Florida State University
Board of Trustees
Audit and Compliance Committee
Meeting Agenda
January 20, 2022

1. Welcome to Attendees

2. Approval of Minutes for the October 26, 2021, Committee Meeting

3. Office of Compliance and Ethics
   a. Updates since November 12, 2021, Board of Trustees Meeting
      i. CAMS (Conflict Administration and Management System) Project
      ii. Five-Year Review
      iii. HB 7017, Foreign Influence
          1. International Travel Program
          2. Foreign Gift Reporting

4. Office of Inspector General Services
   a. Addition to BOT Regulation 2.027
   b. Foundation Financial Statements
   c. Auditor General Financial Statement Audit
   d. Auditor General Operational Audit
   e. Audit Status Report – OIGS

5. Motion to Adjourn
Audit and Compliance Committee Meeting

October 26, 2021
10:00AM

Florida State University
Westcott Building
Room 201
Tallahassee, Florida

Trustee Members Present: Max Alvarez, Jim Henderson, and Craig Mateer all attended via Zoom.

1. Call to Order and Welcome

Trustee Max Alvarez, Chairperson, called the meeting to order at 10:01AM.

2. Approval of Minutes for the September 23, 2021, Committee Meeting

Audit and Compliance Committee minutes were approved for the meeting held September 23, 2021.

3. Office of Compliance and Ethics

a. Updates since September 24, 2021, Board of Trustees Meeting

i. CAMS (Conflict Administration and Management System) Project

Ms. Blank explained that the OCE is fast approaching its “go-live” date of January 10, 2022 and at that time they’ll have staff members, researchers, and Board Members operating in the system. She further explained that they will be prompted to complete a profile and look at training materials Ms. Blank also explained that as the January 10, 2022, date gets closer, she would be reaching out to Trustees individually to discuss the system and disclosures. Ms. Blank explained that faculty members that need to disclose non-research activities will be in the system as of Fall 2022.

ii. 5-Year Review

Ms. Blank explained that FSU will be in the last group of universities to be reviewed because it has one of the youngest programs. Ms. Blank explained that she provided an evaluative tool that all the SUS Institutions are using to gauge progress and compliance with the BOG Regulation. She further explained that the OCE will be using that tool in a
peer review model for FSU’s review. Ms. Blank explained that FSU’s review will be led by the Compliance office of the University of South Florida. Ms. Blank hopes to provide a full report on the peer review at the February 2022 meeting. BOG regulation requires the review to begin by November 2021. Ms. Blank further explained there were fewer than 15 days to respond to the new law after it was signed, with an effective date of July 1, 2021.

iii. HB 7017, Foreign Influence

Ms. Blank explained that there are four main components of section 1010.36, F.S. Travel Program: (1) Prohibition on cultural agreements; (2) Reporting of grants, contracts, agreements, and gifts from foreign persons or entities ($50,000 threshold); (3) International travel reapproval and reporting; and (4) foreign researcher screening. Ms. Blank explained that the OCE undertook review of all agreements with foreign entities to make sure there weren’t any that conflicted with the law. She further explained that the OCE is familiar with the reporting of grants, contracts, agreements, and gifts from foreign persons or entities requirement and the federal requirements. The first report is due January 31, 2022. Ms. Blank explained the new travel program requirements. She explained that the new law requires education attestation as a condition of international travel, twice yearly reporting of specifics of travel to countries of concern, and records maintenance of all international travel for at least 3 years. Ms. Blank further explained that FSU is using the universities current travel system, Concur, to comply with these requirements. Ms. Blank also explained the requirements of section 1010.35, F.S., Screening of Foreign Researchers. She explained that there is a requirement of documentation from any non-U.S. citizen or any U.S. citizen who has studied for a year or more in a country of concern. She listed documentation requirements as resume, CV, all institutions of higher education attended, all employment since 18th birthday, all published material, all funding information (current and pending), all non-university professional activities and foreign affiliations (FSU requires completion of the FGRTF Form), passport, and DS-160. Ms. Blank further explained that the process has been embedded into the export control program through RAMP which is the online software that is used for contracts, grants, human and animal testing, and it also has an export control module. The university gets the benefit of using a tool that is already being paid for called Visual Compliance. Once the screening completed and the person is cleared, it is delivered to the Research Compliance Office and the hiring department. If a person is not cleared, or not hired because of the flag, the university is required to provide notification to the Federal Bureau of Investigations.

