

**FLORIDA A & M UNIVERSITY  
BOARD OF TRUSTEES**

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IN RE: AUDIT AND COMPLIANCE  
COMMITTEE MEETING.

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COMMITTEE MEMBERS:           KARL WHITE, CHAIR  
                                  TOREY L. ALSTON  
                                  BELINDA SHANNON  
                                  SPURGEON McWILLIAMS  
                                  ROBERT WOODY

DATE:                           TUESDAY, JUNE 2, 2015

TIME:                           COMMENCED AT:  
                                  CONCLUDED AT:

LOCATION:                       FOOTE-HILYER BUILDING  
                                  FAMU CAMPUS  
                                  TALLAHASSEE, FLORIDA

TRANSCRIBED BY:               NANCY S. METZKE, RPR, FPR  
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**BOARD MEMBERS ALSO PRESENT:**

Rufus Montgomery

**P R O C E E D I N G S**

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3           ATTORNEY BARGE-MILES: Trustee White, you do  
4 have three Committee members present, so you do  
5 have a quorum if you're ready to go.

6           TRUSTEE WHITE: Yeah, so let's go ahead and  
7 get started. So I will officially call this  
8 meeting of the Audit Committee to order. And,  
9 Ms. Barrington, will you do the roll call or --

10           ATTORNEY BARGE-MILES: Ms. Barrington.

11           MS. BARRINGTON: Yes, sir, thank you.

12           TRUSTEE WHITE: Okay. Great.

13           MS. BARRINGTON: Torey Alston.

14           TRUSTEE ALSTON: Here.

15           MS. BARRINGTON: Trustee McWilliams.

16           TRUSTEE MCWILLIAMS: Here.

17           MS. BARRINGTON: Trustee Shannon.

18           (NO RESPONSE).

19           MS. BARRINGTON: Trustee Woody.

20           (NO RESPONSE).

21           ATTORNEY BARGE-MILES: Trustee Woody indicated  
22 that he'll join the call at 11:30. This is Linda.

23           TRUSTEE WHITE: Okay.

24           MS. BARRINGTON: Trustee White.

25           TRUSTEE WHITE: Present.

1 MS. BARRINGTON: You now have a quorum.

2 TRUSTEE WHITE: Okay. And did I also hear --  
3 Chair Montgomery, you're also present?

4 CHAIRMAN MONTGOMERY: Yes.

5 TRUSTEE WHITE: Okay. I wanted to make sure  
6 that we acknowledged you as well.

7 So we have a couple of action items and a  
8 number of informational items. The first action  
9 item is the approval of the minutes from the  
10 March 4th meeting. Those have been circulated.

11 Is there a motion to approve those?

12 TRUSTEE MCWILLIAMS: So move.

13 TRUSTEE WHITE: Is there a second, Torey?

14 TRUSTEE SHANNON: Hi, Trustee Shannon here.

15 TRUSTEE WHITE: Okay. We're just looking to  
16 approve the minutes here. I need a second.

17 TRUSTEE ALSTON: Yes, I'm sorry about that.  
18 Second. I was on mute.

19 TRUSTEE WHITE: Okay. It's moved and properly  
20 seconded to approve the minutes of the March 4th  
21 meeting. Any other discussion?

22 (NO RESPONSE).

23 TRUSTEE WHITE: All in favor.

24 (AFFIRMATIVE INDICATIONS).

25 TRUSTEE WHITE: The minutes are approved.

1           There was some work done around the Audit  
2 Charter, and I'm assuming -- Vice President Givens.

3           VICE PRESIDENT GIVENS: Yes, I'm here.

4           TRUSTEE WHITE: Okay. So would you like to  
5 walk us through the changes to the Audit Charter?

6           VICE PRESIDENT GIVENS: Sure. The Audit  
7 Charter is defined, the purpose, the authority, and  
8 the duties of the Audit Committee. And the current  
9 Charter requires that the charters be reviewed at  
10 least biannually to keep it up to date with the  
11 current standards and functions.

12           We reviewed charter. We've compared it to the  
13 model charter that the IIA, or the Institute of  
14 Internal Auditors, had put out, and also with the  
15 Division's charter, just to be sure that we had  
16 consistent language in both the Audit Committee  
17 charter and the Division Charter.

18           And based on those reviews, we made a number  
19 of changes. I did send out a redline version that  
20 showed all the changes. And I thought we might  
21 just hit the highlights on it today, but the one  
22 change involved the clarification of the reporting  
23 structure of the Vice President of Audit and  
24 Compliance to be consistent with the provisions  
25 that are in the Division's Audit Charter.

1           And what that came down to was the -- it  
2           requires that the Vice President of Audit and  
3           Compliance would (no sound) functionally to the  
4           Chairman of the Board of Trustees and the Chairman  
5           of the Audit Committee of the Board of Trustees and  
6           then administratively to the President.

7           Previously, we'd had in the Charter that the  
8           reporting structure was functionally and  
9           administratively to the President, that to be  
10          consistent with the wording in the Division Charter  
11          as well as the approach by the Institute of  
12          Internal Auditors. And that's in Section 5.A.10.

