



AGENDA
Audit and Compliance Committee
Graham Center Ballroom
Florida International University
Miami, Florida
November 20, 2013
12:00 p.m. – 12:15 p.m.

Chair: Mr. Alan Levine; Vice Chair: Mr. Ed Morton
Members: Carter, Kuntz, Lautenbach, Webster

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| 1. | Call to Order and Opening Remarks | Governor Alan Levine |
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| 2. | Approval, Minutes of Committee Meetings
a. Minutes, March 27, 2013
b. Minutes, June 10, 2013 | Governor Levine |
| | | |
| 3. | Update, Florida A&M University Corrective Action Plan | Mr. Joe Maleszewski
<i>Inspector General and
Director of Compliance,
Board of Governors</i> |
| | | |
| 4. | Updates, Office of Inspector General and Compliance
a. 2012-2013 Annual Report
b. System Chief Audit Executive Roles and Responsibilities | Mr. Maleszewski |
| | | |
| 5. | Concluding Remarks and Adjournment | Governor Levine |

**STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Audit and Compliance Committee
November 20, 2013**

SUBJECT: Approval of Minutes of the March 27, 2013, Meeting and the June 10, 2013, Conference Call

PROPOSED COMMITTEE ACTION

Approval of Minutes of the March 27, 2013, meeting and the June 10, 2013, conference call.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Article IX, Section 7, Florida Constitution

BACKGROUND INFORMATION

Board members will review and approve the Minutes of the meeting held March 27, 2013, and the conference call held June 10, 2013.

Supporting Documentation Included: Minutes: March 27, 2013 and June 10, 2013

Facilitators/Presenters: Governor Alan Levine

MINUTES
BOARD OF GOVERNORS
STATE UNIVERSITY SYSTEM OF FLORIDA
AUDIT AND COMPLIANCE COMMITTEE
FLORIDA A&M UNIVERSITY
TALLAHASSEE, FLORIDA
MARCH 27, 2013

*Video or audio archives of the meetings of the Board of Governors
and its Committees are accessible at <http://www.flbog.edu/>.*

The vice chair, Ed Morton, convened the meeting of the Audit and Compliance Committee at 2:24 p.m., at the Grand Ballroom, Student Union, Florida A&M University (FAMU), in Tallahassee, Florida. The following members were present: Matthew Carter, Tom Kuntz, Ned Lautenbach, Alan Levine (by phone), and Elizabeth Webster.

1. Call to Order

Mr. Levine called the meeting to order. He explained that since he was able to participate by phone only, Vice Chair Ed Morton would preside over today's meeting.

2. Approval of Minutes

Mr. Carter moved that the Committee approve the Minutes of the meeting of the Board of Governors Audit and Compliance Committee (Audit Committee) held November 7, 2012, as presented. Mr. Kuntz seconded the motion. The Minutes were approved.

Mr. Kuntz moved that the Committee approve the Minutes of the meeting of the Board of Governors Audit Committee held January 16, 2013, as presented. Mr. Carter seconded the motion. The Minutes were approved.

3. Discussion: Florida A&M University Corrective Action Plan

Mr. Levine commented on the corrective action plan for FAMU in response to the Auditor General's operational audit, the Board Office's Inspector General Anti-hazing Program Report of Investigation, as well as other recent reviews of the University's policies and operations. He indicated the university's corrective action plan is comprehensive and that the university's audit committee is committed to implementation of all identified corrective actions. He explained that some of the issues identified are governance issues (such as

how the board of trustees would handle the culture of reporting problems on campus) and stressed the important role this governing body plays. Mr. Levine indicated that some of the findings are easily corrected, and others are more serious or complex.

Mr. Levine has discussed FAMU's corrective action plan with Chancellor Brogan and stated that steps have already been taken to correct some areas of concern. Other corrections are planned for the future. Mr. Levine stated that he will be in frequent communication with the FAMU board of trustees audit committee chair.

Chancellor Brogan provided an update to the Audit Committee of FAMU's corrective actions. He said the university has a detailed corrective action plan that includes timelines and all areas to be addressed from the various recent reports and reviews of the university. He indicated that the plan is a dynamic document that will be updated as progress is made for each item.

Chancellor Brogan thanked FAMU President, Larry Robinson, for his cooperation. President Robinson thanked Chancellor Brogan for his cooperation as well and stated the importance of the university and the Board of Governors working together on this project. He also stressed that the university is working to find a long-term solution to these issues to avoid a future recurrence; they are not seeking short-term fixes. Ernst & Young has been utilized as an external and objective reviewer to ensure the robustness of corrective actions and a focus on long-term remedies.