iv. FSU Policy 1-3, Board Ethics and Conflict of Interest

Ms. Blank explained that the FSU Policy was renamed “Board of Ethics and Conflict of Interest” and was combined to cover both topics of Ethics and Conflict of Interest. She explained that the new policy reflects practice of Board Chair’s ethics policy statement
at the beginning of each meeting. She further explained that ethics and COI issues should be brought to the Chief of Compliance and Ethics Officer. The revision also clarifies disclosure requirements ahead of CAMS launch.

4. Office of Inspector General Services

a. Proposed BOT Regulation 2.027 – Fraud Prevention, Detection, Reporting, and Investigation

Mr. McCall explained that in March 2021 the BOG issued Regulation 3.003 requiring each BOT to establish a fraud prevention and detection regulation. On September 24, 2021, the BOT approved public notice of FSU Proposed Regulation 2.027 and on September 27, 2021, the OIGS requested the BOG Inspector General to review the Proposed Regulation. On September 28, 2021, the BOG Inspector General responded with no suggested improvements. Mr. McCall further explained that on October 8, 2021, Proposed Regulation 2.027 was publicly notice for a 30-day period. Mr. McCall also explained that the week of November 14, 2021, is International Fraud Awareness Week. He explained that Pamela Damitz, OIGS Investigations Manager, has prepared a fraud awareness package to send to Deans, Directors and Department Heads. She also updated the OIGS website to reflect information for people to know where to go if they need to report fraud.

b. Crowe – Florida State University System Direct Support Organizational Control Assessments

Mr. McCall explained that Crowe will perform a review of Financial Internal Controls for University Support Organizations of the State University System. He explained that Kyle Clark is the Contract Manager. Mr. McCall further explained the key controls to be reviewed: (1) segregation of duties and related testing of controls; and (2) governance of financial accountability, policies and procedures, Board and Audit Committee Composition, Audit charters, and selection of external auditors. Mr. McCall explained that Crowe will be making every effort to ensure procedures and conclusion are consistent across all universities. Mr. McCall further explained that Crowe deliverables will include a draft and final report for each DSO, a draft and final report for each University, and a draft and final overall project report. Mr. McCall explained that Crowe identified planning for September 1, 2021 through September 24, 2021, fieldwork at State Universities from September 27, 2021 through March 11, 2022, and the reporting will be from March 14, 2022 through June 30, 2022. Mr. McCall explained that the cost for the project is a total fixed fee of $1.2 million (FSU $159,918). FSU has received a status report as of October 12, 2021. Crowe plans to work at FSU from November 22, 2021 through December 24, 2021. He further explained that the control assessment has been initiated; however, control testing and reporting has not started.

c. OIGS Annual Report for 2020-2021
Mr. McCall explained that the 2020-2021 OIGS Annual Report has been submitted to the BOG portal as of September 30, 2021.

d. OIGS On-Going Project Update

i. Northwest Regional Data Center

Mr. McCall explained that on October 1, 2021, a Zoom meeting was held with the NWRDC Director and staff, FSU IT Director, FSU Chief Information Security Officer, the OIGS Chief Audit Officer, and OIGS staff to discuss Auditor General prior audit findings and to identify steps to be taken to be responsive and take corrective actions. He further explained that if the NWRDC does all things discussed in the meeting, there should not be a third repeat Auditor General finding.

ii. Enterprise Risk Management

Mr. McCall explained that audit planning has begun and the current audit will follow-up on 2017 BOG survey to determine where FSU is or wants to be in terms of ERM. Mr. McCall further explained that the OIGS report will identify responsibilities of the BOT, University Management, and the Chief Audit Officer as related to ERM.

e. Performance-Based Funding and Preeminence

Mr. McCall explained that the audit of Performance-Based Funding and Preeminence is proceeding as planned. Mr. McCall explained that he feels confident the OIGS will make the March 1, 2022, deadline.

