603 - Championing a System-wide approach to Compliance and Ethics Programs

June 5, 2018 (11:00 a.m. to 12:00 p.m.)

SCCE’s 2018 Higher Education Compliance Conference
Austin, Texas

OUTLINE

• Governance: Florida Higher Education
• Compliance and Ethics Context
• SUS of Florida Compliance Evolution
• Champions
• Challenges and Benefits
• Educating Your Governing Board
• Regulations Development
• Case Studies
• Monitoring Implementation
GOVERNANCE

Governance is the combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives.

Governance in the public sector:

- Accountability
- Transparency
- Integrity
- Standards Setting
- Ethics
- Risk Management

FLORIDA HIGHER EDUCATION GOVERNANCE

1905-1965

Board of Control
The original board was statutorily authorized to manage the early university system, which consisted of UF, FSU, and FAMU at the time.

1965-2001

Board of Regents
The Board of Control was refashioned into the Board of Regents, which was also statutorily authorized to manage a much expanded university system.
2001-2002
Florida Board of Education, Division of Colleges and Universities
With a goal toward creating a more seamless K-20 system, the short-lived “Super Board” was created in statute to oversee all levels of education.

2003-Present
State University System of Florida Board of Governors
This represents the first time that the governing body was constitutionally authorized to oversee all aspects of the university system and to define the powers and duties of the university boards of trustees.

The Board of Governors is authorized in Article IX, Section 7(d), Florida Constitution, to “operate, regulate, control, and be fully responsible for the management of the whole university system.”
COMPLIANCE AND ETHICS - CONTEXT

- Compliance and Ethics Programs
  - Post WWII
  - Various industries since 1980s

- Key element of the duty of care

- Higher education

- Current status?

THREE LINES OF DEFENSE MODEL

1st Line of Defense
- Management Controls
- Internal Control Measures

2nd Line of Defense
- Financial Control
- Security
- Risk Management
- Quality
- Inspection
- Compliance

3rd Line of Defense
- Internal Audit

Governing Body / Board / Audit Committee

Senior Management

External audit

Regulator
SUS COMPLIANCE EVOLUTION – PHASE I

Campus Level Compliance Activities

Pre 2007

2007

BOG Appoints Director of Compliance

2009-2010

BOG/SUS Compliance Workgroup

2010-2011

BOG Compliance Focus

2011-2013

Compliance Initiative Paused

SYN-ER-GY

Noun: synergy

The interaction or cooperation of two or more organizations, substances, or other agents to produce a combined effect greater than the sum of their separate effects.
SUS COMPLIANCE EVOLUTION – PHASE II

SUSCEC Consortium | New IG and Director of Compliance | BOG Support | BOG Regulation | System

Jun 2013 | Sep 2013 | Dec 2014 | Nov 2016 | Nov 2018

CONCEPTS & CHARACTERISTICS

Serendipity | Engagement | Regulations
Effort | Buy-in | Luck | Synergy | Risk
Knowledge | Meetings | Thoughtfulness | Cooperation
Governance | Innovation | Monitoring
Planned | Persistence | Integrity
Routine | Robust | Plan | Support
Process | Multi-pronged | Preparation |
Dedication | Champion | Accountability
BOARD OF GOVERNORS CHAMPIONS

Alan Levine, Chair
Audit and Compliance Committee

Edward Morton, Vice Chair
Audit and Compliance Committee

Ned C. Lautenbach
AACC Member and BOG Chair

CHALLENGES

• Education
• Communication
• Coordination
• Unfunded mandate
• Reporting lines
• One size does not fit all
• CAE/CCO synergy
BENEFITS

- Value Benefits – Enhance university community culture
- Legal Benefits – Fulfill legal and regulatory obligations
- Business Benefits – Stronger academic, business, and administrative processes

EDUCATING YOUR GOVERNING BOARD

- BOG AACC presentation
- Survey of compliance practices
- Regulations workshop
- Independent AACC
- BOG-approved regulation
- Monitoring:
  - Baseline
  - 1-year mark
  - Summer 2018

Meet Rhonda Bishop
Chief Compliance and Ethics Officer
University of Central Florida
“Higher education is the most regulated industry”

Adam Turteltaub, Vice President Society for Corporate Compliance and Ethics Professionals, 2014, Higher Education Compliance Conference

TOPICS COVERED

• Cost of non-compliance
• Benefits of an institutional program
• Higher education requirements - Federal Sentencing Guidelines
• Elements of an effective program
• Role of chief compliance and ethics officer
• Program development
• Compliance and ethics advisory committee
• SUS Compliance and Ethics Consortium
TWO YEARS OF REGULATION DEVELOPMENT

- Why?
- First draft in 8 days!
- 4 regulations: audit, investigations, and compliance matters
- Need to communicate, educate, and convince
- Many constituents (CAE, CCO, GC, etc.)
- Much concern and consternation across the system
- Many exposure drafts, lots of feedback
- Many meetings, conference calls, e-mails

