Committee Chair, Trustee Bob Jones called the meeting to order at 9:01 a.m.

Trustee Bob Jones was in attendance and Trustees Dick Baker and Bob Sires joined by telephone.

Other trustees in attendance: Mort O’Sullivan, Dave Cleveland, Adrianne Collins, Brandon Malone, David Ramsey & Alonzi Scott.

Others attending:
Dr. Martha Saunders, President; 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. Joffery Gaymon, VP Division of Enrollment & Student Affairs; Dr. Kim LeDuff, VP Academic Engagement; Dr. Kimberly McCorkle, Interim Vice Provost; Ms. Betsy Bowers, Interim 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. Brandon Frye, Dean of Students; Dr. Ed Ranelli, Director Center for Entrepreneurship; 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. Jamie Sprague, Associate Director, Human Resources; Ms. Kelley Brundage, University Registrar; Ms. Angie Jones, Director, Procurement and Contract Services; Mr. Andrew Romer, Senior Executive Specialist, Governmental Relations; Ms. Cynthia Talbert, Internal Auditor III; Mr. Matt Packard, Compliance Officer, Internal Auditing; Mr. Dan Lucas, CFO, UWF Foundation; Dr. Vannee Cao-Nguyen, Director, SDRC; Mr. Dave Scott, Athletics Director; Dr. Jim Hurd, Senior Associate VP Student Affairs Administration; Dr. Claudia Stanny, Director, CUTLA; Mr. Ross Dahlstrom, Network Engineer; Mr. Chase Green, BOT IT; Mr. Eric Ingerman, Sound Engineer; Ms. Kat Zatapkova, BOT Student Assistant and Ms. Becky Luntsford, Recording Secretary.

CHAIR’S GREETING
Chair Jones welcomed all those present and explained there were five action items and two information items on the agenda.
ACTION ITEMS

Ms. Cindy Talbert, Internal Auditing and Compliance Interim Director presented all five action items.

1. Acceptance of UWF Internal Auditing Reports Issued: Affiliation Agreements. Internal Auditing & Management Consulting completed one audit during the period August 1, 2018, through October 31, 2018: Affiliation Agreements (those related to student internships).

Affiliation Agreements 17-18_009
IAMC’s audit period was January 1, 2017, through December 31, 2017, and was part of the approved work plan for 2017/18. IAMC issued the audit report on September 17, 2018. The audit’s objectives were to evaluate internal controls over:

- Terms and conditions included in affiliation agreements that serve to protect student safety and well-being and to protect University interests,
- The review and approval of affiliation agreements,
- The monitoring of activities covered by affiliation agreements, and
- Compliance with laws, regulations, and policies related to affiliation agreements.

Results:
IAMC found that controls over Affiliation Agreements and related processes were moderately strong; however, we made the following recommendations:

- A system of assigning reference numbers to Affiliation Agreements was needed, in order to provide a method for linking specific student internships to their blanket Affiliation Agreement. IAMC also recommended that academic Chairpersons be reminded of the requirement to establish internships only within the protection of an approved Affiliation Agreement.
- IAMC recommended that the Provost’s Office establish a repository or a master list of approved Affiliation Agreements that can be easily accessed by personnel working with internships.
- Some academic departments needed to be reminded of the requirement to enter internship data into tables created by the Provost’s Office.
- IAMC recommended that a data owner be designated for the internship tables, with a periodic review of the data to identify errors and omissions.
- Procedures needed to be refined in projecting annual counts of students in health-related internships, which were used to contract for professional practice insurance that protects the University.

Management has outlined courses of action with implementation by Dec. 31, 2019.
Chair Jones asked for a motion recommending the full Board, at its December 5, 2018 meeting, accept the Affiliation Agreements 17-18 009 Internal Auditing Report

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

2. Acceptance of PCard Quarterly Report Quarter 1: July - September 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 were 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 415 PCard holders distributed across 148 departments.

Notable strengths: Files were well organized. Staff was well trained in PCard procedures. There was strong separation of duties.

Results for Quarter 1 (July - September 2018): Seven (7) departments encompassing 31 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 seven 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>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>31</td>
<td>1,466</td>
<td>228</td>
<td>$1,039,105</td>
<td>$604,887</td>
</tr>
</tbody>
</table>

Audit Opinion for the PCard Audit

- EXCELLENT: 6
- GOOD: 1
- FAIR: 0
- POOR: 0
- Total: 7

Chair Jones asked for a motion recommending the full Board, at its December 5, 2018 meeting, accept the PCard Quarterly Report July - September 2018 as presented.

Motion by: Trustee Bob Sires
Seconded by: Trustee Dick Baker
Motion passed unanimously.
3. **Acceptance of External Audit: Auditor General IT Operational Audit.** The audit focused on evaluating selected information technology controls applicable to Ellucian Banner® Enterprise Resource Planning system for maintaining and processing student account information and on the University’s compliance with the Federal Trade Commission’s Standards for Safeguarding Customer Information (Safeguards Rule). The audit disclosed the following:

- Some University employees’ Banner® ERP system access privileges to student records were unnecessary for the employees’ assigned job responsibilities.
- The University did not perform a periodic review of Banner® ERP system access privileges to student receivables and student records.
- The University had not completed a formal risk assessment as part of the comprehensive information security program necessary for compliance with the Safeguards Rule. In addition, some controls implemented to address areas of risk related to securing customer information need improvement.
- University IT security controls related to user authentication and monitoring of system activity need improvement.

