



**FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE
MINUTES
SEPTEMBER 1, 2016**

1. Call to Order and Chair's Remarks

The Florida International University Board of Trustees' Finance and Audit Committee meeting was called to order by Committee Chair Gerald C. Grant, Jr. at 8:20 am on Thursday, September 1, 2016, at the Modesto A. Maidique Campus, Graham Center Ballrooms.

The following attendance was recorded:

Present

Gerald C. Grant, Jr., *Chair*
Justo L. Pozo, *Vice Chair*
Leonard Boord
Marc D. Sarnoff
Kathleen L. Wilson

Excused

Cesar L. Alvarez
Natasha Lowell

Board Chair Claudia Puig and Trustee Alian Collazo and President Mark B. Rosenberg were also in attendance.

Committee Chair Grant welcomed all Trustees, faculty, and staff to the meeting.

2. Approval of Minutes

Committee Chair Grant asked that the Committee approve the Minutes of the meeting held on June 2, 2016. Trustee Kathleen L. Wilson motioned that the June 2, 2016 Minutes be amended to reflect her request that the Department of Intercollegiate Athletics be given special priority within the Office of Internal Audit Risk Assessment/Five Year Plan. A motion was made and passed to approve the amended Minutes of the Finance and Audit Committee Meeting held on Thursday, June 2, 2016.

3. Discussion Items

3.1 Office of Internal Audit Status Report

Internal Audit Director Allen Vann presented the Internal Audit Report, providing updates on the recently completed audits of the University's Mobile Health Centers and on sub-recipient monitoring. He also reported on work in progress and presented a follow-up status report on past audit recommendations, noting that 30 of the 46 recommendations were completed and that the remaining 16 recommendations are in progress.

Mr. Vann presented an overview of the audit of payment services, adding that a review of the supplier list was conducted in terms of analyzing potential relationships between vendors and FIU employees. He stated that the analysis established that in terms of vendors, 320 addresses and 84 bank accounts corresponded to that of FIU employees. He reported that a recommendation was made that the Payment Services Department increase collaboration with the Division of Human Resources in order to proactively monitor for conflict of interests between employees and suppliers. Mr. Vann also presented on the findings relating to the review of nepotism policies and procedures, noting that the audit concluded that in terms of employees, 287 bank accounts match to other University employees. He added that 99 University employees with matching bank accounts were found to be employed by the same College or business unit. He reported that the audit resulted in four recommendations that require the establishment of more proactive procedures for identifying potential relationships at various points of an employee's career life beyond onboarding.

The Committee engaged in a substantive discussion with Mr. Vann regarding the audit of payment services and the review of the nepotism policies and procedures. Mr. Vann noted that University employees that are also vendors must fully disclose that mutual relationship in accordance with FIU policies. Trustee Leonard Boord requested that the Committee further review the audit of payment services in terms of understanding the potential impacts, if any, to the University. Senior Vice President and Chief Financial Officer Kenneth A. Jessell noted that in relation to the findings in the audit of payment services, the monetary impact to the University is relatively small. Chief Compliance and Privacy Officer Karyn Boston added that the Compliance office will conduct a review of the current conflict of interest policy and implement a corresponding monitoring plan. Committee Chair Grant noted a sense of urgency in terms of conducting follow-up audits of payment services and the nepotism policies and procedures in order to ensure appropriate compliance.

▪ **Benchmarking Internal Audit Activities**

Mr. Vann presented a benchmarking analysis comparing internal audit activities among the State University System institutions. He provided an overview of standards for internal auditing and mitigating oversight functions at the University. He also presented a comparison where FIU was benchmarked against 21 universities with similar overall budget and size, noting that the data was based on the 2005 study by the Association of College and University Auditors in collaboration with the International Institute of Internal Auditors.

Trustees engaged in a discussion with Mr. Vann on the appropriate staffing levels for the Office of Internal Audit, noting that the costs of hiring one or two additional auditors over the next two fiscal years would provide for increased efficiencies that will result in long-term cost-savings. Trustee Boord suggested that the Committee recommend that two auditors be hired, adding that the primary functions of one auditor should be devoted to information technology. President Mark B. Rosenberg appreciated the Committee's advice and stated that the University would move to hire auditors aligned with the needs of the unit.

3.2 Financial Performance Review, FY2015-16

Sr. VP and CFO Jessell presented the Financial Performance Review for the fourth quarter of 2015-16 and provided a summary of University revenues and expenditures. He reported that the University and direct support organizations' operating revenues were above estimates by \$15.4M (or 1 percent), which can be primarily attributed to: higher academic auxiliary revenue; higher housing occupancy; and increased sales at the Panther TECH store. He added that these were offset by lower cash contributions combined with a timing delay in new gift agreements and lower enrollment in continuing education programs and higher patient volume. He noted that expenses were below estimates by \$38.9M (or 4 percent), primarily due to lower expenditures, delayed spending, and University and College of Medicine vacant positions.