FAMU Board of Trustees Chair, Solomon Badger, echoed President Robinson's gratitude to the Board of Governors, the Chancellor and board staff for their assistance to the university in resolving these issues. Dr. Badger reported that his immediate goal is to stabilize the university.

Mr. Kuntz asked when Chair Badger expects to have achieved their goals. Dr. Badger responded that they are working on resolutions to be successful as soon as possible but thought that it would probably be 12-18 months.

Chancellor Brogan explained that the reaffirmation of the university's accreditation by the Southern Association of Colleges and Schools (SACS) is paramount. University accreditation permits student eligibility for Federal funds (such as Pell grants) and Federal agency grants for research. He stated the university leadership understands the importance of securing their SACS accreditation and has made it their first priority.

Regarding the cancellation of the search for a new university president, Chancellor Brogan explained that the university needs reaffirmation of its SACS accreditation and resolutions to the issues on the corrective action plan before they can bring on a new president.

In response to Mr. Kuntz question about the timing of and process for the SACS reaffirmation of the university's accreditation, President Robinson answered that the University will submit a written report to SACS in August of this year. They expect a site visit in September, and a decision from SACS at its meeting in December.

Mr. Morton suggested the university add the responsible staff person and deadline for each metric to the corrective action plan to allow the university and interested parties to more easily assess if the university is on schedule. He also encouraged the Board of Governors to exercise its fiduciary responsibilities and rely on the university's operational responsibilities for implementation of corrective actions.

4. Discussion: Overview of Audit Committee Responsibilities and OIG Functions

The committee reviewed the assignments as listed on the committee's "Dashboard" and accepted them. A copy of the Dashboard is included in the meeting materials.

The Board's Inspector General, Derry Harper, provided the Committee with an overview of the Committee's role and responsibilities. He began with the governing authorities (specifically, sections 20.155 and 20.055, Florida Statutes, as well as Board of Governors Regulation 1.001, University Board of Trustees Powers and Duties). Additionally, Committee members and the board's Office of the Inspector General and Director of Compliance abide by the duties and responsibilities as listed in their respective charters (available at <http://www.flbog.edu/about/cod/igoffice.php>). A copy of the presentation containing this information is in the meeting materials packet.

5. Concluding Remarks and Adjournment

The meeting of the Audit Committee was adjourned at 3:15 p.m.

Ed Morton, Vice Chair

Lori Clark, Compliance Analyst

MINUTES
BOARD OF GOVERNORS
STATE UNIVERSITY SYSTEM OF FLORIDA
AUDIT AND COMPLIANCE COMMITTEE
CONFERENCE CALL
JUNE 10, 2013

*Video or audio archives of the meetings of the Board of Governors
and its Committees are accessible at <http://www.flbog.edu/>.*

The chair, Alan Levine, convened the conference call of the Audit and Compliance Committee at 1:46 p.m. The following members participated: Alan Levine, Ed Morton, Matthew Carter, Tom Kuntz, Ned Lautenbach, and Elizabeth Webster.

1. Call to Order

Mr. Levine called the meeting to order. He explained that because today's meeting was being held by conference call, only one agenda item would be discussed: the Long-term and Annual Audit Plan (Plan). The March 27, 2013, meeting minutes will be included in the next committee meeting.

2. Approval: Long-term and Annual Audit Plan

Mr. Derry Harper said the Plan is subject to change: it will be re-evaluated in six months and include additional input from staff and our review of the recently received State University System internal audit offices audit plans.

The Plan details the methodology and approach to preparing the Plan which is required to meet statutory provisions and applicable professional standards. The Plan is based on a systematic risk assessment of the operational units of the board office. Some of the risk factors include internal control and risk management. Mr. Harper stated that "Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals and objectives. Internal controls include the processes and procedures for planning, organizing, directing and controlling operations."

As part of the risk assessment process, Mr. Harper explained a Risk Assessment Questionnaire was sent to 25 board staff members. We had a 100% response rate. In our response analysis, we found risk factor categories like internal controls and management concerns, including complexity of operations. In our professional judgment, recognizing the importance of these factors, we determined the two most important are internal controls and management concerns (including public impact).

The audit projects selected for the Plan reflect this assessment. Financial impact is always a high risk factor, but the board office does not handle money or have a big budget. The programs we sponsor and review, however, along with the decisions we make in how

MINUTES: AUDIT AND COMPLIANCE COMMITTEE

June 10, 2013

we handle them are complex and require a good internal control system and have high public impact.

