

Florida Agricultural & Mechanical University
Board of Trustees

AUDIT AND COMPLIANCE COMMITTEE CHARTER

1. Purpose

The Board of Trustees has established the Audit and Compliance Committee (Committee), pursuant to Section 4.2.2 of the Board of Trustees Operating Procedures. The primary function of the Audit and Compliance Committee is to assist the Board of Trustees in discharging its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the University's process for monitoring compliance with laws and regulations. The Audit and Compliance Committee's principal activities will include:

- Oversight of the university's Enterprise Risk Management (ERM) program designed to ensure that risks are appropriately identified, assessed, managed, and considered in institutional decision making;
- Oversight of the University's internal control structure, to review the effectiveness and reliability of its business, financial and information system controls;
- Oversight of the quality and integrity of the University's financial reporting processes to ensure the balance, transparency, and integrity of published financial information;
- Review of the internal audit function and overall audit process;
- Review of the external audits performed by the State Office of Auditor General and other independent auditors;
- Review and approval of the annual audit plan;
- Review and approval of the annual compliance program plan;
- Review of the Division of Audit and Office of Compliance and Ethics annual reports; and
- Review of the University's process for monitoring compliance with laws, regulations and policies.

The Audit and Compliance Committee's role is one of oversight, not preparation or operation. Its members rely on the representations of the University's senior management, the Division of Audit, the Office of Compliance and Ethics, the General Counsel, other committees of the Board of Trustees, and other professional consultants.

2. Authority

The Audit and Compliance Committee is authorized to:

- Perform activities within the scope of this Charter.

- Appoint, compensate, and oversee the work of any public accounting firm employed by the University.
- Resolve any disagreements between University management and the auditors regarding financial reporting.
- Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation, upon approval of the Board of Trustees.
- Seek any information it requires from faculty, staff, and students of the University.
- Meet with University management, external auditors, or outside counsel as necessary.

3. Organization and Composition

The Audit and Compliance Committee shall be appointed and be comprised of members of the Board of Trustees as provided in the Board of Trustees Operating Procedures. The members will be free from any financial, family or other material personal relationship, including relationships with members of University management, University auditors, and other professional consultants that would interfere with the exercise of their independence from University management or the institution. A majority of the Audit and Compliance Committee members will be financially literate, with at least one member designated as a “financial expert.”

University staff liaisons are the Vice President for Audit, Chief Compliance and Ethics Officer, and the Vice President for Finance and Administration.

4. Meetings

The Audit and Compliance Committee will meet at least four times annually. Additional meetings may occur as circumstances dictate. The Audit and Compliance Committee will invite members of University management, auditors, or others to attend meetings and provide pertinent information as necessary. The meetings will be open to the public. Meeting agendas and appropriate briefing materials will be prepared and provided in advance to Committee members.

5. Responsibilities and Duties

The Audit and Compliance Committee believes its policies and procedures should remain flexible in order to best react to changing conditions and provide reasonable assurances to the Board of Trustees that the scope of audit activities and the adequacy of the system of internal controls ensure compliance with state and federal laws, regulations, and requirements. The Audit and Compliance Committee shall make reports to the Board of Trustees, as it deems necessary. In addition to the duties as provided in the Board of Trustees Operating Procedures, the Audit and Compliance Committee will fulfill their duties and responsibilities as follows:

A. General

1. Adopt a Charter that is approved by the Board of Trustees that specifies its scope of responsibility, process, etc. The Charter shall be reviewed as necessary, but at least annually, with recommended revisions being submitted to the Board of Trustees for approval.
2. Maintain minutes and/or other records of meetings and activities.
3. Report Committee actions to the Board of Trustees with such recommendations as the Committee may deem appropriate.
4. Conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain independent accountants, counsel or others to assist in the conduct of any investigation, upon approval of the Board of Trustees.
5. Review and monitor the implementation of University management's responses to audit recommendations.
6. Require the Vice President of Audit and the Chief Compliance and Ethics Officer to report in writing annually on the activities of their offices.
7. Confirm annually that all responsibilities outlined in this Charter have been carried out.
8. Review any reports issued by the University that relate to the Audit and Compliance Committee responsibilities.
9. Perform other governance oversight as assigned by the Board of Trustees.
10. The Vice President for Audit (as the Chief Audit Executive) and the Chief Compliance and Ethics Officer report functionally to the Chair of the Board of Trustees and to the Chair of the Audit and Compliance Committee of the Board of Trustees and reports administratively to the President.
11. Provide an open avenue of communication between the Vice President of Audit, the Chief Compliance and Ethics Officer, the Chief Risk Officer, external auditors, and the Board of Trustees.

B. Internal Audit

1. Review and approve the annual risk-based internal audit plan, ensuring that it addresses key areas of risk. Review the internal audit activity's performance relative to the plan.
2. Approve and periodically review the Charter, staffing, and activities of the internal audit activity function to ensure they comply with professional standards and address emerging audit issues.
3. Review a summary of significant findings and recommendations of completed internal and external audits, including University management's response and time frame for corrective action, to ensure appropriateness of actions taken.