Management has developed a plan of action to resolve these issues.

Chair Jones asked for a motion recommending the full Board, at its December 5, 2018 meeting, Accept the Florida Auditor General IT Operational Audit Report (#2009-007) as presented.

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

4. **Acceptance of External Audit of Financial Statement of Direct Support Organization – Business Enterprises, Inc.** Pursuant to Florida Statute 1004.281 and BOG Regulation BOG-9.011(4)2, 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 Board of Trustees. As required in the Bylaws of UWF Business Enterprises, Inc. (BEI), the financial statements of BEI have been audited by independent certified public accountants for the fiscal year ending June 30, 2018.

Article 9.2 of the Bylaws states: “After the close of each fiscal year, the Corporation shall cause a financial audit of its accounts and records to be conducted by an Independent certified public accountant if required by Section 1004.28, Florida Statutes, as amended or supplemented, or other applicable provisions of law, and in accordance with any applicable rules promulgated by the Auditor General of the State of Florida pursuant to Section 11.45, Florida Statutes, as
amended or supplemented, or other applicable provisions of law. The Corporation shall provide any copies of its audit reports, together with its federal Application for Recognition of Exception (form 1023) and its Form 990, Return of Organization Exempt from Federal Income Tax, to such persons as may be required by applicable laws of the State of Florida.”

Master Management Agreement dated December 9, 2011 between the University of West Florida and UWF Business Enterprises, Inc. (BEI) Section 5 of the agreement states: “Financial and Other Reports. The Corporation shall provide the University such reports and audits as are required by the Act or which the University shall request from the Corporation.”

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

Significant Financial Highlights: The Main Campus Dining Agreement between BEI and the dining services vendor was terminated on May 5, 2018. BEI entered into a dining services contract with a new dining services vendor effective May 6, 2018. Under the new dining services agreement, BEI received $900,000 as an unrestricted grant and received $6.1 million from the new dining services vendor to repay the former dining services vendor the unamortized balance of the capital investments and the balance of unearned advance commission BEI received under the prior dining services agreement.

- The signing incentives paid to BEI from the dining services vendor and the bookstore services vendor and all other capital investments made under the new dining services agreement are recorded as unearned income and amortized to revenue over the remaining life of the respective agreements.
- Parking and Transportation Services was reassigned to the University on July 1, 2017 with a corresponding donation to the University of approximately $3.8 million in FY18. This donation included the reduction of a $3.1 million Cash Receivable held by the University.
- BEI completed the sale of Scenic Hills Country Club on August 31, 2017 with a loss of approximately $1.08 million. The FY 18 capital assets decrease of $2.02 million and payoff of BEI’s $910,786 mortgage payable related to this sale.

Chair Jones asked for a motion recommending the full Board, at its December 5, 2018 meeting, Accept the External Audit of Financial Statement of Direct Support Organization – Business Enterprises, Inc. as presented.

Motion by: Trustee Dick Baker
Seconded by: Trustee Bob Sires
Motion passed unanimously.
5. **Acceptance of External Audit of Financial Statement of Direct Support Organization – West Florida Historic Trust, Inc.** Pursuant to Florida Statute 1004.281, BOG Regulation BOG-9.011(4)2 and the agreement between UWF and West Florida Historic Trust, Inc. affiliated entities (aka Direct Support Organizations) must be certified annually by the University of West Florida. West Florida Historic Preservation, Inc. (dba UWF Historic Trust) is such an entity and has been audited for the fiscal year ending June 30, 2018.

Agreement provision between UWF and WFHPI: Section 13 of the agreement between the University of West Florida and the West Florida Historic Preservation, Inc., (WFHPI), dated July 1, 2001, requires UWF shall certify on an annual basis, after consideration of the information provided by the Corporation (WFHPI) that the corporation is complying with the terms of this agreement and in a manner consistent with the goals and purposes of UWF and in the best interest of the State. Such certification shall be made annually and reported in the minutes of the meeting of the Board of Trustees of UWF.

To ensure compliance with the agreement, the Interim Director of Internal Auditing & Management Consulting performed a cursory review of the documents and determined the West Florida Historic Trust met the requirements.

The West Florida Historic Trust received a clean unqualified opinion. The audit was performed in accordance with auditing standards generally accepted in the United States and in accordance to *Government Auditing Standards*. The audit report did not identify any material weaknesses in the internal control system. Additionally, no instances of non-compliance were reported.

Overall the financial results were comparable to the prior year. The increase in capital assets of approximately $683,000 related primarily to various grant related projects. In 2017 the UWF Foundation transferred ownership of the Pensacola Museum of Art collection to the West Florida Historic Trust at an appraised value of $642,465. This was a nonrecurring donation and therefore a decrease in donated collection revenues for the current year was noted.

Chair Jones asked for a motion recommending the full Board, at its at its December 5, 2018 meeting, Accept the External Audit of Financial Statement of Direct Support Organization – West Florida Historic Trust, Inc. as presented.

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

1. Internal Auditing Update on Activities. Ms. Cindy Talbert, Internal Auditing and Compliance Interim Director 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 9:40 a.m.

Respectfully submitted,
Becky Luntsford, Assistant Corporate Secretary