The "Calculation of Available Hours" section reflects the estimated staff hours available based on our current staffing. The audit projects selected for the 2013-2014 fiscal year are: 1. Tuition Differential/Tuition and Fees Program, and 2. Institutes and Centers. These projects are carry-overs from last year's plan. They require that internal controls meet certain regulatory and professional standards, and they are complex with high public impact.

The Plan's last section contains the audit projects for the next two fiscal years:

2014-2015 Fiscal Year

1. Audit Process for Establishment of Educational Sites
2. Audit of University Work Plans Process

2015-2016 Fiscal Year

1. Audit of State University System of Florida Board of Governors Foundation
2. Audit of Residency for Tuition Purposes

The Plan is subject to change as it is hard to estimate the primary management concerns two fiscal years from now. Mr. Harper reiterated the need to review State University System internal audit office audit plans, recently submitted to us by each institution, in the next risk assessment process scheduled to take place in approximately six months. We will also consult with management and the chancellor for direction in selecting audit projects.

Lastly, Mr. Harper explained that in addition to the already-stated considerations regarding available staff hours, audit project selection and changing nature of audit plans, we cannot predict what investigations may need to be done or how much staff time and effort will be needed to conduct them. We have to remain flexible and adjust the Plan as necessary.

Mr. Carter motioned to approve the Plan. Mr. Lautenbach seconded it. The committee approved the Long-term and Annual Audit Plan.

3. Concluding Remarks and Adjournment

The meeting of the Audit Committee was adjourned at 1:55 p.m.

Alan Levine, Chair

Lori Clark, Compliance Analyst

**STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Audit and Compliance Committee
November 20, 2013**

SUBJECT: Discussion: Florida A&M University Corrective Action Plan Update

PROPOSED COMMITTEE ACTION

Information only

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Article IX, Section 7, Florida Constitution

BACKGROUND INFORMATION

The Inspector General and Director of Compliance, Mr. Joseph Maleszewski, will update the Committee on the status of Florida A&M University's corrective action plan.

Supporting Documentation Included: FAMU Corrective Action Plan 2013
Spreadsheet

Facilitators/Presenters: Joe Maleszewski



STATE
UNIVERSITY
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of FLORIDA
Board of Governors

FAMU Corrective Action Plan 2013 (as of October 29, 2013)

Corrective Action Plan Status Summary			
Area	Issues	Completed ✓	Good Progress ●
Audit and Compliance	10	8	2
Finance	9	5	4
Academic & Accreditation	5	0	5
Facilities & Construction	2	1	1
Hazing & Student Code of Conduct	4	0	4
TOTAL	30	14	16

(A) Audit and Compliance Issues

FAMU Staff Contact: Rick Givens, VP of Audit and Compliance
BOG Staff Contact: Joseph Maleszewski, Inspector General

BOT Cmte Chair: Karl White
BOG Cmte Chair: Alan Levine

Legend:
 ✓ Completed
 ● Good Progress
 ● Slow Progress
 ● Poor Progress



Issue	Update	Progress Indicator
<u>Compliance with Institute of Internal Auditors Standards (IIA)</u>		
(A1) Adopt new Audit Committee and Division of Audit and Compliance (DAC) Charters that conform to IIA Standards.	<p>October 2013: Mr. Givens reported the DAC Charter was updated in accordance with new Standards and was presented for approval by the board of trustees at the October 2, 2013, meeting.</p> <p>May 2013: COMPLETED Both charters have been approved by the university board of trustees.</p>	✓
(A2) Revise operating procedures manual so that it complies with IIA Standards and take all necessary steps to train staff for implementation.	<p>May 2013: COMPLETED Operating procedures manual adopted and implemented May 2012. It was updated and expanded in February 2013.</p>	✓
(A3) Establish a quality assurance and improvement program as required by IIA Standards and conduct a self-assessment following first year of operations in compliance with IIA Standards. Schedule a quality assessment review (QAR) conducted by an external auditing	<p>October 2013: COMPLETED The QAR final report was issued by Ernst & Young September 17, 2013, with an overall assessment of "Generally Conforms."</p> <p>August 2013: Self-assessment completed and final report provided to the board office. Additionally, Ernst & Young are on-site to conduct the QAR.</p> <p>July 2013: Self-assessment in progress.</p>	✓

