

Minutes

Audit and Compliance Committee Meeting

UWF Board of Trustees

February 21, 2017

Chair Dick Baker called the meeting to order at 9:01 a.m. with the following committee members present: Trustees Dick Baker, Greg Britton and Bob Jones.

Other trustees in attendance: Mort O'Sullivan, Dave Cleveland, Jay Patel, Suzanne Lewis, Jake Hebert, Ted Fox, Lewis Bear, Jr., and LuTimothy May.

Trustee Bob Sires joined by conference call.

Others in attendance: Dr. Martha Saunders, President; Dr. George Ellenberg, Interim Provost; Dr. Kevin Bailey, VP Student Affairs; Dr. Steven Cunningham, VP Finance & Administration; Dr. Meredith Brunen, Interim VP University Advancement; James Felder, Interim General Counsel; Ms. Betsy Bowers, AVP Internal Auditing; Dr. Jay Clune, Vice Provost; Dr. Kim LeDuff, AVP, Dean, University College; Dr. Joffery Gaymon, AVP Enrollment Affairs; Ms. Cynthia Talbert, Internal Auditor III, Internal Auditing; Mr. Dan Bevil, Internal Auditor II, Internal Auditing; Mr. Matt Packard, Compliance Officer, Compliance; Ms. Ellen Till, Director, Business Affairs & Auxiliary Services; Dr. Michael Huggins, Dean, CSE; Dr. Ed Ranelli Senior Advisor and Consultant, COB; Dr. Steve Brown, Dean, CASSH; Dr. William Crawley, Dean, CEPS; Dr. Ermalynn Kiehl, Dean, COH; Dr. Tim O'Keefe, Dean, COB; Dr. Vanee Cao-Nguyen, Director SDRC; Dr. Bob Dugan, Dean of Libraries ; Dr. Brandon Frye, AVP, Dean of Students; Ms. Megan Gonzalez, Executive Director, University Marketing and Communications; Chief John Warren, University Police; Dr. Vannee Cao Nguyen, Executive Director, Office for Equal Opportunity and Accessibility; Ms. Kelley Brundage, University Registrar; Dr. Brice Harris, AVP, Haas Center; Dr. Rebecca Kennedy, Director, Health, Counseling and Wellness Center; Mr. Billy Pollard, Senior Associate Controller, Financial Services; Mr. Chip Chism, Director, Parking & Transportation Services; Ms. Karen Rentz, Director, Title IX and Equal Opportunity Programs; Ms. Robin Zimmern, Associate Dean, Student Affairs; Ms. Sandra Thompson, Director, ITS; Ms. Melanie Haveard, Executive Director and CTO, ITS; Dr. Jenae Burkart, Faculty Technology Support Specialist, ITS; Mr. William Coleman, Lead Classroom Technology Engineer, ITS; Mr. Pat Crawford, Executive Director, WUWF Public Media; Mr. David Scott, Athletic Director; Mr. Tony Nguyen, Associate Athletic Director; Ms. Lisa Berneau, Assistant General Counsel; Ms. Lauren Loeffler, Director Career Services; Ms. Jamie Sprague, Assoc. Director, Human Resources; Ms. Angela Jones, Director, Procurement and Contracts; Dr. Claudia Stanny, Director, CUTLA; Mr. Daniel Lucas, Assistant Vice President, University Advancement; Eric Ingerman, Production and Tech. Services Coordinator, University Commons; and Becky Luntsford, Assistant Corporate Secretary to the Board of Trustees.

CHAIR'S GREETING

Chair Baker welcomed everyone in attendance.

ACTION ITEMS

Chair Baker asked Ms. Betsy Bowers, Associate Vice President Internal Auditing to present the first six agenda items. He asked the Committee if anyone objected to wait until all items were presented to take one vote to approve all items. No one objected.

