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STATE OF FLORIDA
FLORIDA A&M UNIVERSITY

IN RE: AUDIT & COMPLIANCE COMMITTEE

DATE: APRIL 8, 2016

TIME: COMMENCING AT: 9:02 a.m.
 CONCLUDING AT: 10:02 a.m.

COMMITTEE MEMBERS: TRUSTEE NICOLE T. WASHINGTON, CHAIR
(PRESENT) TRUSTEE GARY T. McCOY
 TRUSTEE CRAIG REED
 TRUSTEE ROBERT WOODY

LOCATION: PRESIDENT'S CONFERENCE ROOM
 FOURTH FLOOR
 LEE HALL

REPORTED BY: YVONNE LAFLAMME, FPR
 COURT REPORTER and
 NOTARY PUBLIC

C & N REPORTERS
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1 *****

2 TRUSTEE WASHINGTON: Okay. It is 9:02, so I
3 would like to go ahead and call the special meeting of
4 the Audit Committee to order.

5 Good morning, members, and happy Friday. Thank
6 you all for taking the time to be with us today and
7 hear about this very important matter.

8 MS. BARRINGTON, are you available?

9 MS. BARRINGTON: Yes, ma'am.

10 TRUSTEE WASHINGTON: Will you please call the
11 roll?

12 MS. BARRINGTON: Good morning to everyone. Thank
13 you, ma'am.

14 Trustee Washington?

15 TRUSTEE WASHINGTON: Here.

16 MS. BARRINGTON: Trustee Graham? Trustee
17 Tonnette Graham. Trustee Gary McCoy? Trustee McCoy?

18 TRUSTEE McCOY: I'm here.

19 MS. BARRINGTON: Thank you.

20 Trustee Craig Reed?

21 TRUSTEE REED: I'm present.

22 MS. BARRINGTON: Thank you.

23 Trustee Robert Woody?

24 TRUSTEE WOODY: Present.

25 MS. BARRINGTON: Thank you. Trustee Washington,

1 we have a quorum.

2 TRUSTEE WASHINGTON: Thank you very much,
3 Ms. Barrington.

4 MS. BARRINGTON: You're welcome.

5 TRUSTEE WASHINGTON: Members, we have one
6 informational item on the agenda and that is the
7 review of the external audit, performed by Grant
8 Thornton, LLP, related to hiring incentive payments
9 and renovation to the President's house. A brief
10 overview of the events that led to this point. The
11 audit was directed by the Board at the October 22,
12 2015, meeting.

13 The staff followed University's regulations
14 regarding procurement procedures that are aligned for
15 state guidelines for procurement. After civil work
16 was completed, which board members were individually
17 asked to provide feedback, the Division of Audit &
18 Compliance solicited bids from eight audit firms and
19 received two responses. Subsequently, a selection
20 committee reviewed those proposals, conducted
21 interviews and evaluated each firm's proposals.

22 Grant Thornton, LLP, was the firm that was that
23 was selected. The contract was signed and bid work
24 began on January 29, 2016. The report was distributed
25 to the Board last Saturday, April 2nd.

1 The members today have an opportunity to speak
2 directly with Mr. Jack Pearson, the Grant Thornton
3 audit partner who conducted the compliance
4 investigation. I would like to reiterate, this is an
5 information item and a discussion item.

6 This report obviously is very important to us,
7 and as the Audit Committee Chair, I felt like it was
8 important for the committee and the Board to have an
9 opportunity to speak directly with the external
10 auditor and ask any questions that we may have related
11 to the process, procedures, findings, and
12 recommendations.

13 This is also an opportunity for us to direct
14 staff to provide any further information or research
15 that would be needed to help the committee make
16 recommendations to the full board for further action.
17 Based on today's discussion, the report will be
18 revisited in the June meeting as an action item.

19 The order of presentations today, first, I will
20 recognize Mr. Jack Pearson who will explain the
21 report. Directly following Mr. Pearson's
22 presentation, I will recognize acting CFO Angela Poole
23 to explain the University's corrective action plan.

24 And finally, Mr. Rick Givens, Vice-President For
25 Audit and Compliance, will talk about how the division

1 will monitor the University's implementation of the
2 corrective action plan.

3 As always, we value all of your feedback and
4 input, but in order to avoid duplication or questions
5 ahead of the presentation, I will ask that members
6 hold all comments and questions until after the
7 presentation. Following those, I will open the floor
8 for questions and discussions. We will maintain to do
9 this in an as orderly fashion as possible, given we
10 are on the phone.

11 I ask that you direct your questions directly to
12 the chair, and please state your name. I will do my
13 best to keep track of the cue and give priority to
14 members who have not spoken previously. The Audit
15 Committee will be recognized first and then open to
16 the Board. Please keep your comments and questions
17 pertinent to the report, the corrective action plan,
18 and monitoring implementation, and I think that is all
19 of my very long speil.

20 Mr. Pearson, are you on the line?

21 MR. REAGAN: Actually, my last name is Reagan,
22 R-E-A-G-A-N.

23 TRUSTEE WASHINGTON: I apologize, Mr. Jack
24 Reagan.

25 MR. REAGAN: Last name is R-E-A-G-A-N is the last

1 name.

2 Sorry, we will adjust that on the record, sir.

3 Sorry.

4 MR. REAGAN: That's fine.

5 Good morning, again, everyone. My name is Jack
6 Reagan and I'm a partner with the accounting firm of
7 Grant Thornton. We were engaged by the University to
8 conduct a compliance audit, certain (inaudible)
9 regulations, contract agreements, and internal
10 regulations related to certain hiring incentive
11 payments that were made to five employees.

12 We were also engaged to audit the University's
13 compliance with certain laws, regulations, and
14 internal regulations and contract agreements
15 associated with the University-owned residence
16 renovation projects.

