Minutes
Audit and Compliance Committee Meeting
UWF Board of Trustees
February 14, 2019

Committee Chair, Trustee Bob Jones called the meeting to order at 9:00 a.m.

Trustees Bob Jones, Dick Baker and Bob Sires were in attendance.

Other trustees in attendance: Greg Britton, Dave Cleveland, Adrianne Collins, Suzanne Lewis, Brandon Malone, Mort O’Sullivan and David Ramsey.

Trustees Alonzie Scott and Jill Singer joined by telephone.

Others attending:
Dr. George Ellenberg, Provost and Senior Vice President; Dr. Pam Northrup, VP, Innovation and Strategic Research; Ms. Pam Langham, General Counsel; Mr. Howard Reddy, VP, University Advancement; Dr. Kim LeDuff, VP Academic Engagement; Dr. Kimberly McCorkle, Vice Provost; Ms. Betsy Bowers, VP, Finance & Administration; Ms. Janice Gilley, Associate Vice President, External Affairs; Dr. Melinda Bowers, Director, Facilities Operations & Emerald Coast Campus; Dr. Tim O’Keefe, Dean COB; Dr. Steve Brown, Dean CASSH; Dr. William Crawley, Dean CEPS; Dr. Jaromy Kuhl, Dean MMCOS; Dr. Matthew Schwartz, Dr. Brandon Frye, Dean of Students; Dr. Ed Ranelli, CEO, BEI; Mr. Rob Overton, Executive Director, Historic Trust; Police Chief Marc Cossich; Dr. Denise Seabert, Dean, College of Health; Ms. Michele Manassah, Director Health and Wellness; Ms. Megan Gonzalez, Executive Director, University Communications; Ms. Angie Jones, Director, Procurement and Contract Services; Mr. Vito Hite, Chief Audit Executive, Internal Auditing & Management Consulting; Ms. Cynthia Talbert, Internal Auditor III; Mr. Matt Packard, Compliance Officer, Internal Auditing; Mr. Dan Lucas, CFO, UWF Foundation; Mr. Dave Scott, Athletics Director; Mr. Neil McMillion, Director Housing and Residence Life; Mr. Brice Griffin, Assistant Director, Residence Life; Mr. Matt Marshall, Director University Commons; Ms. Tiffany Nisewonger, Executive Assistant, Finance & Administration; Ms. Angela Wallace, Director, Finance & Administration; Ms. Elizabeth Mrachek, PCard Auditor, Internal Auditing & Management Consulting; Ms. Colleen Asmus, University Controller; Mr. Jeff Djerlek, Assistant Controller; Dr. Jim Hurd, Senior Associate VP Student Affairs Administration; Mr. Ross Dahlstrom, Network Engineer; Mr. Chuck Bell, Telecommunications; Mr. Chase Green, BOT IT; Mr. Cody Thurber, BOT IT; Mr. Eric Ingerman, Sound Engineer; Ms. Kat Zatapkoa, BOT Student Assistant and Ms. Becky Luntsford, Recording Secretary.
CHAIR’S GREETING

Chair Jones welcomed all those present and explained there were six action items and two information items on the agenda.

ACTION ITEMS

Ms. Cindy Talbert, Internal Auditing Interim Director presented all six action items.

1. Acceptance of UWF Internal Auditing Reports Issued: Performance Based Funding Data Integrity. Internal Auditing & Management Consulting completed one audit during the period November 1, 2018, through January 31, 2019: Performance Based Funding Data Integrity 2018.

IAMC’s audit period was September 30, 2018, and was part of the approved work plan for 2018/19. IAMC issued the audit report on January 14, 2019. The audit’s objectives were to:

- Evaluate internal controls designed to ensure the accuracy, completeness, and timeliness of data submissions to the Board of Governors, and
- Provide an objective basis of support for the President and Chair of the Board of Trustees to sign the representations included in the Performance Based Funding – Data Integrity Certification, to be filed with the Board of Governors by March 1, 2019.

Results:
IAMC found that control processes were strong. IAMC made no recommendations.

Chair Jones asked for a motion recommending the full Board, at the Special Full Board of Trustees Meeting later the same day [February 14, 2019], approve the performance based funding data integrity 2019 audit as presented.

Motion by: Trustee Bob Sires
Seconded by: Trustee Dick Baker
Motion passed unanimously.

2. Acceptance of PCard Quarterly Report Quarter 2: October - December 2018. Internal Auditing has been charged with auditing PCard holder and approver activity as well as departmental activities and internal controls. The objectives of these audits are to determine if department complied with UWF PCard policies and procedures, as well as to evaluate the level of understanding of PCard policies among PCard holders and approvers. UWF presently has 416 PCard holders distributed across 147 departments.
Notable strengths: Files were well organized. Staff was well trained in PCard procedures. There was strong separation of duties.