Trustee Kathleen L. Wilson inquired as to the long term plan for reducing the student Athletic Fee. Sr. VP and CFO Jessell noted that FIU's Athletic Fee is comparable when benchmarked to other similar institutions, adding that the Athletic Fee supports the University's student-athletes and contributes to a quality program. He added that the University must also fulfill the obligation of the debt incurred in relation to the building of the football stadium. He stated that as the football program continues to build upon its current growth trajectory, a rise in sponsorships to benefit Athletics can offset any future fee increases.

Trustees inquired as to the University's financial planning in terms of Performance Funding revenue. Sr. VP and CFO Jessell noted that while the University works towards achieving the goals set out in the annual Work Plan and strives to increase its percentage points, changes to the Performance Funding Model could impact the University's relative ranking.

Trustee Boord engaged with members of the administration in a discussion on the effects of the growing number of student debt holders that have loans in varying stages of non-payment. President Rosenberg indicated that over 12,000 FIU undergraduate students receive full Federal Pell Grant awards, noting that they have a zero Expected Family Contribution index. He added that FIU is the second lowest in terms of student debt loads within the State University System. He mentioned that there is a positive correlation between on-time graduation and student indebtedness, stating that many University students opt to delay graduation in favor of avoiding debt. Vice President for Academic Affairs Elizabeth M. Bejar provided an overview of the University's past efforts and current proactive approach, which have contributed and continue to create a positive impact on decreasing the default rate.

Trustee Alian Collazo requested a benchmarking analysis of FIU housing rates compared to the State University System institutions in terms of the required meal plan purchase for first year students living on campus. Sr. VP and CFO noted that this is not a unique requirement to FIU, adding that the meal plan requirement is an item for discussion in the current competitive negotiation for the University's food service contract.

3.3 University Compliance Report

Ms. Boston presented the University Compliance Report, providing implementation updates on the progress towards reaching Program goals. She discussed the progress towards finalizing the University Code of Conduct, noting that it was in the vetting stages. She added that it is anticipated that a draft of the Code of Conduct and roll-out plan will be shared with the Committee at the next regularly scheduled meeting.

4. Reports

Committee Chair Grant requested that the Athletics Update, Business Services Report, Emergency Management Status Report, Facilities and Construction Update, Foundation Report, Safety and Environmental Compliance Report, and Treasury Report be accepted as written. There were no objections.

Trustee Wilson inquired as to the plans for enrollment growth in the Biscayne Bay Campus (BBC). Provost and Executive Vice President Kenneth G. Furton discussed a state-wide and national trend where stand-alone regional campuses of universities have experienced enrollment decreases, which can be attributed to the growth of online learning. He reported on the University's efforts aimed at expanding enrollment in BBC, noting that the Communication Arts and Global Strategic Communications degrees will be offered in BBC.

5. New Business

5.1 Office of Internal Audit Discussion of Audit Processes

Committee Chair Grant noted that as is stipulated in the Finance and Audit Committee Charter, the Committee must meet with Senior Management without the presence of the Office of Internal Audit. He further noted that as a meeting conducted in the Sunshine, no one present was required to leave during the discussion with Senior Management, adding that this was strictly voluntary. Members of Senior Management discussed the auditor's performance. Committee Chair Grant confirmed with Mr. Vann that the Office of Internal Audit had the full cooperation of management and that there were no audit scope impairments. Committee members discussed the creation of a separate Audit and Compliance Committee with Mr. Vann. Mr. Vann explained that it was a best practice and will serve to elevate the importance that the Board places in its oversight responsibilities.

6. Concluding Remarks and Adjournment

With no other business, Committee Chair Gerald C. Grant, Jr. adjourned the meeting of the Florida International University Board of Trustees Finance and Audit Committee on Thursday, September 1, 2016 at 9:42 am.

Trustee Requests	Follow-up	Completion Date
<i>1. Trustee Leonard Boord requested that the Committee further review the audit of payment services in terms of understanding the potential impacts, if any, to the University.</i>	<i>Internal Audit Director Allen Vann</i>	<i>Follow-up: March 2017</i>
<i>2. Trustee Alian Collazo requested a benchmarking analysis of FIU housing rates compared to the State University System institutions in terms of the required meal plan purchase for first year students living on campus.</i>	<i>Senior Vice President and Chief Financial Officer Kenneth A. Jessell</i>	<i>Next Regularly Scheduled Committee Meeting</i>

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