17 We conducted our audit, or our examination,
18 excuse me, in accordance with FSHN standards
19 established by the American Institute of Certified
20 Public Accountants, and that included examining on a
21 test basis evidence about the University's compliance
22 with those hiring incentive regulations, and the
23 University-owned residence renovation regulations and
24 performance procedures to be considered necessary in
25 the circumstances.

1 As described in our report in, Appendix A, our
2 examination disclosed material noncompliance related
3 to three of the hiring incentive payments made during
4 the fiscal year 2014/15 and 2015/16 fiscal year,
5 through March 9, 2016.

6 As described in Appendix B, our examination also
7 disclosed material noncompliance related to one
8 University-owned renovation residence project from the
9 period of December 1, 13, until March 9, 2016. In our
10 opinion, because of the fact of the non-compliance
11 described in Appendix A, we conclude the University
12 did not comply with the employee hiring incentive
13 regulations. And as described in Appendix B, because
14 of the effect of the noncompliance described, we
15 concluded the University did not comply with the
16 University-owned residence renovation regulations.

17 With regard to the employee's hiring incentive
18 clause, specifically what we identified were there
19 were two of the five hiring payments that were wholly
20 paid initially out of the Education and General funds,
21 which is specifically precluded under state law.

22 The third one was that the third payment was paid
23 out of restricted funds, which was inappropriate at
24 the time under the University guidelines.

25 Subsequent to all of those payments, Florida A&M

1 University Foundation did reimburse the University for
2 all five of those payments; however, at the time that
3 those payments were made, the University did not
4 comply with the laws and regulations and internal
5 policies and procedures.

6 We recommend, as a result of the noncompliance,
7 that the University formalize rules, policies,
8 guidelines and procedures that make sure they comply
9 with the Florida Statutes.

10 We also further recommend that the Board of
11 Trustees should periodically re-approve the delegation
12 of the authority for the Presidents to negotiate such
13 employment packages. The last time the board
14 re-affirmed the delegation of authority was 2006. We
15 recommend that at least once every three years such
16 delegation be reapproved.

17 With regard to the University-owned residence,
18 this was a clause in the employment agreement between
19 the University and the President, which indicated as
20 follows: That there should be prior approval from the
21 Board or its designee for any capital improvements to
22 the repairs to the home or its grounds which have a
23 project cost of over \$10,000. During the conduct of
24 our procedures, we identified one project that was
25 greater than \$10,000, which commenced after April 1,

1 2014.

2 MS. BURY: Excuse me. Excuse me. We can barely
3 hear you. Are you able to talk up a little louder,
4 please?

5 MR. REAGAN: Yes, I'm sorry. Let me take you off
6 speaker. I was trying to not get my hand cramped.

7 All right. So what I was saying was with regard
8 to the University-owned residence, we identified one
9 renovation project which began after April 1st, 2014,
10 which was in excess of \$10,000, which was not approved
11 prior to the commencement of the project by the Board
12 of Trustees, as required in Section 6.2 of the
13 employment agreement between the University and the
14 President.

15 As such, we recommend that the University
16 implement policies and procedures to insure that all
17 renovations projects in excess of \$10,000 are
18 presented to the Board of Trustees for prior approval.

19 We further recommend that the Board of Trustees
20 update its own policies and procedures to insure and
21 require that any renovation projects associated with
22 the University-owned residence in excess of \$10,000
23 are required to be presented to the Board of Trustees.

24 I certainly do wish to thank the folks at the
25 University who fully cooperated with our examination

1 engagement. I would also like to thank members of the
2 Board of Trustees for their input through the project.

3 And Trustee Washington, especially, thank you for
4 all of the coordination you did in your role as the
5 Audit Committee Chair.

6 TRUSTEE WASHINGTON: All right. Thank you so
7 much, Mr. Reagan. We appreciate your work and we will
8 continue -- I'm sure board members have questions, so
9 we will continue, as I previously stated, to acting
10 CFO Poole.

11 And Jack, if you could please stay on the line to
12 answer questions at the end of the presentation, we
13 would appreciate that.

14 MR. REAGAN: Absolutely.

15 TRUSTEE WASHINGTON: Thank you. Acting
16 CFO Poole.

17 CFO POOLE: Yes, good morning.

18 TRUSTEE WASHINGTON: Good morning.

19 CFO POOLE: Can you hear me?

20 TRUSTEE WASHINGTON: Can you get a little bit
21 closer to the mic?

22 CFO POOLE: Thank you, good morning.

23 TRUSTEE WASHINGTON: Thank you. That's better.

24 CFO POOLE: Thank you, Trustee Washington, and
25 Mr. Reagan for your report. We have received your

1 report and have reviewed the recommendations and would
2 like to present the following corrective actions in
3 order to prevent and detect internal control weakness
4 in the future.

5 So we would like to address these actions in
6 terms of categories, just aligning with your report.
7 So, dealing with the employee hiring incentive
8 regulations, we propose to update the policies and
9 procedures to insure that only permissible funding
10 sources, based on Florida Statute, are used to make
11 compensation-related payments. And so, in order to do
12 that, we would need to make enhancements to our
13 training materials to make sure that our hiring
14 incentives and any other atypical compensation items
15 are only paid from proper funding sources.

16 And so we will amend our personnel request action
17 informs. They're referred to as PAR forms, and on
18 that form we will amend it to actually specifically
19 state the funding source and require approval by the
20 University's budget officer, within the Finance and
21 Administration Office, as well as a budget officer
22 from the FAMU Foundation, because doing this upfront
23 will insure that the funding sources are identified
24 prior to any incentive payments being approved and
25 paid.

