



Item: AC: A-1

Tuesday, May 16, 2017

**SUBJECT: AUDIT AND COMPLIANCE COMMITTEE CHARTER**

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**PROPOSED BOARD ACTION**

Approval and adoption of the BOT Audit and Compliance Committee Charter to the Board of Trustees.

**BACKGROUND INFORMATION**

The Audit and Compliance Committee was recently bifurcated from the Audit and Finance Committee to enhance independence, align with best practices, and separate the audit and compliance function from operational functions of the university (such as finance and budget). As a result, earlier this year, the Audit and Compliance Committee became a separate standing committee of the FAU Board of Trustees.

The charter acts as a blueprint to guide the committee in achieving its goals and fulfilling its oversight responsibilities to the board of trustees, management and all stakeholders. The proposed charter provides the following:

- Explains the primary purpose and responsibility of the Audit and Compliance Committee (e.g., oversee the integrity of the university's financial accounting and reporting process, maintain an effective system of internal controls, govern the compliance and ethics program, promote compliance with laws and regulations, and monitor and control risk);
- Explains the duties and responsibilities of the Chief Audit Executive/Inspector General and the Internal Audit function; and
- Explains the duties and responsibilities of the Chief Compliance Officer and the Compliance and Ethics function.

**IMPLEMENTATION PLAN/DATE**

[The charter will become effective immediately upon Board of Trustees approval.]

**FISCAL IMPLICATIONS**

Not Applicable

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**Supporting Documentation:**      Audit and Compliance Committee Charter

**Presented by:** Morgan Kim, Chief Compliance Officer

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## **Charter**

### **Audit and Compliance Committee**

#### **Purpose**

The primary purpose of the Audit and Compliance 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.

#### **Composition**

The Chair and members serving on the Audit and Compliance Committee are appointed and removed by the Chair of the 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.

## **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.

## **Responsibilities and Duties**

The Committee's policies and procedures will remain flexible to best react to changing conditions and provide reasonable assurances to the Board that the scope of audit services and the adequacy of the internal control system promotes compliance with state and federal laws, regulations, and requirements. The Committee will have oversight responsibility over the University's internal audit function and Compliance and Ethics Program, which will be managed by the Inspector General/Internal Auditor, Chief Compliance and Ethics Officer respectively. The Committee will support monitoring activities and risk assessments designed to prevent and detect misconduct or violations of institutional policies or applicable laws and regulations. The Committee shall make reports to the Board as it deems necessary.

Responsibilities of the Committee include:

### **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 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

### **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

### **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

### **External/Independent Auditors and Compliance Support**

Currently, the State of Florida Office of Auditor General performs the financial audits of Florida Atlantic University. Procurement of external accountants or compliance support for direct support organizations and other related organizations (affiliated organizations) falls under the oversight of these organizations' Board of Directors. Copies of the audits or reviews of direct support organizations are to be submitted to the Audit and Compliance Committee. The Committee shall also be able to contract with external auditors, compliance specialists or consultants for special audits or other services related to the University's affairs and will report the results of any special projects or reviews to the FAU Board of Trustees.

### **Internal Audit**

- In consultation with the President, approve 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 the Board of Trustees before outsourcing the chief audit executive/inspector general's entire audit or investigative function
- Review and approve the Office of Inspector General's charter, the annual internal audit plan (and any significant changes), staffing needs, and budget requirements
- 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, 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 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 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
- 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

### **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.

### **Compliance and Ethics**

- In consultation with the President, approve 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
- Review and approve the Office of the Chief Compliance Officer’s staffing needs and budget requirements
- In consultation with the President, 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, review the effectiveness of the internal compliance and ethics function
- Subject to the State’s Sunshine Law, meet separately with the chief compliance officer 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

### **Chief Compliance Officer**

The Committee will 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.

**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.