13          We also added a requirement that the Audit  
14          Committee approve the decision regarding the  
15          appointment and removal of the Vice President of  
16          Audit and Compliance and annually review his or her  
17          performance. And these changes were made in  
18          Section 5.B.6 and 5.B.8.

19          And those were the major changes. We also  
20          made a minor -- a number of other changes that  
21          were -- some were in the nature of edits and/or we  
22          deleted some wording, where some duplicate wording  
23          had been inserted. But those were really the major  
24          changes as far as the duties and roles.

25          Now we can just kind of walk through the

1 charter that -- it also includes responsibilities  
2 of the Audit Committee to appoint and oversee  
3 outside auditors and consultants to adopt and  
4 update an Audit Committee Charter, to conduct  
5 and/or authorize investigations as needed, oversee  
6 and monitor implementation of corrective actions  
7 for audit findings, oversee and monitor the  
8 internal audit functions. And what's included in  
9 there would be approving the Work Plan, approving  
10 the Division Audit Charter, approve decisions  
11 regarding appointment or removal of the Vice  
12 President of Audit and Compliance, and perform a  
13 performance evaluation of the Vice President of  
14 Audit and Compliance.

15 The Audit Committee's duties also include  
16 reviewing the system of monitoring and compliance  
17 with laws and regulations, overseeing the  
18 effectiveness of the University's internal  
19 controls; reviewing audited statements of the  
20 University and the DSOs and submit an audit of the  
21 federal awards programs.

22 And, Mr. Chairman, those are the changes to  
23 Audit Committee Charter.

24 And then we also reviewed the Division's Audit  
25 Charter and the -- before we leave the Audit

1 Committee Charter, the Charter does require that  
2 the Audit Committee adopt the Charter and then the  
3 Charter be approved by the Board of Trustees. And  
4 the Audit Committee is required to review the  
5 audit -- or the Division's Audit Charter and,  
6 again, it just defines the roles and missions of  
7 the Division.

8 The major changes that were need to the  
9 Division's Charter, it added a provision that  
10 allegations against Board of Trustee members are to  
11 be reported to the Board of Governors. We had some  
12 wording in the Charter that addressed some of the  
13 other issues as far as who is the reporting -- who  
14 it gets reported to. This covered -- and this one  
15 is consistent with the proposed Board of Governors'  
16 regulations that we'll talk about later, but that  
17 is a change.

18 And then the rest of the changes really just  
19 eliminated some duplicate wording and added some  
20 minor clarifications and edits. The Division  
21 Charter is to be approved by the Audit Committee.

22 So I'll be glad to answer any questions on any  
23 of the provisions or anything that we've talked  
24 about so far.

25 TRUSTEE WHITE: Are there questions from

1 members of the Committee?

2 (NO RESPONSE).

3 TRUSTEE WHITE: And also to you,  
4 Mr. Chairman.

5 CHAIRMAN MONTGOMERY: I have a question,  
6 Mr. Chair.

7 TRUSTEE WHITE: Please.

8 CHAIRMAN MONTGOMERY: I looked at the  
9 language -- I'm going off the top of my head -- I  
10 think it's Section 5 on the responsibilities and  
11 then I think it's B. I'm not looking at the  
12 document, but I'm going off of memory. I think the  
13 language says something along the lines of that  
14 there should be a performance review on an annual  
15 basis, and the question moving forward would be:  
16 Would it make sense to be more specific about how  
17 that process -- or when that process shall take  
18 place, like by date certain or what have you, so  
19 that in fairness to the VP, the Vice President will  
20 know when he or she is going to be reviewed and a  
21 time by which it will be completed. And then,  
22 also, from the Board's perspective, as we  
23 transition into a greater level of accountability  
24 from a board, we're going to -- it's my intent and  
25 I've shared on the other Committee calls, it's my

1 intent that we will move to where we set priorities  
2 and then we'll grade ourselves.

3 Well, one of the things will be that we met  
4 the responsibilities that we were supposed to meet.  
5 So I guess what I'm asking is would it be  
6 appropriate to put a date certain, or a time  
7 certain, or some sort of mechanism that triggers  
8 that that makes it happen other than simply having  
9 the language there that requires it on an annual  
10 basis?

11 TRUSTEE WHITE: Understood. So this is --  
12 this is something new, and so I actually, you know,  
13 spoke with Joyce Ingram of Human Resources about  
14 this particular issue, and I think that what might  
15 make the most sense would be to simply insert in  
16 there that at least once a year review the  
17 performance and have that be consistent with  
18 whatever the University, you know, procedure is  
19 around those performance appraisals.

20 I have some questions about the way that we  
21 were doing this. They're generally on the fiscal  
22 year so, you know, to me I would say if we just  
23 simply added to make it consistent with, you know,  
24 procedures for University personnel as opposed to  
25 creating something new.

1 TRUSTEE MCWILLIAMS: Mr. Chairman.

2 TRUSTEE SHANNON: Mr. Chair.

3 TRUSTEE MCWILLIAMS: Mr. Chairman, are there  
4 such procedures in place now that involve  
5 University personnel? I mean are all University  
6 personnel graded or appraised on an annual basis?  
7 Is this something that's new and different than  
8 what the University is doing now?

