



Audit and Compliance Committee
February 29, 2024
FIU, Modesto A. Maidique Campus, Graham Center Ballrooms

MINUTES

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 Chanel T. Rowe at 9:01 AM on Thursday, February 29, 2024.

General Counsel Carlos B. Castillo conducted roll call of the Audit and Compliance Committee members and verified a quorum. Present were Trustees Chanel T. Rowe, *Chair (Zoom)*; Alan Gonzalez, *Vice Chair (Zoom)*; Noël C. Barengo; Yaffa Popack (*joined after roll call*); and Alexander P. Sutton.

Trustees Francis A. Hondal and Natasha Lowell were excused.

The following Board members were also in attendance: Board Chair Roger Tovar, Board Vice Chair Carlos A. Duart, and Trustee Dean C. Colson.

Committee Chair Rowe welcomed all Trustees and members of the University administration. She also welcomed the University community and general public accessing the meeting via the University's webcast.

2. Approval of Minutes

Committee Chair Rowe asked if there were any additions or corrections to the minutes of the Audit and Compliance Committee meeting held on December 7, 2023. Hearing none, a motion was made and unanimously passed to approve the minutes of the Audit and Compliance Committee meeting held on December 7, 2023.

3. Action Item

AC1. Acceptance of Performance Based Funding and Emerging Preeminent Metrics Data Integrity Audit Report and Approval of Data Integrity Certification

Chief Audit Executive Mr. Trevor L. Williams presented the results of the audit of the Performance Based Funding and Emerging Preeminent Metrics Data Integrity and the Data Integrity Certification for Committee review. Mr. Williams explained that as required by Florida statutes and the State University System of Florida Board of Governors (BOG), the FIU Office of Internal Audit performed an audit of the data integrity related to performance based funding metrics, and in FIU's case, emerging preeminent metrics. He pointed out that the audit objectives were to determine whether the process established by the University ensures the completeness, accuracy, and timeliness

of data submitted to the BOG and that support said metrics and provide an objective basis of support for the University President and the Board of Trustees Chair to sign the representation made on the Data Integrity Certification. Mr. Williams noted that the audit concluded that the University continues to have good processes and controls for maintaining and reporting performance metrics data and, overall, the system, in all material respects, continues to function in a reliable manner. He added that the Office of Internal Audit found no instances that need to be reported and there were no findings in said audit report. He stated that based on the audit results, the Office of Internal Audit believes that the audit presents a sound basis from which the University President and Board of Trustees Chair can rely upon to sign the Data Integrity Certification. Mr. Williams read the University President's representations contained in the Data Integrity Certification. Mr. Williams explained that the Data Integrity Certification has been signed by University President Kenneth A. Jessell and requires the signature of the Board of Trustees Chair upon approval by the FIU Board of Trustees. Mr. Williams read the Board of Trustees Chair's representations contained in the Data Integrity Certification. Mr. Williams stated that the audit report and Data Integrity Certification are due to the BOG by March 1.

A motion was made and unanimously passed that the FIU Board of Trustees Audit and Compliance Committee recommend Florida International University Board of Trustees acceptance of the Audit Report - Audit of Performance Based Funding and Emerging Preeminent Metrics Data Integrity and approval of the Performance Based Funding and Emerging Preeminence Status – Data Integrity Certification, as executed by the University President.

4. Discussion Items

4.1 Office of Internal Audit Status Report

Mr. Williams presented the Office of Internal Audit Status Report. He indicated that since the Committee last met, the Office of Internal Audit (OIA) completed audits related to Performance Based Funding and Emerging Preeminent Metrics Data Integrity, South Beach Wine and Food Festival operations, and Panther TECH operations. He commented on the Audit of the Food Network South Beach Wine & Food Festival presented by Capital One (Festival) operations. He indicated that the audit scope included an assessment of internal controls over the operations of the unit that is responsible for the planning and management of the Festival. Mr. Williams added that revenues from the 2023 Festival generated approximately \$13.9M. He stated that overall, Festival operations are functioning well with no material errors or miscalculations. He indicated that the audit offered eight (8) recommendations that span across three business processes: revenue recognition and recordkeeping; procurement of goods and services; and personnel administration. In terms of revenue recognition and recordkeeping, Mr. Williams noted that the audit recommended the adoption of generally accepted accounting principles to ensure when revenue is recognized that the related expenses are also recognized in the same period. He added that the audit also recommended for the establishment of clear and comprehensive procedures for the distribution, tracking, reporting, and accounting for complementary tickets. With respect to the procurement of goods and services, Mr. Williams stated that the audit also recommended that the department adhere to its procedures manual to ensure that supplier agreements and contracts are in effect prior to paying an invoice, where applicable. He also commented on the recommendation related to obtaining a refund for the \$6,000 overpayment made to a supplier for advanced commissions and on the need to perform reconciliations in the future to ensure that this does not occur again. Mr.

