



Item: AC: A-1

AUDIT AND COMPLIANCE COMMITTEE

Tuesday, February 16, 2021

**SUBJECT: REVIEW AND APPROVAL OF THE AUDIT AND COMPLIANCE COMMITTEE
CHARTER UPDATE**

PROPOSED COMMITTEE ACTION

Recommend approval of the revised Board of Trustees Audit and Compliance Committee Charter.

BACKGROUND INFORMATION

Florida Board of Governors (BOG) Regulation 4.002 requires each state university board of trustees to establish and maintain a committee responsible for addressing audit, financial- and fraud-related compliance, controls and investigative matters and, pursuant to BOG Regulation 4.003, oversight over the university-wide compliance and ethics program. The committee charter must be reviewed at least every three (3) years.

The proposed revisions to the current committee charter clarify the responsibilities of the committee chair and remove or revise language to comport with Florida's sunshine laws and better align with the BOG regulations and the other SUS audit and committee charters.

IMPLEMENTATION PLAN/DATE

Upon approval by the Board of Trustees.

FISCAL IMPLICATIONS

N/A

Supporting Documentation: Revised Audit and Compliance Committee Charter

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Ethics Officer

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Florida Atlantic University Board of Trustees Audit and Compliance Committee Charter

1. Purpose

The primary purpose of the Audit and Compliance ~~committee~~ Committee is to assist the Florida Atlantic University (University) Board of Trustees in fulfilling its statutory, fiduciary and oversight responsibilities relating to:

- The integrity of the University's financial accounting and reporting processes
- The maintenance of an effective system of internal controls
- The performance of the University's independent audit and compliance functions
- The governance of the Compliance and Ethics Program
- Maximizing compliance with applicable laws, regulations, rules, policies, and procedures including the Code of Ethics and Conflict of Interest policies
- Monitoring and controlling risk exposure
- Maintaining open and direct lines of communication with the Board of Trustees, the administration, internal auditors, independent auditors, compliance officers, and internal compliance specialists
- Safeguarding University personnel and the physical, financial and information assets of the University

The Audit and Compliance Committee shall take appropriate action to set the overall tone for accountability, sound risk management, ethical behavior, and compliance with laws and regulations. Further, the Audit and Compliance Committee shall provide oversight of the University's financial practices and standards of conduct as well as the Compliance and Ethics Program and internal audit activity. ~~The Chair of the Audit and Compliance Committee is the liaison between the Florida Atlantic University Board of Trustees and the Audit and Compliance Committee.~~

2. Composition

The Chair and members serving on the Audit and Compliance Committee are appointed and removed by the Chair of the University Board of Trustees. The members will be free from any financial, family or other material personal relationship that would impair his or her independence from management of the University. Each member of the Committee should be financially literate and, if possible, at least one member should be a financial expert. "Financial literacy" is being able to read and understand fundamental financial statements. "Financial expert" means a person who has one or more of the following: an understanding of generally accepted accounting principles and financial statements; experience in applying such principles; experience preparing or auditing financial statements; experience with internal controls; and an understanding of audit committee functions. At least one member of the committee should be familiar with compliance and ethics programs. ~~The Chair of the Audit and Compliance Committee is the liaison between the Florida Atlantic University Board of Trustees and the Audit and Compliance Committee.~~ The Chair should meet directly with the President, the Inspector General/Internal Auditor, and the Chief Compliance Officer to discuss investigative concerns and other matters, as needed, and be consulted by the President on the appointment, reassignment, replacement or dismissal of the Inspector General and the Chief Compliance Officer.

3. Meetings

The Committee shall meet at least three (3) times annually. Additional meetings may be held as the

circumstances warrant. The meetings will be open to the public, with requisite notification. The Committee will invite members of management, auditors, compliance officers, or others to attend meetings and provide pertinent information. The Chair of the Committee should discuss the meeting agenda with the Inspector General/Internal Auditor or Chief Compliance Officer prior to each committee meeting to finalize the meeting agenda and review the issues to be discussed. Agendas and supporting documentation should be distributed in advance in order to improve meeting effectiveness and active member participation

4. Responsibilities and Duties of the Committee

4.

A. General

- Adopt a formal written charter that specifies the scope, responsibilities, processes, and practices of the Committee. The charter should be reviewed every three (3) years, updated as necessary, approved by the Audit and Compliance Committee, and forwarded for approval by the University FAU Board of Trustees.
- Maintain minutes and records of the meetings and activities
- Conduct or authorize investigations into matters within the Committee's scope of responsibilities
- Report Committee actions to the Board with such recommendations that the Committee may deem appropriate
- Perform other governance oversight as assigned by the Board

C.B. Financial Statements

Management is responsible for the preparation, presentation and integrity of the University's financial statements and for the appropriateness of the accounting principles and reporting policies used by FAU. The following will be the responsibilities and duties of the Committee:

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, recent professional and regulatory pronouncements, and understand their impact on the financial statements
- Review annual audit reports of direct support and affiliated organizations and intercollegiate athletics