9 TRUSTEE WHITE: So previously the Vice  
10 President of Audit and Compliance has, in fact,  
11 been going through a review; but it has been done  
12 simply at the level of the President and the  
13 President, you know, would have solicited feedback.  
14 So, yeah, so there's a series -- there's a process  
15 in place right now for senior administrators; and  
16 so we are simply inserting our comments into this  
17 process.

18 TRUSTEE SHANNON: So, Mr. Chair, I think that  
19 I concur with all of the comments that it does need  
20 to occur annually, and I mean I support that. I  
21 just think that it needs to concur -- it needs to  
22 happen at the same time that other annual reviews  
23 are happening. And, also, I'm assuming that the  
24 annual reviews are happening at a time that is  
25 close in time to making a decision about annual

1 compensation and salary adjustments. And so to,  
2 you know, to the extent that there's already  
3 University operational procedures in place that  
4 allow for that, I think then we just need to  
5 incorporate that by reference in this particular  
6 provision of the Charter.

7 TRUSTEE MCWILLIAMS: That was my question,  
8 Mr. Chair. Are there such procedures? I've been  
9 on the Board for a while. I've not been aware of  
10 any annual reviews of senior personnel. It's kind  
11 of like people just move on from year to year, or  
12 they're replaced by somebody else, we don't know  
13 why or when or whatever. So I don't know that  
14 there is any clear-cut procedure in place, and that  
15 was my question.

16 If there is not or if we cannot identify  
17 that there is, then I would agree with Chairman  
18 Montgomery, that we should have some date in mind  
19 or some date certain that we would expect this  
20 report, as this Committee, as a committee, on this  
21 particular VP.

22 TRUSTEE WHITE: So, again, from my  
23 understanding of my discussion with Ms. Ingram  
24 that there is, in fact, a process that goes forward  
25 each year and Vice President Givens has, in fact,

1           been taken through this process, it's just now our  
2           comments are going to be incorporated.

3           CHAIRMAN MONTGOMERY: Mr. Chairman.

4           TRUSTEE WHITE: Yes, please.

5           CHAIRMAN MONTGOMERY: It's my -- has VP Givens  
6           received a performance evaluation on an annual  
7           basis in accordance with that existing University  
8           policy over the last two fiscal years?

9           VICE PRESIDENT GIVENS: No, I haven't really  
10          received a performance evaluation.

11          CHAIRMAN MONTGOMERY: Okay. So, again,  
12          Mr. Chairman, if I may.

13          TRUSTEE WHITE: Yes, please.

14          CHAIRMAN MONTGOMERY: Okay. And so that's  
15          the point that I think is being made. You know,  
16          we had that in place and it didn't work. This is a  
17          simple deal here. Just set a date and time by  
18          which it will be done every year and then everybody  
19          can move on.

20                 But the process in place right now didn't  
21          work, and so if you -- if we're going to hold  
22          ourselves accountable as a Board, we look at the  
23          Charter, we see what it says and we hold ourselves  
24          accountable. If it says once annually and it's not  
25          done, what would be the harm in setting a date and

1 time by which it will be done on -- you know, every  
2 year?

3 The fiscal year ends on June 30th. Maybe  
4 three months later, you know, and it's not fair to  
5 the VP to sit out there and not have some sort of  
6 evaluation. He doesn't know how he's doing. So  
7 he's gone two years now without an evaluation. He  
8 doesn't know how he's doing except for maybe, you  
9 know, a pat on the back.

10 So I strongly encourage -- I'm not a member of  
11 the Committee. Maybe we'll address it at the Board  
12 level, but this is a small thing that just says set  
13 the date and move on.

14 TRUSTEE WHITE: No argument about that.

15 TRUSTEE SHANNON: Mr. Chair.

16 TRUSTEE WHITE: Yes.

17 TRUSTEE SHANNON: Mr. Chair, is there a set --  
18 is there already an established and set date for  
19 annual compensation and salary adjustments, or do  
20 they happen, you know, at any time during the  
21 fiscal year for any of the senior leaders of the  
22 University? I mean is there a set time and place  
23 when that occurs?

24 TRUSTEE WHITE: That I don't know. I've  
25 simply, you know, met and received information that

1           said that there is, in fact, a process.

2           So I can -- I am quite happy, you know, with  
3           something that says like, okay, or we want to  
4           make sure that this happens within 60 days of the  
5           end of the fiscal year. I'm absolutely fine with  
6           that.

7           TRUSTEE MCWILLIAMS: Put that to a vote,  
8           Mr. Chair?

9           TRUSTEE WHITE: Sure. So I -- so that would  
10          be my recommendation, that we simply add: Within  
11          60 days of the end of the fiscal year. Is there a  
12          concurrence with that as a motion?

13          TRUSTEE MCWILLIAMS: I would concur.

14          TRUSTEE WHITE: Okay. Is there a second?

15          TRUSTEE ALSTON: Second.

16          TRUSTEE WHITE: Okay. Any other discussion?

17          TRUSTEE SHANNON: The only discussion in  
18          question that I have is that the reason I'm  
19          asking when annual compensation and salary  
20          adjustments are made is because if you set  
21          having the annual performance review done within  
22          60 days after the end of the fiscal year, what  
23          happens if compensation and salary adjustments are  
24          made before we have a chance then to do that  
25          annual review? I just think the two need to be

1 connected. There needs to be a close. We  
2 shouldn't be making any decisions about annual  
3 compensation and salary adjustment if we have not  
4 yet done that review.

