information that was previously outstanding for two entities, and all have clear opinions.

5.4 University Support for DSO's

Assistant Vice President West discussed the information presented on the University Support for UF Direct Support Organizations spreadsheet, a summary of DSOs' use of university resources, for the fiscal year ended June 30, 2018. This spreadsheet is the result of an Auditor General comment regarding the Board's review and approval of the DSO's use of university staff and facilities. The schedule was provided as a sample of the information that could be provided to the BOT on an annual basis to help assure they are aware of the DSO's use of university resources. General comments indicated this presentation was useful and should serve its intended purpose.

5.5 Audits and Other Reviews

Interim Chief Audit Executive Cannella presented the following internal audit projects that had been issued since the last Committee meeting:

- 1) myUAA Information Technology
- 2) Department of Animal Sciences
- 3) Minor Projects – Planning, Design and Construction
- 4) ID Card Services

The reports and summaries, which had been previously provided to the Committee for detailed review, were briefly discussed and questions were answered. Board Chair Hosseini said that while he receives the reports and may review them, he and the rest of the Board depend on the Audit and Compliance Committee to look at all internal audit reports or assign someone on the Committee to review the reports. Committee Chair Powers assured Board Chair Hosseini that she looks at all audit reports, and Senior Vice President Lane also advised that he briefs President Fuchs on each audit.

Interim Chief Audit Executive Cannella also discussed the expense review process for senior leadership and referred to a draft of the newly created Executive Expense Review Protocol, intended to increase transparency and accountability. He advised that Assistant Vice President West was now processing the President's and most Cabinet members' expenses. The Protocol document indicated Assistant Vice President West would provide a summary of expenses for the President and his spouse, as well as select cabinet members, to the Board every six months for their review. Interim Chief Audit Executive Cannella indicated the plan was to make sure that each cabinet member was included on the summary at least once over a two-year period. This prompted discussion and Board Chair Hosseini requested that the protocol be amended so that Assistant Vice President West's office would not be the final review, as they report to the CFO. Interim Chief Audit Executive Cannella clarified that the CFO's expense review would be completed by the Provost and the Office of Internal Audit would plan to review the process implemented by Assistant Vice President West. Board Chair Hosseini stated the Protocol document should be updated to indicate that this review would happen, and the Office of Internal Audit would also be testing expenses.

5.6 Quarterly Follow-up

Interim Chief Audit Executive Cannella also reported on the follow-up status of comments and action plans from previously issued internal and other audits. He explained the purpose and objectives for the follow-up process and discussed one of the more significant action plans in detail.

6.0 New Business

Senior Vice President Lane gave an update on the Chief Audit Executive search. The executive search firm Isaacson, Miller has been contracted to handle the search, with Vice President Hass acting as chair of the search committee. The committee expects to review resumes in May, conduct airport interviews in June, conduct in-person interviews in July, and make an offer by the end of July.

7.0 Adjourn

Committee Chair Powers asked for any further discussion and hearing none, asked for a motion to adjourn, which was made by Trustee Stern, and a second, which was made by Trustee Brandon and, with no further discussion desired, the motion was passed unanimously, and the meeting was adjourned at 2:38 p.m.