Williams remarked on the recommendation to include terms for reasonable and known costs into new or existing contracts. Pertaining to personnel administration, he indicated that recommendations included, periodically performing a verification and validation routine to ensure employees' flexible time information is accurately documented, implementation of monitoring mechanism to ensure flexible work arrangement forms are submitted and approved annually, as required by the department, and reinforcing to staff that outside activity conflict of interest forms must be approved by their supervisor prior to engaging in outside activity.

Mr. Williams commented on the audit of the FIU Panther TECH store. He pointed out that the audit focused on determining whether existing controls and procedures were adequate and provided for the effective management of the sales, returns, purchasing, inventory, and IT processes for the fiscal year ended June 30, 2023. He stated that for the fiscal year ended June 30, 2023, Panther TECH recorded revenues of \$9.2M and expenses of \$13.4M. Mr. Williams pointed out that most of the net expenses over revenues were recognized in fiscal year 2022 when they should have been recognized in fiscal year 2023. In response to Board Chair Tovar, Mr. Williams noted that Panther TECH's system for tracking inventory and revenue does not tie into to the University's PantherSoft Financials. Further responding to Board Chair Tovar, Vice President for Information Technology and Chief Information Officer Robert Grillo pointed out that for fiscal year 2023, Panther TECH's profit margin was 1.28% with a net profit of \$180,298.76. Board Chair Tovar recommended that Mr. Williams state in his audit report and presentation what the net income would be if it were correctly reflected. Chief Financial Officer and Senior Vice President for Finance and Administration Aime Martinez commented that departmental level accounting is on a modified accrual basis with the full accrual happening in the Controller's office at year end.

Mr. Williams indicated that the Panther TECH audit resulted in 10 recommendations. He added that some controls are functioning and designed well with room for improvement as some controls are not designed well and not functioning. Board Chair Tovar commented that correctly accounting for sales and expenses should be addressed with a sense of urgency. In response to Committee Chair Rowe, Mr. Williams stated that management has agreed to implement the recognition issue by August 1, 2024. Further responding to Committee Chair Rowe, Board Chair Tovar requested for the Committee's next meeting, a reconciliation for fiscal years 2022 and 2023 reflecting true net income and inventory and an update on the implementation of the audit recommendations. Mr. Williams pointed out that audit recommendations included matching expenses and revenues and ensuring that they are recorded in their appropriate period, ensuring petty cash is counted and reconciled on a periodic basis, and ensuring trade-in shipments are fulfilled on a timely basis. In terms of inventory management, Mr. Williams stated that recommendations included periodic reconciliation and strengthening preventive and detective control over inventory loss. Relating to information technology, he mentioned that recommendations included collaboration with point of sales application to address some of the issues raised, conducting regular access and activity log audits, and resolving security gaps in said point of sales application. In response to Committee Chair Rowe, Mr. Williams stated that management has agreed to implement the recommendations related to loss prevention within the coming months. In response to Trustee Yaffa Popack, VP Grillo stated that Panther TECH provides a service to students, faculty, and staff, and is focused on the customer experience and that it is a common practice for institutions across the country to have Dell and

Apple certified stores. He further stated that Panther TECH maintains a low inventory and functions as a point of sale.

With regards to ongoing projects, Mr. Williams indicated that there are nine (9) audits in various stages of completion. He reported that of the 66 recommendations that were due for implementation between July 1, 2023, and December 31, 2023, 68% were completed, 26% were partially implemented, and 6% were pending. He pointed out that some of the recommendations that are not yet fully implemented, may include implementation of system changes, are complex in nature, and/or are being implemented in a phased approach. Mr. Williams reiterated that recommendations which are partially implemented or pending are monitored to ensure that they are ultimately implemented. He mentioned that OIA receives complaints of alleged wrongdoing, including suspected fraud, waste, and abuse. He added that since OIA's last report to the Committee, two (2) such complaints were received. He commented on ongoing advisory services, including fire safety inspections management, research investigation support, and support to the Athletics Department to address issues related to the reconciliations and cash advancement processes. Mr. Williams indicated that OIA has completed a periodic internal quality assessment of its operations. He added that the results were consistent with the results from the last external quality assessment review, which concluded that OIA generally conforms with The Institute of Internal Auditors standards, which is the highest rating that can be achieved. Mr. Williams noted that OIA has implemented the three (3) recommendations resulting from the internal quality assessment. He stated that OIA will begin the process of arranging for the completion of an independent, external quality assessment review of the Office's activity.

In response to his earlier request regarding the audit of Panther TECH operations, Board Chair Tovar indicated that the point of sales application does correctly reflect sales and expenses. He commented that he also received the requested reconciliation, which reflects positive net income from 2020 to 2023. He added that the income in 2020 was \$283,000, \$154,000 in 2021, \$146,000 in 2022, and \$180,000 in 2023. In response to Board Chair Tovar, Mr. Williams stated that while the accounting is accurately reflected in the point of sales application, the accounting is not accurately reflected in the PantherSoft Financials system.