REGULATION 4.003 - STATE UNIVERSITY SYSTEM
COMPLIANCE AND ETHICS PROGRAMS

University-wide Compliance Program

<table>
<thead>
<tr>
<th>A1</th>
<th>University-wide Program</th>
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<tbody>
<tr>
<td>A2</td>
<td>CCO annually reports to board of Program effectiveness</td>
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<tr>
<td>A3</td>
<td>External Program design and effectiveness review (Every 5 years)</td>
</tr>
<tr>
<td>A4</td>
<td>Processes for detecting and preventing non-compliance, unethical behavior, or criminal conduct</td>
</tr>
<tr>
<td>A5</td>
<td>Due diligence steps for not including individuals who have engaged in conduct not consistent with an effective Program</td>
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**REGULATION 4.003 - STATE UNIVERSITY SYSTEM COMPLIANCE AND ETHICS PROGRAMS**

### Program Plan

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<tbody>
<tr>
<td><strong>B1</strong></td>
<td>Compliance and Ethics Program Plan approved by BOT (copy to BOG)</td>
</tr>
<tr>
<td><strong>B2</strong></td>
<td>Plan provides for compliance training for university employees and BOT members</td>
</tr>
<tr>
<td><strong>B3</strong></td>
<td>Designated compliance officers (e.g., Title IX, Athletics, Research, etc.) as either direct reports or dotted-line reports</td>
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<tr>
<td><strong>B4</strong></td>
<td>Reporting mechanism (e.g., Hotline) for potential/actual violations and provides protection for reporting individuals from retaliation</td>
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<tr>
<td><strong>B5</strong></td>
<td>Promoting and enforcing the Program through incentives and disciplinary measures</td>
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### Board of Trustee Committee

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<tbody>
<tr>
<td><strong>C1</strong></td>
<td>BOT Committee provides oversight to Compliance and Ethics Program</td>
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<tr>
<td><strong>C2</strong></td>
<td>BOT Audit and Compliance Committee Charter</td>
</tr>
<tr>
<td><strong>C3</strong></td>
<td>Routine CCO meetings with BOT Committee – please describe the nature and frequency of meetings (e.g., semi-annually, quarterly, monthly, etc.)</td>
</tr>
<tr>
<td><strong>C4</strong></td>
<td>Routine CCO meetings with President – please describe nature and frequency of meetings (e.g., semi-annually, quarterly, monthly, etc.) or whether the CCO participates in other regularly held direct reports or leadership meetings</td>
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**Regulation 4.003 - State University System Compliance and Ethics Programs**

**Chief Compliance Officer**

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<tr>
<td>D1</td>
<td>Appointed Chief Compliance Officer (CCO)</td>
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<td>D2</td>
<td>CCO reports functionally to the Board and administratively to the President</td>
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<tr>
<td>D3</td>
<td>Compliance Office Charter</td>
</tr>
<tr>
<td>D4</td>
<td>CCO independence, objectivity, and access (provide details of resolution of barriers)</td>
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<tr>
<td>D5</td>
<td>CCO authority and resources (provide details of both staffing and budget)</td>
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**LARGE INSTITUTIONS**

- Established centralized compliance and ethics programs
- Compliance and Ethics Consortium founding members
- Regulation development collaborators

- Three distinct models:
  - UCF – Central directive, reported to BOT/President
  - FIU – Central directive, reported to General Counsel
  - USF – Central coordinating, reported to audit

55,111 Students  |  64,321 Students  |  42,861 Students

www.flbog.edu
PREEMINENT INSTITUTIONS

- Older
- Preeminent research institutions
- Decentralized compliance functions
- Wide variety of compliance areas of responsibility

MID-SIZED INSTITUTIONS

- Mid-sized institutions
- Varying compliance areas of responsibility
- All one-person shops
SMALLER INSTITUTIONS

- Smaller institutions
- New
- Outsourced audit functions
- Combined role of CAE/CCO
- Co-sourcing functions

MONITORING

Developed monitoring tool:
- Based on BOG Regulation 4.003
- Collaborated with SUS Compliance and Ethics Consortium
- Sent to board of trustees chairs and university presidents
- Resulted in Baseline Survey and Year 1 Survey
- Used by CCOs to educate management and BOT in establishing compliance and ethics program
- Provides status reports to Board of Governors AACC
- Provide future periodic updates
## SUS Compliance Program Status Checklist Summary - Baseline

<table>
<thead>
<tr>
<th>Univ.</th>
<th>University-Wide Compliance Program</th>
<th>Program Plan</th>
<th>BOT Committee</th>
<th>Chief Compliance Officer</th>
<th>External 5-Year Program Review</th>
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## SUS Compliance Program Status Checklist Summary - Year 1

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PROGRAM MATURITY

- **Ad Hoc** – Procedures informal, incomplete, and inconsistent
- **Fragmented** – Some compliance controls in place in some areas
- **Defined** – Compliance controls and procedures documented and standardized
- **Mature** – Compliance procedures integral in business processes and periodic effectiveness reviews conducted
- **Optimized** – Regular review and feedback, continuous improvement for process optimization, elements automated and effective

WE ARE THE CHAMPIONS . . . MY FRIENDS . . .
QUESTIONS AND CONTACT INFORMATION

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