5. Adjournment

Trustee Alvarez adjourned the meeting at 10:45AM.
Trustee Alvarez

At the January 20, 2022, Audit and Compliance Committee meeting, I will be presenting to the Committee a proposed change to BOT Regulation 2.027. As background, prior to the holidays, the Board of Governors Office of Inspector General and Director of Compliance notified FSU, along with several other Universities, that BOG Regulation 4.001 (attached above) requires each state BOT to establish a BOT regulation for the process to follow when there are allegations of fraud, waste, mismanagement, or other abuses made against the university president, a board of trustee member, the chief audit executive, or chief compliance officer. While FSU was aware of the BOG regulation in the event of occurrence, we had not incorporated the BOG regulation into an FSU BOT regulation.

I have drafted a proposed addition to BOT Regulation 2.027 to accomplish this BOG requirement (please see above). As this is a significant provision, I am sending this e-mail to those listed above to obtain any comments or suggestions for discussion at the upcoming BOT Audit and Compliance Committee meeting. Based on that input, the proposed revised regulation will be presented to the BOT on February 8 with the Committees recommendation to Chair Collins and the BOT to subsequently post the change for public comment and to bring the revised regulation back to the BOT for final approval at the next (June 22, 2022) BOT meeting.

As needed, please feel free to call or e-mail your comments and/or suggestions.

Regards,

Sam McCall

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4.001 University System Processes for Complaints of Waste, Fraud, or Financial Mismanagement

(1) The Office of Inspector General and Director of Compliance (OIGC) for the State University System of Florida Board of Governors shall be organized to promote accountability, efficiency, and effectiveness, and to detect fraud and abuse within state universities. The OIGC charter is incorporated herein by this reference.

(2) Each board of trustees shall have a process for university staff, faculty, students, and board of trustees members to report allegations of waste, fraud, or financial mismanagement to the university chief audit executive.

(3) Significant and credible allegations are those that, in the judgment of the chief audit executive, require the attention of those charged with governance and have indicia of reliability. For significant and credible allegations of waste, fraud, or financial mismanagement within the university and its board of trustees' operational authority, the chief audit executive shall timely provide the OIGC sufficient information to demonstrate that the board of trustees is both willing and able to address the allegation(s). If the information provided by the chief audit executive does not clearly demonstrate that the board of trustees is both willing and able to address the allegation(s), then the OIGC will conduct a preliminary inquiry in accordance with section 10.2.a of the OIGC charter.

(4) Upon the OIGC's receipt of a complaint, the OIGC will evaluate the nature of the allegation(s) to determine operational authority, proper handling, and disposition. University-related allegations will be handled as described below:

(a) Such allegations will be referred to the university chief audit executive for appropriate action without regard to the final responsible entity at the university. As appropriate, a copy of the referral will be provided to the chief compliance officer and general counsel. For significant and credible allegations of waste, fraud, or financial mismanagement, the chief audit executive shall provide the OIGC with university action and final case disposition information sufficient to demonstrate that the board of trustees was both willing and able to address such allegations.

(b) When case disposition information does not clearly demonstrate that the board of trustees was both willing and able to address significant and credible allegation(s), then the OIGC will conduct a preliminary inquiry in accordance with section 10.2.a of the OIGC charter.

(5) Each board of trustees shall adopt a regulation which requires timely notification to the Board of Governors, through the OIGC, of any significant and credible allegation(s) of fraud, waste, mismanagement, misconduct, and other abuses made
against the university president or a board of trustees member. Such allegations will be handled as follows:

(a) The chair of the board of trustees (or chair of the board of trustees’ committee responsible for handling audit matters if the allegations involve the board chair), in consultation with the chair of the Board of Governors, shall review the matter and may ask the OIGC to conduct a preliminary inquiry, in accordance with section 10.2.a of the OIGC charter. If it is determined that an investigation is warranted, it shall take one of the following forms:

1. The board of trustees will hire an independent outside firm to conduct the investigation with OIGC guidance and monitoring; or
2. The OIGC will perform the investigation.

