

PROPOSAL FOR IMPLEMENTATION OF COMPLIANCE FUNCTION

Background

In Resolution 14-05, adopted June 30, 2005, the board of trustees adopted the Comprehensive University-wide Compliance Program as proposed by the President to evidence the University's commitment to compliance through implementation of the Code of conduct and the creation of an Office of Audit and compliance, compliance committees and liaisons with the responsibility for overseeing, monitoring, and assuring the enforcement of the University's compliance program and efforts.

Purpose of a Compliance & Ethics Program

A number of scandals over the past several years provide a wake-up call for many organizations, bringing ethics and compliance issues to the forefront and causing credibility and reputation to be questioned. University stakeholders and regulators are increasingly demanding accountability.

Description of Best Practices of Compliance & Ethics Program

To administer an effective compliance program, the University must establish and maintain an organizational culture that encourages ethical conduct and a commitment to compliance with the law. A Department of Justice/Securities and Exchange Commission publication indicates the following components of a solid compliance program:

- Commitment from senior management and a clearly articulated policy against corruption
 - Setting tone at the top to communicate that everyday operations and overall strategy are in compliance with university and regulatory policies and laws are a top priority
- Code of conduct and compliance policies and procedures
- Oversight, autonomy, and resources
- Risk assessment
 - Compliance risk assessments can provide an understanding of the full spectrum of compliance risk exposures, including the likelihood for the risk event and the potential severity of the impact
 - Assists in prioritizing risks, mapping the risks to risk owners and regulations, and allocating resources to mitigate the risks effectively
 - Risk assessment results can be used to develop or revise the university's compliance plan, including policies and procedures, training, auditing, and monitoring
- Training and continuing advice
 - Using newsletters to build awareness
 - Meetings to educate about anonymous reporting and investigations
- Incentives and disciplinary measures
 - Incentives can be tied to performance reviews, which could include evaluating an employee's adoption of ethical business practices and adherence to compliance standards
- Third-party due diligence and payments
- Confidential reporting and internal investigations
- Continuous improvement: Periodic testing and review

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Requirements of BOG Regulation 4.003

On March 18, 2015, the BOG issued 4 proposed regulations related to the audit and compliance functions of the Universities for review and feedback prior to entering into the formal regulation development process. Over the next year and a half, the BOG held workshops and meeting with the audit and compliance functions of the universities within the SUS. The proposed regulations were revised as a result of input from the stakeholders and a final regulations were issued on November 3, 2016. Regulation 4.003, State University System Compliance and Ethics Program, requires each board of trustees to implement a university-wide compliance and ethics program. Significant requirements of the Regulation include:

- The program is to be implemented by November 2018.
- The board of trustees shall assign responsibility for providing governance oversight of the Program to the committee of the board responsible for audit and compliance. The audit committee charter shall address governance oversight for the Program
- Each university, in coordination with its board of trustees, shall designate a senior-level administrator as the chief compliance officer. The chief compliance officer is the individual responsible for managing or coordinating the Program.
- The chief compliance officer shall report functionally to the board of trustees and administratively to the president. If the university has an established compliance program in which the chief compliance officer reports either administratively or functionally to the chief audit executive, then the university shall have five (5) years from the effective date of this regulation to transition the reporting relationship of the chief compliance officer to report functionally to the board of trustees and administratively to the president
- The program is to address:
 - The president and board of trustees shall be knowledgeable about the Program and shall exercise oversight with respect to its implementation and effectiveness. The board of trustees shall approve a Program plan and any subsequent changes. A copy of the approved plan shall be provided to the Board of Governors
 - University employees and board of trustees' members shall receive training regarding their responsibility and accountability for ethical conduct and compliance with applicable laws, regulations, rules, policies, and procedures. The Program plan shall specify when and how often this training shall occur
 - At least once every five (5) years, the president and board of trustees shall be provided with an external review of the Program's design and effectiveness and any recommendations for improvement, as appropriate.
 - The Program shall require the university, in a manner which promotes visibility, to publicize a mechanism for individuals to report potential or actual misconduct and violations of university policy, regulations, or law, and to ensure that no individual faces retaliation for reporting a potential or actual violation when such report is made in good faith.
 - The chief compliance officer shall be independent and objective
 - Promote and enforce the Program, in consultation with the president and board of trustees, consistently through appropriate incentives and disciplinary measures to

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encourage a culture of compliance and ethics. Failures in compliance or ethics shall be addressed through appropriate measures, including education or disciplinary action

- Submit final reports to appropriate action officials.
- When non-compliance, unethical behavior, or criminal conduct has been detected, the university shall take reasonable steps to prevent further similar behavior, including making any necessary modifications to the Program.

