



Board of Trustees Audit & Compliance Committee Meeting

Tuesday, October 31, 2017
9:00 AM

Florida Polytechnic University
Admissions Center
4700 Research Way
Lakeland, FL 33805

Cliff Otto, Chair
Bill Brown

Don Wilson, Vice-Chair
Dr. Richard Hallion

Mark Bostick
Gary Wendt

AGENDA

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|-------|--|---------------------------|
| I. | Call to Order | Don Wilson,
Vice-Chair |
| II. | Roll Call | Maggie Mariucci |
| III. | Public Comment | Don Wilson,
Vice-Chair |
| IV. | Approval of the June 7, 2017 Minutes
Action Required | Don Wilson,
Vice-Chair |
| V. | 2016-18 Audit and Compliance Work Plan
Review | Don Wilson,
Vice-Chair |
| VI. | Introduction of David Blanton, CAE/CCO | Mark Mroczkowski |
| VII. | CAE/CCO Report | David Blanton |
| VIII. | Closing Remarks and Adjournment | Don Wilson,
Vice-Chair |

DRAFT

**FLORIDA POLYTECHNIC UNIVERSITY
BOARD OF TRUSTEES
AUDIT & COMPLIANCE COMMITTEE
MEETING MINUTES
Florida Industrial and Phosphate Research Institute
1855 W. Main St., Bartow, FL 33830
June 7, 2017 @ 9:00 AM**

I. Call to Order

Committee Vice Chair Don Wilson called the Audit and Compliance Committee meeting to order at 9:05 a.m.

II. Roll Call

Maggie Mariucci called the roll: Vice Chair Don Wilson, Trustee Mark Bostick, Trustee Dick Hallion, and Board Chair Frank Martin were present and a quorum was declared. Board Chair Martin served on the committee in order to establish quorum.

Other trustees present: Trustee Jim Dewey, Trustee Philip Dur, Trustee Sandra Featherman, and Trustee Jacob Livingston were present.

Staff present: President Randy Avent, Mr. Kevin Aspegren, Ms. Gina DeIulio, Mr. Mark Mroczkowski, Dr. Terry Parker, Mrs. Maggie Mariucci, and Mr. Rick Maxey.

III. Public Comment

There were no requests for public comment.

IV. Approval of Minutes

Trustee Dick Hallion made a motion to approve the Audit and Compliance Committee meeting minutes of March 15, 2017. Trustee Don Wilson seconded the motion; a vote was taken, and the motion passed unanimously.

V. 2016-2018 Audit and Compliance Committee Work Plan

There were no comments on the Committee's Work Plan.

VI. Update of Chief Audit Executive /Chief Compliance Officer

Mr. Mark Mroczkowski reported on the upcoming hire of a CAE/CCO. Board of Governors regulations require the University to fill these positions. There has been an exception granted to combine the two positions into one position. The position is expected to be filled at the beginning of the new fiscal year (July 1). The Search Committee is in the process of holding in-person interviews

in order to make a recommendation to the President. The person hired will have a dual reporting structure to both the Audit and Compliance Committee and President Avent.

Trustee Martin questioned the role being combined into one position and Mr. Mroczkowski reported that the combined role was taken into consideration when reviewing the candidates in order to ensure they will bring forth the skill set necessary for the position. As a small University, the combined position likely won't need to be broken into two separate positions anytime in the near future.

VII. Report of Internal Audit

Mr. Mroczkowski presented reports from the auditing firm Focal Point Data Risk, LLC. An investigation was held regarding a summer compensation salary dispute from a faculty member. The firm concluded that the salary was computed correctly and a policy is being drafted to ensure no such confusion will happen in the future.

Trustee Hallion made a motion to approve the Report of the Internal Auditor. Trustee Bostick seconded the motion; a vote was taken, and the motion passed unanimously.

VIII. Operational Audit Update

Mr. Mroczkowski reported the University is currently under an operational audit for all of 2016 and the first quarter of 2017. The auditors should complete the audit by the end of July. A Bright Futures audit will be conducted in August followed by the year-end financial audit in the fall.

IX. Risk Assessment

Mr. Mroczkowski presented his report on risks generally present in university environments and the efforts at mitigation and management of the various risks taken at Florida Poly. This is a process of continuous improvement. Systems are being implemented to help manage risks such as the ERP system. The systems being implemented will help with internal controls and ultimately create operational efficiencies and keep labor costs down.

Trustee Dur questioned the area of export controls (under "research risks") being categorized as "N/A" on the report. Mr. Mroczkowski replied it does not affect the University yet but will be explored in the future. President Avent stated this would be an area carefully monitored.

Mr. Mroczkowski stated the University is well insured and he is considering additional GAP insurance.