(b) At the conclusion of such investigation, the report shall be submitted to the subject, who shall have twenty (20) working days from the date of the report to submit a written response. The subject’s response and the investigator’s rebuttal to the response, if any, shall be included in the final report presented to the chair of the board of trustees and the Board of Governor’s Audit and Compliance Committee.

(6) The board of trustees’ regulation shall articulate how the university will address any significant and credible allegation(s) of fraud, waste, mismanagement, misconduct, and other abuses made against the chief audit executive or chief compliance officer.

Authority: Section 7(d), Art. IX, Fla. Const.; History: New 11-3-16.
scholarship, or grant; and

e. Diversion or use of University people, time, money, or other assets for private use.

(4) University-wide statement and response to attempted and committed fraudulent acts. The University will establish and maintain strong internal controls to provide reasonable assurance that fraudulent acts committed against the University will be discovered. Further, the University affirms a “zero-tolerance” for persons determined to have committed a fraudulent act resulting in the loss or misuse of University resources. In support of this statement, the University will fully assist and cooperate in all applicable investigative processes and legal proceedings associated with alleged fraudulent activities.

(5) Applicability of the antifraud framework to the University community. Each employee, volunteer, board member, student, and vendor contracting or doing business with the University is responsible for compliance with this regulation. Such compliance requires an awareness of fraud prevention and detection activities, timely reporting of suspected fraudulent activity, and cooperating with investigative agencies by providing information and such other assistance as requested.

(6) Responsibility for designing, implementing, and overseeing the antifraud framework and strategies. The University Vice President for Finance and Administration shall be responsible for designing and overseeing the antifraud framework and strategies. The Vice President for Finance and Administration shall develop polices for the prevention, detection, reporting and investigation of suspected fraudulent activity. Prevention and detection policies shall include the development and adoption of strong internal controls. Administrators, deans, directors, and department heads are responsible for implementing and monitoring the antifraud framework and for making recommendations to the Vice President for Finance and Administration to further strengthen controls. Committees may be established as needed to assist in policy development, to communicate the antifraud framework, and to periodically report on progress or impediments to implementation.

(7) Processes for reporting alleged fraud. Suspected fraudulent activity should be reported to the Office of Inspector General Services (OIGS) which has primary responsibility for
FSU-2.027 Fraud Prevention, Detection, Reporting, and Investigation

(1) Intent. Florida State University is committed to the establishment of an environment and culture that promotes honest and accountable actions and the elimination of fraudulent activities in all areas of administration and operation. Further, the University reaffirms its longstanding duty and responsibility to aggressively combat and respond to fraudulent activity.

(2) Purpose. An antifraud framework is established for the prevention, detection, reporting, and investigation of alleged fraudulent activities affecting the University. This framework provides a definition of fraud, a university-wide statement and response to attempted and committed fraudulent acts, applicability of the framework to the University community, responsibility for designing, implementing, and overseeing the framework, processes for reporting alleged fraud, responsibility for investigating alleged fraud and reporting investigation conclusions, protections to persons reporting suspected fraud, actions to be taken when alleged fraud is identified or substantiated, and a requirement for annual evaluation and reporting to the Board of Trustees on the status of the framework.

(3) Definition of fraud. An intentional misrepresentation or concealment of a material fact for the purpose of obtaining a benefit that would not otherwise be received, or inducement of another to act upon the intentional misrepresentation or concealment to his or her detriment. Fraud can be committed through many methods, including mail, wire, telephone, and the internet. Fraudulent acts may include, but are not limited to:

a. Benefitting from the use or misappropriation of University funds, securities, property, supplies, or other assets;

b. Receiving reimbursement as a result of falsification of time sheets, travel claims, and other expenses;

c. Benefitting from the use of sponsored research personnel, property, labs, and other resources to develop software and other products and then selling the products through one’s own private company;

d. Receiving a benefit as a result of participating in the falsification of a record or document or an application for employment, admission, a student loan,
conducting fraud investigations. The OIGS should be notified directly, by mail or e-mail, through the OIGS website, or through the University fraud hotline. The OIGS will notify the Florida State University Police Department if reported fraudulent activity is indicative of a crime. The University Police Department and the OIGS will work together to coordinate efforts with external law enforcement and prosecutorial agencies as appropriate. Even in those cases where fraud is not substantiated, the OIGS may continue to investigate to determine whether administrative violations have occurred which warrant further University action.

