STATE OF FLORIDA

FLORIDA A&M UNIVERSITY

IN RE: AUDIT & COMPLIANCE COMMITTEE

DATE: APRIL 8, 2016

TIME: COMMENCING AT: 9:02 a.m.
      CONCLUDING AT: 10:02 a.m.

COMMITTEE MEMBERS: TRUSTEE NICOLE T. WASHINGTON, CHAIR
      (PRESENT)
      TRUSTEE GARY T. McCOY
      TRUSTEE CRAIG REED
      TRUSTEE ROBERT WOODY

LOCATION: PRESIDENT'S CONFERENCE ROOM
      FOURTH FLOOR
      LEE HALL

REPORTED BY: YVONNE LAFLAMME, FPR
      COURT REPORTER and
      NOTARY PUBLIC

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TRUSTEE WASHINGTON: Okay. It is 9:02, so I would like to go ahead and call the special meeting of the Audit Committee to order.

Good morning, members, and happy Friday. Thank you all for taking the time to be with us today and hear about this very important matter.

Ms. Barrington, are you available?

MS. BARRINGTON: Yes, ma'am.

TRUSTEE WASHINGTON: Will you please call the roll?

MS. BARRINGTON: Good morning to everyone. Thank you, ma'am.

Trustee Washington?

TRUSTEE WASHINGTON: Here.

MS. BARRINGTON: Trustee Graham? Trustee Tonnette Graham. Trustee Gary McCoy? Trustee McCoy?

TRUSTEE McCoy: I'm here.

MS. BARRINGTON: Thank you.

Trustee Craig Reed?

TRUSTEE REED: I'm present.

MS. BARRINGTON: Thank you.

Trustee Robert Woody?

TRUSTEE WOODY: Present.

MS. BARRINGTON: Thank you. Trustee Washington,
we have a quorum.

TRUSTEE WASHINGTON: Thank you very much, Ms. Barrington.

MS. BARRINGTON: You’re welcome.

TRUSTEE WASHINGTON: Members, we have one informational item on the agenda and that is the review of the external audit, performed by Grant Thornton, LLP, related to hiring incentive payments and renovation to the President's house. A brief overview of the events that led to this point. The audit was directed by the Board at the October 22, 2015, meeting.

The staff followed University's regulations regarding procurement procedures that are aligned for state guidelines for procurement. After civil work was completed, which board members were individually asked to provide feedback, the Division of Audit & Compliance solicited bids from eight audit firms and received two responses. Subsequently, a selection committee reviewed those proposals, conducted interviews and evaluated each firm's proposals.

Grant Thornton, LLP, was the firm that was that was selected. The contract was signed and bid work began on January 29, 2016. The report was distributed to the Board last Saturday, April 2nd.
The members today have an opportunity to speak directly with Mr. Jack Pearson, the Grant Thornton audit partner who conducted the compliance investigation. I would like to reiterate, this is an information item and a discussion item.

This report obviously is very important to us, and as the Audit Committee Chair, I felt like it was important for the committee and the Board to have an opportunity to speak directly with the external auditor and ask any questions that we may have related to the process, procedures, findings, and recommendations.

This is also an opportunity for us to direct staff to provide any further information or research that would be needed to help the committee make recommendations to the full board for further action. Based on today's discussion, the report will be revisited in the June meeting as an action item.

The order of presentations today, first, I will recognize Mr. Jack Pearson who will explain the report. Directly following Mr. Pearson's presentation, I will recognize acting CFO Angela Poole to explain the University's corrective action plan.

And finally, Mr. Rick Givens, Vice-President For Audit and Compliance, will talk about how the division
will monitor the University's implementation of the corrective action plan.

As always, we value all of your feedback and input, but in order to avoid duplication or questions ahead of the presentation, I will ask that members hold all comments and questions until after the presentation. Following those, I will open the floor for questions and discussions. We will maintain to do this in an as orderly fashion as possible, given we are on the phone.

I ask that you direct your questions directly to the chair, and please state your name. I will do my best to keep track of the cue and give priority to members who have not spoken previously. The Audit Committee will be recognized first and then open to the Board. Please keep your comments and questions pertinent to the report, the corrective action plan, and monitoring implementation, and I think that is all of my very long speil.

Mr. Pearson, are you on the line?

MR. REAGAN: Actually, my last name is Reagan, R-E-A-G-A-N.

TRUSTEE WASHINGTON: I apologize, Mr. Jack Reagan.

MR. REAGAN: Last name is R-E-A-G-A-N is the last
name.

Sorry, we will adjust that on the record, sir.

Sorry.

MR. REAGAN: That's fine.

Good morning, again, everyone. My name is Jack Reagan and I'm a partner with the accounting firm of Grant Thornton. We were engaged by the University to conduct a compliance audit, certain (inaudible) regulations, contract agreements, and internal regulations related to certain hiring incentive payments that were made to five employees.

We were also engaged to audit the University's compliance with certain laws, regulations, and internal regulations and contract agreements associated with the University-owned residence renovation projects.

