

Florida State University

Audit and Compliance Committee Charter

1. Purpose

The Audit and Compliance Committee (the Committee) is a standing committee of the Florida State University Board of Trustees (BOT). The purpose of the Committee is to provide assurances to the BOT regarding University risk management, control, and governance processes thereby assisting the BOT in fulfilling its statutory, fiduciary, and oversight responsibilities. Additionally, the Committee shall provide oversight and direction to the Office of Audit and Advisory Services (OAAS) and the Office of Compliance and Ethics (OCE).

2. Authority

The Board authorizes the Committee to:

- 2.1 Perform activities within the scope of this charter.
- 2.2 Participate, through the Chair, in the process of appointment, evaluation, and/or dismissal of the Chief Audit Officer (CAO) or the Chief Compliance and Ethics Officer (CCEO).
- 2.3 Have unrestricted access to management, faculty, and employees of the university and its component units, all of whom are directed to cooperate with the Committee's request.
- 2.4 Meet as needed with those persons responsible for university compliance with state and federal laws and applicable rules, regulations, and policies.
- 2.5 Have access to all books, records, and facilities thereof of the University.
- 2.6 Study or investigate any matter related to audit, compliance, or related concerns such as potential fraud or conflicts of interest that the Committee deems appropriate.
- 2.7 Retain independent counsel, or others to advise the Committee or assist in the conduct of an investigation upon approval of the BOT.
- 2.8 Meet with the University's General Counsel to review any legal matters that may have a significant impact on the University's overall finances, operations, and compliance with regulatory agencies.
- 2.9 Provide oversight and direction to the OAAS and the OCE to include reviewing and recommending BOT approval of the annual work plan.
- 2.10 Provide oversight of audits performed of the University and its component units by state and federal auditors, to include the Auditor General, as well as external auditors.
- 2.11 Review this Charter at least once every three (3) years for consistency with applicable law, BOG, and University regulations and policies, professional standards, and best practices.
- 2.12 Nothing in this Charter shall be construed to limit the authority of the BOT or the Committee.

3. Organization

Composition

- 3.1 The Committee shall be appointed and comprised of members of the Florida State University Board of Trustees as provided for in the BOT Operating Procedures.

- 3.2 The members will be free from any financial, family, or other material personal relationships, including relationships with members of university management, University Office of Audit and Advisory Services and Office of Compliance and Ethics staff, and other professional consultants that would interfere with the exercise of his or her independence to perform assigned duties and responsibilities.
- 3.3 The majority of the Committee members will be financially literate and collectively having experience in accounting, finance, business, internal controls, risk management, and ethics.
- 3.4 If possible, the Committee will include at least one member who is considered an accounting or financial expert having an understanding of generally accepted accounting principles and financial statements, internal controls, and the role and responsibilities of internal and external auditors.

Meetings

- 3.5 A simple majority of the members of the Committee will constitute a quorum for the transaction of business.
- 3.6 The Committee will meet during regularly scheduled BOT meeting days, or at a minimum of three times per year. Additional meetings may occur as circumstances dictate.
- 3.7 The Committee Chair will approve the meeting agenda prior to each meeting subject to amendment at the Committee meeting.
- 3.8 The Committee shall maintain written minutes of meetings.
- 3.9 The Committee will look to the CAO and the CCEO for staffing and other administrative needs relating to Committee operation.

4. Internal Controls

The Committee will:

- 4.1 Evaluate the overall effectiveness of the University's system of internal control to include the control environment, risk assessment, control activities, information and communications systems, and monitoring thereof.
- 4.2 Provide oversight of the University's internal control structure and the processes in place to ensure the effectiveness and reliability of business, financial and information systems controls.
- 4.3 Understand the internal control system implemented by management for the University and each component unit for the approval of transactions and the recording and processing of financial data.

