

Minutes

Audit and Compliance Committee Meeting

UWF Board of Trustees

February 15, 2018

Committee Chair Bob Jones called the meeting to order at 10:15 a.m. Trustee Dick Baker was in attendance.

Other trustees in attendance: Adrienne Collins, David Ramsey, Lewis Bear, Dave Cleveland, Mort O'Sullivan and Kishane Patel.

Other trustees participating by phone: Jill Singer, Alonzie Scott and Greg Britton

Others attending:

Dr. George Ellenberg, Provost and Senior Vice President; Ms. Betsy Bowers, IVP Administrative Services; Dr. Pam Northrup, VP, Innovation and Strategic Research; Dr. Joffery Gaymon, Vice President Enrollment & Student Affairs; Dr. Kimberly McCorkle, Interim Vice Provost; Dr. Kim LeDuff, Vice President, Academic Engagement; Mr. Howard Reddy, Vice President for Advancement; Ms. Pam Langham, General Counsel; Ms. Janice Gilley, AVP External Affairs; Mr. Dave Scott, Athletic Director; Dr. Melinda Bowers, Director, Emerald Coast Campus; Ms. Cynthia Talbert, Internal Auditor III; Ms. Katie Condon, Executive Director of Undergraduate Admissions; Mr. Matt Packard, Compliance Officer; Ms. Angie Jones, Director of Procurement; Deborah Fletcher, Interim Chief of Police; Dr. Jenae Burkart, Faculty Technology Support Specialist, ITS; Ms. Sandra Thompson, Director, ITS; Mr. Pat Crawford, Executive Director, WUWF Public Media; Dr. Brandon Frye, Dean of Students, Mr. Ross Dahlstrom, Network Engineer; Mr. Chase Green Technology Engineer, ITS, Mr. Eric Ingerman, Sound Engineer and Production Services; Ms. Becky Luntsford, Assistant Corporate Secretary to the Board of Trustees.

CHAIR'S GREETING

Chair Jones welcomed everyone in attendance and announced there were five action items and two information items on the committee's agenda.

ACTION ITEMS

1. Acceptance of UWF Internal Auditing Reports Issued: Performance Issued Data Integrity 17-18 and Library Operations 17-18 was presented by Ms. Cindy Talbert, Interim Internal Audit Director.

Internal Auditing & Compliance (IAC) completed two audits during the period November 1, 2017, through January 31, 2018: Performance Funding Data Integrity and Library Operations.

Performance Funding Data Integrity 17-18 004

IAC's audit period was as of September 30, 2017. This audit was part of the work plan for 2017/18, conducted in accordance with a directive from the Board of Governors (BOG). We issued the audit report on January 23, 2018. The audit's objectives were to 1) verify the appointment of the Data Administrator by the UWF President, 2) evaluate the processes and controls used by the Data Administrator and data custodians to ensure the completeness and accuracy of data submitted to the BOG, 3) verify timely submission of data files to the BOG, 4) assess the consistency of data submissions with BOG data definitions and guidance, and 5) confirm the reporting to the BOG of all critical data errors.

IAC identified two Notable Strengths. Institutional Research and the Lead Scientific Analyst from Academic Affairs were found to be generating certain reports related to data submissions more frequently and earlier in the process, ensuring that corrections were made timelier and preventing late submission. In addition, a new process of sending a series of e-mail reminders to data functional leaders prior to submission deadlines had been implemented, which also served to minimize the risk of late or erroneous reporting of data files. This audit included two recommendations:

1. BOG Regulation 3.007 requires that the University Data Administrator be appointed by the President, with this appointment formalized in writing. IAC recommended that UWF update this appointment by having the current President replace the letter issued by a former President.
2. IAC recommended that ITS develop a template for departmental use in providing the protocols for their Business Continuity Plans. IAC also recommended that Departmental Business Continuity Plans be developed by the Offices of Admissions, Registrar, and Financial Aid, to augment the existing ITS Disaster Recovery Plan.

Management has outlined courses of action with implementation by March 30, 2018.

Library Operations 17-18 003

IAC's audit period was July 1, 2016 through December 31, 2017 and was part of the work plan for 2017/18. We issued the audit report on January 31, 2018. The audit's objectives were to evaluate internal controls over the Library's mission, department administration, financial activities including purchasing and contracts, information technology, physical security, branch locations, property, and inventory.