(8) Protections afforded persons reporting suspected fraud. Faculty, staff, students, and others reporting suspected fraud in good faith will be provided maximum protections in accordance with applicable law, regulation, and policy.

(9) Actions to be taken when alleged fraud is identified or substantiated. University actions in response to identified or substantiated fraud may include appropriate disciplinary action, recovery of assets/losses, referral to law enforcement/prosecuting agencies, and/or review and remediation of internal control deficiencies and policies. Credible allegations that pose significant financial or reputational risk to the University shall be reported to senior management, the Board of Trustees, or the Board of Governors, as considered appropriate. Documents collected during the course of an investigation identified as confidential pursuant to law shall remain confidential. Other documents collected that do not have confidentiality protections in law shall remain confidential until such time as the final investigative report is issued.

(10) Any significant and credible allegation(s) of fraud, waste, mismanagement, misconduct, and other abuses made against the university president or a university board of trustees member shall be timely reported to the Board of Governors (BOG), through the BOG Office of Inspector General and Director of Compliance (OIGC). Such allegations will be handled as follows:

a. The chair of the university board of trustees (or chair of the board of trustees’ committee responsible for handling audit matters if the allegations involve the board chair), in consultation with the chair of the Board of Governors, shall review the matter
and may ask the OIGC to conduct a preliminary inquiry, in accordance with
section 10.2.a. of the OIGC charter. If it is determined that an investigation is
warranted, it shall take one of the following forms:

1. The board of trustees will hire an independent outside firm to conduct the
   investigation with OIGC guidance and monitoring; or

2. The OIGC will perform the investigation.

(b) At the conclusion of such investigation, the report shall be submitted to the
subject, who shall have twenty (20) working days from the date of the report to
submit: a written response. The subject’s response and the investigator’s rebuttal
to the response, if any, shall be included in the final report presented to the chair of
the board of trustees and the Board of Governors’ Audit and Compliance
Committee. In the event the board of trustees chair is the subject, the report shall be
submitted to the chair of the board of trustees audit and compliance committee.

(11) Any significant and credible allegation(s) of fraud, waste, mismanagement, misconduct,
and other abuses made against the university chief audit executive or chief compliance officer shall be
timely reported to the board of trustees and Board of Governors through the BOG OIGC. Such
allegations will be handled in the same manner as provided for in (11) (a) and (b) above.

(12) Periodic evaluation and reporting to the Board of Trustees on the antifraud framework.
At least annually, the OIGS shall perform an evaluation of the antifraud framework and make
recommendations, as needed, to improve the framework. The Chief Audit Officer shall discuss
conclusions and recommendations with the Vice President of Finance and Administration and
shall present evaluation results to the President and Board of Trustees.
Authority: Art. IX, Section 7, Fla. Const., BOG Regulation 3.003, 1.001(6), BOG Regulation
Procedure July 21, 2005. History: New 11-12-2021
Financial Statements
and Reports

For the Year Ended
June 30, 2021

FLORIDA STATE UNIVERSITY
FOUNDATION
(A Discrete Component Unit of Florida State University)
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Independent Auditor’s Report

To the Board of Trustees
Florida State University Foundation, Inc.

Report on the Financial Statements
We have audited the accompanying financial statements of the major fund and the aggregate remaining
fund information of Florida State University Foundation, Inc. (the Foundation), a component unit of
Florida State University, as of and for the years ended June 30, 2021 and 2020, and the related notes to
the financial statements, which collectively comprise the Foundation’s financial statements as listed in the
table of contents.