D.C. Internal Controls

- Consider the effectiveness of the University's internal control system, including information technology security and controls
- Understand the scope of internal and external auditors' review or internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management reports

D. External/Independent Auditors and Compliance Support

- Review external audits of the University and its direct support organizations
- Contract with external auditors, compliance specialists or consultants for special audits or other services related to the University's affairs and report the results of any special projects or reviews to the Board
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E. Internal Audit

- ~~In consultation with the President, approve~~ Participate, through the Chair, in the appointment, compensation, reassignment, replacement, or dismissal of the University's Inspector General
- Approve requests for contracted or special accounting, auditing or investigative services
- ~~and inform~~ Approve any ~~the Board of Trustees before~~ outsourcing of the chief audit executive/inspector general's entire audit or investigative function before any such request is forwarded to the Board of Trustees and the Board of Governors for approval
- Review and approve the Office of Inspector General's charter and; the annual internal audit plan (and any significant changes), ~~staffing needs, and budget requirements~~
- ~~Review the independence, qualifications, activities, performance, and structure of the internal audit function to address unresolved restrictions or barriers or scope or access limitations~~ In consultation with the President, ensure the Office of Inspector General has sufficient independence to conduct audits without management interference
- Review all significant findings and recommendations noted by internal auditors or external auditors prior to submission to the Board of Governors and the State Auditor General
- Request of the internal and external auditors, and others, knowledge of any significant investigatory or other matters acknowledged through established procedures
- Meet, at least annually, with appropriate members of the University administration, the inspector general, and independent auditors to discuss and evaluate the scope and results of audits and the University's accounting procedures and controls
- Receive and review all outside audits of the University or University-related organizations
- ~~In consultation with the President and his/her designee, r~~ Review the effectiveness of the internal audit function, including compliance with the Institute of Internal Auditors' International Standards for Professional Practice of Internal Auditing
- Require the Inspector General to develop and maintain a quality assurance improvement program in accordance with professional audit standards and require that such program that will be assessed by an external entity at least once every five (5) years
- Subject to the State's Sunshine Law, meet separately with the Inspector General and/or the President to discuss any matters that the Committee or internal audit believes should be discussed privately

Require the Inspector General to report annually on the activities of the office

• Support the Chief Audit Executive/Inspector General in carrying out the duties and responsibilities consistent with Board of Governors Regulation 4.002, State University System Chief Audit Executives ~~In consultation with the President, annually review the staffing levels to fulfill the plans and mission as well as the adequacy of audit staff qualifications and training~~

F. Chief Audit Executive/Inspector General

~~The Committee will support the Chief Audit Executive/Inspector General in carrying out the duties and responsibilities consistent with Board of Governors Regulation 4.002, State University System Chief Audit Executives.~~

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G. Compliance and Ethics

- ~~• In consultation with the President, approve~~Participate, through the Chair, in the appointment, compensation, reassignment, replacement, or dismissal of the University's Chief Compliance and Ethics Officer
- ~~• Approve requests for contracted or special compliance, investigative or training services~~
- Review and approve the Office of the Chief Compliance Officer's charter, which shall be reviewed every three (3) years for consistency with applicable Board of Governors and University regulations, professional standards, and best practices, and the annual compliance and ethics work plan (and any significant changes)
- ~~• Review and approve the Office of the Chief Compliance Officer's staffing needs and budget requirements~~
- ~~• Review the independence, qualifications, activities, and structure of the compliance and ethics function to address unresolved restrictions or barriers or scope or access limitations~~
- ~~In consultation with the President, e~~Ensure the Office of Chief Compliance Officer has sufficient independence to encourage ethical conduct and compliance with laws and regulations without management interference
- Review ~~all~~ significant findings and recommendations noted by the compliance officer prior to submission to the Boards of Governors
- Request of the compliance officer, and others, knowledge of any significant investigatory or other matter acknowledged through established procedures
- ~~• Meet directly with the Chair of the Audit and Compliance Committee when necessary to maintain the integrity of an investigation or audit~~
- ~~• In consultation with the President, R~~review the effectiveness of the ~~internal e~~Compliance and ethics Ethics functionProgram in preventing or detecting noncompliance, unethical behavior, and criminal misconduct
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- Subject to the State's Sunshine Law, meet separately with the ~~chief~~Chief compliance Compliance officerOfficer and/or the President to discuss any matters that the Committee or the Chief Compliance Officer believes should be discussed privately
- In consultation with the President, annually review the staffing levels to fulfill the plans and mission as well as the adequacy of compliance staff qualifications and training
- ~~• Require the Chief Compliance Officer to report annually on the activities of the office~~H. Chief Compliance Officer
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- ~~• The Committee will s~~Support the Chief Compliance Officer in carrying out the duties and responsibilities consistent with Board of Governors Regulation 4.003, State University System Compliance and Ethics Programs.

Adopted by the Florida Atlantic University Board of Trustees on

ADOPTION OF CHARTER

~~The Audit and Compliance Committee of the Florida Atlantic University Board of Trustees adopted this Charter on May 16, 2017. New charter: Amended~~