X. Closing Remarks and Adjournment

With no further business to discuss, the Audit and Compliance Committee meeting adjourned at 9:25 a.m.

AGENDA ITEM: V

**Florida Polytechnic University
Audit and Compliance Committee
Board of Trustees
October 31, 2017**

Subject: 2016-2018 Audit and Compliance Committee Work Plan Review

Proposed Committee Action

No action required- Information only.

Background Information

At the December 7, 2016, Audit and Compliance Committee meeting, the committee reviewed and voted on the committee work plan. The work plan has been updated to include their recommendations, if any.

Supporting Documentation:

2016-2018 Audit and Compliance Committee Work Plan

Prepared by: Mark Mroczkowski, CFO and Vice President

Florida Polytechnic University
Audit & Compliance Committee
Work Plan 2016-2018

March 15, 2017	June 7-8, 2017	September 13, 2017	December 6, 2017
<ul style="list-style-type: none"> • New BOG Audit & Compliance regulations workshop • Adopt BOT regulation in conformance with BOG 	<ul style="list-style-type: none"> • Risk Assessment workshop 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • University Annual Financial Audit • Foundation Annual Financial Audit
¹ March 14, 2018	¹ June 6-7, 2018	¹ September 12, 2018	¹ December 5, 2018
<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • University Annual Financial Audit • Foundation Annual Financial Audit
¹ Tentative until approved by the Board of Trustees			

AGENDA ITEM: VI

**Florida Polytechnic University
Audit and Compliance Committee
Board of Trustees
October 31, 2017**

Subject: Introduction of David Blanton, CAE/CCO

Proposed Committee Action

No action required- Information only.

Background Information

David Blanton started at Florida Polytechnic University on July 31, 2017. David comes to us from the Lakeland office of the State of Florida Auditor General and brings a wealth of audit and compliance experience. As the Central Florida Supervisor, David managed all of the prior independent or external audits of the University. He will now conduct internal audits and internal compliance reviews on our operational, administrative, academic, and financial operations. Functionally, David reports directly to the Board of Trustees (“BOT”) and administratively to the President. He will conduct his work under charters approved by the BOT and in accordance with BOG regulations.

Supporting Documentation:

David Blanton’s Resume

Prepared by: Mark Mroczkowski, CFO and Vice President

320 S. Ramona Avenue, Lake Alfred, Florida 33850 (863) 224-6001 dblanton4@tampabay.rr.com

David A. Blanton, CPA

Objectives To utilize my career knowledge and the experiences gained throughout my professional career to promote accountability, compliance, integrity, and efficiency in the administration of University operations.

Professional Employment History

Audit Supervisor, State of Florida-Auditor General, 2006- present

- Responsible for planning, coordinating, managing, and reviewing complex financial audits, operational audits, performance audits, information technology audits, and various other engagements.
- Administrative supervision of eight professional audit staff working on multiple engagements, including six CPA's. Also responsible for the training and instruction of professional audit staff.
- Performs various analyses, including but not limited to, research on complex accounting matters, compliance with relevant laws and rules, and the evaluation of business decisions entered into by governmental agencies. Based on the results of such analyses, prepares recommendations for proper implementation or solution.
- Meets with executive members of governmental agencies to discuss findings and recommendations.

Audit Coordinator, State of Florida- Auditor General, 2002-2006

- Responsible for performing complex financial audits, operational audits, performance audits, information technology audits of district school boards, colleges, and State agencies.
- Supervised professional audit staff assigned to the audits within my responsibility.
- Met with executive members of governmental agencies to discuss findings and recommendations.

Accounts Payable Supervisor, Polk District School Board, 1999-2002

- Supervised the accounts payable department.
- Responsible for cash management of the various governmental funds.
- Assisted the Director of Finance in the preparation of the annual financial report and other accounting and business matters.
- Involved in the implementation of a new accounting software application.

Auditor/Lead Senior Auditor, State of Florida- Auditor General, 1991-1999

- Same duties specified above for Audit Coordinator with the Auditor General.

Skills

- Knowledge of laws, rules, and administrative requirements applicable to a State University.
- Ability to handle confidential information in trust.
- Ability to deal tactfully, courteously, and professionally in all working relations.
- Ability to collect, analyze and interpret data in order to make informed decisions.
- Ability to work well as a team member.

Professional Certification and Education

Certified Public Accountant – (AC29934) Since 1997

B.S., Accounting, University of South Florida

AGENDA ITEM: VII

**Florida Polytechnic University
Audit and Compliance Committee
Board of Trustees
October 31, 2017**

Subject: CAE/CCO Report-University Audit and Compliance Work Plan

Proposed Committee Action

No action required- Information only.

Background Information

David Blanton was hired as the Chief Audit Executive (CAE) and Chief Compliance Officer (CCO) effective July 31, 2017. The CAE/CCO will provide the Board of Trustees (BOT) a short-term work plan outlining proposed University Audit and Compliance activities.