Management’s Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in
accordance with accounting principles generally accepted in the United States of America; this includes
the design, implementation and maintenance of internal control relevant to the preparation and fair
presentation of financial statements that are free from material misstatement, whether due to fraud or
error.

Auditor’s Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We
conducted our audits in accordance with auditing standards generally accepted in the United States of
America and the standards applicable to financial audits contained in Government Auditing Standards,
issued by the Comptroller General of the United States. Those standards require that we plan and
perform the audit to obtain reasonable assurance about whether the financial statements are free from
material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in
the financial statements. The procedures selected depend on the auditor’s judgment, including the
assessment of the risks of material misstatement of the financial statements, whether due to fraud or
error. In making those risk assessments, the auditor considers internal control relevant to the entity’s
preparation and fair presentation of the financial statements in order to design audit procedures that are
appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of
the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating
the appropriateness of accounting policies used and the reasonableness of significant accounting
estimates made by management, as well as evaluating the overall presentation of the financial
statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for
our audit opinions.
Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund Information of the Foundation, as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 4 to the accompanying financial statements, the Foundation adopted the provisions of Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Accordingly, net position has been restated as of July 1, 2019. Our opinion is not modified with respect to this matter.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foundation’s basic financial statements. The Supplemental Schedules, Budget Comparison Report, Budget Variance Report, Summary of Gifts Received, and Total Gifts by Academic Unit, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The Supplemental Schedules, Budget Comparison Report, Budget Variance Report, Summary of Gifts Received and Total Gifts by Academic Unit have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on their.

Other Reporting Required by Government Auditing Standards
In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2021 on our consideration of the Foundation’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Foundation’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Foundation’s internal control over financial reporting and compliance.

PSM US LLP
Jacksonville, Florida
November 10, 2021
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditor’s Report

To the Board of Trustees
Florida State University Foundation, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the major fund and the aggregate remaining fund information of the Florida State University Foundation, Inc. (the Foundation), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Foundation’s basic financial statements, and have issued our report thereon dated November 10, 2021.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Foundation’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Foundation’s internal control. Accordingly, we do not express an opinion on the effectiveness of Foundation’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the schedule of findings and questioned costs, issued under separate cover, as item 2021-001 that we consider to be a significant deficiency.
Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP
Jacksonville, Florida
November 10, 2021
Florida State University
Foundation, Inc.

Florida Single Audit Compliance Report
June 30, 2021
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Report on Compliance for the Major State Project;
Report on Internal Control Over Compliance; and
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Report on Compliance for the Major State
Project, Report on Internal Control Over Compliance; and
Report on Schedule of Expenditures of State Financial Assistance
Required by State of Florida Chapter 10.700, Rules of the Auditor General

Independent Auditor's Report

To the Board of Trustees
Florida State University Foundation, Inc.

Report on Compliance for the Major State Financial Assistance Project
We have audited Florida State University Foundation, Inc.'s (the Foundation) compliance with the types of
compliance requirements described in the Department of Financial Services' State Projects Compliance
Supplement that could have a direct and material effect on the Foundation’s major state financial
assistance project for the year ended June 30, 2021. The Foundation’s major state financial assistance
project is identified in the summary of auditor's results section of the accompanying schedule of findings
and questioned costs.

Management's Responsibility
Management is responsible for compliance with state statutes, regulations and the terms and conditions
of its state financial assistance applicable to its state projects.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for the Foundation’s major state financial
assistance project based on our audit of the types of compliance requirements referred to above. We
conducted our audit of compliance in accordance with auditing standards generally accepted in the United
States of America; the standards applicable to financial audits contained in Government Auditing
Standards; issued by the Comptroller General of the United States; and Chapter 10.700, Rules of the
Auditor General. These standards and Chapter 10.700, Rules of the Auditor General, require that we plan
and perform the audit to obtain reasonable assurance about whether noncompliance with the types of
compliance requirements referred to above that could have a direct and material effect on a major state
project occurred. An audit includes examining, on a test basis, evidence about the Foundation’s
compliance with those requirements and performing such other procedures as we considered necessary in
the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state
project. However, our audit does not provide a legal determination on the Foundation’s compliance.