5 TRUSTEE WHITE: I agree, and I think, you  
6 know, what we are trying to -- what we're trying to  
7 solve for here is that we don't -- as the  
8 Committee, we don't know exactly what all of the  
9 procedures are. So the question is: How do we  
10 want to deal with this right now while we are --  
11 you know, while we are waiting on that information?

12 I mean the substantive issues around the  
13 Audit Charter deal with the fact that, you know,  
14 now we are, in fact, going to be involved in this  
15 review. So I'm -- you know, so I'm happy to have  
16 a date, you know, in here certain that we can move  
17 forward with. And then if we have some additional  
18 information between now and the Board meeting, we  
19 can -- you know, we can come and make that  
20 suggested change; but I do appreciate the fact  
21 that, you know, having a date certain in here will  
22 be quite helpful.

23 TRUSTEE SHANNON: All right.

24 TRUSTEE WHITE: Other comments?

25 (NO RESPONSE).

1 TRUSTEE WHITE: Well, there is a motion on the  
2 floor to simply add the caveat that this would  
3 happen within 60 days of the end of the fiscal  
4 year. Hearing no other discussion, all those in  
5 favor.

6 (AFFIRMATIVE INDICATIONS).

7 TRUSTEE WHITE: Motion carries. Thank you.  
8 Are there other comments about the Audit  
9 Charter?

10 (NO RESPONSE).

11 TRUSTEE WHITE: So then we need a motion then  
12 to approve the updated Audit Charter, and I think  
13 we should actually do these in two motions. So the  
14 first is the approval of the Audit Committee  
15 Charter with the edit that we just made. Is there  
16 a motion to approve?

17 TRUSTEE SHANNON: So moved.

18 TRUSTEE MCWILLIAMS: Second.

19 TRUSTEE WHITE: Moved and properly seconded.  
20 Any other discussion?

21 (NO RESPONSE).

22 TRUSTEE WHITE: All in favor.

23 (AFFIRMATIVE INDICATIONS).

24 TRUSTEE WHITE: Opposed?

25 (NO RESPONSE).

1 TRUSTEE WHITE: The Audit Committee Charter is  
2 passed.

3 The second has to do with the Division of  
4 Audit and Compliance Charter. Again, these are  
5 mostly cosmetic changes and edits and just sort of  
6 moving some things around as Vice President Givens  
7 took us through. So I would entertain a motion to  
8 approve the Division of Audit and Compliance  
9 Charter.

10 TRUSTEE MCWILLIAMS: So moved.

11 TRUSTEE ALSTON: Second.

12 TRUSTEE SHANNON: Second.

13 TRUSTEE WHITE: Moved and properly seconded.  
14 Any other discussion?

15 (NO RESPONSE).

16 TRUSTEE WHITE: All in favor.

17 (AFFIRMATIVE INDICATIONS).

18 TRUSTEE WHITE: Great. The Division of Audit  
19 and Compliance Charter is approved.

20 There are a number of informational items, so  
21 I will turn it back over to Vice President Givens.

22 VICE PRESIDENT GIVENS: Thank you.

23 If you'll look at your report, Page 3 is the  
24 dashboard which summarizes the activities over the  
25 last couple of months. You'll see the projects we

1 have in process. We have a follow-up of findings  
2 for the audit of the grade-change process. This  
3 was follow-up on findings of a previous report.  
4 The fieldwork for that has been completed. The  
5 report is in review and we expect to release that  
6 in June. Currently, as the report stands, all of  
7 the findings that have been previously reported  
8 have been corrected.

9 We have suspended a couple of the projects we  
10 had in process. That was the audit of the  
11 information technology functions and the financial  
12 aid review, just -- so we had to complete the  
13 performance funding audit as well as some time that  
14 we needed to spend on the NCAA investigation that  
15 is in process and we hope getting close to  
16 completion.

17 We also have in process a Pharmacy Phase 2  
18 investigation. This was one that was initially  
19 received by the Board of Governors. The Board of  
20 Governors requested that we contract with someone  
21 to look into the allegations.

22 The fieldwork on that also has been complete.  
23 My discussions with the firm this morning indicated  
24 they are in the process of writing the report and  
25 they expect to have some draft findings to us by

1 the end of the week.

2 We have also completed a band eligibility  
3 compliance review. The fieldwork is complete; the  
4 report was written. We anticipate issuing that  
5 report at some point this week. There were no  
6 findings included in the report.

7 We also have done a follow-up of findings  
8 for the audit of the purchasing card and travel.  
9 This was the audit that was originally done by  
10 Ernst & Young and contained a number of findings.  
11 We've completed the fieldwork on those, and we  
12 found that there were some issues that were still  
13 outstanding and that they had not been resolved,  
14 and we are -- will be sending the findings out for  
15 management response hopefully this week as well.

16 We've also had a review of -- by the USDA,  
17 they entitled it the civil rights' review. They  
18 came on-site for three days, did their work, and we  
19 are waiting the report on that.