Implementation Issues

In developing the compliance function of the University pursuant to the new BOG Regulation 4.003, effective November 3, 2016, the following items need to be considered:

- Clarify Reporting Structure
 - Should the compliance function report to the Division of Audit & Compliance (DAC)
 - Compliance officer (e.g., Title IX, athletics, Research, etc.) can be either direct reports or dotted line reports to the compliance officer
- Investigative Responsibilities for compliance function
 - Conducting investigations
 - Retaliation excluding Whistleblower
 - Non-Compliance with laws, rules, & regulations
- Risk Responsibilities that could be assigned to the compliance officer
 - Compliance Risk or ERM (seeing them both ways during research of other charters)

Proposed Structure

To establish the compliance function, the initial proposed structure is for the chief compliance officer to report to the vice president for audit & compliance, as permitted by BOG regulation 4.003 when a university has an established compliance function. This will facilitate implementation of the requirements of BOG Regulation 4.003. Compliance officers will have a dotted line reporting structure to the chief compliance officer. No later than June 2018, the chief compliance officer's reporting will be changed to report functionally to the audit committee of the BOT and administratively to the President.

Position Description

Duties & responsibilities:

- Developing and overseeing implementation of a university-wide compliance strategy program consistent with the mission, vision, and values of the university and BOG Regulation 4.003, State University System Compliance and Ethics Programs
- Overseeing the efforts of existing compliance programs at the University, which include, but are not limited to, athletics, research, Title IX, ethics, and music
- Conducting investigations of allegations of fraud and/or misconduct
- Providing compliance and risk guidance to senior management including consultation with Board of Governor and legislative personnel
- Overseeing and coordinating development of compliance policies and procedures including the University's code of conduct
- Ensuring that appropriate compliance policies and procedures are adopted, published, and explained to employees

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- Maintains current knowledge of laws, legislation, and regulations regarding compliance and ethical business practices and behavior
- Serves as liaison with internal and external personnel regarding compliance and ethical issues and incidents
- Ensures the University's BOT is knowledgeable in content and operation of the compliance and ethics program and exercises reasonable oversight
- Conduct effective education and training programs to employees and BOT members regarding their responsibility and accountability for ethical conduct and compliance with applicable laws, regulations, rules, policies, and procedures and disseminate information as appropriate
- Ensure that an external review of the Program's design and effectiveness is conducted every five (5) years, or as deemed necessary as dictated by the circumstances

Knowledge, skills, & abilities:

- Knowledge of relevant laws and regulations and experience advising organizations on legal and regulatory matters, along with expertise in best practices for legal compliance programs
- Leadership in working within an organization to implement a comprehensive program designed to ensure regulatory compliance
- Ability to communicate complex issues clearly and concisely, with excellent verbal and written communication skills
- Ability to build strong, credible working relationships cross-functionally, including well-developed interpersonal skills and ability to gain support of and positively influence others' behavior
- Ability to communicate and interface with regulators and other third parties, and diverse audiences at all levels of the organization, including but not limited to the BOT, BOG, Auditor General, Federal oversight agencies, and state oversight agencies Preferred certifications
- Solid independent thinking and decision-making ability, along with the ability to discern and understand multiple viewpoints

Certification requirements:

- At least one of the following certifications is preferred: CPA, CIA, CFE, CCEP or
- Licensure by the Florida Bar

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Anticipated Cost (1)

	<u>2017-18</u>	<u>2018-19</u>
Compliance officer salary & benefits	\$150,000	150,000
Administrative assistant salary & benefits	\$ -0- (2)	-0- (2)
Compliance staff salary & benefits	\$ -0-	50,000
Training & resources	\$2,500	10,000
Office expense	\$1,000	15,000
IT equipment & software	<u>\$ -0-</u>	<u>50,000</u>
Total	<u>\$153,500</u>	<u>275,000</u>

(1) Included in Division of Audit & Compliance budget for 2017-18

(2) Shared position with Division of Audit & Compliance

Timeline for Implementation

The BOG Regulation requires implementation by October 31, 2018. The BOG's expectation is that the compliance program be operational. We expect to have the program implemented by June 2018. A timeline for major events is presented in the following table:

Event	Expected Implementation Date	Comments
Audit committee approval of compliance charter	June 2017	Determine structures & mechanism for BOT oversight & scope of compliance function activities
Hire compliance officer	June 2017	
Develop compliance program	December 2017	
Develop compliance work plan	December 2017	
Begin routine CCO meetings with BOT audit committee	September 2017	VP Audit & Compliance is currently performing this
Begin routine CCO meetings with President	July 2017	VP Audit & Compliance is currently performing this
Provide training to BOT of responsibility and accountability for ethical conduct and compliance with applicable laws, regulations, rules, policies, and procedures	March 2018	
Submit the first annual report to BOT and President	June 2018	
Separate Compliance and functions into separate organizational units	June 2018	Required by BOG regulation by November 2021