We conducted our audit, or our examination, excuse me, in accordance with FSHN standards established by the American Institute of Certified Public Accountants, and that included examining on a test basis evidence about the University's compliance with those hiring incentive regulations, and the University-owned residence renovation regulations and performance procedures to be considered necessary in the circumstances.
As described in our report in, Appendix A, our examination disclosed material noncompliance related to three of the hiring incentive payments made during the fiscal year 2014/15 and 2015/16 fiscal year, through March 9, 2016.

As described in Appendix B, our examination also disclosed material noncompliance related to one University-owned renovation residence project from the period of December 1, 13, until March 9, 2016. In our opinion, because of the fact of the non-compliance described in Appendix A, we conclude the University did not comply with the employee hiring incentive regulations. And as described in Appendix B, because of the effect of the noncompliance described, we concluded the University did not comply with the University-owned residence renovation regulations.

With regard to the employee's hiring incentive clause, specifically what we identified were there were two of the five hiring payments that were wholly paid initially out of the Education and General funds, which is specifically precluded under state law.

The third one was that the third payment was paid out of restricted funds, which was inappropriate at the time under the University guidelines.

Subsequent to all of those payments, Florida A&M
University Foundation did reimburse the University for all five of those payments; however, at the time that those payments were made, the University did not comply with the laws and regulations and internal policies and procedures.

We recommend, as a result of the noncompliance, that the University formalize rules, policies, guidelines and procedures that make sure they comply with the Florida Statutes.

We also further recommend that the Board of Trustees should periodically re-approve the delegation of the authority for the Presidents to negotiate such employment packages. The last time the board re-affirmed the delegation of authority was 2006. We recommend that at least once every three years such delegation be reapproved.

With regard to the University-owned residence, this was a clause in the employment agreement between the University and the President, which indicated as follows: That there should be prior approval from the Board or its designee for any capital improvements to the repairs to the home or its grounds which have a project cost of over $10,000. During the conduct of our procedures, we identified one project that was greater than $10,000, which commenced after April 1,
MS. BURY: Excuse me. Excuse me. We can barely hear you. Are you able to talk up a little louder, please?

MR. REAGAN: Yes, I'm sorry. Let me take you off speaker. I was trying to not get my hand cramped.

All right. So what I was saying was with regard to the University-owned residence, we identified one renovation project which began after April 1st, 2014, which was in excess of $10,000, which was not approved prior to the commencement of the project by the Board of Trustees, as required in Section 6.2 of the employment agreement between the University and the President.

As such, we recommend that the University implement policies and procedures to insure that all renovations projects in excess of $10,000 are presented to the Board of Trustees for prior approval.

We further recommend that the Board of Trustees update its own policies and procedures to insure and require that any renovation projects associated with the University-owned residence in excess of $10,000 are required to be presented to the Board of Trustees.

I certainly do wish to thank the folks at the University who fully cooperated with our examination
engagement. I would also like to thank members of the Board of Trustees for their input through the project. And Trustee Washington, especially, thank you for all of the coordination you did in your role as the Audit Committee Chair.

TRUSTEE WASHINGTON: All right. Thank you so much, Mr. Reagan. We appreciate your work and we will continue -- I'm sure board members have questions, so we will continue, as I previously stated, to acting CFO Poole.

And Jack, if you could please stay on the line to answer questions at the end of the presentation, we would appreciate that.

MR. REAGAN: Absolutely.

TRUSTEE WASHINGTON: Thank you. Acting CFO Poole.

CFO POOLE: Yes, good morning.

TRUSTEE WASHINGTON: Good morning.

CFO POOLE: Can you hear me?

TRUSTEE WASHINGTON: Can you get a little bit closer to the mic?

CFO POOLE: Thank you, good morning.

TRUSTEE WASHINGTON: Thank you. That's better.

CFO POOLE: Thank you, Trustee Washington, and Mr. Reagan for your report. We have received your
report and have reviewed the recommendations and would
like to present the following corrective actions in
order to prevent and detect internal control weakness
in the future.

So we would like to address these actions in
terms of categories, just aligning with your report.
So, dealing with the employee hiring incentive
regulations, we propose to update the policies and
procedures to insure that only permissible funding
sources, based on Florida Statute, are used to make
compensation-related payments. And so, in order to do
that, we would need to make enhancements to our
training materials to make sure that our hiring
incentives and any other atypical compensation items
are only paid from proper funding sources.

And so we will amend our personnel request action
informs. They're referred to as PAR forms, and on
that form we will amend it to actually specifically
state the funding source and require approval by the
University's budget officer, within the Finance and
Administration Office, as well as a budget officer
from the FAMU Foundation, because doing this upfront
will insure that the funding sources are identified
prior to any incentive payments being approved and
paid.
In order to insure that hiring incentives are not paid from restricted trust funds, when we amend these policies, we will specifically indicate that these payments are not to be made from restricted funds or from E&G sources, and if adequate funds are not available, we will insure that there's written notification given to the administrator of the funding source, which could be the Foundation, for example, to make sure there's an immediate recording of a receivable from the funding source to the University and that funds are transferred no later than quarterly to insure that funds are in place before these payments are made and these are reconciled during the fiscal year-end closing process.