Opinion on the Major State Project
In our opinion, the Foundation complied, in all material respects, with the types of compliance
requirements referred to above that could have a direct and material effect on its major state financial
assistance project for the year ended June 30, 2021.
Report on Internal Control Over Compliance
Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on the major state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state project and to test and report on internal control over compliance in accordance with Chapter 10.700, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state project on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state financial assistance project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.700, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance
We have audited the financial statements of Florida State University Foundation, Inc. as of and for the year ended June 30, 2021, and have issued our report thereon dated November 10, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Chapter 10.700, Rules of the Auditor General and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

RSM US LLP
Jacksonville, Florida
November 10, 2021
Florida State University Foundation, Inc.

Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2021

<table>
<thead>
<tr>
<th>State Grantor / Program Title</th>
<th>CSFA Number</th>
<th>Expenditures</th>
<th>Transfers to Subrecipients</th>
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<tbody>
<tr>
<td>Florida Department of Highway Safety and Motor Vehicles --</td>
<td>76.033</td>
<td>$1,519,998</td>
<td>$1,378,517</td>
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<tr>
<td>Florida State University License Plate Program</td>
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<tr>
<td>Florida Department of Education and Commissioner of Education --</td>
<td>48.074</td>
<td>$9,210,023</td>
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<tr>
<td>University Major Gifts Program</td>
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<td></td>
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</tr>
<tr>
<td>Total Expenditures of State Financial Assistance</td>
<td></td>
<td>$10,730,021</td>
<td></td>
</tr>
</tbody>
</table>

See Notes to Schedule of Expenditures of State Financial Assistance.
Florida State University Foundation, Inc.

Notes to Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2021

Note 1.  Basis of Presentations
The accompanying schedule of expenditures of state financial assistance (the Schedule) includes the state financial assistance project activity of Florida State University Foundation, Inc. (the Foundation) under programs of the State of Florida for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Chapter 10.700, Rules of the Auditor General. Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the net position, changes in net position or cash flows of the Foundation.

Note 2.  Summary of Significant Accounting Policies
Expenditures: Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles established by the State of Florida Department of Financial Services, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Florida State University License Plate Program: The expenditures under the state license plate program in the Schedule represent $1,378,517 in scholarship expenditures and $141,481 in fundraising expenditures. Receipts from the program during the year ended June 30, 2021 of $1,926,204 are allocated to be spent for scholarships and for fundraising, consistent with the allocation plan, as amended, submitted to the Board of Governors of the State University System of Florida. Interest income on receipts and unexpended amounts from prior years totaled $22,169.

Receipts for scholarships and fundraising exceeded expenditures during the year ended June 30, 2021 by $428,375. At June 30, 2021, the Foundation had $1,870,932 in collected, but unexpended funds related to scholarships and fundraising.

University Major Gifts Program: The University Major Gifts Program has been temporarily suspended by the State of Florida, and no funding was received from the state in the form of matching funds during the year ended June 30, 2021. The expenditures under the University Major Gifts Program in the accompanying schedule of expenditures of state financial assistance represent expenditures of earnings on endowments that have received state matching funds or have been submitted for matching. These expenditures include amounts spent from earnings on both the state match portion and the private donor portions of the endowments.
Florida State University Foundation, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? X Yes None Reported
Noncompliance material to financial statements noted? Yes X No

State Financial Assistance

Internal control over major project:
Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None Reported

Type of auditor’s report issued on compliance for major state financial assistance project: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State of Florida Chapter 10.700, Rules of the Auditor General? Yes X No

Identification of major state financial assistance project:
CSFA No. 48074
Name of State Financial Assistance Project University Major Gifts Program

Dollar threshold used to distinguish between type A and type B state financial assistance projects: $750,000

Section II – Financial Statement Findings

2021-001 Valuation of Alternative Investments

Criteria: Accounting principles generally accepted in the United States require that investments are reported at fair value on the statement of net position.