5. Risk Management

The Committee will:

- 5.1 Provide oversight of the University's enterprise risk management process by reviewing procedures in place to assess and minimize significant risk.
- 5.2 Review and consider the effectiveness of the University's process for identifying significant financial, operational, reputational, strategic, compliance and regulatory risk or exposure and management's plans and efforts to control and monitor such risks.

- 5.3 Obtain management assurances that internal controls have been established to mitigate major identified risks.
- 5.4 Evaluate the University's monitoring of insurance coverage and the process used to identify and manage any uninsured risks.

6. Compliance with Laws, Rules, Regulations, Contracts, and Agreements

The Committee will:

- 6.1 Review the effectiveness of management's system for monitoring compliance with laws, rules, regulations, contracts and agreements and for follow-up on any reported non-compliance, fraud, abuse, or ethics violations.
- 6.2 Obtain regular updates from management and legal counsel regarding compliance matters that may have a material impact on the University's operations, financial statements, programs, or ethics policies.
- 6.3 Review and discuss any significant results of compliance audits; any significant matters of litigation or contingencies that may materially affect the University's financial statements; and any legal, tax or regulatory matters that may have a material impact on University operations, financial statements, policies and programs.
- 6.4 Ensure that significant compliance findings and recommendations made by the university compliance officer or audit officer are received, discussed, and appropriately acted upon.
- 6.5 Review the effectiveness of the system for monitoring compliance with laws and regulations and follow-up (including disciplinary action) of significant wrongful acts or non-compliance.
- 6.6 Ascertain whether the University has an effective process for determining risks and exposure from asserted and unasserted litigation and other claims of noncompliance with laws and regulations.
- 6.7 Obtain reports concerning financial fraud resulting in losses in excess of \$10,000 or of any amount involving a member of senior management.
- 6.8 Obtain regular updates from the CCEO and CAO regarding compliance matters that may have a material impact on the organization's financial statements, compliance program, conflict of interest, or ethics policies.
- 6.9 Review and approve procedures for the receipt, retention, and treatment of complaints regarding financial, compliance, ethics, and conflict of interest matters.
- 6.10 Review the University's monitoring of compliance with University policies and standards of ethical conduct and conflict of interest policies.
- 6.11 Review findings of any examinations by state and federal regulatory agencies.
- 6.12 Review the University's process for monitoring contracts and agreements significant to university operations.

7. Ethics and Business Conduct

The Committee will:

- 7.1 Review University processes to ensure actual or potential conflicts of interest are clearly defined.

- 7.2 Review the process followed to assure the University's code of conduct and is communicated to all employees on an annual basis.
- 7.3 Review University processes to require the reporting and approval of outside businesses involvement, employment, and consulting services.
- 7.4 Review University policies relating to ethics and business conduct, financial disclosure, and environmental health and safety.

8. Financial Reporting

Financial Statements and Reports

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 the University. The following shall be the principle duties and responsibilities of the Committee regarding financial statements:

- 8.1 Review the annual audited financial statements and ensure that significant findings and recommendations made by the auditors and management's response are received, discussed, and appropriately acted upon.
- 8.2 Make inquiries of management and auditors concerning the adequacy and effectiveness of the University's systems of financial reporting and internal control and compliance.
- 8.3 Discuss with management, the State Auditor General, and/or other external auditors the appropriateness of accounting principles used by the University and component units.
- 8.4 Review the audit report on Federal Awards as required by OMB Circular A-133 and State Awards required by Section 215.97, Florida Statutes.
- 8.5 Review the annual audit reports of component units, including management responses and corrective action plans to address the resulting recommendations.
- 8.6 Review significant accounting and reporting issues and recent professional regulatory pronouncements, and the impact on the financial statements of the University.
- 8.7 Review compliance with federal and state guidelines for financial reporting.

9. External Auditors

- 9.1 Monitor the work of the State Auditor General and other external auditors engaged to perform work within the University.
- 9.2 Review and assist in resolution of any disagreements between management and the external auditors regarding financial reporting.
- 9.3 Inquire of management as to whether external audits of DSO's are being acquired in accordance with BOT Regulation 2.025.
- 9.4 Inquire of management as to whether external audits of auxiliaries are being acquired within the spirit and intent of BOT Regulation 2.025 that is applicable to DSO's.
- 9.5 Provide oversight of component units (DSO's and auxiliaries) that select external auditors to perform audit work.