Results for Quarter 2: Ten (10) departments encompassing 37 cardholders were examined on a sample basis. Individual reports were distributed to department heads and Procurement & Contracts upon completion of the audits. The totals below show the volume of activity occurring for these departments and the amount tested. All reports are available from Internal Auditing.

<table>
<thead>
<tr>
<th>Number of Departments Reviewed</th>
<th>Number of Cardholders</th>
<th>Number of Transactions Occurring</th>
<th>Number of Transactions Tested</th>
<th>Total PCard Expenditures of Depts.</th>
<th>Total PCard Transactions Tested</th>
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<tr>
<td>10</td>
<td>37</td>
<td>1,838</td>
<td>306</td>
<td>$995,398</td>
<td>$490,214</td>
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Audit Opinion for the PCard Audit

<table>
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<th>EXCELLENT</th>
<th>GOOD</th>
<th>FAIR</th>
<th>POOR</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>8</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>10</td>
</tr>
</tbody>
</table>

Chair Jones asked for a motion recommending the full Board, at its March 20, 2019 meeting, accept the PCard Quarterly Report for the Second Quarter of Fiscal Year 2018-2019 as presented.

Motion by: Trustee Bob Sires
Seconded by: Trustee Dick Baker

Trustee Bob Sires asked university staff to provide him with UWF’s current PCard approval process. Chair Jones stated this information would be helpful to all the trustees.

Ms. Talbert and Ms. Elizabeth Mrachek, PCard Auditor with Internal Auditing and Management Consulting and Ms. Angie Jones, Director of UWF Procurement and Contract Services agreed to provide these processes to the Board.

Motion passed unanimously.

3. **Acceptance of External Audit: UWF Foundation Financial Statement Audit.** Pursuant to Florida Statute 1004.28 and BOG Regulation BOG-9.011(4), organizations affiliated with or through the University of West Florida (aka Direct Support Organizations) must be audited
annually and presented to the University of West Florida. The UWF Foundation, Inc. audit report was issued on October 23, 2018.

A cursory review was performed by IAMC to evaluate compliance with the Florida Statute and BOG Regulation. It was determined that compliance appears to exist regarding the annual financial audit.

UWF Foundation received a clean unqualified opinion. The audit was performed in accordance with auditing standards generally accepted in the United States and in accordance with Generally Accepted Government Auditing Standards (GAGAS). The audit report did not identify any material weaknesses in the internal control system. Additionally, no instances of non-compliance were reported.

In its financial statement audit report, several significant financial activities as of 6/30/18 for the UWF Foundation were noted:

- During the fiscal year 2018, the Foundation was gifted an estate known as “Timeless Tanglewood” that included land, a building, furniture and fixtures, and works of art with a total carrying value of $7.8 million.

- The fair value of long-term investments was $91,849,613, an increase of $3,625,788 from the prior year.

Chair Jones asked for a motion recommending the full Board, at its March 20, 2019 meeting, Accept the UWF Foundation Financial Statement Audit as presented.

Motion by: Trustee Bob Sires
Seconded by: Trustee Dick Baker
Motion passed unanimously.


Annually, a financial audit is conducted of the WUWF-FM, a public telecommunications entity operated by UWF. This is to comply with the Corporation for Public Broadcasting (CPB) community service grant requirements. The audit report was issued on December 14, 2018. To ensure compliance with these requirements, we performed a cursory review of these special purpose financial statements and determined WUWF Public Media was in compliance.

WUWF Public Media received a clean unqualified opinion. No deficiencies were identified in the internal controls over financial reporting that were considered to be material weaknesses.
Results of testing disclosed no instances of noncompliance or other matters that were required to be reported.

Financial Highlights:

- Operating revenues increased by $613,838 for the year ending June 30, 2018. These changes were mainly due to an increase of $301,389 in appropriations from UWF primarily used to replace a damaged radio transmitter; approximately $150,000 increase in membership income; and an approximate $74,000 increase in administrative support from UWF.
- 2018 operating expenses increased $383,384 compared to the prior year. This increase was spread across the categories of programming and production, broadcasting, and program information and promotion functional expenses and included the write-off of the old transmitter.

Chair Jones asked for a motion recommending the full Board, at its March 20, 2019 meeting, Accept the External Audit of WUWF-FM Financial Statement Audit for Fiscal Year Ending June 30, 2018 as presented.

Motion by: Trustee Bob Sires
Seconded by: Trustee Dick Baker
Motion passed unanimously.

Mr. Pat Crawford, Executive Director of WUWF Public Broadcasting was undergoing surgery the day of the committee meeting and was unavailable to make a presentation, so Chair Jones said he would like for Mr. Crawford to provide a WUWF update to the Committee at their next regularly-scheduled meeting.

5. Acceptance of External Audit: Intercollegiate Athletics Financial Statement Audit for Fiscal Year Ending June 30, 2018. A financial audit of UWF Intercollegiate Athletics has been completed. Every third year NCAA Agreed Upon Procedures are audited, and our practice has been to have an audit conducted by a public accounting firm in the other two years, including 2017/18. IAMC performed a cursory review of the documents.