4.2 Office of University Compliance and Integrity Quarterly Report

Chief Compliance and Privacy Officer Ms. Jennifer LaPorta presented the Office of University Compliance and Integrity quarterly report, which identifies progress on the initiatives and priorities for the second quarter of the fiscal year. She pointed out that, as was reported in at the Committee's last meeting, the Compliance Office developed and launched its six largest training campaigns in early fall and since have been working with supervisors, human resources liaisons, business unit heads and Employee and Labor Relations to escalate and complete said mandatory campaigns through December. Ms. LaPorta added that a completion rate of between 98.7 and 100% was achieved for all campaigns. She commented on working with University partners to complete six less formal communication campaigns. She remarked on the launch of the University-wide three-year policy review process on October 31. She stated that said project is scheduled for completion in March, which, when completed, will ensure that over 500 University-wide policies and procedures are current, updated and effectively communicate FIU's community standards and expectations. Ms. LaPorta indicated that the Compliance Office is working to secure the required approvals for any

substantive policy changes made during said review process and to follow up with the units and individuals who have not yet completed their policy reviews. She noted that, to date, 413 of 520 policies and procedures have been reviewed and updated.

Ms. LaPorta reiterated that management and oversight of foreign influence risk continues to be a priority and significant time commitment for the Compliance Office as well as many other key stakeholders throughout the University, including the Office of Research and Economic Development, the Office of the Provost, the Office of General Counsel, and the Division of Human Resources. She commented that since the implementation of Florida's foreign influence statute, the BOG has promulgated its own foreign influence regulation and issued several guidance documents, including its most recent in October 2023. She added that said guidance documents provide insight into the BOG's interpretation of the Florida statute and its corresponding expectations of the State University System institutions. Ms. LaPorta indicated that the Compliance Office has continued to meet with subcommittees of the Foreign Influence Task Force regarding process improvements to foreign influence workflows, informed, in part, by the BOG guidance. She added that this included screening foreign applicants to research related positions, procurement, reporting of foreign gifts and agreements and international travel workflows. Ms. LaPorta mentioned that the Compliance Office continues to assess, make adjustments, communicate with the University community, and seek feedback from them about the additional processes required to meet the related obligations. She pointed out that in December, the Compliance Office launched the data gathering effort for the state and federal foreign gift and agreement reporting, which was since evaluated by the Office of General Counsel, who also prepared the required filings that were submitted in late January.

Ms. LaPorta stated that, in addition to the aforementioned workplan initiatives, the Compliance Office continued throughout the second quarter with the oversight and management of the Ethics Hotline and of the Compliance Matrix, the platform that supports the oversight and tracking of over one hundred state and federal mandated filings and actions required throughout the University. She added that in December, the Compliance Office closed out the 2023 Matrix with a 100% completion rate for all requirements. She noted that, as was reported to the Audit and Compliance Committee at its last meeting, the Compliance Office was approved for two new positions in October. She noted that the position of Compliance Coordinator was filled by Ms. Krystyna Infante who joined the Compliance Office on January 21, 2024. Ms. LaPorta mentioned that the Compliance Office will commence recruiting for the second position in late summer. She noted that she will continue to collect data to determine any additional resourcing needs as the Office moves forward in the areas of privacy, risk, export controls and foreign influence. She commented on meeting with Senior Vice President for Health Affairs and Dean of the Herbert Wertheim College of Medicine (HWCOM) Juan C. Cendan and his team to discuss and understand how the Compliance Office can further support the evolution taking place in HWCOM. Ms. LaPorta indicated that, after serving for just over three years, she has stepped down as Chair of the State University System Compliance Consortium.

5. New Business

5.1 Senior Management Discussion of Audit Processes

Committee Chair Rowe noted that, prior to today's meeting and as is the practice prior to every meeting of the Audit and Compliance Committee, she met with the Chief Audit Executive, Mr. Williams, Chief Compliance Officer, Ms. LaPorta, and the University's liaison to the Committee,

Vice President and Chief of Staff Javier I. Marques regarding matters to be brought before and actions to be taken by the Committee. Committee Chair Rowe added that she also met separately with Provost and Executive Vice President Elizabeth M. Bejar on behalf of the University's senior leadership. Committee Chair Rowe indicated that Provost Bejar spoke about the collaborative relationship that University leadership maintains with the Chief Audit Executive and members of the Office of Internal Audit. Committee Chair Rowe pointed out that Provost Bejar did not raise any material concerns about the referenced relationship. VP Marques stated that, as mentioned earlier, the Office of Internal Audit recently completed an audit and issued recommendations to strengthen and improve the timeliness of fire extinguisher inspections. He noted that the audit team met, as they always do with the unit to discuss their findings as well as their recommendations. Mr. Marques added that in this instance, the Office of Internal Audit also proposed a solution using existing technologies that were customized by their team to adapt to the needs of the unit. He noted that this collaboration saves the unit time and recurring costs. He recognized the following members of the Office of Internal Audit, Manuel Sanchez, Natalie San Martin, and Henley Louis-Pierre.

6. Concluding Remarks and Adjournment

With no other business, Committee Chair Chanel T. Rowe adjourned the meeting of the Florida International University Board of Trustees Audit and Compliance Committee on Thursday, February 29, 2024, at 9:57 AM.