1 In order to insure that hiring incentives are not
2 paid from restricted trust funds, when we amend these
3 policies, we will specifically indicate that these
4 payments are not to be made from restricted funds or
5 from E&G sources, and if adequate funds are not
6 available, we will insure that there's written
7 notification given to the administrator of the funding
8 source, which could be the Foundation, for example, to
9 make sure there's an immediate recording of a
10 receivable from the funding source to the University
11 and that funds are transferred no later than quarterly
12 to insure that funds are in place before these
13 payments are made and these are reconciled during the
14 fiscal year-end closing process.

15 In regards to the noncompliance with the
16 University-owned renovation, we propose that we
17 enhance our communication with the Board, and one of
18 the best ways to insure that if there is a specific
19 provision in a contract, in this case it was the
20 University President's contract, but if there's any
21 other employment contract that has a provision that
22 overrides our normal parameters, that we will enhance
23 our communication with the Board and that the Vice-
24 President For Finance and Administration will confer
25 with the Office of General Counsel to find out if any

1 contracts have been executed in between each board
2 meeting, so that we can be aware of any changes or
3 contract provisions that might not be consistent with
4 our existing parameters, or for example, that may be
5 inconsistent with our construction manual or other
6 existing normal parameters that we have.

7 We also would like to develop an updated approach
8 to how we deal with change orders on projects.
9 Currently, there are internal controls that clearly
10 define what the approvals are for certain dollar
11 amounts, and when change orders below those dollar
12 amounts come up, there is a need to improve our
13 processes to give more analysis around the project
14 costs, looking at bid to completion, looking at
15 dollars spent and percentages when we look at projects
16 from the originally-planned amount to what the ending
17 amount ends up being.

18 And so, we would like to enhance our training and
19 supervision of project managers to make sure as
20 they're reviewing work and the progress of work, that
21 they're looking in line with funding sources, and we
22 would like to see the annual performance evaluation
23 criteria for project managers include an assessment of
24 how well that project manager is showing due diligence
25 in the area of change orders to make sure that we're

1 not only looking at project time lines, we're looking
2 at the budget and we're looking at the percentage and
3 number of change orders for each project.

4 So these are our proposed corrective actions.

5 TRUSTEE WASHINGTON: Thank you very much,
6 Ms. Poole.

7 And finally, Mr. Givens, would you would you
8 provide the overview of how the Division of Audit is
9 to monitor the implementation of the plan?

10 VP GIVENS: Sure. Good morning, everybody. For
11 all audit reports that are issued, whether they're
12 internal or external, we have a follow-up process that
13 we follow and basically it is to obtain the corrective
14 action plan from management that addresses the
15 findings. We input those findings into a database
16 that includes the recommendation, the proposed
17 corrective action plan, expected implementation date,
18 and responsible employee.

19 Now, when we receive the plan, we evaluate the
20 plan to see that it addresses the findings that the
21 plan seems to be adequate, effective, and will take
22 timely action on the reported findings. Once we do
23 that, we establish a follow-up date where we will
24 validate implementation of the corrective action
25 plans. The date established will give the appropriate

1 people the time needed to implement the plan and to
2 have some actions taken so that we can adequately
3 evaluate whether the plan is working.

4 And when we get to the date that we establish, we
5 will go in and actually validate that the corrective
6 actions have been implemented and that the plan is
7 working as intended and remedies the situation. That
8 would be our follow-up process.

9 TRUSTEE WASHINGTON: Thank you very much,
10 Mr. Givens. And I would just like to take a moment to
11 thank Mr. Reagan, Ms. Poole, and Mr. Givens for your
12 hard work in coordinating and working together to
13 bring this report together. I will say that it has
14 not been a small project, and thank you for being
15 available late nights, weekends, as necessary, as I
16 have often called upon you.

17 So Committee members, Board members, that
18 concludes the presentation. I would like to open the
19 floor to, first, the Audit Committee members, if there
20 are any questions or discussion items.

21 TRUSTEE WOODY: Madam Chair, this is Trustee
22 Woody.

23 TRUSTEE WASHINGTON: Trustee Woody.

24 TRUSTEE WOODY: I want to thank everyone for
25 working on this audit report.

1 I have just a question and maybe a concern that
2 the auditor would be able to help me with -- or
3 staff -- and it's in reference to, number one, I know
4 that we requested the audit report some time ago, and
5 one question is, why did it take so long to get the
6 results?

7 And the other question is in looking at -- and I
8 understand that the violation of that was found and
9 agreed with those, but the question I have in
10 reference to Administration -- and I guess the
11 "Administration" is the President -- is in reference
12 to communication. When the decision was made and in
13 reference to giving these hiring incentives that she
14 or the Administration check with other resources
15 within the institution -- for example, like the
16 Foundation, and get their opinion -- or the General
17 Counsel's Office and get their opinion, or a valuable
18 resource would be the Chancellor's Office; or making
19 the decision in reference to give out these incentive
20 raises?

21 TRUSTEE WASHINGTON: As to the length question, I
22 would pose that to Mr. Reagan.

23 As to the second part of your question, maybe
24 that is better suited for Ms. Poole or Mr. Reagan, if
25 you have any insight.

1 But we will start with Mr. Reagan.

2 MR. REAGAN: Yeah. With regard to the timing of
3 the report, we did conduct our audit and examination
4 in accordance with the FSHN standards, followed all of
5 the procedures, both on the NICPA as well as our
6 internal rules and regulations. The report worked its
7 way through our quality assurance process, and we
8 delivered our report in accordance with the
9 contractually-stated deadlines.

10 VP GIVENS: And this is Rick Givens. I would
11 also just add that the project didn't get started in
12 the time frame that we thought, because we got caught
13 some with the holidays by the time we got the scope
14 developed and advertised and the firm selected. We
15 were into the holidays, so we got started a little
16 later as well.