In regards to the noncompliance with the University-owned renovation, we propose that we enhance our communication with the Board, and one of the best ways to insure that if there is a specific provision in a contract, in this case it was the University President's contract, but if there's any other employment contract that has a provision that overrides our normal parameters, that we will enhance our communication with the Board and that the Vice-President For Finance and Administration will confer with the Office of General Counsel to find out if any
contracts have been executed in between each board meeting, so that we can be aware of any changes or contract provisions that might not be consistent with our existing parameters, or for example, that may be inconsistent with our construction manual or other existing normal parameters that we have.

We also would like to develop an updated approach to how we deal with change orders on projects. Currently, there are internal controls that clearly define what the approvals are for certain dollar amounts, and when change orders below those dollar amounts come up, there is a need to improve our processes to give more analysis around the project costs, looking at bid to completion, looking at dollars spent and percentages when we look at projects from the originally-planned amount to what the ending amount ends up being.

And so, we would like to enhance our training and supervision of project managers to make sure as they're reviewing work and the progress of work, that they're looking in line with funding sources, and we would like to see the annual performance evaluation criteria for project managers include an assessment of how well that project manager is showing due diligence in the area of change orders to make sure that we're
not only looking at project time lines, we're looking
at the budget and we're looking at the percentage and
number of change orders for each project.

So these are our proposed corrective actions.

TRUSTEE WASHINGTON: Thank you very much,
Ms. Poole.

And finally, Mr. Givens, would you provide the overview of how the Division of Audit is
to monitor the implementation of the plan?

VP GIVENS: Sure. Good morning, everybody. For
all audit reports that are issued, whether they're
internal or external, we have a follow-up process that
we follow and basically it is to obtain the corrective
action plan from management that addresses the
findings. We input those findings into a database
that includes the recommendation, the proposed
corrective action plan, expected implementation date,
and responsible employee.

Now, when we receive the plan, we evaluate the
plan to see that it addresses the findings that the
plan seems to be adequate, effective, and will take
timely action on the reported findings. Once we do
that, we establish a follow-up date where we will
validate implementation of the corrective action
plans. The date established will give the appropriate
people the time needed to implement the plan and to
have some actions taken so that we can adequately
evaluate whether the plan is working.

And when we get to the date that we establish, we
will go in and actually validate that the corrective
actions have been implemented and that the plan is
working as intended and remedies the situation. That
would be our follow-up process.

TRUSTEE WASHINGTON: Thank you very much,
Mr. Givens. And I would just like to take a moment to
thank Mr. Reagan, Ms. Poole, and Mr. Givens for your
hard work in coordinating and working together to
bring this report together. I will say that it has
not been a small project, and thank you for being
available late nights, weekends, as necessary, as I
have often called upon you.

So Committee members, Board members, that
concludes the presentation. I would like to open the
floor to, first, the Audit Committee members, if there
are any questions or discussion items.

TRUSTEE WOODY: Madam Chair, this is Trustee
Woody.

TRUSTEE WASHINGTON: Trustee Woody.

TRUSTEE WOODY: I want to thank everyone for
working on this audit report.
I have just a question and maybe a concern that the auditor would be able to help me with -- or staff -- and it's in reference to, number one, I know that we requested the audit report some time ago, and one question is, why did it take so long to get the results?

And the other question is in looking at -- and I understand that the violation of that was found and agreed with those, but the question I have in reference to Administration -- and I guess the "Administration" is the President -- is in reference to communication. When the decision was made and in reference to giving these hiring incentives that she or the Administration check with other resources within the institution -- for example, like the Foundation, and get their opinion -- or the General Counsel's Office and get their opinion, or a valuable resource would be the Chancellor's Office; or making the decision in reference to give out these incentive raises?

TRUSTEE WASHINGTON: As to the length question, I would pose that to Mr. Reagan.

As to the second part of your question, maybe that is better suited for Ms. Poole or Mr. Reagan, if you have any insight.
But we will start with Mr. Reagan.

MR. REAGAN: Yeah. With regard to the timing of the report, we did conduct our audit and examination in accordance with the FSHN standards, followed all of the procedures, both on the NICPA as well as our internal rules and regulations. The report worked its way through our quality assurance process, and we delivered our report in accordance with the contractually-stated deadlines.

VP GIVENS: And this is Rick Givens. I would also just add that the project didn't get started in the time frame that we thought, because we got caught some with the holidays by the time we got the scope developed and advertised and the firm selected. We were into the holidays, so we got started a little later as well.

TRUSTEE WOODY: And Madam Chair?

TRUSTEE WASHINGTON: Yes.