Intercollegiate Athletics received a clean unqualified opinion. No deficiencies were identified in the internal controls over financial reporting that were considered to be material weaknesses. Results of testing disclosed no instances of noncompliance or other matters that were required to be reported.

Financial Highlights:
• $5.5 million in revenues were provided by Athletic Fees. Direct institutional support (administrative overhead fees, student fee waivers, and university scholarship support) was approximately $3 million, an increase of $580,268 compared to the prior year.
• Operating expenditures increased approximately $1.3 million primarily due to an increase in personnel services and increase in supplies and equipment expenses.
• Total net position increased by $201,902 over the prior year.

Chair Jones asked for a motion recommending the full Board, at its March 20, 2019 meeting, Accept the External Audit of Intercollegiate Athletics Financial Statement Audit for Fiscal Year Ending June 30, 2018 as presented.

Motion by: Trustee Bob Sires
Seconded by: Trustee Dick Baker
Motion passed unanimously.


Per the Affiliation Agreement between UWF Board of Trustees and the IHMC, dated April 30, 2004, Item 9 states:

“9. Financial Audit. The IHMC, at its sole expense, shall have an independent certified public accountant prepare an annual postaudit of the corporation’s financial accounts and the financial accounts of any authorized and approved subsidiary. Copies of the annual audit report shall include management letters and the IHMC shall submit to the University of West Florida Board of Trustees, the Auditor General, and the Board of Governors for review.”

To ensure compliance with the agreement, IAMC performed a cursory review and determined that compliance regarding the annual financial audit exists.

The independent auditor’s report expressed an unmodified opinion. The audit report did not identify any material weaknesses in the internal control system and no instances of non-compliance were noted. The auditor’s report on compliance for major federal award programs and the state project for IHMC expressed an unmodified opinion.

Financial Highlights:

• In 2018 IHMC purchased land for $2 million financed with a note secured by the mortgage on the land. Net property and equipment as of June 30, 2018 was $18,481,425.
Long term debt as of June 30, 2018 was $11,188,792.

Chair Jones asked for a motion recommending the full Board, at its March 20, 2019 meeting, Accept the External Audit of the Institute for Human and Machine Cognition (IHMC) Financial Statement Audit for Fiscal Year Ending June 30, 2018 as presented.

Motion by: Trustee Bob Sires
Seconded by: Trustee Bob Jones
The motion passed with 2 votes in favor and 1 abstention.

INFORMATION ITEMS

1. Internal Auditing Update on Status of Audits in Progress and Advisory Services. Ms. Cindy Talbert presented the item.

2. Compliance Update on Activities. Mr. Matthew Packard, UWF Compliance Officer, presented the item.

ADJOURNMENT

With no further Audit & Compliance Committee items to discuss, the meeting was adjourned at 9:32a.m.

Respectfully submitted,
Becky Luntsford, Assistant Corporate Secretary
MEMORANDUM

TO: The University of West Florida

FROM: Pamela E. Langham, General Counsel
Trustee Dick Baker

DATE: April 19, 2019

RE: February 14, 2019 Audit & Compliance Committee Meeting & March 20, 2019 UWF Board of Trustees meeting - Abstention from voting privileges

University Policy BOT-06.02-08/14 - Conflict of Interest Policy (“Policy”) governs any and all conflicts and appearance of conflicts of interest in relation to the University of West Florida Board of Trustees. The Policy provides that a “Trustee may not vote on any matter that the Trustee knows would inure to his or her special private gain or loss.”

At the February 14, 2019 Audit & Compliance Committee Meeting, an action item was presented to the Audit & Compliance Committee titled, “Acceptance of External Audit: Institute of Human and Machine Cognition Financial Statement Audit”. The audit was conducted pursuant to the requirements of Florida Statute § 1004.447 and an affiliation agreement between IHMC and the University.

Trustee Baker is a voting member of the UWF Board of Trustees Audit & Compliance Committee. At the February 14, 2019 committee meeting, Trustee Baker disclosed that he is a member of the IHMC Board of Directors and recused himself from voting on the action item concerning the IHMC audit. It is important to note that if Trustee Baker chose to vote on the action item, Trustee Baker’s vote would not inure to his special private gain or loss. However, out of an abundance of caution Trustee Baker wished to abstain from voting on the action item. During the committee meeting Trustee Baker announced his abstention from deliberation and voting on the action item that should be duly recorded in the minutes.

Section 112.3143, Florida Statutes and the Policy require a voting member of a governing body subject to the Sunshine Law to file a memorandum with the “person responsible for recording the minutes” if the member abstains from voting on a matter. This memorandum is submitted in order to satisfy the requirements of state law and University Policy documenting the course of action taken.