17 TRUSTEE WOODY: And Madam Chair?

18 TRUSTEE WASHINGTON: Yes.

19 TRUSTEE WOODY: In reference to the renovation of
20 the President's house, after reviewing all of the
21 information that I had available, there's some
22 questions that I have in reference to was anyone --
23 did anyone from the Audit Committee have a discussion
24 with the former Trustee Spurgeon McWilliams in
25 reference to his involvement in this or lack of

1 involvement in this whole process? Because what I
2 have read is that former Trustee McWilliams did not
3 give approval in reference to the garage renovation.

4 Did anybody talk with the former Trustee
5 McWilliams, and also the former chairman, in reference
6 to this matter, please?

7 TRUSTEE WASHINGTON: Trustee Woody, just to
8 clarify. That's one the one that you just asked
9 questions and I would pose that probably to Mr. Reagan
10 about the former trustees.

11 We didn't answer your prior question about
12 consultation regarding the salary of both, so I'm just
13 trying to keep track of all of the questions, so.

14 TRUSTEE WOODY: All right.

15 TRUSTEE WASHINGTON: So maybe let's have
16 Mr. Reagan answer the question regarding contacting
17 former trustees. And then, Ms. Poole, if you could
18 perhaps -- or whoever would be most appropriate to
19 answer the question about related to complication
20 regarding salary and bonuses.

21 MR. REAGAN: You want me to go first?

22 TRUSTEE WASHINGTON: Yes, please, Mr. Reagan.

23 MR. REAGAN: Okay. So as indicated in our
24 report, we were provided from documentation from the
25 University's Director of Physical Plant in October of

1 2015 that documented a meeting that occurred in March
2 of 2014, which was characterized as a walk-thru
3 meeting between members of University management, as
4 well as certain members of the Board of Trustees.

5 The documentation presented again at that
6 walk-thru meeting. The recollection of the
7 University's Director of Physical Plant was that the
8 Board of Trustees member recommended that the garage
9 be added; that's documentation that we obtained. But
10 we did note that there was no documentation from any
11 member of the Board of Trustees or any Board minutes
12 that indicated that was the case.

13 So, and to directly answer your question, no, we
14 did not contact that Trustee, again, because under the
15 auditing standards, the documentation, especially on
16 compliance attestation agreement, engagement, is what
17 is important and what is relevant to the auditing
18 standards, and that, I guess, verbal recommendations
19 and nonverbal recollections are insufficient to allow
20 us under the standards to determine compliance or
21 noncompliance.

22 TRUSTEE WOODY: Thank you.

23 TRUSTEE WASHINGTON: And then, back to address
24 the salary and bonus. Maybe -- I don't know exactly
25 who would be the best person to address the question.

1 Trustee Woody, can you restate that question,
2 regarding the sentiment was, was anybody consulted
3 regarding that practices and provide best practices
4 and providing salary and bonus payments. Is that sort
5 of the sentiment?

6 TRUSTEE WOODY: Yes. In reference to the
7 President making contact. Before making the decision
8 to give out the bonuses, as a resource, we have a
9 resource as our inner -- inter-audit office as a
10 resource, and our General Counsel as a resource, and
11 maybe the Foundation, and somebody with the hope that
12 I would think that somebody would answer that we were
13 in violation or that's something that we don't
14 necessarily need to do.

15 Was any communication -- in reference from the
16 Administration standpoint to try and -- well, it's
17 obvious that it was not. And I guess I'm trying to
18 get down to the lack of -- like we've been talking for
19 some time, the concern of the Board is lack of
20 communication. And we need to improve that, and staff
21 has already acknowledged the will to improve the
22 communication between the Board and the
23 Administration.

24 TRUSTEE WASHINGTON: So it sounds almost as if we
25 already answered our own question in that little

1 discussion.

2 It is clear, at least from my standpoint, that
3 there wasn't the proper consultation and that the
4 University had outlined in their corrective action
5 plan a way to remedy that situation moving forward.

6 Madam President, would you like to speak to, or
7 Angela, would you like to speak to the process for
8 providing bonus payments or hiring incentives?

9 PRESIDENT MANGUM: I can speak to hiring
10 incentives and current practice, best practices in
11 higher education.

12 TRUSTEE WASHINGTON: Okay.

13 PRESIDENT MANGUM: And the number of positions
14 that we're talking about are from executive level
15 positions in higher education, are customarily, or
16 it's not out of practice to offer hiring incentives;
17 incentives to get people to start sooner than they
18 would have or help them start into a position when
19 they are moving into a new area.

20 We have at FAMU a process of providing offer
21 letters to people that are prepared by the Human
22 Resources Department that reviews all of the terms and
23 conditions of employment. Those terms and conditions
24 of employment which would include a hiring incentive,
25 are also reviewed and signed off on as part of a

1 standard template for hiring.

2 So the resources -- whether the resources are in
3 the account or not at the time the incentive is paid
4 moves down the line to the business manager, into a
5 business office, to make sure help are properly
6 sourced. But the idea of providing a hiring incentive
7 is part of the hiring package and is approved and the
8 letter sent and prepared in Human Resources.

9 So it was properly executed in the offer. I
10 think the concern here is whether or not it was
11 properly sourced at the time that it was paid, not
12 that there was anything wrong with actually providing
13 a salary or a hiring incentive in the form of salary.

14 TRUSTEE WASHINGTON: That makes sense. Trustee
15 Woody, does that answer your question?

16 TRUSTEE WOODY: It does. Madam President, thank
17 you.

18 TRUSTEE WASHINGTON: Any other questions from
19 committee members?

20 All right. If none from the committee members,
21 any questions or comments or discussion from the other
22 Board members?