UPDATED: 11/7/2013

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firm one year later.	<p>June 2013: Self-assessment in progress.</p> <p>May 2013: A quality assurance and improvement program has been adopted, and a self-assessment is in progress for the Division of Audit and Compliance (DAC). An outside audit firm has been hired to assist in this process. Ernst and Young will begin the QAR in July 2013, based upon the Institute of Internal Auditors "red" book standards.</p>	
(A4) Conduct all internal audits and risk assessments in conformance with IIA Standards.	<p>October 2013: COMPLETED The QAR final report was issued September 17, 2013, and issued a "Generally Conforms" rating.</p> <p>August 2013: Four completed internal audit reports submitted to the OIG. Additionally, Mr. Givens reported SACS is requiring his office to obtain external verification of their conformance with professional standards. Ernst & Young has been retained for this purpose, and the verification process is in progress.</p> <p>Mr. Givens provided the board office with a copy of the 2013-2014 Risk Assessment and Internal Audit Plan.</p> <p>July 2013: Audits in progress.</p> <p>June 2013: Audits in progress.</p> <p>May 2013: The Division of Audit and Compliance believes it is now in conformance in practice. The official "conformance with IIA Standards" language cannot be used in final audit reports until the QAR has been successfully completed.</p> <p>The DAC will have completed four internal audits by the end of June 2013, and they have completed six investigations (in accordance with "green" book standards).</p>	✓
Reporting to Audit Committee and President		
(A5) Ensure that annual performance reports are presented to the Audit Committee and President on the DAC's effectiveness, staff proficiency and productivity, including results of self-assessment referenced above and results of subsequent QAR.	<p>October 2013: COMPLETED Mr. Givens indicated that the DAC reports even more regularly than annually: the DAC reports quarterly to the board of trustees. Reports include an overview of DAC projects, audit follow-ups and risk ratings, and brief description of investigations. The final report of the QAR was presented to the board of trustees at its October 2, 2013, meeting.</p> <p>August 2013: New format was used to report to the audit committee the status and findings of the self-assessment (fieldwork complete; final report pending) and the QAR (in progress and due to be completed by mid-September 2013).</p> <p>July 2013: Copies received of new format. Awaiting audit committee's August meeting to debut new format.</p> <p>June 2013: The new format is ready for presentation to and approval by the university's audit committee. Mr. Givens will send copies of new format to this office.</p> <p>May 2013: The format to be used in annual performance reporting has</p>	✓



	been developed but not yet approved by the university board of trustees. Reports are made to the audit committee at each meeting. Copies of audit reports are provided to each board member. Annual performance reports will be presented to the board beginning in 2013-2014.	
(A6) Submit annual audit plan based on risk assessment results to Audit Committee and President, together with a budget that provides sufficient resources to address high risk areas in a timely manner.	May 2013: COMPLETED The 2013-2014 Annual Audit Plan was approved at the university board of trustees meeting June 6, 2013.	✓
(A7) Implement a project timekeeping system and ensure that DAC staff receives appropriate training.	October 2013: COMPLETED Mr. Givens confirmed he and his staff are continuing to use the simple Excel spreadsheet for time-keeping. Eventually, they will look for a more robust, automated time-keeping system now that they are fully staffed. August 2013: The DAC has created and begun using, as of July 1, 2013, a simple Excel spreadsheet for each employee to keep his/her time. July 2013: The DAC continues to search for a simple, easy-to-use time-keeping system as they cannot reach Audit Leverage (the purchased software that was never set-up) for implementation and set-up. June 2013: Mr. Givens stated his office is considering the free audit program application, IIAMS, developed by the Department of Children and Families. May 2013: A time-keeping system (time sheets) was implemented in January 2013, but there is no system in which to input the information.	✓
(A8) Increase level of involvement with the Enterprise Information Technology function and review external assessments of EIT function to better identify risks, and to keep Audit Committee and President informed of risks and actions being taken to reduce risk.	October 2013: The DAC staff IT auditor recently resigned, which will slightly delay the progress they had expected for their IT audits this year. Mr. Givens reported and they will hire a replacement in the near future. A committee has been established to review the applications and interviews will be set up in the near future. August 2013: FAMU extended the deadline to the EIT staff for submitting responses to the Risk assessment regarding application controls. Givens confirmed he has a new staff member, as of November 2012, who is a Certified Information Systems Auditor. Two internal audits are planned this fiscal year for IT audits. July 2013: EIT staff continues to work on responses to the Risk Assessment. June 2013: Risk assessment of application controls begun with the EIT staff. May 2013: Because this is a high risk area, the DAC has added audits in the IT activity to their 2013-2014 Work Plan. Additionally, the DAC added a Certified Information Systems Auditor to their staff in fall 2012.	●

