

FLORIDA POLYTECHNIC UNIVERSITY

Board of Trustees Charter Audit and Compliance Committee

Purpose

The Audit and Compliance Committee (“AACC” or the “Committee”) is one of the standing committees of the Board of Trustees. The primary purpose of the AACC is to assist the Board in fulfilling its oversight responsibilities for the following areas:

- Oversight of the University’s internal controls
- Oversight and direction of the internal and external auditing functions ensuring its independence
- Integrity of the University’s annual financial statements
- The performance of the University’s independent audit functions
- Approval of the annual audit plan
- Monitoring and controlling risk exposure
- Monitoring compliance with laws, rules and regulations
- Oversight and direction of the University’s compliance and ethics program ensuring its independence
- Set standards for ethical conduct

The Committee is responsible for taking appropriate actions to establish the overall standards for ethical behavior, sound risk management and sound business practices. The AACC serves as the point of contact between the Board of Trustees, external auditors, and state and federal auditors. The Chair of the AACC serves as the liaison between the Florida Polytechnic University Board of Trustees and the AACC

Composition

The AACC shall consist of no less than three members of the Board of Trustees. The Chair and the Vice-Chair shall be ex-officio voting members. The AACC Chair and members are appointed and removed by Chair of the Board of Trustees.

AACC members shall be free from any financial, family or other material personal relationship that would impair his or her independence from the management of the University.

Quorum

A majority of AACC members present at a committee meeting constitutes quorum for purposes of committee business.

Authority

To fulfill its oversight role, the AACC has the authority to investigate or study matters within the AACC's scope of responsibility. The Board authorized the Committee to:

- Perform activities within the scope of its charter
- Have unrestricted access to management, faculty, and employees of the University and its DSOs, as well as to all their books, records, and facilities.
- 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.
- Engage independent counsel, independent accountants and other advisers as it deems necessary to discharge its duties.
- Provide oversight and direction of the internal auditing function, of external auditors, and of engagements with state auditors.
- Provide oversight and direction of the institutional compliance, ethics, and risk program, and be knowledgeable of the program with respect to its implementation and effectiveness.
- Perform other duties as assigned by the Board.

The AACC shall inform the Board of all actions and the results.

Meetings

The AACC shall meet at least (4) four times annually. The AACC may schedule additional meetings if needed. All meetings are open to the public and all committee members are expected to attend each meeting in person or via conference call. The AACC will invite members of management, auditors, or others to attend meetings and provide pertinent information. The Chair of the Committee shall discuss the meeting agenda with the Vice President and Chief Financial Officer prior to each meeting to finalize the agenda and review the issues to be discussed. Meeting agendas and the supporting materials will be provided in advance and the committee members will be briefed prior to each meeting. Minutes will be prepared for each meeting.

Confidential/Exempt Issues

Issues being addressed by the Audit and Compliance Committee are subject to Chapter 119, Florida Statutes (Public Records). Meetings are confidential and exempt from the public when the discussion involves sensitive issues related to individuals or an on-going investigation related to Sections 112.3187-112.31895, Florida Statutes - "Whistle-blower's Act".

Responsibilities and Duties

The AACC has the following responsibilities and duties:

General

- Assisting the Board of Trustees in fulfilling oversight responsibilities in relation to financial reporting, internal control systems, risk management systems, compliance with laws rules and regulations and internal and external audit functions. Its role is to

- provide advice and recommendations to the Board within the scope of this Charter.
- Adopt flexible procedures in order to react to changing conditions and provide reasonable assurances to the Board that the scope of audit services and the adequacy of the internal control systems are in compliance with state and federal laws, regulations and requirements.
 - Adopt a formal written charter that specifies the scope, responsibilities, processes and practices of the committee. The charter should be reviewed annually.
 - Maintain minutes of meetings and activities.
 - Report committee actions to the Board that the committee may deem appropriate.
 - Direct the Internal Auditor to conduct investigations into any matters within its scope of responsibility and obtaining advice and assistance from outside legal, accounting, or other advisers, as necessary, to perform its duties and responsibilities. Meeting with and seeking any information it requires from employees, officers, directors, or external parties.
 - Conduct or authorize investigations into matters within the committee's scope of responsibilities. The AACC shall be empowered to retain independent accountants, counsel or others to assist it in the conduct of any investigation.
 - Perform other governance oversight as assigned by the Board.

Review and monitor implementation of management's response to internal and external audit recommendations.

Internal Control

Regarding internal controls, the AACC shall:

- a. Consider the effectiveness of the University's internal control systems, including information technology security and control.
- b. Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- c. Review management's written responses to significant findings and recommendations of the auditors, including the timetable to correct weaknesses in the internal control system.
- d. Review the adequacy of accounting, management, and financial processes of the University and its DSOs.

Financial Statements

The AACC shall receive and review Auditor General financial statement audits related to the University and conducted for the purpose of determining whether the University:

- a. Presented the basic financial statements in accordance with generally accepted accounting principles;
- b. Established and implemented internal controls over financial reporting and

compliance with requirements that could have a direct and material effect on the financial statements; and

- c. Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.

Receiving and reviewing any disclosure of: i) significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the System's ability to record, process, summarize, and report financial data; and ii) any fraud, whether material or not, that involves management or other employees who have a significant role in the System's internal controls.

The AACC shall follow up, as determined appropriate, on any findings contained in Auditor General financial statement audits of the Board Office and State University System of Florida.