1. Acceptance of State of Florida Auditor General Operational Audit of UWF.

Every two to three years an operational audit is conducted by the university's external auditors, State of Florida Auditor General. Their most recent operational audit covered the period April 2015 through March 2016. Six findings were cited in this report (summarized below). With the exception of one finding, university management has begun implementing corrective actions. For finding #2 related to exempt employees' timekeeping, the university respectfully disagrees with requiring timesheets to be maintained for the hours worked by our salaried employees. The six findings are as follow:

1. The University did not always perform Level 2 background screenings for certain individuals.
2. The University needs to implement procedures to ensure supervisory review and approval of exempt employees' time worked.
3. University purchasing card program controls need improvement to better prevent and detect purchase card misuse.
4. University textbook affordability procedures could be enhanced.
5. Certain University information technology (IT) access controls need improvement.
6. University security controls related to IT user authentication continue to need improvement.

Ms. Bowers reported that UWF has good system in place to take corrective action for each finding, with the exception of Finding 2. The President's Cabinet has elected to challenge the report's position that payroll controls would be enhanced by the Auditor General's recommendation and therefore will not be implemented. By Florida Statute, UWF Internal Auditing & Compliance (and the AG) must perform follow-up within six months and provide a status report to the Legislative Audit Committee. UWF Internal Auditing & Compliance will also notify UWF BOT and the Cabinet.

Ms. Bowers answered questions posed by Committee and Board members. Chair Baker asked for a motion to recommend the full Board, at its March 23, 2017 meeting, Accept the State of Florida Auditor General Operational Audit Report as a consent agenda item.

2. Acceptance of External Audit: WUWF-FM Financial Statement Audit.

Annually, a financial audit is conducted of the WUWF-FM, a public telecommunications entity operated by UWF. This is to comply with the Corporation of Public Broadcasting (CPB) community service grant requirements. To ensure compliance with these requirements, the Associate Vice President of Internal Auditing and Compliance performed a cursory review of these special purpose financial statements and determined WUWF Public Media was in compliance.

Ms. Bowers explained that 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:

2016 operating revenues totaled \$1,871,693 with an increase of \$91,221 from prior year primarily due to an increase in the community service grant funds from the Corporation for Public Broadcasting, an increase in business and industry support, and an increase in other sources of revenue primarily due to the Capitol Steps performance.

WUWF-FM experienced a decrease of \$16,548 in non-operating revenue due to market losses on investments.

Chair Baker invited Mr. Pat Crawford, Director, WUWF Public Media to the podium to answer questions from the Committee. Mr. Crawford answered questions and provided handouts explaining WUWF's centrality to the university's mission and strategic direction, staffing, fundraising, and funding sources. Mr. Crawford continued to answer questions regarding programming, WUWF's use of volunteers and the promotion of the university's programs and research. He shared information on the WUWF mobile app and he concluded his remarks by explaining WUWF's involvement in the Florida Public Radio Emergency Network (FPREN)'s Florida Storm App.

3. Acceptance of External Audit: Financial Statement Audit of Affiliated Organization – Florida Institute of Human and Machine Cognition (IHMC).

Ms. Bowers reported that Pursuant to Florida Statute 1004.28¹ 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 Florida Institute for Human and Machine Cognition audit has been completed for fiscal year ending June 30, 2016.

Per the Affiliation Agreement between UWF Board of Trustees and the IHMC, dated April 30, 2004, Item 9 states, 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, the Associate Vice President for Internal Auditing and Compliance performed a cursory review and determined compliance regarding annual financial audit exists. IHMC received a clean unqualified opinion. The audit report did not identify any material weaknesses in the internal control system. Additionally, no instances of non-compliance were noted.

Financial Highlights:

IHMC had total assets of \$23,081,795 as of June 30, 2016.

Construction in progress of \$9,204,900 at June 30, 2016 represented construction for the new research facility. IHMC capitalized approximately \$338,000 and \$363,000, respectively of interest in connection with the construction of the new research facility for the years ended June 30, 2016 and 2015.

The reduction of restricted cash of approximately \$5.3 million in 2016 related to disbursed debt proceeds for the construction project.