23 TRUSTEE LAWSON: Yes, Chair Washington. This is
24 Lawson.

25 TRUSTEE WASHINGTON: Lawson, you are recognized.

1 Wait, hold on one second. Was there somebody
2 else that would like to be recognized after Lawson?

3 TRUSTEE CARTER: Carter.

4 TRUSTEE WASHINGTON: Carter.

5 TRUSTEE MOORE: Trustee Moore.

6 TRUSTEE WASHINGTON: Moore.

7 TRUSTEE WARREN: Warren.

8 TRUSTEE WASHINGTON: Trustee Lawson, you are
9 recognized.

10 TRUSTEE LAWSON: Okay. Hey, well, good morning,
11 and I'll try to be brief.

12 The background for my question I think is
13 probably more suited for Mr. Reagan, I believe. The
14 background for my question ties to purchase order
15 number 123281, which is a document that I think
16 everybody has or has access to. And if you refer to
17 line 36, line 40, line 42 and line 66, those are all
18 items that were change orders that were dated or this
19 document itself is dated 1/13/15.

20 The second background document for my question is
21 an invoice from LLP Building Corporation; Invoice
22 Number 92314 for some items that were attached to the
23 home. It's dated 10/1 of '14. And for perspective,
24 the President's contract was executed on 2/20 of '14.

25 My question for the auditor is, at the time that

1 we initially had this discussion, we were advised by
2 at the time two senior staff members that some of
3 those items that I referenced in addition to others
4 were in direct violation of the contract; however,
5 your presentation this morning and when we had our
6 one-on-one states that these items are part of a
7 larger project.

8 Can you clarify and make that distinction clear
9 for all of us? Because again, the reason for my
10 question is when these things were reviewed originally
11 by two senior staff members, I was told specifically
12 that they were indeed violations of the President's
13 contract, and if you were to go to the Board minutes
14 from October 22nd, that question was reiterated to
15 those two staff members and they answered
16 affirmatively that these were indeed violations of the
17 President's contract.

18 TRUSTEE WASHINGTON: Mr. Reagan?

19 MR. REAGAN: Yeah, sure. As we indicated in our
20 report, Section 6 .2, the employment agreement
21 indicates that, "Prior approval from the Board or its
22 designee for any capital improvements or repairs to
23 the home or its grounds which have a project cost of
24 over \$10,000 should be obtained." Those, we did go
25 back after our conversation.

1 We reverified that there were two separate
2 projects here: One for the renovation of the home;
3 one for the construction of the garage. The project
4 that is associated with the home was approved prior to
5 April 1, 2014. The renovation or establishment of the
6 garage was created after April 1, 2014.

7 So because the language in the President's
8 employment agreement indicates project cost, that is
9 why we the, one, the project cost of greater than
10 \$10,000 occurred after April 1, 2014; resulted in the
11 material noncompliance.

12 TRUSTEE LAWSON: My second question, Chair, if I
13 may? It's similar to Trustee Woody's question. My
14 other concern is, the people that were interviewed to
15 come to the conclusion, and my question for Mr. Reagan
16 is was former Chair Montgomery interviewed? Was
17 Former Chair McWilliams interviewed? And was former
18 General Counsel Avery McKnight interviewed during the
19 process?

20 MR. REAGAN: No.

21 TRUSTEE LAWSON: Can you share why not?

22 MR. REAGAN: As I indicated earlier, under the
23 auditing standards associated with this, verbal
24 recollection and verbal documentation would not be
25 sufficient audit evidence to allow me to conclude

1 whether or not the University was in compliance.

2 TRUSTEE LAWSON: One last question, Chairperson?

3 TRUSTEE WASHINGTON: Sure.

4 TRUSTEE LAWSON: Mr. Reagan, did you go back and
5 review the October 22nd Board minutes?

6 MR. REAGAN: Yes.

7 TRUSTEE LAWSON: Was your interpretation the same
8 as mine, as far as when the questions were asked and
9 when they were answered affirmatively that there were
10 indeed violations of the President's contract?

11 MR. REAGAN: As we indicated in our report, the
12 language in the President's employment agreement
13 indicates that prior approval from the Board or its
14 designee for any capital improvement to the home or
15 its grounds which have a project cost of over \$10,000.

16 So we were going with the language, the actual
17 language, in the contract, in the employment agreement
18 which is what has to be complied with, and it
19 indicated project cost.

20 TRUSTEE LAWSON: Okay, thank you.

21 TRUSTEE WASHINGTON: Thank you. Trustee Lawson,
22 are you complete?

23 TRUSTEE LAWSON: I'll concede. There are three
24 or four others behind me.

25 TRUSTEE WASHINGTON: Yes, there are.

1 Trustee Carter, you are next. You're recognized.

2 TRUSTEE CARTER: Thank you, Madam Chairman.

3 Let me make an observation, if I may. Based upon
4 what I've heard in this process, it seems to me that
5 we have a fundamental problem with our policies and
6 procedures based upon what I've heard in the context
7 of given prior approval for the appropriations for the
8 renovations; also, in the context of best practices
9 regarding the employment bonuses.

10 I think somehow or another, there has to be some
11 kind of way that we look at our policies and
12 procedures that insure. Do we have adequate
13 protections in there to afford us the necessary
14 authority to adhere to our fiduciary responsibilities
15 as it relates to this University. And so, I have some
16 real problems with that, and I'm just kind of
17 listening in. But I haven't -- I don't have a
18 perspective yet on how many there are, but it seems to
19 me we really need to dig down deep and do some
20 renovation of our policies and procedures. And we
21 need to make sure that the process is transparent;
22 that we have a fully transparent process, because
23 after all, we are dealing with a state university,
24 state system, the taxpayers are holding us responsible
25 for that, and we also have the responsibility to the

1 FAMU stakeholders, the students, the faculty, the
2 alumni, the Administration and everyone else.

3 That gives me some grave concern on that, Madam
4 Chairman. And I think, Mr. Chairman, maybe at our
5 next meeting we can look at that in some great detail
6 and greater depth, because I believe in this whole
7 process as we're looking at, as to Trustee Lawson's
8 question regarding the General Counsel and different
9 folks like that, somehow or another there has to be
10 some kind of way that the Board is not only informed
11 but also that our policies and procedures are
12 sufficient for the activities and possibilities that
13 have come before us.