External Audit

With regard to external audits, the AACC shall:

- a. Receive and review all external auditors' reports of the University, including that the University's Boards of Trustees and its President take timely and appropriate corrective actions.
- b. If the AACC determines that circumstances require special purpose audits beyond that provided by the Auditor General of the State of Florida, then the AACC shall:
 - i. Review and approve the selection of external auditors or may delegate such authority to the President.
 - ii. Review and approve the audit plan and significant changes to the plan.
 - iii. Review all significant findings and recommendations noted by external auditors.
- c. Meet periodically with appropriate University staff and independent auditors to discuss and evaluate the scope and results of audits.

Internal Audit

With regard to internal audits, the AACC shall:

- a. Approve the internal audit charter.
- b. Review the independence, qualifications, activities, performance, resources, and structure of the internal audit function and ensure no unjustified restrictions or limitations are made.
- c. Review and approve the proposed internal audit plan for the coming year or the multi-year plan and ensure that it addresses key areas of risk based on risk assessment procedures performed by Audit in consultation with management and the Committee.
- d. Review the Internal Auditor's performance of audit activities relative to its plan.
- e. Ensure that significant findings and recommendations made by the internal

auditors and management's proposed response are received, discussed, and appropriately resolved.

Compliance and Ethics Program

With regard to compliance, the AACCC shall:

- a. Approve the compliance charter.
- b. Review the effectiveness of the University's efforts to comply with Board of Governors Regulations and any applicable Federal, State and local laws, rules and regulations.
- c. Review and approve the Compliance Program Plan and any subsequent changes.
- d. Review the independence, qualifications, activities, resources, and structure of the compliance and ethics function and ensure no unjustified restrictions or limitations are made.
- e. Review the effectiveness of the compliance and ethics program in preventing or detecting noncompliance, unethical behavior, and criminal misconduct and ensure that it has appropriate standing and visibility across the University.
- f. Ensure that significant findings and recommendations made by the chief compliance and ethics officer are received, discussed, and appropriately resolved.
- g. Ensure that procedures for reporting misconduct, or ethical and criminal violations are well publicized and administered and include a mechanism that allows for anonymity or confidentiality, whereby members of the university community may report or seek guidance without the fear of retaliation.
- h. Review the effectiveness of the system for monitoring compliance with laws and regulations and management's investigation and follow-up (including disciplinary action) of any wrongful acts or non-compliance.
- i. Review the proposed compliance and ethics work plan for the coming year and ensure that it addresses key areas of risk and includes elements of an effective program as defined by Chapter 8 of the Federal Sentencing Guidelines.
- j. Obtain regular updates from the chief compliance and ethics officer regarding compliance and ethics matters that may have a material impact on the organization's financial statements or compliance policies.
- k. Review the findings of any examinations or investigations by regulatory bodies.
- l. Review the University and DSO conflict of interest policies to ensure that: 1) the term "conflict of interest" is clearly defined, 2) guidelines are comprehensive, 3) annual signoff is required, and 4) potential conflicts are adequately resolved and documented.

Investigative Responsibilities

With regard to investigations, the AACCC shall:

- a. Ensure a process exists for receiving anonymous complaints and review the nature and disposition of reported matters.
- b. Institute and oversee special investigations as needed.

- c. Direct the Internal Auditor to conduct, coordinate, or request investigations when the Board determines that the University is unwilling or unable to address credible allegations relating to waste, fraud, or financial mismanagement.
- d. When requested by the Office of General Counsel or the University Police, direct the Internal Auditor to assist them in their investigations.

Reporting Responsibilities

- a. Regularly update the Board about its activities and make appropriate recommendations.
- b. Ensure the Board is aware of matters that may cause significant financial, legal, reputational, or operational impact to the University or its DSOs.
- c. Receive a summary of findings from completed internal and external audits and the status of implementing related recommendations.
- d. Receive a summary of findings from completed reports related to the compliance, ethics, or risk programs.

Other Responsibilities

The AACC's other responsibilities shall include but not be limited to performing activities consistent with this Charter, regulations, rules and governing laws that the Board or AACC determines are necessary or appropriate.

Evaluating Performance

- a. Evaluate the Committee's own performance, both of individual members and collectively, on a periodic basis and communicate the results of this evaluation to the Board.
- b. Review the Committee's charter annually and update as necessary.
- c. Ensure that any changes to the charter are discussed with the Board and reapproved

AACC Chair Responsibilities

The AACC Chair shall:

- a. Preside at all AACC meetings and shall have the authority to call any special or emergency meetings of the Committee. The AACC Chair shall assign members responsibility for specific projects.
- b. Approve decisions regarding the appointment, replacement and removal of the Internal Auditor. This responsibility will help ensure the Internal Auditor is independent and possesses the competencies necessary to perform the position duties and responsibilities as outlined in the position description.
- c. Provide input to the Board of Trustees on the annual performance evaluation of the Internal Auditor.

- d. Accept the Internal Auditor's determination of no further Board action when, as a result of a Preliminary Inquiry, the Internal Auditor recommends that no further Board action is warranted. In all other situations the Audit Committee shall review the matter at its next meeting.

The AACC Vice-Chair shall perform the duties of the AACC Chair and have the same power and authority in the absence or disability of the AACC Chair.

Adoption of Charter

The Florida Polytechnic University Board of Trustees adopted the Audit and Compliance Committee Charter on March 15, 2017.

History: Adopted September 9, 2015, reviewed and amended March 15, 2017