TRUSTEE WOODY: In reference to the renovation of the President's house, after reviewing all of the information that I had available, there's some questions that I have in reference to was anyone -- did anyone from the Audit Committee have a discussion with the former Trustee Spurgeon McWilliams in reference to his involvement in this or lack of
involvement in this whole process? Because what I have read is that former Trustee McWilliams did not give approval in reference to the garage renovation.

Did anybody talk with the former Trustee McWilliams, and also the former chairman, in reference to this matter, please?

TRUSTEE WASHINGTON: Trustee Woody, just to clarify. That's one the one that you just asked questions and I would pose that probably to Mr. Reagan about the former trustees.

We didn't answer your prior question about consultation regarding the salary of both, so I'm just trying to keep track of all of the questions, so.

TRUSTEE WOODY: All right.

TRUSTEE WASHINGTON: So maybe let's have Mr. Reagan answer the question regarding contacting former trustees. And then, Ms. Poole, if you could perhaps -- or whoever would be most appropriate to answer the question about related to complication regarding salary and bonuses.

MR. REAGAN: You want me to go first?

TRUSTEE WASHINGTON: Yes, please, Mr. Reagan.

MR. REAGAN: Okay. So as indicated in our report, we were provided from documentation from the University's Director of Physical Plant in October of
2015 that documented a meeting that occurred in March of 2014, which was characterized as a walk-thru meeting between members of University management, as well as certain members of the Board of Trustees.

The documentation presented again at that walk-thru meeting. The recollection of the University's Director of Physical Plant was that the Board of Trustees member recommended that the garage be added; that's documentation that we obtained. But we did note that there was no documentation from any member of the Board of Trustees or any Board minutes that indicated that was the case.

So, and to directly answer your question, no, we did not contact that Trustee, again, because under the auditing standards, the documentation, especially on compliance attestation agreement, engagement, is what is important and what is relevant to the auditing standards, and that, I guess, verbal recommendations and nonverbal recollections are insufficient to allow us under the standards to determine compliance or noncompliance.

TRUSTEE WOODY: Thank you.

TRUSTEE WASHINGTON: And then, back to address the salary and bonus. Maybe -- I don't know exactly who would be the best person to address the question.
Trustee Woody, can you restate that question, regarding the sentiment was, was anybody consulted regarding that practices and provide best practices and providing salary and bonus payments. Is that sort of the sentiment?

TRUSTEE WOODY: Yes. In reference to the President making contact. Before making the decision to give out the bonuses, as a resource, we have a resource as our inner -- inter-audit office as a resource, and our General Counsel as a resource, and maybe the Foundation, and somebody with the hope that I would think that somebody would answer that we were in violation or that's something that we don't necessarily need to do.

Was any communication -- in reference from the Administration standpoint to try and -- well, it's obvious that it was not. And I guess I'm trying to get down to the lack of -- like we've been talking for some time, the concern of the Board is lack of communication. And we need to improve that, and staff has already acknowledged the will to improve the communication between the Board and the Administration.

TRUSTEE WASHINGTON: So it sounds almost as if we already answered our own question in that little
It is clear, at least from my standpoint, that there wasn't the proper consultation and that the University had outlined in their corrective action plan a way to remedy that situation moving forward.

Madam President, would you like to speak to, or Angela, would you like to speak to the process for providing bonus payments or hiring incentives?

PRESIDENT MANGUM: I can speak to hiring incentives and current practice, best practices in higher education.

TRUSTEE WASHINGTON: Okay.

PRESIDENT MANGUM: And the number of positions that we're talking about are from executive level positions in higher education, are customarily, or it's not out of practice to offer hiring incentives; incentives to get people to start sooner than they would have or help them start into a position when they are moving into a new area.

We have at FAMU a process of providing offer letters to people that are prepared by the Human Resources Department that reviews all of the terms and conditions of employment. Those terms and conditions of employment which would include a hiring incentive, are also reviewed and signed off on as part of a
standard template for hiring.

So the resources -- whether the resources are in the account or not at the time the incentive is paid moves down the line to the business manager, into a business office, to make sure help are properly sourced. But the idea of providing a hiring incentive is part of the hiring package and is approved and the letter sent and prepared in Human Resources.

So it was properly executed in the offer. I think the concern here is whether or not it was properly sourced at the time that it was paid, not that there was anything wrong with actually providing a salary or a hiring incentive in the form of salary.

TRUSTEE WASHINGTON: That makes sense. Trustee Woody, does that answer your question?

TRUSTEE WOODY: It does. Madam President, thank you.

TRUSTEE WASHINGTON: Any other questions from committee members?

All right. If none from the committee members, any questions or comments or discussion from the other Board members?

TRUSTEE LAWSON: Yes, Chair Washington. This is Lawson.

TRUSTEE WASHINGTON: Lawson, you are recognized.
Wait, hold on one second. Was there somebody else that would like to be recognized after Lawson?

Trustee Carter: Carter.

Trustee Washington: Carter.

Trustee Moore: Trustee Moore.

Trustee Washington: Moore.

Trustee Warren: Warren.