20 If you'd turn to the next page, you'll see  
21 there's a summary of the findings that are  
22 outstanding. We've listed all the findings in the  
23 open category and that just means that the findings  
24 have not -- or that the implementation of the  
25 corrective actions has not been validated by our

1 office. As we mentioned, we're in the process of  
2 validating findings related to the grade-change  
3 process and the purchasing card travel. And once  
4 we (inaudible) two red findings, six yellow  
5 findings, and four green findings. And the  
6 findings that were in the other reports will be  
7 scheduled, and we will validate the corrective  
8 action on those through our normal audit process.

9 During -- we have received some external audit  
10 reports. The Auditor General issued an audit of  
11 the University's financial statements for the year  
12 ended June 30, 2014. That report included no  
13 findings.

14 We also received the audit of the University's  
15 federal awards program by the Auditor General for  
16 the year ended June 30, 2014. And there were no  
17 findings included in that report, which is good  
18 that we had no findings; but I will need to point  
19 out that that audit was a very limited scope audit  
20 in that the Auditor General followed up on prior  
21 audit findings and really did not look at many  
22 additional issues beyond that. So, you know, it's  
23 good that the Auditor General felt comfortable that  
24 they felt it was low risk enough that they didn't  
25 need to look at additional issues, but it was a

1 limited scope for the audit.

2 As far as the investigations that we've been  
3 conducting, since July 1, 2014, we've received 54  
4 allegations or complaints; and of those, we've  
5 issued 12 reports; we've closed 12 with no  
6 investigation; we have 14 in process; nine that  
7 have been referred to another department for  
8 review; and seven that are pending investigation.  
9 And as we pointed out before, the allegations --  
10 many have multiple allegations. And so of the ones  
11 we have in process, we estimate that it's about 50  
12 different complaints that we're actually having to  
13 look at.

14 And also, of the 14 reports that we have in  
15 process, eight are in the review phase, which means  
16 the report is getting close. That's just a matter  
17 of being sure that we've got everything documented  
18 that we need to have documented and then we can  
19 issue the report after that.

20 On the next page, on Page 7, you can see the  
21 types of investigations that we have. You can see  
22 that there was the biggest increase in the  
23 financial and business integrity classification,  
24 you see that that comprised 48% of the allegations  
25 that we received for this year. That was compared

1 to 31% in the prior year.

2 We have two projects that we have put on for  
3 upcoming. First is an accounts payable review. We  
4 expect to start that fieldwork in June 2015. We  
5 have identified the specific objectives that we  
6 want to look at, and that's -- this audit came off  
7 of our 2014/15 audit plan.

8 And then the next problem is the risk  
9 assessment and development of the audit plan for  
10 the 2015/16 year. We're starting that in June, and  
11 the methodology for this will be basically the same  
12 as we've used in the prior years; but this year,  
13 since we've got two years worth of experience in  
14 using the methodology as well as information that  
15 we've gained through the year, we are, as I said,  
16 tweaking that, the questionnaires that we use, as  
17 well as looking at ways that we might get  
18 additional feedback from others.

19 In the past, we've interviewed senior  
20 management staff as we have surveyed the mid-level  
21 managers. And this year we feel like it may be  
22 beneficial, if we actually do some interviews with  
23 mid-major -- mid-level managers as well so that we  
24 can get underneath -- the underlying reasons why  
25 some issues may be considered higher risk.

1           As far as the other items that we have, I want  
2           to make you aware that the Board of Governors is  
3           continuing to follow up on some issues that had  
4           come out in previous audit reports and SACS review  
5           as well as some matters that were reported directly  
6           to the Board. The items that are open include the  
7           University's addressing the athletic program.  
8           Where the athletic program's expenses have  
9           continued to exceed its revenues, they're looking  
10          for some type of plan to see how the University is  
11          handling that.

12          They've also asked for information on the  
13          establishment of a permanent and stable leadership  
14          team. This was something that came out of the  
15          SACS review where SACS felt like the University  
16          had taken -- had addressed a lot of the issues but  
17          that the -- there were still a lot of interim  
18          positions, and so those -- we found that most or a  
19          lot of the interim positions have been filled and  
20          that information has been provided to the Board of  
21          Governors.

22          The next two items were two investigations  
23          that were reported directly to the Board of  
24          Governors and the Board of Governors referred these  
25          to the University for review. The Pharmacy Phase 2

1 we discussed earlier. We also have received some  
2 allegations about the construction of the DRS  
3 sports complex. Both of those are in the final  
4 stages, and we hope to have reports out sometime  
5 this month.

6 I wanted to update you on where we are on our  
7 automated work paper system. We have -- we  
8 received a memorandum of understanding from the  
9 state agency that oversees it, and that's the  
10 Department of Children and Family Services. The  
11 MOU was reviewed by our General Counsel's office,  
12 and there were some additions that were put in and  
13 that we've sent that back to the Department of  
14 Children and Family Services for review.

15 We've talked through the changes. We're not  
16 really expecting any issues there. As far as the  
17 annual cost is now, they're telling us it would be  
18 in the neighborhood of about \$1,500, which is still  
19 considerably less than the other systems that we  
20 have (inaudible). We anticipate being able to  
21 implement this starting in July of this year.