Investigations		
<p>(A9) Establish procedures for conducting internal investigations and train staff on new procedures. Include a mechanism for centralized tracking of complaints.</p>	<p>October 2013: Ernst & Young has completed their preliminary report of their review of the DAC's conformance with green book standards for conducting investigations. The final report will be released after management's response is issued. The DAC is using Global Compliance for intake and tracking of complaints. Mr. Givens said they have provided informal training for all staff. Mr. Givens indicated that staff training on operating procedures will be formalized and evidenced by agendas and sign-in sheets which will be submitted to the board office.</p> <p>August 2013: Mr. Givens reported that SACS is requiring external verification of their staff's conformance with professional standards for conducting investigations. Ernst & Young have been retained for this purpose and are reviewing the completed investigations. The verification report/letter should be issued by mid-September 2013.</p> <p>July 2013: The six investigations Mr. Givens referred to in May and June are nearly complete</p> <p>June 2013: Investigations in progress.</p> <p>May 2013: The DAC has designated a new professional staff member designated as the investigator. Investigations will be conducted in accordance with the "green" book standards. Six investigations have been conducted this year in accordance with the standards.</p> <p>Additionally, the Global Compliance Hotline is being used to intake and track all complaints, regardless of their origin (phone, email, hotline, etc.).</p>	
<p>(A10) Conduct a self-assessment of DAC's compliance with the new procedures and report results to Audit Committee and President after the first year of conducting investigations under the new procedures.</p>	<p>October 2013: COMPLETED The self-assessment has been completed and presented to the board of trustees at its August 8, 2013, meeting.</p> <p>August 2013: Mr. Givens stated the self-assessment final report was issued and provided the board office with a copy.</p> <p>July 2013: Self-assessment fieldwork completed at the end of this month. Final report pending.</p> <p>June 2013: Self-assessment in progress. Kaye Kendrick of Kaye Kendrick Enterprises is conducting the self-assessment.</p> <p>May 2013: The DAC's self-assessment is in progress. An outside audit firm has been retained to assist.</p>	

(B) Finance

FAMU Contact: Joe Bakker, Interim CFO
BOG Contact: Tim Jones, CFO

BOT Cmte Chair: Rufus Montgomery
BOG Cmte Chair: Tom Kuntz

Issue	Update	Status
<u>Banking</u>		
(B1) Reconcile bank accounts by the 20 th of each month, and reconciliations need to be reviewed and certified by the FAMU Comptroller and sent electronically to the board office.	<p>October 2013: Copies of the July and August reconciliations have been provided to the board office.</p> <p>August 2013: Copies of May and June reconciliations have been provided to the board office.</p> <p>June 2013: Copies of the April reconciliation have been provided to the board office.</p> <p>May 2013: The reconciliation process began in February 2013. Copies of the March 2013 reconciliation were provided to the board office and future reconciliations will continue to be provided. FAMU's plan is to reconcile by the 20th of the following month.</p>	
(B2) Review accounting regulations and procedures over bank deposits and outstanding checks and provide proposed enhancements to the board office for review. Such review should include consideration of best practices at other SUS institutions.	<p>August 2013: COMPLETED Procedures have been completed. Review of best practices at SUS institutions is completed. Revised practices emulate reviewed best practices.</p> <p>June 2013: Procedures are on track to be completed by the end of June 2013. Best practices from other SUS institutions are ongoing.</p> <p>May 2013: Reconciliation procedures have been provided. Procedures regarding bank deposits, outstanding checks and proposed enhancements will be provided. Final approval of draft regulations should be completed by the end of June 2013. Best practices from other SUS institutions still need to be gathered.</p>	✓
<u>Revenue Collection/Athletic Department</u>		
(B3) Maintain adequate documentation to verify revenues collected for football games and ensure segregation of duties such as between collection, deposits, journal entries, and reconciliations.	<p>October 2013: Documentation is being maintained and revenue collection procedures ensure segregation of duties between collection, deposits, journal entries, and reconciliations. The status of reconciliations is included in the status for B4 below.</p> <p>September 2013: July 2013 reconciliation has been provided to the board office. The August 2013 reconciliation is 98% complete and the September 2013 reconciliation is in progress.</p> <p>August 2013: Reconciliation by categories up-to-date; Consolidated reconciliation to be up-to-date by August 30, 2013.</p>	