Trustee Washington: Trustee Lawson, you are recognized.

Trustee Lawson: Okay. Hey, well, good morning, and I'll try to be brief.

The background for my question I think is probably more suited for Mr. Reagan, I believe. The background for my question ties to purchase order number 123281, which is a document that I think everybody has or has access to. And if you refer to line 36, line 40, line 42 and line 66, those are all items that were change orders that were dated or this document itself is dated 1/13/15.

The second background document for my question is an invoice from LLP Building Corporation; Invoice Number 92314 for some items that were attached to the home. It's dated 10/1 of '14. And for perspective, the President's contract was executed on 2/20 of '14.

My question for the auditor is, at the time that
we initially had this discussion, we were advised by
at the time two senior staff members that some of
those items that I referenced in addition to others
were in direct violation of the contract; however,
your presentation this morning and when we had our
one-on-one states that these items are part of a
larger project.

Can you clarify and make that distinction clear
for all of us? Because again, the reason for my
question is when these things were reviewed originally
by two senior staff members, I was told specifically
that they were indeed violations of the President's
contract, and if you were to go to the Board minutes
from October 22nd, that question was reiterated to
those two staff members and they answered
affirmatively that these were indeed violations of the
President's contract.

TRUSTEE WASHINGTON: Mr. Reagan?

MR. REAGAN: Yeah, sure. As we indicated in our
report, Section 6 .2, the employment agreement
indicates that, "Prior approval from the Board or its
designee for any capital improvements or repairs to
the home or its grounds which have a project cost of
over $10,000 should be obtained." Those, we did go
back after our conversation.
We reverified that there were two separate
projects here: One for the renovation of the home;
one for the construction of the garage. The project
that is associated with the home was approved prior to
April 1, 2014. The renovation or establishment of the
garage was created after April 1, 2014.

So because the language in the President's
employment agreement indicates project cost, that is
why we the, one, the project cost of greater than
$10,000 occurred after April 1, 2014; resulted in the
material noncompliance.

TRUSTEE LAWSON: My second question, Chair, if I
may? It's similar to Trustee Woody's question. My
other concern is, the people that were interviewed to
come to the conclusion, and my question for Mr. Reagan
is was former Chair Montgomery interviewed? Was
Former Chair McWilliams interviewed? And was former
General Counsel Avery McKnight interviewed during the
process?

MR. REAGAN: No.

TRUSTEE LAWSON: Can you share why not?

MR. REAGAN: As I indicated earlier, under the
auditing standards associated with this, verbal
recollection and verbal documentation would not be
sufficient audit evidence to allow me to conclude
whether or not the University was in compliance.

TRUSTEE LAWSON: One last question, Chairperson?

TRUSTEE WASHINGTON: Sure.

TRUSTEE LAWSON: Mr. Reagan, did you go back and review the October 22nd Board minutes?

MR. REAGAN: Yes.

TRUSTEE LAWSON: Was your interpretation the same as mine, as far as when the questions were asked and when they were answered affirmatively that there were indeed violations of the President's contract?

MR. REAGAN: As we indicated in our report, the language in the President's employment agreement indicates that prior approval from the Board or its designee for any capital improvement to the home or its grounds which have a project cost of over $10,000.

So we were going with the language, the actual language, in the contract, in the employment agreement which is what has to be complied with, and it indicated project cost.

TRUSTEE LAWSON: Okay, thank you.

TRUSTEE WASHINGTON: Thank you. Trustee Lawson, are you complete?

TRUSTEE LAWSON: I'll concede. There are three or four others behind me.

TRUSTEE WASHINGTON: Yes, there are.
Trustee Carter, you are next. You're recognized.

TRUSTEE CARTER: Thank you, Madam Chairman.

Let me make an observation, if I may. Based upon what I've heard in this process, it seems to me that we have a fundamental problem with our policies and procedures based upon what I've heard in the context of given prior approval for the appropriations for the renovations; also, in the context of best practices regarding the employment bonuses.

I think somehow or another, there has to be some kind of way that we look at our policies and procedures that insure. Do we have adequate protections in there to afford us the necessary authority to adhere to our fiduciary responsibilities as it relates to this University. And so, I have some real problems with that, and I'm just kind of listening in. But I haven't -- I don't have a perspective yet on how many there are, but it seems to me we really need to dig down deep and do some renovation of our policies and procedures. And we need to make sure that the process is transparent; that we have a fully transparent process, because after all, we are dealing with a state university, state system, the taxpayers are holding us responsible for that, and we also have the responsibility to the
FAMU stakeholders, the students, the faculty, the
alumni, the Administration and everyone else.

That gives me some grave concern on that, Madam
Chairman. And I think, Mr. Chairman, maybe at our
next meeting we can look at that in some great detail
and greater depth, because I believe in this whole
process as we're looking at, as to Trustee Lawson's
question regarding the General Counsel and different
folks like that, somehow or another there has to be
some kind of way that the Board is not only informed
but also that our policies and procedures are
sufficient for the activities and possibilities that
have come before us.