22 The last issue I wanted to bring to the  
23 Committee's attention is that the Board of  
24 Governors has proposed four regulations that impact  
25 the Audit Committee's function. The first of these

1 is the -- what they've titled their complaint  
2 handling. And this regulation basically addresses  
3 how the Board of Governors handles the complaints  
4 that come directly to them. Previously they did  
5 not have a regulation addressing it and it puts  
6 into place basically what they've been doing; that  
7 when an allegation comes to them, they will review  
8 it and typically refer that to the University for a  
9 review.

10 It also added the allegation or added the  
11 provision that allegations against the senior  
12 management positions, such as the President, the  
13 Board of Trustees, and the Vice President of Audit  
14 and Compliance, would be required to be referred to  
15 the Board of Governors for review and handling.

16 The second regulation sets minimum  
17 requirements for a University compliance and  
18 ethics programs. The main thing that they require  
19 that we do different is how the day-to-day  
20 monitoring of the compliance program is handled.  
21 Currently, we have compliance that's housed within  
22 the Division of Audit and Compliance. And our  
23 monitoring, basically, is through the audits that  
24 we do, through the investigations that we do, and  
25 through consultations on various issues that we're

1           asked to look at.

2           The regulation would require that a more  
3 formal process be set up for coordination of the  
4 various compliance activities within the  
5 universities. And this is the regulation that  
6 would require the biggest change for us on how we  
7 handle it. It would require some additional  
8 resources because given the resources we have, we  
9 couldn't implement the standard as it's written.

10           The third regulation is -- actually implements  
11 the law that allows the Joint Legislative Auditing  
12 Committee to require or to monitor the repeat audit  
13 findings such that when -- if the University  
14 doesn't correct audit findings within -- and they  
15 have it in three audit reports, then the  
16 Legislature can take certain action up to  
17 withholding money from the University until the  
18 findings have been corrected. And so this,  
19 basically, just implements that provision, and it  
20 incorporates some Board of Governors'  
21 responsibilities in that law.

22           The last regulation had to do with the  
23 internal audit functions and operations which the  
24 major changes there are, it requires that the  
25 universities use the standards that are established

1 by the Association of Inspector General; whereas,  
2 all universities follow the Internal Audit Stan --  
3 internal -- Institute of Internal Audit Standards.  
4 It increases their reporting responsibility for  
5 investigations where all investigations that are  
6 conducted would be reported to the Board of  
7 Governors and also requires that allegations of  
8 fraud, waste, and abuse will be reported to the  
9 Board of Governors so that as the allegations are  
10 made, you know, the Board of Governors does not  
11 want to get blindsided and read about something in  
12 the paper, just -- you know, just like you don't.  
13 So it would require a certain level of reporting  
14 for those allegations. And then it also just  
15 reiterates just some requirements that are in the  
16 standards.

17 As a -- I noted that the implementation of  
18 the regulations would require some additional  
19 resources that would require that we change the  
20 charters that we just adopted, to a certain extent,  
21 and this would have to be addressed.

22 Now I will say that we have looked at this  
23 issue over the last couple of years. We have a  
24 plan that we could put into place when and if we  
25 need to, to go that the route.

1           Currently, those are just proposed  
2 regulations. I met with my counterparts last  
3 week. We spent the better part of a day going  
4 through the regulations and we have a committee  
5 that's ready to draft a response to that, but it  
6 would also require some input from Audit Committee  
7 members as well. And I'll be glad to take any  
8 questions.

9           TRUSTEE WHITE: All right. So my first  
10 question is: So when do they anticipate making a  
11 decision on these changes?

12           VICE PRESIDENT GIVENS: What I understand is  
13 going to happen now is we -- since the Board of  
14 Governors didn't meet with us last week and they  
15 are -- will revise the proposed regulations and  
16 send those back out for review. They're asking for  
17 responses back by July 31st. So the earliest that  
18 they could take it back to their Board for any  
19 action would be in August or September, whenever  
20 they have that meeting.

21           TRUSTEE WHITE: Okay.

22           TRUSTEE MCWILLIAMS: My question was about the  
23 BOG withholding funds from the University under  
24 some circumstances. Could you elaborate on that a  
25 little bit more for us, please?

1           VICE PRESIDENT GIVENS: Sure, I'd be glad to.  
2           What that allows is -- this is for, basically,  
3           when the Auditor General does operational audits.  
4           If a --

5           TRUSTEE WOODY: Excuse me. Good afternoon,  
6           Trustee Robert Woody is joining the call. Sorry  
7           for being late.

8           VICE PRESIDENT GIVENS: But what's allowed is  
9           if the findings are not corrected and they appear  
10          in three consecutive operational audit reports,  
11          then at that point, the funds can be withheld.  
12          But they can also take other action that would not  
13          quite -- would not be withholding funds. Let me  
14          see if I can find that right quick here.

15          TRUSTEE WHITE: And, Trustee Woody, so we're  
16          just going through some informational items, and  
17          Trustee McWilliams has asked a question around  
18          the proposed Board of Governors' regulations.  
19          And so in the material -- this is on Page 8, and  
20          this is about the Board of Governors' oversight  
21          enforcement authority and the impact of that  
22          change.