14 I don't want to get into the nuances in terms of
15 whether this was a contract or whether this was a
16 procurement, but if you are going to say that you want
17 to put a cap on how much the President can spend, then
18 we need to have a cap on the spending instead of
19 trying to split hairs about nuances and euphemisms
20 about whether it's a contract or not. That's kind of
21 where I am. I may have some questions, but right now
22 I wanted to make that statement, and I'm still trying
23 to think this whole process through.

24 Thank you, Madam Chairman.

25 TRUSTEE WASHINGTON: Thank you, Trustee Carter.

1 We are all still trying to think this through and that
2 is the purpose of this meeting. And I agree with your
3 sentiments and I do think we need to think through
4 what additional materials we're talking about. And
5 when we're talking about the policies and procedures,
6 which documents we would like to dive into or what
7 sort of resources we might need to have externally --
8 maybe somebody come in and help us through some of
9 these things to insure that we are in the best
10 position possible. So I agree with your sentiments.

11 Thank you, Trustee Carter.

12 Trustee Moore, you are next. You are recognized.

13 TRUSTEE MOORE: Thank you, Trustee Chairman
14 Washington. I would like to also echo the comments
15 shared by others in thanking you for your leadership
16 as well as the work of the audit firm and the staff.
17 So thank you there.

18 My first question is directed to Mr. Reagan.
19 It's been stated with regard to best practices tied to
20 salary bonuses and incentives, I wondered if your
21 review concluded with the thought that maybe, even
22 within the SUS system, is this common practice? Is
23 this something that you found to be best practice
24 during your review?

25 MR. REAGAN: I'm sorry. That what was best

1 practice?

2 TRUSTEE MOORE: In terms of providing or the
3 provision of bonuses or incentives within the SUS
4 system, or was that more of a general statement
5 universal, that this is common practice, and that
6 maybe where we fail to meet muster was making sure
7 that the resources were indeed available to address
8 the obligations that the college had of course brought
9 on board by way of executing those agreements by the
10 staff being on-boarded.

11 MR. REAGAN: Right. I certainly, based on my
12 experience, such packages as these are routinely
13 granted during the employment process. So yes, it is
14 a common industry practice, and you know, as we
15 indicated in our report and our recommendations, you
16 know, that the University should improve its policies
17 and procedures, as the interim CFO indicated, around
18 the accounting and budgeting force of things.

19 TRUSTEE MOORE: Okay, thank you. And Madam
20 Chair, this is to be directed to Chair Warren. Thank
21 you. It's specific to what's also been chaired by a
22 couple of trustee members as well, and that's the
23 concern related to review of procedures and making
24 sure that we are where we need to be. And I would ask
25 your indulgence insuring that at our next board

1 meeting, that there's conversation around scheduled
2 review of our procedures and just making sure that we
3 are in a better position going forward.

4 And I would honestly ask that you accept that as
5 a call or cry from, not only the committee, but it
6 sounds like the other trustees who may not be a part
7 of this committee.

8 TRUSTEE WARREN: I concur with you, Trustee
9 Moore. I don't know if it's my turn.

10 TRUSTEE WASHINGTON: It is your turn in the cue,
11 so you are recognized.

12 TRUSTEE WARREN: Thank you, Trustee Washington.
13 And I will collaborate a bit more on Trustee Moore's
14 point, but I did want to begin my comments by thanking
15 Jack and his team for what I would categorize as
16 excellent work in this forensic effort that they put
17 on for us. It has taught us a lot particularly about
18 our operating procedures, as we've all been talking
19 about how we need to shore that up.

20 So let me talk about that first, amongst my
21 several comments. I think it's typical in the system
22 or maybe any company for that matter, but particularly
23 in this world of academia for boards of directors and
24 board of trustees to disseminate to the organizations
25 they represent direction to create policies and

1 procedures that really become the nuts and bolts of
2 how to get something done.

3 We rely then on the expertise of staff wanting to
4 craft those internal operating procedures and then to
5 follow them. What's apparent here, I think, are two
6 things: One as the audit points out, there was not a
7 strict adherence to what even the existing policies
8 and procedures. It was not for the lack of one but
9 adherence to those that we have in the discovery of
10 what we do have needs to be shored up.

11 Internally, what the organization needs to do is
12 in my mind, is to step all policies and procedures on
13 some kind of tickler for periodic review. And that
14 could be, generally speaking, some three year, two
15 year, one year review. One year is probably too often
16 for the volume of our policies and procedures to be
17 reviewed, but all of them should be set up on some
18 cycle for periodic review.

19 And similarly, where Board of Trustees sets up
20 Board rules, those Board rules should then come back
21 to us for periodic review as well. Times change,
22 processes and ways of doing things change, and they
23 all necessitate -- or even the law changes for that
24 matter -- all necessitate a need for us to go back to
25 policies and Board rules for periodic review.

1 And I would think that even when the auditors
2 come in to audit us, what they're really auditing,
3 quite frankly, is if we're adhering the procedures we
4 say we're going to operate under as we conduct the
5 University's business.

6 So I agree with you, Trustee Moore, whole
7 heartedly, that there should be as a part of the work
8 that Ms. Poole does, the establishment of a process or
9 periodic review on rules that we have disseminated in
10 the attending operating procedures as staff drafts
11 around those to execute the operational things that
12 have to be done to get the business of the university
13 done.

14 At the next Board meeting, Dr. Mangum and
15 Mr. Miller, if he's on the line listening, when we
16 talk through the agenda at the next meeting, we'll
17 include some time for discussion, maybe a redressing,
18 Ms. Poole, of the action plan that you talked about as
19 we address these particular findings by the auditor,
20 and in a more general sense, how we go forward with
21 periodic reviews of rules created by the Board and the
22 operating procedures that attend to those Board rules.