IAC identified two Notable Strengths. The Dean had created an initiative to reserve a copy of every faculty-required textbook for 1000-4000 level courses, making them available for students

to borrow. This a great response to the textbook affordability issue. The UWF Librarian at the Emerald Coast campus had created a web-based “Book Order Utility” that had increased efficiency and accuracy in the tracking of book orders and related processes, used by Library staff and faculty. IAC made seven recommendations related to the following conditions:

1. Standardization was needed in the use of General Ledger account codes and transaction descriptions, to provide for analysis of revenue levels between fiscal years.
2. Approval for the write-off of accounts receivable from Library users was needed from the Controller’s Office.
3. Criteria used to determine which accounts receivable were selected for potential write-off needed to be formalized in writing.
4. Compensating controls within the Circulation Department needed to be established to overcome some difficulties in properly separating accounts receivable duties.
5. A receipting mechanism for casual book sales had not been established in accordance with University policy.
6. Some procedures had been formalized in writing for the management of the SkyLab; however, they had not been compiled in a complete, cohesive manner.
7. Monthly reconciliations were needed between collections at the SkyLab for 3D printing services, and the Library’s auxiliary revenue account.

Management has outlined a course of action to meet implementation by March 31, 2018.

Chair Jones asked for a motion recommending the full Board, at its March 22, 2018 meeting, approve the UWF Internal Auditing Reports during the period of November 1, 2017 through January 31, 2018: Performance Funding Data Integrity and Library Operations.

Motion by: Trustee Dick Baker

Seconded by: Trustee Bob Jones

Motion passed unanimously.

2. Acceptance of Internal Auditing PCard Auditing Reports: Quarter 2 Update (October 2017 – December 2017). Presented by Interim Internal Auditing Director, Cindy Talbert.

To provide UWF Senior leadership a short, clear overview of the PCard audits completed during the quarter and highlight results. Our main objective is to report the status of PCard audits and any issues or findings requiring action.

Background

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 departments 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 417 PCard holders distributed across 152 departments.

Notable Strengths

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

Results for Quarter 2 (October - December 2017)

Ten (10) departments¹ encompassing 24 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 ten departments and the amount tested. All reports are available from Internal Auditing.

Number of Departments Reviewed	Number of Cardholders	Number of Transactions Occurring	Number of Transactions Tested	Total PCard Expenditures of Depts.	Total PCard Transactions Tested
10	24	2,211	518	\$718,303	\$388,781
Audit Opinion for the PCard Audit ¹					
EXCELLENT	GOOD	FAIR	POOR	Total	
5	2	3	0	10	

¹ Departments audited (listed by audit opinion): Excellent –Health Sciences, Psychology, CUTLA, Math and Statistics, Testing Services; Good –Chemistry, Electrical and Computer Engineering; Fair – Exercise Science, Library, Global Hospitality and Tourism.

Ms. Talbert stated to the Committee that the IAC department believe the enhanced efforts of their department in providing additional training to all UWF PCard holders – which began in November 2017 - will begin to show positive results in PCard audits by the fall of 2018.

Chair Jones asked for a motion recommending the full Board, at its March 22, 2018 meeting, approve the Internal Auditing PCard Reports for Quarter 2 Update (October 2017 – December 2017) as presented.

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

3. Acceptance of External Audit: WUWF-FM Financial Statement Audit for Fiscal Year Ending June 30, 2017. Presented by Internal Auditing Director, Cindy Talbert.

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. 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. The audit was conducted by James Moore & Co., CPAs.

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:

- 2017 operating revenues were \$1,877,679 and operating expenses were \$1,846,771 (a decrease in expenses of \$93,727 from prior year). The decrease in operating expenses was spread across the categories of programming and production, broadcasting, and program information and promotion functional expenses.
- WUWF-FM experienced an increase of \$46,747 in non-operating revenue due to market gains on investments.

Chair Jones asked for a motion recommending the full Board, at its March 22, 2018 meeting, approve the external audit of WUWF-FM financial statement audit for fiscal year ending June 30, 2017.

