



**FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
AUDIT AND COMPLIANCE COMMITTEE
MINUTES
MARCH 2, 2017**

1. Call to Order and Chair's Remarks

The Florida International University Board of Trustees' Audit and Compliance Committee meeting was called to order by Committee Chair Gerald C. Grant, Jr. at 8:36 am on Thursday, March 2, 2017, at the Modesto A. Maidique Campus, Graham Center, Room 243.

The following attendance was recorded:

Present

Gerald C. Grant, Jr., *Chair*
Natasha Lowell, *Vice Chair*
Alian Collazo
Michael G. Joseph
Kathleen L. Wilson

Excused

Leonard Boord

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

Committee Chair Grant welcomed all Trustees, faculty, and staff to the meeting. On behalf of the Committee, he extended his gratitude to Alian Collazo, Student Trustee and Student Government President for the Modesto A. Maidique Campus, for his leadership and dedication to the Board, the University and the students. Trustee Collazo stated that it was a great honor for him to have the privilege to serve the students of the University as well as an honor to serve as a member of the Board.

2. Welcome and Introduction: Charge of the Audit and Compliance Committee

Committee Chair Grant noted that the approach over internal controls is a collaborative effort that is integral to the University's function. He then provided a brief overview of the Audit and Compliance Committee's responsibilities, noting that this included reviewing procedures in place to assess and minimize significant risks, overseeing the quality and integrity of financial reporting practices, and overseeing the overall audit process. He stated that the BOG has recognized FIU's internal audit function for conforming to industry best practices and a common set of standards that are now being followed throughout the State University System.

3. Follow-up to Item from Finance and Audit Committee Meeting

Provost and Executive Vice President Kenneth G. Furton noted that in response to Trustee Leonard Boord's request for follow-up on the audit of the Chaplin School of Hospitality and Tourism Management, a plan detailing the actions taken by the University was included in the agenda materials. Provost Furton noted that the School's Institute for Hospitality and Tourism Education and Research has been downsized, adding that its discontinuation was possible if a new major contract was not secured. He stated that personnel actions are planned for the individuals responsible for the oversight of various program accounts. Provost Furton indicated that regular follow-up audits are advisable in order to ensure the effectiveness of the corrective actions. He also stated that the identified findings could serve as a resource tool to help further FIU's shared commitment over internal controls and that the audit of the Chaplin School of Hospitality and Tourism Management was shared with the University Deans.

4. Action Items

AC1. Performance Based Funding Metrics Data Integrity

A. Performance Based Funding – Data Integrity Certification

B. Audit of Performance Based Funding Metrics

Chief Audit Executive Allen Vann presented the Data Integrity Certification and the results of the third Audit of Performance Based Funding Metrics for Committee review. He noted that the State University System of Florida Board of Governors (BOG) requires the Chief Audit Executive to audit Performance Based Funding-related controls, processes, and data submissions. He presented the audit findings and recommendations, stating that the current audit confirms that the University has good process controls for maintaining and reporting performance metrics data. Mr. Vann further indicated that the results of the current audit provide assurances to the President and Board of Trustees that data submitted to the BOG is accurate and reliable.

A motion was made and passed that the FIU Board of Trustees Audit and Compliance Committee recommend that the Board of Trustees:

1. Approve the Performance Based Funding – Data Integrity Certification to be signed by the Chair of the FIU Board of Trustees; and
2. Approve the Audit Report - Audit of the Performance Based Funding Metrics Data Integrity

AC2. Approval of the Compliance and Ethics Charter for the Office of University Compliance and Integrity

Assistant Vice President and Chief Compliance Officer Karyn Boston presented the Compliance and Ethics Charter for the Office of University Compliance and Integrity for Committee review, noting that this was a requirement set forth in the new BOG Regulation 4.003 - State University System Compliance and Ethics Programs. She added that the Regulation became effective November 2016 and requires full implementation by November 2018. She reported on the University's progress, noting that 11 of the 19 elements in the BOG checklist have already been implemented. She then presented an overview of the requirements, indicating that the Regulation provides for Board oversight of the program, designation of a senior level administrator as the chief compliance officer, requires a charter, and provides program components describing authorities, duties, and responsibilities. She delineated key elements contained within the Charter, mentioning

that the Charter was reviewed by an external organization in order to ensure that it was aligned with Federal Sentencing Guidelines, BOG Regulation 4.003, and best practices. She further stated that the Charter will be reviewed at least every two (2) years in order to align with the review of the Committee's Charter.