4. Obtain a periodic progress report on the status of executing the internal audit plan and approve major changes or deviations from the approved audit plan.
5. Determine the degree of implementation of past audit recommendations and the sufficiency of corrective actions taken in addressing those recommendations.
6. Approve decisions regarding the appointment and removal of the Vice President of Audit. Ensure there are no unjustified restrictions or limitations, and concur in the appointment, replacement, or dismissal of the Vice President of Audit.
7. Review with the Vice President of Audit the internal audit activity budget, resource plan, activities, and organizational structure of the internal audit function.
8. Within 60 days after the end of each fiscal year, review the performance of the Vice President of Audit and concur with the annual compensation and salary adjustment.
9. Discuss with the Vice President of Audit any difficulties encountered in the course of audits and investigations, including restrictions on the scope of work or access to required information, and any lack of cooperation.
10. Review the effectiveness of the internal audit function, including the results of the quality assurance program.
11. Identify areas warranting improvements, if any, and make policy recommendations to the Board of Trustees.
12. The Chair of the Audit and Compliance Committee, or designee, should meet with the Vice President of Audit regularly to discuss confidential matters.
13. Propose adequate controls and guidelines for receiving complaints regarding accounting controls and reports of financial fraud.

C. Compliance with Laws, Regulations and Policies

1. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of University management's investigation and follow-up of any non-compliance or fraudulent activities.
2. Obtain regular updates from University management, the Chief Compliance and Ethics Officer, and legal counsel regarding compliance matters that may have a material impact on the University's operations, financial statements, programs, or compliance policies.
3. Review and approve procedures for the receipt, retention, and treatment of complaints regarding financial or operational matters.
4. Review the findings of any examinations by state and federal regulatory agencies.
5. Review the programs and policies of the University designed by its management to ensure compliance with applicable laws and regulations, and monitor the results of compliance efforts.
6. Review results of the University's monitoring and enforcement of compliance with university standards of ethical conduct and conflict of interest policies.

7. Review with the Chief Compliance and Ethics Officer the compliance function, budget, resource plan, activities, and organizational structure.
8. Discuss with the Chief Compliance and Ethics Officer any difficulties encountered in the course of investigations, including restrictions on the scope of work or access to required information, and any lack of cooperation.
9. Identify areas warranting improvements, if any, and make policy recommendations to the Board of Trustees.
10. The Chair of the Audit and Compliance Committee, or designee, should meet with the Chief Compliance and Ethics Officer regularly to discuss confidential matters.
11. Propose adequate controls and guidelines for receiving complaints regarding matter within the compliance function.

D. Internal Controls and Risk Management

Review with University senior management, the Division of Audit, and other relevant offices and committees:

1. The effectiveness of the University's process for identifying and responding to significant financial, operational, reputational, strategic and regulatory risks or exposures and University management's plans and efforts to monitor and control such risks.
2. The effectiveness of the University's internal controls, including the status and adequacy of information systems and security and other relevant matters.
3. Major risks identified and other significant risk management issues that may require action.
4. The University's insurance coverage and the process used to manage any uninsured risks.

E. Financial Statements and Reports

University 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 principal duties and responsibilities of the Audit and Compliance Committee regarding financial statements.

1. Review annual audited financial statements with University management and ensure that significant findings and recommendations made by auditors and University management's response are received, discussed and appropriately acted on.
2. Make inquiries and an assessment of University management and auditors concerning the adequacy and effectiveness of the University's systems of financial reporting and internal control system, including information technology security and internal control.
3. Discuss with the University's financial manager, State Auditor General and other outside consultants the appropriateness of accounting principles used by the University, University Direct Support Organizations, and Intercollegiate Athletics.

4. Review the audit report on Federal Awards as required by OMB Circular A133.
5. Review the annual audit reports of University Direct Support Organizations, including the University management's response and corrective action plans to address the resulting recommendations. As necessary, consult with the University Direct Support Organizations Committee regarding the audit reports.
6. Review annual financial statements and University management letters from audits of Intercollegiate Athletics, including the corrective action plan to address the resulting recommendations.
7. Review the adequacy and completeness of financial disclosures made by University management for reasonable portrayal of the University's financial condition.
8. Review significant accounting and reporting issues and recent professional and regulatory pronouncements, and understand their impact on the financial statements of the University.
9. Review compliance with federal and state guidelines for financial reporting.

F. Ethics and Business Conduct

1. Require University management to report on procedures that provide assurance that the University's mission and code of conduct are properly communicated to all employees on an annual basis.
2. Review the University's code of conduct annually and direct University management to establish a system reasonably designed to assure compliance with the code.
3. Ensure internal and external auditors have access to necessary University records, personnel, space and equipment.

G. Legal

Periodically, meet with the University's General Counsel to review any legal matters that may have a significant impact on the University's overall financials or operations and its compliance with regulatory agencies.

6. Rescission of Prior Board Actions

The Audit Committee Charter previously adopted by the Board of Trustees is hereby repealed or rescinded effective upon the adoption of this Audit and Compliance Committee Charter.