	<p>July 2013: A consolidated reconciliation through March 2013 is 90% complete; Subsequent months will be reconciled prior to July 31, 2013.</p> <p>June 2013: No change in status.</p> <p>May 2013: Written procedures and formal reconciliations have been implemented and will be conducted monthly. Procedures will be provided to the board office.</p>	
(B4) Reconcile revenues recorded on the General Ledger by the Cashier's office to the revenue journal entries prepared by the Athletics Department.	<p>October 2013: August and September 2013 reconciliations have been completed; October 2013 reconciliation is in progress and is on schedule to be completed by November 28, 2013.</p> <p>September 2013: July 2013 reconciliation has been provided to the board office. The August 2013 reconciliation is 98% complete and the September 2013 reconciliation is in progress.</p> <p>August 2013: Reconciliation by categories is up-to-date. Consolidated reconciliation to be up-to-date by August 30, 2013.</p> <p>June 2013: No change in status.</p> <p>May 2013: Written procedures and formal reconciliations have been implemented and will be completed by the 28th of each month. Procedures will be provided to the board office.</p>	●
(B5) Review Sodexo concessions contract and determine reason for lack of revenue generation. Take all reasonable steps to increase revenue generation under the contract.	<p>May 2013: COMPLETED Contract has been renegotiated retroactively to July 2012. Athletics will receive 25% commission. Contract has been provided to the board office.</p>	✓
(B6) Prepare report of operating expenses of Athletics Department and cost-saving mechanisms that can be used to reduce deficit in the auxiliary enterprise account for intercollegiate athletics. Present report to the board of trustees and President for consideration. Amend Five-Year Deficit Reduction Plan to implement appropriate cost-saving mechanisms.	<p>August 2013: COMPLETED Deficit plan completed and approved by the board of trustees on August 8, 2013.</p> <p>June 2013: The deficit reduction plan was not presented for approval by the board of trustees at the June 2013 meeting. The amended plan is expected to be completed by the end of July 2013.</p> <p>May 2013: A deficit reduction plan will be presented for approval by the board of trustees at its June 2013 meeting.</p>	✓
Travel Reimbursement		
(B7) Review internal controls relating to travel reimbursement.	<p>October 2013: The Division of Audit and Compliance will complete its management response to the Ernst and Young Report by November 1, 2013. The final report will be issued subsequent to that response.</p> <p>September 2013: Draft final report submitted by Ernst and Young. The report is being reviewed by the FAMU Division of Audit and Compliance.</p>	●

	<p>August 2013: Discussions and meetings have been held with Ernst and Young. Final report to be submitted.</p> <p>June 2013: Ernst and Young has completed its review but has not disclosed its findings.</p> <p>May 2013: Procedures have been developed. Ernst and Young is currently preparing a review of these procedures and will release findings in June or July 2013.</p>	
<u>Expenditure of Student Fees</u>		
(B8) Establish procedures to ensure that tuition differential fees are expended in accordance with law, board regulations, and plans as presented to the Board of Governors.	<p>August 2013: COMPLETED Final procedures completed and being implemented.</p> <p>June 2013: No change in status.</p> <p>May 2013: Draft procedures have been prepared and will be finalized by the end of June 2013. Procedures have been provided to the board office.</p>	✓
(B9) Establish procedures to ensure that projects being financed by the technology fee are monitored and compared to the project budgets.	<p>August 2013: COMPLETED Final procedures are being implemented.</p> <p>June 2013: No change in status.</p> <p>May 2013: Draft procedures have been prepared and will be finalized by the end of June 2013. Procedures have been provided to the board office.</p>	✓

(C) Academics and Accreditation

FAMU Contact: Dr. Rodner Wright, Interim Provost
BOG Contact: Dr. Jan Ignash, Vice Chancellor

BOT Cmte Chair: Marjorie Turnbull
BOG Cmte Chair: Norm Tripp

Issue	Update	Status
<u>Compliance with SACS Standards</u>		
(C1) Provide SACS with evidence of compliance with the standards identified in SACS letter dated January 15, 2013.	<p>October 2013: SACS conducted an on-site visit to FAMU in September 2013 and issued their "Report of the Special Committee." Final action on the accreditation status of the institution rests with the Commission on Colleges who expects to make a determination at their December 2013 meeting.</p> <p>Ernst & Young as well as Accretive Solutions have evaluated FAMU P-card transactions and their reports will be issued in the near future.</p> <p>May 2013: Actions taken to-date by FAMU to ensure compliance with <i>Principle 1.1: Integrity</i></p> <ul style="list-style-type: none"> Hired a Vice President for Audit and Compliance in June 2012 with 22 years of auditing experience. Hired Ernst & Young to perform an audit of eight of the 15 incomplete audits identified in the Sniffen & Spellman 	●