Motion by: Trustee Dick Baker

Seconded by: Trustee Bob Jones

Motion passed unanimously.

4. Acceptance of External Audit: Financial Statement Audit for Direct Support Organization – Florida Institute of Human and Machine Cognition for Fiscal Year Ending June 30, 2017.

Presented by Internal Auditing Director, Cindy Talbert.

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 with statements presented to the University of West Florida. The Florida Institute for Human and Machine Cognition (IHMC) audit has been completed for fiscal year ending June 30, 2017. This audit was conducted by Saltmarsh, Cleaveland & Gund, CPAs.

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, we 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:

- An increase in Buildings and corresponding decrease in Construction in Progress of approximately \$9.2 million represented the completion of a new research facility.
- Subsequent to year end IHMC purchased land for \$2 million financed with a note secured by the mortgage on the land.

Chair Jones asked for a motion recommending the full Board, at its March 22, 2018 meeting, acceptance of External Audit: Financial Statement Audit for Direct Support Organization – Florida Institute of Human and Machine Cognition for Fiscal Year Ending June 30, 2017.

Trustee Dick Baker disclosed that he is a member of the IHMC Board of Directors and thought his deliberation and vote as a UWF Trustee on this action item may create an appearance of impropriety. Out of an abundance of caution, Trustee Baker announced his recusal from deliberation and voting on this action item.

BOT Chair Mort O'Sullivan appointed BOT Vice Chair Dave Cleveland to serve as ex officio and vote on the item.

Motion by: Trustee Dave Cleveland

Seconded by: Trustee Bob Jones

Motion passed unanimously.

5. Acceptance of External Audit: Intercollegiate Athletics Financial Statement Audit for Fiscal Year Ending June 30, 2017. Presented by Internal Auditing Director, Cindy Talbert.

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 2016/17. The audit was conducted by James Moore & Co., CPAs. We 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, down from \$5.6 million in 2016. Direct institutional support (administrative overhead fees and student fee waivers) was about \$2.5 million, up approximately \$1.2 million over the prior year. The remaining \$953k in operating revenues were from primarily from booster contributions, sponsorships, NCAA distributions, and sports camps. Non-operating revenue of \$830k came primarily from state appropriations.
- Operating expenditures increased by about \$800k from the prior year, attributable mostly to higher personnel expense, scholarships, travel, and medical expenses.
- Net position increased by \$20,365 over the prior year.

Chair Jones asked for a motion recommending the full Board, at its March 22, 2018 meeting, approve the external audit of Intercollegiate Athletics financial statement audit for fiscal year ending June 30, 2017.

Motion by: Trustee Dick Baker

Seconded by: Trustee Bob Jones

Motion passed unanimously.

INFORMATION ITEMS

1. Internal Auditing Update on Activities – An update on Internal Auditing activities was presented by Cindy Talbert.

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

OTHER COMMITTEE BUSINESS

None

ADJOURNMENT

With no further Audit & Compliance items to discuss, Chair Jones adjourned the meeting at 10:57 a.m.

Respectfully submitted,
Becky Luntsford, Assistant Corporate Secretary

MEMORANDUM

TO: The University of West Florida

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

DATE: February 28, 2018

RE: February 15, 2018 Audit & Compliance Committee Meeting - Recusal 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 15, 2018 Audit & Compliance Committee Meeting, an action item was presented to the Audit & Compliance Committee titled, "Acceptance of External Audit: Financial Statement Audit of Direct Support Organization - Florida Institute of Human and Machine Cognition (IHMC) for Fiscal Year Ending June 30, 2017." In fact, the IHMC is not a direct support organization of the University. 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. Trustee Baker disclosed that he is a member of the IHMC Board of Directors and thought his deliberation and vote as a UWF Trustee on the action item in front of the Audit & Compliance Committee may create an appearance of impropriety. 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 recusal from deliberation and voting on the action item on the record that should be duly recorded in the minutes.

The Policy requires that a memorandum be filed before the vote, but if a memorandum cannot be filed before the vote, then a "memorandum must be filed with the person responsible for recording the minutes of the meeting no later than 15 days after the vote." This memorandum satisfies the Policy's requirements concerning a memorandum documenting the course of action taken.