There was no further discussion of this item.

4. Acceptance of NCAA Agreed-Upon Procedures of Intercollegiate Athletics.

Ms. Bowers explained that once every three years NCAA Bylaw 6.2.3.1 requires institutions to have external audit firms perform certain Agreed-Upon Procedures (AUP) related to the Statement of Revenues and Expenses. The Bylaw states at least once every three years, all expenses and revenues for or on behalf of a Division II member institution's intercollegiate athletics programs, including those by any affiliated or outside organization, agency or group of individuals (two or more), shall be subject to agreed-on procedures approved by the Division II membership (in addition to any regular financial reporting policies and procedures of the institution) conducted for the institution by a qualified independent accountant who is not a staff member of the institution and who is selected either by the institution's president or chancellor or by an institutional administrator from outside the athletics department designated by the president or chancellor. If, within the last three years, the institution has conducted an overall institutional audit that includes a financial

audit of all athletics department funds, then the institution is not required to perform a separate financial audit of all athletics department expenditures.

The independent accountant's AUP engagement's scope of work includes reporting of revenue, expenses, and capital improvements in the NCAA financial reporting information. This engagement was performed for UWF for the fiscal year ending June 30, 2016.

Compiled financial statements for the Department of Intercollegiate Athletics were prepared by UWF Financial Services Department and the Intercollegiate Athletics Department to be used by management as a supplement to the agreed-upon procedures. These financial statements were not audited by an independent auditor and therefore no opinion on the financial statements or the controls in place can be expressed.

To ensure compliance, the Associate Vice President for Internal Auditing & Compliance performed a cursory review of the documents and determined each met the requirements. No exceptions were noted in the Independent Accountant's AUP report.

Financial Highlights:

Total Unrestricted Net Position decreased by \$1.1 million in accordance with management's operating budget plan primarily due to the use of reserve funds for current year operating costs, and the construction of a permanent batting cage.

Operating expenses increased by \$1.4 million primarily due to increased personnel costs from the 3.8% University staff raise; additional staff and scholarship expenses due to the football program; increased insurance, supplies, and equipment for new men's and women's sports.

Ms. Bowers explained that she and Athletic Director, Dave Scott would be happy to answer any questions from the Committee.

Trustee Greg Britton asked if the university is concerned about the planned expenses and the reduction in budget going forward.

Mr. Dave Scott explained that the revenue generated by football the first year was higher than projected. He explained that the Athletics staff is working closely with the administration and he feels very good about UWF's position. He stated that he feels positive that fans will come back and support football this season. He went on to explain that football is an expensive sport, but the university plans to work hard to build up reserves.

Chair Baker asked Mr. Scott what the projected funds will be for this next football season. Mr. Scott said he would be happy to provide those numbers. He went on to state that the program will go through a financial audit again next year by NCAA and by UWF to ensure the program remains on target.

Ms. Bowers explained that there is a financial workgroup on campus who are closely monitoring the finances of football and that group is continually reporting all information to the President.

Trustee Dave Cleveland asked about the reduction in reserves.

Ms. Bowers explained that the university had planned to use reserves for football the first couple years as the program becomes established.

BOT Chair Mort O'Sullivan stated that the level of donor contributions to UWF Athletics needs to grow and an increased emphasis is being placed on this challenge and opportunity.

5. Acceptance of BOG Required Internal Auditing Report: Performance Funding Data Integrity 2016.

Ms. Bowers reported that on June 23, 2016, Board of Governors Chair, Tom Kuntz sent a letter to the Chairs of the University Boards of Trustees and University Presidents asking them to have the internal audit function audit the Performance Based Funding-related controls, processes, and data submissions. Internal Auditing & Compliance completed the BOG-required audit for data as of October 31, 2016: Performance Funding Data Integrity. Below is synopsis of the report with the full report as an attachment to this agenda item. Audit fieldwork began on August 8, 2016, and ended on January 9, 2017. The audit report was issued January 24, 2017. Another requirement in Chairman Kuntz's letter is that each University President complete a Data Integrity Certification form. This audit's results do support the President's certification form such that the representations may be affirmed.