Condition: In auditing the fair value of the Florida State University Foundation's (Foundation) investments, we observed that in total, the fair value of the Foundation’s alternative investments appeared to be understated. Upon this observation, we recommended that the Foundation's management reperform their valuation procedures using information that had become available subsequent to their original valuation. After the completion of this revaluation, management determined that the fair value of alternative investments had originally been understated by approximately $28 million.

Context: This condition is limited to the alternative investment valuation cycle.
Florida State University Foundation, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2020 (Continued)

Cause: On June 30, 2021 approximately 92% of the Foundation’s investments were valued using net asset value (NAV) as a practical expedient for determining fair value. To determine the NAV of individual investments, the Foundation’s management relies on information from individual investment managers and the investment custodian. Historically it can take up to 30 days for the Foundation to receive the information necessary to value its complete portfolio of alternative investments.

To expedite the closing process and preparation of its annual financial statements, the Foundation has adopted an accounting convention in which the NAV of its alternative investments as of March 31 is rolled forward and used to estimate the NAV as of June 30. This practice is common among public and private foundations and has historically resulted in a materially accurate estimate of NAV of the Foundation’s alternative investments on June 30.

During the second calendar quarter of 2021, the alternative investment market experienced growth that exceeded historical norms. The convention the Foundation employs to estimate NAV on June 30 does not include an analysis of second quarter market conditions. As a result, the Foundation’s estimate of its portfolio’s NAV was inaccurate.

Effect: The fair value of the Foundation’s investments was understated in its accounting records and draft financial statements. This understatement was corrected through an audit adjustment.

Recommendation: We recommend that the Foundation incorporate a control activity into its closing process in which the alternative investment market is monitored during the second calendar quarter. Monitoring activities should focus on signs of market volatility that could render the Foundation’s process for estimating NAV on June 30 inaccurate. If market volatility is detected, it may become necessary to postpone the annual closing process until the information necessary to determine actual NAV on June 30 becomes available.

Monitoring activities could include increased communication with investment advisors, collaboration with peer organizations, and monitoring of industry publications.

Response / Planned Corrective Action: We agree with the auditors’ comments, and acknowledge that we should refine the valuation process as it pertains to the alternative investments. The private equity allocation has increased over time and is now a significant portion within the overall investment portfolio. The Chief Financial Officer, Controller, and Director of Investments will include an additional component to our current valuation process to ensure the alternative investments are valued at fair market value as required by Governmental Accounting Standards. We will extend our year end closing process to allow sufficient time to properly assess market conditions and to obtain a larger percentage of our investment manager final balances prior to closing.

Section III – Findings and Questioned Costs for State Financial Assistance

No matters were reported.

Section IV – Other Reporting

1. No Summary Schedule of Prior Audit Findings is presented because there were no prior audit findings related to state financial assistance projects.

2. There was no management letter or control deficiency letter issued for the year ended June 30, 2021 and there were no matters required to be reported in these letters.
## Status Report for OIGS

<table>
<thead>
<tr>
<th>Issued Reports</th>
<th>Status</th>
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<tbody>
<tr>
<td></td>
<td>Planning</td>
</tr>
<tr>
<td>AR 22-01 FAMU/FSU College of Engineering</td>
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<td>AR 22-02 CARES - Institutional Portion</td>
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<tr>
<td>AR 22-03 OIGS Six-Month Follow-Up Report Ending 06.30.2021</td>
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<table>
<thead>
<tr>
<th>Reports in Progress</th>
<th>Status</th>
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<td></td>
<td>Planning</td>
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<tr>
<td>Earth, Ocean &amp; Atmospheric Sciences Building - Capital Construction</td>
<td>Postponed - Mgmt. Request</td>
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<td>Cybersecurity – Controlled Use of Administrative Privileges</td>
<td>X</td>
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<td>Seminole Boosters</td>
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<td>Foundation</td>
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<td>College of Medicine Clinical Practices</td>
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<td>Enterprise Risk Management</td>
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<td>Athletics Financial</td>
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<td>Configuration Management of ITS Managed Laptops and Other Mobile Devices</td>
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<td>Procurement Controls During Pandemic</td>
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<td>Performance Based Funding Metrics</td>
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<tr>
<td>Preeminent Metrics</td>
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