I don't want to get into the nuances in terms of
whether this was a contract or whether this was a
procurement, but if you are going to say that you want
to put a cap on how much the President can spend, then
we need to have a cap on the spending instead of
trying to split hairs about nuances and euphemisms
about whether it's a contract or not. That's kind of
where I am. I may have some questions, but right now
I wanted to make that statement, and I'm still trying
to think this whole process through.

Thank you, Madam Chairman.

TRUSTEE WASHINGTON: Thank you, Trustee Carter.
We are all still trying to think this through and that is the purpose of this meeting. And I agree with your sentiments and I do think we need to think through what additional materials we're talking about. And when we're talking about the policies and procedures, which documents we would like to dive into or what sort of resources we might need to have externally -- maybe somebody come in and help us through some of these things to insure that we are in the best position possible. So I agree with your sentiments.

Thank you, Trustee Carter.

Trustee Moore, you are next. You are recognized.

TRUSTEE MOORE: Thank you, Trustee Chairman Washington. I would like to also echo the comments shared by others in thanking you for your leadership as well as the work of the audit firm and the staff. So thank you there.

My first question is directed to Mr. Reagan. It's been stated with regard to best practices tied to salary bonuses and incentives, I wondered if your review concluded with the thought that maybe, even within the SUS system, is this common practice? Is this something that you found to be best practice during your review?

MR. REAGAN: I'm sorry. That what was best
practice?

TRUSTEE MOORE: In terms of providing or the provision of bonuses or incentives within the SUS system, or was that more of a general statement universal, that this is common practice, and that maybe where we fail to meet muster was making sure that the resources were indeed available to address the obligations that the college had of course brought on board by way of executing those agreements by the staff being on-boarded.

MR. REAGAN: Right. I certainly, based on my experience, such packages as these are routinely granted during the employment process. So yes, it is a common industry practice, and you know, as we indicated in our report and our recommendations, you know, that the University should improve its policies and procedures, as the interim CFO indicated, around the accounting and budgeting force of things.

TRUSTEE MOORE: Okay, thank you. And Madam Chair, this is to be directed to Chair Warren. Thank you. It's specific to what's also been chaired by a couple of trustee members as well, and that's the concern related to review of procedures and making sure that we are where we need to be. And I would ask your indulgence insuring that at our next board
meeting, that there's conversation around scheduled
review of our procedures and just making sure that we
are in a better position going forward.

And I would honestly ask that you accept that as
a call or cry from, not only the committee, but it
sounds like the other trustees who may not be a part
of this committee.

TRUSTEE WARREN: I concur with you, Trustee
Moore. I don't know if it's my turn.

TRUSTEE WASHINGTON: It is your turn in the cue,
so you are recognized.

TRUSTEE WARREN: Thank you, Trustee Washington.
And I will collaborate a bit more on Trustee Moore's
point, but I did want to begin my comments by thanking
Jack and his team for what I would categorize as
excellent work in this forensic effort that they put
on for us. It has taught us a lot particularly about
our operating procedures, as we've all been talking
about how we need to shore that up.

So let me talk about that first, amongst my
several comments. I think it's typical in the system
or maybe any company for that matter, but particularly
in this world of academia for boards of directors and
board of trustees to disseminate to the organizations
they represent direction to create policies and
procedures that really become the nuts and bolts of how to get something done.

We rely then on the expertise of staff wanting to craft those internal operating procedures and then to follow them. What's apparent here, I think, are two things: One as the audit points out, there was not a strict adherence to what even the existing policies and procedures. It was not for the lack of one but adherence to those that we have in the discovery of what we do have needs to be shored up.

Internally, what the organization needs to do is in my mind, is to step all policies and procedures on some kind of tickler for periodic review. And that could be, generally speaking, some three year, two year, one year review. One year is probably too often for the volume of our policies and procedures to be reviewed, but all of them should be set up on some cycle for periodic review.

And similarly, where Board of Trustees sets up Board rules, those Board rules should then come back to us for periodic review as well. Times change, processes and ways of doing things change, and they all necessitate -- or even the law changes for that matter -- all necessitate a need for us to go back to policies and Board rules for periodic review.
And I would think that even when the auditors come in to audit us, what they're really auditing, quite frankly, is if we're adhering the procedures we say we're going to operate under as we conduct the University's business.

So I agree with you, Trustee Moore, whole heartedly, that there should be as a part of the work that Ms. Poole does, the establishment of a process or periodic review on rules that we have disseminated in the attending operating procedures as staff drafts around those to execute the operational things that have to be done to get the business of the university done.

At the next Board meeting, Dr. Mangum and Mr. Miller, if he's on the line listening, when we talk through the agenda at the next meeting, we'll include some time for discussion, maybe a redressing, Ms. Poole, of the action plan that you talked about as we address these particular findings by the auditor, and in a more general sense, how we go forward with periodic reviews of rules created by the Board and the operating procedures that attend to those Board rules.