10. Office of Audit and Advisory Services

- 10.1 Review and approve the annual work plan, ensuring it addresses key areas of risk.

- 10.2 Approve and periodically review the charter, staffing, and activities of the OAAS.
- 10.3 Review a summary of significant findings and recommendations of completed work including management's response and time frame for corrective actions and the appropriateness of proposed actions.
- 10.4 Obtain periodic progress reports on the status of execution of work plans.
- 10.5 Review significant changes or deviations from approved work plans.
- 10.6 Determine the degree of implementation of past recommendations and the sufficiency of actions taken in addressing those recommendations.
- 10.7 Ensure there are no unjustified restrictions or limitations on the scope of work.
- 10.8 Through the Chair and with Committee input, provide the President an annual assessment of the performance of the CAO.
- 10.9 Discuss with the CAO any difficulties encountered in the course of work, including restrictions on the scope of work or access to required information, and any lack of cooperation.
- 10.10 Review the results of periodic quality assurance reviews performed by external organizations that assess whether work of the OAAS meets professional standards.
- 10.11 Identify areas warranting policy changes, if any, and make recommendations to the BOT.
- 10.12 Meet with the CAO to discuss any issues of concern.
- 10.13 Review controls and guidelines for receiving and investigating reported fraud waste, or abuse.
- 10.14 Review guidelines for the CAO receiving and investigating complaints relating to the Whistle-blower's Act pursuant to Chapter 112, Florida Statutes.
- 10.15 Require the CAO to annually report in writing on the activities of the OAAS.

11. Office of Compliance and Ethics

- 11.1 Provide governance oversight of the compliance program.
- 11.2 Review at least every three (3) years and approve the OCE charter and any subsequent revisions.
- 11.3 Review and approve the OCE Program Plan and any subsequent changes.
- 11.4 Review a summary of significant findings and recommendations of completed work including management's response and time frame for corrective actions and the appropriateness of proposed actions.
- 11.5 Review the independence, qualifications, activities, resources, and structure of the compliance and ethics function and ensure no unjustified restrictions or limitations are made.
- 11.6 Determine the degree of implementation of past recommendations and the sufficiency of actions taken in addressing those recommendations.
- 11.7 Through the Chair, and with input from the Committee provide the President an annual assessment of the performance of the CCEO.
- 11.8 Review the CCEO's annual report on the effectiveness of the compliance program.

- 11.9 Review the effectiveness of the University’s efforts to comply with BOG regulations and any applicable federal, state, and local laws, rules, and regulations.
- 11.10 Review the effectiveness of the compliance and ethics program in preventing and detecting noncompliance, unethical behavior, and criminal misconduct and ensure that it has appropriate standing and visibility across the University.
- 11.11 Identify areas warranting policy changes, if any, and make recommendations to the BOT.
- 11.12 Obtain regular updates from the CCEO regarding compliance and ethics matters that may have a material impact on the University’s financial statements or compliance policies.
- 11.13 Review controls and guidelines for receiving and investigating reported compliance, or ethics complaints.
- 11.14 Review guidelines relating to CCEO responsibilities under applicable sections of the Federal Sentencing Guidelines.
- 11.15 Require the CCEO to annually report in writing on the activities of the OCE.
- 11.16 Review at least once every five years, an external evaluation of the OCE program’s design and effectiveness and approve any recommendations for improvement.

This Audit and Compliance Committee Charter is hereby adopted on July 1, 2023.

Charter Approved at the BOT Meeting 9/8/2023

Board of Trustee Chair

Date

Charter Approved at the BOT Meeting 9/8/2023

President

Date

Charter Approved at the BOT Meeting 9/8/2023

Audit and Compliance Committee Chair

Date