23 I think it was a good point to -- and Jack, you
24 did a good job on doing this and that's keeping us
25 focused on the purpose, intent, and the quality of the

1 standards that you employ when conducting the audit.
2 The real issue on the salary bonuses or employment
3 bonuses was where we got the money from, and at the
4 time those funds were drawn down, they were drawn down
5 from accounts that we should not have used for the
6 purposes.

7 And so, our procedures, as Ms. Poole outlined,
8 should be adjusted to make sure that never happens
9 again for any case, where we use funds
10 inappropriately; or when done, whatever the cash flow
11 reasons are, that the follow on to it in this case
12 that was also missing was an account receivable, that
13 made it readily apparent to all that the Foundation
14 owed the college something, and that had to be done
15 and resolved before the end of the fiscal year.

16 With respect to Building 13, as I refer to it;
17 Building 13 is the place for the President resides.
18 The issue there, as Jack so aptly pointed out, was the
19 distinction between one project and another. We got
20 our arms wrapped around the component parts of the
21 projects, but the reality is, as was clarified for us
22 by the forensic audit team, is that we were talking
23 about two projects here. One of them did have -- was
24 acted on after the contract was done.

25 Our process and procedures, however, facilitated

1 that getting done, and those processes and procedures
2 need to be shored up to insure that communication
3 happens up and down the chain and the proper approvals
4 for the disbursement of funds is established and this
5 is procurement process is improved as well.

6 I'm looking forward, Ms. Poole, to the detail, if
7 you will, that gives all of us the comfort that we
8 won't have this sort of experience again, not just on
9 Building 13 but for any building and/or capital
10 improvement in and around the University.

11 So with that, again, I would like to thank all
12 for their participation in this. And then, Trustee
13 Washington, I want to applaud your leadership here as
14 well with the Audit Committee and the fine work that
15 you and they have done, and for all who have
16 cooperated with the external auditors. This has been
17 an example of how the forensic effort works for sure,
18 and I'm quite pleased, personally, quite pleased with
19 the product.

20 TRUSTEE WASHINGTON: Thank you, Trustee Warren.
21 Are there any other comments, questions, discussion
22 items from board members?

23 TRUSTEE CARTER: Just one, Madam Chair, and this
24 is Trustee Carter.

25 Just one procedural question: Where do we go

1 from here?

2 TRUSTEE WASHINGTON: So, you searched my closing
3 comment or preempted my closing comments. That is --
4 are there any other questions?

5 TRUSTEE McCOY: Yes. Madam Chair, this is
6 Trustee McCoy. May I at least offer a thought and
7 maybe a question?

8 TRUSTEE WASHINGTON: Okay. Trustee McCoy you are
9 recognized.

10 TRUSTEE McCOY: After listening to the
11 discussions and Mr. Reagan's report, one could
12 possibly conclude that there are two issues at hand
13 may have been as simple as a procedural error, or
14 which we've discussed or bookkeeping error.

15 Do we not have means of determining what I would
16 call a simple determination prior to launching a full
17 audit on issues of this nature?

18 TRUSTEE WASHINGTON: I will defer that comment or
19 that question to VP Givens.

20 VP GIVENS: As far as, the audit was directed
21 because the issues came up through some external
22 sources and the Board decided to direct an outside
23 audit. But we do have, internally, we do a risk
24 assessment every year that directs the audit effort
25 that we make based on where we feel that the audit

1 resources would be best applied.

2 TRUSTEE McCOY: Okay. I'm not sure that answers
3 the heart of my question. We can always ask for a
4 formal audit, no matter how big or small an issue
5 might be.

6 But in listening, again, to the report and to the
7 discussions -- this is all hindsight, remember -- one
8 could simply conclude that some other form of
9 determination of whether or not we had a process error
10 or bookkeeping error, may have prevented a complete or
11 may have set the stage as a complete audit or outside
12 agency may or may not have been required.

13 And I want to satisfy my mind, at least, if there
14 is something in place to ask those questions before
15 one results to a full audit, unless that is the
16 process itself.

17 TRUSTEE WASHINGTON: Trustee McCoy, I would say
18 that there are a number of steps and ways in which
19 investigation or an allegation can be made and whether
20 or not that goes through internal University's
21 process, that would normally be the case. I would say
22 this was an exceptional case in that it came directly
23 out of a specific board action with some very specific
24 materials that needed to be investigated.

25 So I think that on -- there is a normal process

1 for the allegation -- for an allegation to be made, a
2 simple -- or I won't say a simple but an internal
3 investigation. And then, if it needs to be moved to
4 the level of the next external auditor, there is a
5 process for that, but this is I think a very special
6 case.

7 TRUSTEE WARREN: Trustee Washington, this is
8 Trustee Warren. I have a question for the auditor.

9 TRUSTEE WASHINGTON: Yes.

10 TRUSTEE WARREN: Jack, are you still there?

11 MR. REAGAN: Yes, sir.

12 TRUSTEE WARREN: If the accounts receivable had
13 been established coincident with the use of funds,
14 would this have been an auditable item at all?

15 MR. REAGAN: I believe that it still would have
16 been paid out of the funds. I think that a better
17 solution is to actually have the money moved over
18 first and then paid with those funds rather than have
19 the receivable out there.

20 TRUSTEE WARREN: Okay.

21 MR. REAGAN: I think that's likely a stronger
22 procedure.

23 TRUSTEE WARREN: Yes, but the genesis of my
24 question is this: The account receivable acknowledges
25 the obligation of the Foundation to the college. As I

1 understand it --

2 MR. REAGAN: Right.

3 TRUSTEE WARREN: -- there was not the ability of
4 the funds, for whatever the reason was, at the time of
5 disbursement.