23          VICE PRESIDENT GIVENS: So what the regulation  
24          gives the Board of Governors' Chancellor the  
25          authority to investigate allegations of

1 noncompliance with regulations, and then it says:  
2 If the University Board of Trustees cannot  
3 satisfactorily document compliance, the Board of  
4 Governors may order compliance within a specified  
5 timeframe.

6 And then it just -- it escalates from there.  
7 It just indicates that the Board of Governors, if  
8 it's determined that a Board of Trustees is  
9 unwilling or unable to comply with any law or  
10 recommendation -- or the recommendation within the  
11 specified time period, the Board of Governors, in  
12 addition to actions constitute (inaudible) may  
13 initiate any of the following actions. One is  
14 withhold transfer of state funds and then declare  
15 the University ineligible for competitive grants.  
16 It may require a monthly or periodic reporting on  
17 the situation related to the noncompliance until  
18 it's remedied and then owe a report to the  
19 Legislature that the state university is unwilling  
20 or unable to comply with the law.

21 So we don't -- that's what the regulation  
22 authorizes the Board of Governors to do.

23 TRUSTEE MCWILLIAMS: Thank you.

24 VICE PRESIDENT GIVENS: But I would think,  
25 initially, they would try to do what they are

1           trying to do now, and that's just require some  
2           monthly -- or some periodic reporting. Like they  
3           have followed up on the findings that we talked  
4           about earlier where they cannot withhold any money,  
5           but they do want to know what the actions the  
6           University is going to do to get the situation  
7           remedied.

8           TRUSTEE WHITE: Are there other questions of  
9           Vice President Givens?

10          CHAIRMAN MONTGOMERY: Mr. Chair.

11          TRUSTEE WHITE: Yes, please.

12          CHAIRMAN MONTGOMERY: I wanted to allow  
13          Committee members first. I have a comment after  
14          the Committee members.

15          TRUSTEE SHANNON: Yeah, Mr. Chair, I just  
16          have one question for VP Givens.

17                 You said that the BOG took feedback from  
18                 the State University Audit Council and that they  
19                 were planning to make some adjustments to these  
20                 four recommendations, and so will they be  
21                 republishing those four recommendations before  
22                 that July 31st, 2015, deadline for continued  
23                 review and comment?

24          VICE PRESIDENT GIVENS: Yes. Yes, they're  
25          (inaudible) after they've considered what input was

1 provided last week, and they'll send the new  
2 regulations out -- or the new proposed regulations  
3 out; and then at that point there will be feedback  
4 again.

5 TRUSTEE SHANNON: Okay. So will you be  
6 forwarding the revamped regulation -- revamped  
7 proposed regulations to this Committee?

8 VICE PRESIDENT GIVENS: Yes, I will.

9 TRUSTEE SHANNON: Thank you.

10 VICE PRESIDENT GIVENS: (Inaudible) stated  
11 last week that it would (inaudible). I don't look  
12 for those any time before maybe the end of next  
13 week.

14 TRUSTEE SHANNON: I'm sorry, there's a lot of  
15 background noise. I can't hear you.

16 VICE PRESIDENT GIVENS: Oh, I'm sorry.  
17 Last --

18 TRUSTEE WHITE: Yeah, I think we're hearing  
19 traffic from somebody. So if you're not speaking,  
20 if you'd make sure your phone is on mute, that  
21 would be great.

22 VICE PRESIDENT GIVENS: But the indication  
23 that we got last week was that the -- when they  
24 would start looking at revising the regulations  
25 from the feedback that was provided and then start

1 doing that at the end of this week -- (inaudible)  
2 that's as early as they could -- next week so that  
3 we'd have enough time to prepare an adequate  
4 response.

5 TRUSTEE WHITE: Great. Are there other  
6 questions from members of the Committee?

7 (NO RESPONSE).

8 TRUSTEE WHITE: Mr. Chairman.

9 CHAIRMAN MONTGOMERY: Thank you, Mr. Chair, a  
10 question for VP Givens.

11 If you'll go back to Page 3 of the material  
12 for today, the athletics investigation is non-NCAA  
13 related. It says the fieldwork is completed and is  
14 in review process and your date of completion is  
15 June. Would it be possible to have that completed,  
16 and would not want to interfere in any way with the  
17 normal process, but would it be possible to have  
18 that report available to the Board at the June  
19 meeting?

20 VICE PRESIDENT GIVENS: On the non-NCAA  
21 related?

22 CHAIRMAN MONTGOMERY: Yes.

23 VICE PRESIDENT GIVENS: Yes, we could do that.

24 CHAIRMAN MONTGOMERY: Okay. Thank you.

25 Mr. Chair, I have an additional question.

1 TRUSTEE WHITE: Please continue.

2 CHAIRMAN MONTGOMERY: VP Givens, if you drop  
3 down to the next page, Page 4, on the band  
4 eligibility compliance review, would that one also  
5 be a report that could be issued prior to or at the  
6 next -- or the upcoming Board meeting?

7 VICE PRESIDENT GIVENS: Yes. Yes, we can --  
8 that one is -- I really thought we could get it  
9 out last Friday, but it's just about ready; so,  
10 yes.