Performance Based Funding Data Integrity – 2016 15/16-002. The audit report included one finding. The number of Banner users who have access to view and change student Social Security Numbers (SSNs) was unreasonably high. We recommended that the access should be reviewed and updated according to the needs of the department and staff.

For the finding, a formal review is being conducted of each person with SSN change access. Those not requiring this level of usage will have their access updated appropriately. This will be completed by April 28, 2017.

Ongoing, UWF Office of the Registrar will obtain a quarterly report that shows changes made to the SSN field in Banner. The Office of the Registrar and Office of Undergraduate Admissions will review the user names and changes to ensure that only appropriate/approved staff are making updates.

There was no further discussion on this agenda item.

6. Approval of UWF/REG 5.040 Reporting and Investigating Suspected Fraudulent or Wrongful Acts and Misconduct.

Board of Governors Regulation 4.001 *University System Processes for Complaints of Waste, Fraud, or Financial Mismanagement* requires the University to adopt a regulation regarding allegations of fraud or misconduct. It also requires timely notification to the Board of Governors, through the Office of Chief Inspector General, of any significant and credible allegation(s) of fraud, waste, mismanagement, misconduct, or other abuses made against the university

president or a board of trustees member. The BOT regulation is required to articulate how the university will address any significant and credible allegation(s) of fraud, waste, mismanagement, misconduct, or other abuses made against the Chief Audit Executive (aka Associate Vice President, Internal Auditing & Compliance) or Chief Compliance Officer. This proposed regulation complies with the requirements of the BOG Regulation 4.001.

There was no further discussion on this agenda item.

7. Approval of Revisions to UWF/REG 2.028 University Holidays was presented by Mr. Jeffrey Comeau, Director, Human Resources.

Mr. Comeau explained there are two items involved in the university's current holiday policy. This policy clarifies information related to University Holidays to include Christmas Day, December 25, and New Year's Day and January 1, as paid holidays. Further clarification is provided regarding employees compensated for Holiday pay.

Mr. Comeau answered a question posed by Trustee Lewis Bear, Jr. regarding compensatory and overtime hours and leave.

8. Acceptance of Internal Auditing PCard Audit Reports – Quarter 2 Update (October 2016 – December 2016) was presented by Ms. Betsy Bowers.

Ms. Bowers explained that there were eight (8) departments encompassing 20 cardholders examined on a sample basis for the quarter. Individual reports were distributed to department heads and Procurement & Contracts upon completion of the audits.

Most common findings for Quarter 2:

1. Sales tax was paid and a refund not requested.
2. Department head did not review/ sign the monthly reconciliation report.
3. A temporary override request was not submitted for purchases exceeding the single swipe limit.

There was no further discussion on this agenda item.

Chair Baker asked for a motion recommending all action items presented be approved by the full Board, at its March 23, 2017 meeting. He added to the motion that the Committee recommend Acceptance of BOG Required Internal Auditing Report and Performance Funding Data Integrity Certification Form action item be accepted by the full Board at the special meeting to follow the Committee meeting on February 21, 2017.

Motion by: Trustee Greg Britton

Seconded by: Trustee Bob Jones

Motion passed unanimously.

INFORMATION ITEMS

1. Internal Auditing – Update on Activities was presented by Betsy Bowers.

Ms. Bowers provided the Committee with an overview of activities within Internal including the status of audits in process, status of advisory/consulting activities as well as other miscellaneous items.

2. Compliance – Update on Activities was presented by Matt Packard, Compliance Officer.

Mr. Packard provided the Committee with an overview of the UWF Integrity Helpline.

OTHER COMMITTEE BUSINESS

None

ADJOURNMENT

With no further Audit & Compliance items to discuss, the meeting was adjourned at 10:00 a.m.

Respectfully submitted,
Becky Luntsford, Assistant Corporate Secretary