	<p>report. Subsequently developed and implemented corrective actions to address each of the findings contained in the Ernst & Young report.</p> <ul style="list-style-type: none"> • Hired Ernst & Young to conduct an Audit Training Workshop for members of the University board of trustees Audit Committee at the February 2013 board of trustees meeting. • Developed enhanced procedures governing oversight of the Division of Audit and Compliance by the University board of trustees. • Updated internal operating procedures to enhance the Division's ongoing compliance with established best practices and standards of the Institute of Internal Auditors. • Conducting searches to fill vacant staff positions within the Division. • Planning to conduct a quality assessment review for the Division of Audit and Compliance. <p>Actions taken to-date by FAMU to ensure compliance with C.S. 3.2.8: <i>The institution has qualified administrative and academic officers with the experience and competence to lead the institution.</i></p> <ul style="list-style-type: none"> • Hired a Vice President for Audit and Compliance. • Hired a Special Assistant for Anti-Hazing. • Hired a Director of Judicial Affairs. • Hired a Music Compliance Officer. • Hired a Director of Bands. • Conducting a search for the Chief of Police position. • Documenting qualifications of all individuals in key leadership positions. <p>Actions Taken to Ensure Compliance with C.S. 3.10.3: <i>The institution exercises appropriate control over its financial resources.</i></p> <ul style="list-style-type: none"> • Enhanced procedures governing group travel. • Enhanced procedures governing use of university purchase cards (P-Card). • Revised the processes governing the issuance of funds to travelers. • Enhanced the processes governing non-employee travel. • Enhanced the travel reimbursement process and implemented procedures to address the reconciliation process of group travel funds. • Implemented an enhanced process for approval of travel by members of the Department of Music and the band. • Addressing findings in Operational Audit, Ernst & Young Report, FDLE Report. <p>Actions Taken to Ensure Compliance with C.S. 3.11.1: <i>The institution takes reasonable steps to provide a healthy, safe and secure environment for all members of the campus community.</i></p> <ul style="list-style-type: none"> • Revised the board of trustees Anti-Hazing Policy. • Revising Student Code of Conduct. • Addressing recommendations from the board office Report. • Implemented enhanced procedures for reporting and investigating hazing allegations. 	
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	<ul style="list-style-type: none"> • Created new positions: Special Assistant for Anti-Hazing (filled), Music Compliance Officer, Director of Judicial Affairs (filled), and the Coordinator of Judicial Affairs. • Suspended the Marching Band through at least the 2012-13 academic year. • Launched a new anti-hazing website (StopHazingatFAMU.com). • Implemented a University Directive requiring that all allegations and criminal activity be immediately brought to the President's attention. • Generated immediate electronic posting of the Anti-Hazing Agreement for all students to complete when using the student administration system (iRattler) to register for classes. • Enhanced the membership intake process for clubs and organizations. • Implemented a revised organizational structure in the Department of Music. • Enhanced the criteria for future membership and participation in band and student organizations. 	
<p>(C2) Provide a report to the board of trustees and the board office regarding implementation of academic goals established in FAMU's revised work plan.</p>	<p>September 2013: In a September 2013 update, FAMU reported the following:</p> <ul style="list-style-type: none"> • Preliminary numbers indicate 180 profile admits out of 1,006 first time in college freshmen. • Two developmental education/counselor positions have been advertised and closed on August 30, 2013. • The Office of University Retention hired an advisory/counselor in August 2013 to work specifically with profile admits. • There are 33 full-time advisors. The Office of University Retention has eliminated all part-time advisor positions. • In August 2013, the responsibility for providing advisement for student-athletes was transferred to the Office of University Retention. Currently there are 3 athletics advisor/counselor positions to assist in the Academic Progress Rate of student-athletes. • The training and development program for academic advisors will be held in October 2013. • Fifteen sections of the First Year Experience were offered in summer 2013, and 19 sections were offered in fall 2013. • A mandatory tutor workshop for all tutors will be held in September 2013. • A 10-hour tutorial lab requirement for freshmen profile admits was implemented in summer 2013. • In August 2013, the responsibility for providing tutorial services for student-athletes was transferred to the Office of University Retention. The Office of University Retention will hire five tutors and a tutorial lab coordinator to assist in improving the Academic Progress Rate of student-athletes. • The Black Board system will now be utilized to monitor and track student usage of tutorial services and course passage rates. • A Black Board Analytics demonstration was provided for faculty during the Faculty Planning Conference in August 2013. Additional Black Board Analytics training sessions 	●