11 CHAIRMAN MONTGOMERY: Okay. And then the  
12 final one is the one right below it on the  
13 follow-up of findings for audit and purchasing card  
14 and travel. It says that these findings are going  
15 to be submitted to manage -- you know, for  
16 management response. Can you briefly tell us how  
17 that process works? I mean is there a time  
18 certain? I'm thinking that this would be something  
19 that would be done maybe prior to the August  
20 meeting?

21 VICE PRESIDENT GIVENS: Yes, what -- when we  
22 complete the fieldwork and the findings are written  
23 and it goes through a review process, once it's  
24 gone through the review process, we send findings  
25 out to the appropriate personnel to get a response

1 to the findings. And we give them 20 days from the  
2 time we deliver the adverse findings, and they  
3 provide the written response back and the responses  
4 are incorporated in the report.

5 So we are at the point right now of being  
6 able to send the findings out, but it will take  
7 20 days to get the response. But that should be  
8 prepared and issued well before the August  
9 meeting.

10 CHAIRMAN MONTGOMERY: Okay. Well, thank you.

11 Mr. Chair, VP Givens has spent some time with  
12 me in my capacity as Chair of the Board, and I  
13 learned of the direct reporting function  
14 (inaudible). I'd like to thank VP Givens for the  
15 work that he's done.

16 And I'd say to the Committee that I didn't  
17 feel comfortable providing a performance review  
18 with the limited period of time in which I've had  
19 to engage VP Givens. I've known nothing but good  
20 work from him as a member of the Board; but in a  
21 reporting capacity, the 30 days or however many  
22 weeks -- five weeks it's been in my capacity as  
23 Chair, I did not deem that to be an appropriate  
24 period of time in which to provide feedback with  
25 regard to his performance. So to the extent that

1 the Committee would take that into consideration,  
2 I'd appreciate it.

3 Thank you, Mr. Chair.

4 TRUSTEE WHITE: Thank you, Mr. Chairman.

5 Are there other questions for Vice President  
6 Givens as it relates to any of the material that we  
7 have -- that he has presented to us?

8 (NO RESPONSE).

9 TRUSTEE WHITE: Okay. If none, then I'll just  
10 make a couple of quick comments here on the final,  
11 you know, sort of item, which is simply the  
12 performance evaluations.

13 So we have -- Ms. Ingram was nice enough to  
14 give us a form that we could take a look at and  
15 submit, and really it's a guide, and this will go  
16 to the President as well. And then any changes and  
17 recommendations in terms of compensation following  
18 his review, that also has to come back to this  
19 Committee to be approved.

20 So as the Charter now points out, any changes  
21 in the compensation and any removal of the Vice  
22 President of Audit and Compliance has to be -- has  
23 to occur and has to be conferred at the Board  
24 level. So this is a new action, and so Ms. Ingram  
25 simply provided us with a summary of the

1 information, I think in general, and certainly it's  
2 consistent with my experience with Vice President  
3 Givens.

4 Everything was in the satisfactory, above  
5 satisfactory, or excellent category as it relates  
6 to -- well, for the two forms that she received.  
7 So I don't know if others want to make some verbal  
8 comments or if you just want to take the  
9 opportunity of coming here to just go ahead and  
10 forward that form back to Ms. Ingram, and then she  
11 can summarize those and provide that on to  
12 President Mangum. I open the floor for comments.

13 TRUSTEE ALSTON: This is Trustee Alston. I  
14 did -- I'm sorry, Mr. Chair?

15 TRUSTEE WHITE: Yes, please.

16 TRUSTEE ALSTON: I did complete the review for  
17 Vice President Givens. And I did get that back to  
18 Ms. Ingram. And I think it's a good synopsis of, I  
19 guess, my interaction, since being a member of the  
20 Committee, with Vice President Givens. So I look  
21 forward to, I guess, the full discussion once we  
22 have all the feedback from -- I'm assuming the  
23 Committee and the Board.

24 TRUSTEE WHITE: Yes.

25 TRUSTEE SHANNON: Mr. Chair, this is Trustee

1 Shannon. I haven't yet completed the form but will  
2 do so as soon as possible and get that back to  
3 Ms. Ingram.

4 TRUSTEE WHITE: Great. Thank you.

5 And so -- and we have Trustee McWilliams. And  
6 obviously, Trustee Woody, you're new so you can  
7 take the same prerogative as our Chair as a new  
8 member and we'll look forward to having your  
9 comments in the next review.

10 So if people will just sort of get that  
11 information back so we can go ahead and complete  
12 this and then also figure out what other things we  
13 need to do with human resources to make sure that  
14 we do this all in the right way, that would be  
15 greatly appreciated.

16 Is there any other business to come before the  
17 Audit Committee?

18 (NO RESPONSE).

19 TRUSTEE WHITE: Hearing none, we are  
20 adjourned. Thank you all.

21 (WHEREUPON, THE AUDIT COMMITTEE WAS  
22 ADJOURNED).

23 \* \* \* \* \*

CERTIFICATE

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STATE OF FLORIDA     )  
COUNTY OF LEON     )

I, NANCY S. METZKE, RPR, FPR, certify that I was authorized to and did stenographically report the foregoing proceedings and that the transcript is a true and complete record of my stenographic notes.

DATED this 17th day of July, 2015.

\_\_\_\_\_  
NANCY S. METZKE, RPR, FPR  
Court Reporter