I think it was a good point to -- and Jack, you did a good job on doing this and that's keeping us focused on the purpose, intent, and the quality of the
standards that you employ when conducting the audit.

The real issue on the salary bonuses or employment
bonuses was where we got the money from, and at the
time those funds were drawn down, they were drawn down
from accounts that we should not have used for the
purposes.

And so, our procedures, as Ms. Poole outlined,
should be adjusted to make sure that never happens
again for any case, where we use funds
inappropriately; or when done, whatever the cash flow
reasons are, that the follow on to it in this case
that was also missing was an account receivable, that
made it readily apparent to all that the Foundation
owed the college something, and that had to be done
and resolved before the end of the fiscal year.

With respect to Building 13, as I refer to it;
Building 13 is the place for the President resides.
The issue there, as Jack so aptly pointed out, was the
distinction between one project and another. We got
our arms wrapped around the component parts of the
projects, but the reality is, as was clarified for us
by the forensic audit team, is that we were talking
about two projects here. One of them did have -- was
acted on after the contract was done.

Our process and procedures, however, facilitated
that getting done, and those processes and procedures need to be shored up to insure that communication happens up and down the chain and the proper approvals for the disbursement of funds is established and this is procurement process is improved as well.

I'm looking forward, Ms. Poole, to the detail, if you will, that gives all of us the comfort that we won't have this sort of experience again, not just on Building 13 but for any building and/or capital improvement in and around the University.

So with that, again, I would like to thank all for their participation in this. And then, Trustee Washington, I want to applaud your leadership here as well with the Audit Committee and the fine work that you and they have done, and for all who have cooperated with the external auditors. This has been an example of how the forensic effort works for sure, and I'm quite pleased, personally, quite pleased with the product.

TRUSTEE WASHINGTON: Thank you, Trustee Warren. Are there any other comments, questions, discussion items from board members?

TRUSTEE CARTER: Just one, Madam Chair, and this is Trustee Carter.

Just one procedural question: Where do we go
TRUSTEE WASHINGTON: So, you searched my closing comment or preempted my closing comments. That is -- are there any other questions?

TRUSTEE McCoy: Yes. Madam Chair, this is Trustee McCoy. May I at least offer a thought and maybe a question?

TRUSTEE WASHINGTON: Okay. Trustee McCoy you are recognized.

TRUSTEE McCoy: After listening to the discussions and Mr. Reagan's report, one could possibly conclude that there are two issues at hand may have been as simple as a procedural error, or which we've discussed or bookkeeping error.

Do we not have means of determining what I would call a simple determination prior to launching a full audit on issues of this nature?

TRUSTEE WASHINGTON: I will defer that comment or that question to VP Givens.

VP GIVENS: As far as, the audit was directed because the issues came up through some external sources and the Board decided to direct an outside audit. But we do have, internally, we do a risk assessment every year that directs the audit effort that we make based on where we feel that the audit
resources would be best applied.

TRUSTEE McCoy: Okay. I'm not sure that answers
the heart of my question. We can always ask for a
formal audit, no matter how big or small an issue
might be.

But in listening, again, to the report and to the
discussions -- this is all hindsight, remember -- one
could simply conclude that some other form of
determination of whether or not we had a process error
or bookkeeping error, may have prevented a complete or
may have set the stage as a complete audit or outside
agency may or may not have been required.

And I want to satisfy my mind, at least, if there
is something in place to ask those questions before
one results to a full audit, unless that is the
process itself.

TRUSTEE Washington: Trustee McCoy, I would say
that there are a number of steps and ways in which
investigation or an allegation can be made and whether
or not that goes through internal University's
process, that would normally be the case. I would say
this was an exceptional case in that it came directly
out of a specific board action with some very specific
materials that needed to be investigated.

So I think that on -- there is a normal process
for the allegation -- for an allegation to be made, a simple -- or I won't say a simple but an internal investigation. And then, if it needs to be moved to the level of the next external auditor, there is a process for that, but this is I think a very special case.

TRUSTEE WARREN: Trustee Washington, this is Trustee Warren. I have a question for the auditor.

TRUSTEE WASHINGTON: Yes.

TRUSTEE WARREN: Jack, are you still there?

MR. REAGAN: Yes, sir.

TRUSTEE WARREN: If the accounts receivable had been established coincident with the use of funds, would this have been an auditable item at all?

MR. REAGAN: I believe that it still would have been paid out of the funds. I think that a better solution is to actually have the money moved over first and then paid with those funds rather than have the receivable out there.

TRUSTEE WARREN: Okay.

MR. REAGAN: I think that's likely a stronger procedure.