Supporting Documentation:

Presentation

Prepared by: David A. Blanton, CAE/CCO



FLORIDA POLYTECHNIC
UNIVERSITY

University Audit & Compliance (UAC) Short Term Work Plan

David A. Blanton

October 2017



Reporting Structure

**FLORIDA POLYTECHNIC UNIVERSITY
INTERNAL AUDIT CHARTER**

Purpose and Mission

The University's internal auditor shall be composed of a Chief Audit Executive and his assistants, if any, either employees or contractors and are hereinafter referred to collectively as "University Audit". University Audit shall provide internal audits and reviews, management consulting and advisory services, investigations of fraud and abuse, follow-up of audit recommendations, evaluation of the processes of risk management and governance, and coordination with external auditors. University Audit will escalate and report the results of this work to appropriate internal and external parties including the President and Board of Trustees.

The mission of the office is to serve the University by recommending actions to assist them in achieving its strategic and operational objectives. This assistance includes providing recommendations to management of activities designed and implemented by management to strengthen internal controls, reduce risk to and waste of resources, and improve operations to enhance the performance and reputation of the University. In addition, University Audit assists the Audit and Compliance Committee of the Board of Trustees in accomplishing its oversight responsibilities in accordance with the University's Board of Trustees and Florida Board of Governors guidelines and regulations.

Definition and Role of Internal Auditing

According to the Institute of Internal Auditors:

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

Under the IIA "Three Lines of Defense" model, Internal Audit serves as "the third line of defense" as noted below: The first line of defense is provided by front line staff and operational management. The systems, internal controls, the control environment and culture developed and implemented by these business units is crucial in anticipating and managing operational risks. The second line of defense is provided by the risk management and compliance functions. These functions provide the oversight and the tools, systems and advice necessary to support the first line in identifying, managing, and monitoring risks. The third line of defense is provided by the internal audit function. This function provides a level of independent assurance that the risk management and internal control framework is working as designed.

Reporting Structure and Independence

University Audit reports administratively to the President, and functionally to the Audit and Compliance Committee of the Board of Trustees. This reporting structure promotes independence and full consideration of audit recommendations and management action plans.

- CAE/CCO reports functionally to the Board and administratively to the President
- CAE/CCO precluded from performing operational duties in order to maintain independence and objectivity



Outline

- Introduction
- **Board Activities**
 - Investigative
 - Auditing
 - Compliance
- **Other Activities**
- **Summary**



Investigative Activities

- **Complaint intake**
- **Determination of Whistleblower protections**
- **Preliminary inquiries**
- **Investigations where warranted (represents a significant and credible allegation relating to waste, fraud, or financial mismanagement as provided for in Board of Governors Regulation 4.001)**



Auditing Activities

- **FIPR Payroll Review currently being conducted by Sunera/Focal Point Data Risk – monitoring and follow up**
- **Upon completion of risk assessment, identify high-risk areas for audit**



Compliance Activities

- **Development of the Compliance and Ethics Program in accordance with BOG Rule 4.003 and the Federal Sentencing Guidelines**
- **Development of a UAC site for both our Web and the Poly Pulse for communicating Ethics and Compliance matters**
- **Explore options for fraud/ethics hotline**



Outline

- Introduction
- Board Activities
- **Other Activities**
 - Administrative
 - Operational
 - Advisory
 - Training
- **Summary**



Administrative Activities

- **Develop written procedures governing the conduct of audits and investigations**
- **Periodic meetings with the President and Board**
- **BOG communications (including the SUS Program Checklist)**



Operational Activities

- **UAC Risk Assessment**
- **UAC Audit Plan**
- **UAC Annual Report**





Advisory/Consulting Activities

- **Comprehensive review of Policies, Procedures, Rules, and Regulations**
 - Many are outdated due to rapid growth and changes in processes (e.g. Workday, personnel, etc.)

- **Other requests for advisory assistance (accounting matters, compliance, internal controls, etc.)**



Training Activities

- **CAE/CCO's are required to operate under Internal Auditing Standards and SUS Investigative Standards – which require 40 hours of training per year**
- **State Universities Audit Council (SUAC) Meetings. This is a great opportunity to network with other CAE/CCO's throughout the State and determine what is working best at other institutions**
- **Institute of Internal Auditors webinars**



Outline

- Introduction
- Board Activities
- Other Activities
- **Summary**





Summary

- **CAE/CCO assists the Audit and Compliance Committee in accomplishing its oversight responsibilities in accordance with the University's Board of Trustees (BOT) and Florida Board of Governors guidelines and regulations**
- **The reporting structure and activities previously outlined function to assist the BOT in its governance role and to enhance University operations**