A motion was made and passed that the FIU Board of Trustees Audit and Compliance Committee recommend that the Board of Trustees approve the Compliance and Ethics Charter for the Office of University Compliance and Integrity.

5. Discussion Items

5.1 Office of Internal Audit Status Report

Mr. Vann presented the Internal Audit Report, providing updates on the recently completed audits. He reported that the Financial Aid audit disclosed that controls and procedures need improvement and internal controls could be strengthened. He stated that Football attendance data reported to the NCAA on the 2016 Football Paid Attendance summary sheets are supported by sufficient, relevant, and competent records. He introduced the Committee to Ms. Stephanie Price who recently rejoined the Office of Internal Audit as a Senior Auditor, adding that Ms. Price previously served as an Office intern while she obtained bachelors and masters degrees in Accounting at FIU. He also reported on work in progress and presented a follow-up status report on past audit recommendations, noting that 25 of the 50 recommendations were completed and that the remaining recommendations are in progress.

5.2 Consultant Report on Vendor Electronic Fund Transfer Change Controls

Mr. Vann noted that pursuant to the request from Board of Trustees Chair Claudia Puig, the Office of Internal Audit engaged a consultant, Elevate Consult LLC, to review and perform limited testing of the current procedures and processes of the Procurement Department for making changes to vendor electronic funds transfer information. Mr. Vann reported that while Elevate concluded that the current environment over change of supplier EFT data is satisfactory, they recommended steps that the University could take in order to further strengthen controls.

Committee Chair Grant noted that electronic funds transfer fraud is a growing national concern. Board Chair Claudia Puig added that the independent validation of the University's processes by an outside entity was a great resource as it provided additional tools that will help further mitigate human errors and minimize external exposure and risks.

Senior Vice President of Administration and Chief Financial Officer Kenneth A. Jessell noted that the University is activating the Vendor Self Service feature on PantherSoft Financials in order to improve the vendor data management process by requiring vendors to input, maintain, and update their information in the database. Vice President for Information Technology and Chief Information Officer Robert Grillo noted that as part of the University's cybersecurity strategy, the Division of IT implemented the two-factor authentication process in order to increase security measures on user accounts.

Trustee Natasha Lowell inquired as to the percentage of fraudulent incidents in relation to the funds that are transferred out of the University. Sr. VP and CFO Jessell noted that there have been no

prior fraud incidents, adding that the University's timely response allowed for the full return of the funds. Committee Chair Grant noted that financial institutions have embraced the approach of collaborating as an industry in order to identify solutions for the growing risk.

5.3 University Compliance Report

Ms. Boston presented a status update on the 2016-17 Compliance Work Plan. She noted that only one (1) key action item was not on track and provided an implementation update on the progress towards reaching the finalization of the investigation guidelines described under the section pertaining to Enforcement, Discipline, and Incentives. She stated that if full implementation is not achieved by June 1st, then its inclusion as a separate action item for the 2017-18 Compliance Work Plan will be necessary.

Trustee Kathleen L. Wilson inquired as to the process for addressing audits with fair and inadequate findings. While the Office of Internal Audit provides status updates pertaining to the implementation of recommendations provided in the audits, Ms. Boston also noted that upon conclusion of an audit, the Compliance office provides monitoring support by collaborating with the business units in order to ensure that there is positive progress towards fully implementing the resulting recommendations.

6. Reports

Committee Chair Grant requested that the Reports pertaining to Athletics Compliance and the FIU Academic Health Center Health Care Network Faculty Group Practice, Inc. Compliance be accepted as written. There were no objections.

7. New Business

7.1 Senior Management Discussion of Audit Processes

Committee Chair Grant noted that as is stipulated in the Audit and Compliance 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 Office of Internal Audit's performance.

8. 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 Audit and Committee on Thursday, March 2, 2017 at 9:34 am.