TRUSTEE WARREN: Yes, but the genesis of my question is this: The account receivable acknowledges the obligation of the Foundation to the college. As I
understand it --
MR. REAGAN: Right.
TRUSTEE WARREN: -- there was not the ability of
the funds, for whatever the reason was, at the time of
disbursement.
So in the scheme of things, as we manage cash
flow, the Foundation in this case, not having the cash
to give -- the cash, that is -- not that they didn't
have resources, but didn't have cash to provide to the
University, the University could have either waited --
in this case, they didn't -- and in so doing, should
there have been coincident with the disbursement the
establishment of the account receivable, with
acknowledges the intent to collect the money from the
Foundation or also the Foundation acknowledges their
intent to pay it when cash is available.
That would in my mind avoided this issue and
necessitated an audit, external audit around what was
around a the passion with this activity, and that
passion resulted in an anonymous and/or acknowledged
claim that there was a misuse of funds.
MR. REAGAN: I'm sorry. Was there a question on
that?
TRUSTEE WARREN: Back to my original question
and/or point about the account receivable being -- if
it had been done coincident with the disbursement, would it have been a strong confirmation of intent to pay and/or intent to collect?

MR. REAGAN: I was going to say I understand where you're coming from, but since that wasn't the specific fact and circumstance in this case, it's not something that I specifically could address or conclude upon. So I can't really answer the hypothetical.

TRUSTEE WARREN: Okay, thank you.

TRUSTEE WASHINGTON: Thank you.

All right, Trustee Warren. Any board members?

TRUSTEE LAWSON: Yes, this is Lawson again.

TRUSTEE WASHINGTON: Sure.

TRUSTEE LAWSON: Thank you, Madam Chair. I would like to address Trustee McCoy's question with a slightly different response.

Trustee McCoy, one of the things that I think led us to the external audit, and I happened to make the motion to pursue an external audit, is we had a very challenging discussion around the future of the President during the October 22nd meeting, and it was all based on the discussion topics here. And we thought that if there was ambiguity her interpretation then this best thing to do would be to conduct an
audit.
The rationale for going external versus internal was prior to this October 22nd discussion, on a separate issue, our own internal auditor had expressed concerns of undue influence by the Administration. Not sure if that's accurate or if it took place or not, but that was expressed to the board in the form of a memo; therefore, in an effort to try and make this I guess as fair and as just for both parties -- us and the President -- I thought the best thing to do would be to go with an external firm to avoid any appearance of any influence by the Administration on the outcome of the audit process.

And I think Mr. Reagan's firm has done an outstanding job in pulling these results together. So just a little additional background and clarity on why we chose to use an external firm and pursue an audit versus just having the CFO at the time look into some of the transactions.

TRUSTEE McCoy: Thank you for that.

TRUSTEE Washington: Thank you, Trustee Lawson. All right. It appears we are wrapping up. Do have any other questions of the board? Last call?

Okay. So I will talk a little bit about next step.
Thank you, again, Jack, and your team; Ms. Poole and your team; and VP Givens for the really hard, diligent efforts that was made to conduct this audit.

At the next step, as far as the audit committee, given the conversation today, there are some clear -- there was some clear sort of repeated sentiments around the need to do periodic review of processes and procedures; perhaps even a schedule.

And, so the next step for the Audit Committee, this report will come to the Audit Committee in our next meeting as an action item for acceptance, and at that time we will also have a discussion and action and the Committee will come up with a number of recommendations to the full board to be considered during the full board meeting subsequently.

So that sort of is the process and procedures, I think. Up until that point, I will work with VP Givens to get some additional information about and maybe even develop a draft of a schedule that or just do some due diligence to what would go into the scheduling process so we have something to recommend and to provide the board and do our due diligence on the back end. And then if there are any other questions if members have questions, if committee members have questions or recommendations or things
that you would like to say, please direct them to
Mr. VP Givens, and we will do our due diligence to
make sure that what comes out of this is something
that is productive and something that helps us to move
forward and insure that our policies and procedures
are adequate and put us in the best position possible.

So our next meeting is in June. This will come
as an item for acceptance. We will provide
recommendations to the full board.

And if there are no other questions, concerns,
anything else; any other business before the board?

TRUSTEE WARREN: Trustee Washington. This is
Trustee Warren. This is one last comment, if I may?
I mentioned earlier that we would have this topic
about review of procedures on the next agenda for the
Board, and that will be positioned under your
Committee's report, so we can take the time there as
opposed to it being some separate line item. So I
appreciate the energy you plan to put into this prior
to the next board meeting, but the discussion around
this and any action items that your committee would
recommend, we would address it in that section of the
board meeting.

TRUSTEE WASHINGTON: Okay.

TRUSTEE WARREN: Okay, thank you.
TRUSTEE WASHINGTON: Thank you so much. If there is no other business before the board, we are adjourned.

(Meeting concluded.)
CERTIFICATE OF REPORTER

STATE OF FLORIDA
COUNTY OF LEON

I, Yvonne LaFlamme, Florida Professional Reporter and Notary Public, certify that I was authorized to and did stenographically report the foregoing proceeding; and that the transcript is a true and complete record of my stenographic notes.

I further certify that I am not a relative, employee, attorney, or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the outcome of this case.

Dated this 12th day of APRIL 2016.

___________________________
Yvonne LaFlamme, FPR
Court Reporter
Notary Public
State of Florida at Large