6 So in the scheme of things, as we manage cash
7 flow, the Foundation in this case, not having the cash
8 to give -- the cash, that is -- not that they didn't
9 have resources, but didn't have cash to provide to the
10 University, the University could have either waited --
11 in this case, they didn't -- and in so doing, should
12 there have been coincident with the disbursement the
13 establishment of the account receivable, with
14 acknowledges the intent to collect the money from the
15 Foundation or also the Foundation acknowledges their
16 intent to pay it when cash is available.

17 That would in my mind avoided this issue and
18 necessitated an audit, external audit around what was
19 around a the passion with this activity, and that
20 passion resulted in an anonymous and/or acknowledged
21 claim that there was a misuse of funds.

22 MR. REAGAN: I'm sorry. Was there a question on
23 that?

24 TRUSTEE WARREN: Back to my original question
25 and/or point about the account receivable being -- if

1 it had been done coincident with the disbursement,
2 would it have been a strong confirmation of intent to
3 pay and/or intent to collect?

4 MR. REAGAN: I was going to say I understand
5 where you're coming from, but since that wasn't the
6 specific fact and circumstance in this case, it's not
7 something that I specifically could address or
8 conclude upon. So I can't really answer the
9 hypothetical.

10 TRUSTEE WARREN: Okay, thank you.

11 TRUSTEE WASHINGTON: Thank you.

12 All right, Trustee Warren. Any board members?

13 TRUSTEE LAWSON: Yes, this is Lawson again.

14 TRUSTEE WASHINGTON: Sure.

15 TRUSTEE LAWSON: Thank you, Madam Chair. I would
16 like to address Trustee McCoy's question with a
17 slightly different response.

18 Trustee McCoy, one of the things that I think led
19 us to the external audit, and I happened to make the
20 motion to pursue an external audit, is we had a very
21 challenging discussion around the future of the
22 President during the October 22nd meeting, and it was
23 all based on the discussion topics here. And we
24 thought that if there was ambiguity her interpretation
25 then this best thing to do would be to conduct an

1 audit.

2 The rationale for going external versus internal
3 was prior to this October 22nd discussion, on a
4 separate issue, our own internal auditor had expressed
5 concerns of undue influence by the Administration.
6 Not sure if that's accurate or if it took place or
7 not, but that was expressed to the board in the form
8 of a memo; therefore, in an effort to try and make
9 this I guess as fair and as just for both parties --
10 us and the President -- I thought the best thing to do
11 would be to go with an external firm to avoid any
12 appearance of any influence by the Administration on
13 the outcome of the audit process.

14 And I think Mr. Reagan's firm has done an
15 outstanding job in pulling these results together. So
16 just a little additional background and clarity on why
17 we chose to use an external firm and pursue an audit
18 versus just having the CFO at the time look into some
19 of the transactions.

20 TRUSTEE McCOY: Thank you for that.

21 TRUSTEE WASHINGTON: Thank you, Trustee Lawson.

22 All right. It appears we are wrapping up. Do
23 have any other questions of the board? Last call?

24 Okay. So I will talk a little bit about next
25 step.

1 Thank you, again, Jack, and your team; Ms. Poole
2 and your team; and VP Givens for the really hard,
3 diligent efforts that was made to conduct this audit.

4 At the next step, as far as the audit committee,
5 given the conversation today, there are some clear --
6 there was some clear sort of repeated sentiments
7 around the need to do periodic review of processes and
8 procedures; perhaps even a schedule.

9 And, so the next step for the Audit Committee,
10 this report will come to the Audit Committee in our
11 next meeting as an action item for acceptance, and at
12 that time we will also have a discussion and action
13 and the Committee will come up with a number of
14 recommendations to the full board to be considered
15 during the full board meeting subsequently.

16 So that sort of is the process and procedures, I
17 think. Up until that point, I will work with VP
18 Givens to get some additional information about and
19 maybe even develop a draft of a schedule that or just
20 do some due diligence to what would go into the
21 scheduling process so we have something to recommend
22 and to provide the board and do our due diligence on
23 the back end. And then if there are any other
24 questions if members have questions, if committee
25 members have questions or recommendations or things

1 that you would like to say, please direct them to
2 Mr. VP Givens, and we will do our due diligence to
3 make sure that what comes out of this is something
4 that is productive and something that helps us to move
5 forward and insure that our policies and procedures
6 are adequate and put us in the best position possible.

7 So our next meeting is in June. This will come
8 as an item for acceptance. We will provide
9 recommendations to the full board.

10 And if there are no other questions, concerns,
11 anything else; any other business before the board?

12 TRUSTEE WARREN: Trustee Washington. This is
13 Trustee Warren. This is one last comment, if I may?
14 I mentioned earlier that we would have this topic
15 about review of procedures on the next agenda for the
16 Board, and that will be positioned under your
17 Committee's report, so we can take the time there as
18 opposed to it being some separate line item. So I
19 appreciate the energy you plan to put into this prior
20 to the next board meeting, but the discussion around
21 this and any action items that your committee would
22 recommend, we would address it in that section of the
23 board meeting.

24 TRUSTEE WASHINGTON: Okay.

25 TRUSTEE WARREN: Okay, thank you.

1 TRUSTEE WASHINGTON: Thank you so much. If there
2 is no other business before the board, we are
3 adjourned.

4 (Meeting concluded.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, Yvonne LaFlamme, Florida Professional Reporter
and Notary Public, certify that I was authorized to and
did stenographically report the foregoing proceeding; and
that the transcript is a true and complete record of my
stenographic notes.

I further certify that I am not a relative,
employee, attorney, or counsel of any of the parties, nor
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attorney or counsel connected with the action, nor am I
financially interested in the outcome of this case.

Dated this 12th day of APRIL 2016.

Yvonne LaFlamme, FPR
Court Reporter
Notary Public
State of Florida at Large