	<p>were presented by the Instructional Media Center.</p> <ul style="list-style-type: none"> The Academic Success Course curriculum is currently being developed with faculty input. The course will be offered in Spring 2014. The Career Development curriculum has been developed with faculty input. Five course sections are currently being offered (Fall 2013). <p>May 2013: FAMU submitted a status report regarding implementation of academic goals established in FAMU's revised Work Plan. On that same date, FAMU provided answers to 17 discrete "yes/no" implementation questions raised by the board office's Academic and Student Affairs.</p>	
(C3) Provide to the board office a copy of all university correspondence with SACS.	<p>October 2013: SACSCOC Report of the Special Committee was submitted to the board office October 16, 2013. The Special Committee acknowledged the university's progress and had no recommendations.</p> <p>April 2013: FAMU submitted a First Monitoring Report to SACS on standard F.R. 4.7 (Title IV program responsibilities). A copy of the report was provided to the chancellor's office.</p>	●
(C4) Provide a plan to the board of trustees and the board office regarding how the university will address Law School accreditation concerns raised by the American Bar Association.	<p>May 2013: The most recent reporting of passage rates on the Bar examination indicates that FAMU is making progress. Other SACS concerns (ex., faculty research productivity) may need to be further addressed.</p>	●
(C5) Provide a plan to the board of trustees and the board office regarding how the university will address IT and data management findings in the Auditor General report.	<p>May 2013: <u>Access Privileges</u> The Office of Enterprise Information Technology is working with the various HR and Financial offices to remove access privileges which permitted employees to perform incompatible duties or were not necessary for their responsibilities. Access review requires detailed analysis of PeopleSoft roles and permissions lists.</p> <p>FAMU is also developing a PeopleSoft utility which will require all managers to perform an annual review of the access privileges of the employees who directly report to them. Managers will be required to verify that each employee listed is still employed at the university, and that their roles have not changed.</p> <p><u>Security Controls</u> FAMU has evaluated the security controls which have been recommended to be changed, to insure that they will have minimum to moderate impact to the University Community, the implementation will be in two phases. FAMU plans to complete these changes by the end of June 2013 following completion of other concurrent upgrades sharing the same infrastructure.</p> <p>The security changes taking place will be communicated to the FAMU community through email advisories.</p>	●

(D) Facilities and Construction

FAMU Contact: Joseph Bakker, Assoc. VP. Construction
BOG Contact: Chris Kinsley, Director of Finance and Facilities
 Ken Ogletree, Board Architect

BOT Cmte Chair: Spurgeon McWilliams
BOG Cmte Chair: Dick Beard

Issue	Update	Status
<u>Procurement Process & Contract Negotiations</u>		
(D1) Prohibit the use of design-build contracts until such time as FAMU implements improved procedures relating to the procurement of goods and services contracts for construction projects, including design-build services.	<p>October 2013: At the current time, FAMU is not utilizing design-build contracts. FAMU's use of design-build contracts is contingent upon satisfying the board office that improved design-build procedures have been implemented to provide proper control and assurance.</p> <p>August 2013: No change in status.</p> <p>June 2013: No change in status.</p> <p>May 2013: No formal action is being contemplated as there are no current or proposed design-build contracts.</p>	
<u>Monitoring Construction Projects</u>		
(D2) Enhance procedures for monitoring construction payment requests, insurance requirements for design professionals, and for verifying contractor and subcontractor licensure status.	<p>August 2013: COMPLETED Reports completed and new procedures being implemented. Two new staff added to construction management team.</p> <p>June 2013: The drafts of the Procedures Manuals have been completed. At its June 2013 meeting, the board of trustees authorized the President to approve the manuals subject to final review by a registered Architect/Engineer and the General Counsel's Office. The reviews are expected to be completed by June 30, 2013. Mandatory training will immediately follow approval of the manuals.</p> <p>May 2013: Alinea Capital Partners, LLC is still under contract by FAMU. The most recent reports have been provided to the board office. However, while board staff has communicated with both Alinea Capital Partners, LLC and FAMU, a comprehensive approach to correction of this item is still being developed. A key issue is that while procedures are in place, current staffing levels do not allow for full implementation of necessary procedures. FAMU appears to be working on addressing these human resource issues. Draft reports (legal review to be done) of (a) the <i>Project Manager's Manual</i>; and (b) the <i>Service Guide for Design and Construction Professionals</i> have been provided to staff. The final draft of the <i>Design Standards for Consultants</i> will be available the week of May 20, 2013. These will be presented to the board of trustees in June 2013 with the recommendation that the President implement these reports.</p>	✓

(E) Hazing and Student Code of Conduct

FAMU Contact: Dr. William Hudson, VP for Student Affairs
Bryan Smith, Special Assistant to the President
BOG Contact: Dr. Jan Ignash, Vice Chancellor

BOT Cmte Chair: Torey Alston
BOG Cmte Chair: Norm Tripp

Issue	Update	Status
<u>Anti-Hazing Program</u>		
<p>(E1) Implement the anti-hazing program to ensure:</p> <ul style="list-style-type: none"> (i) communication of anti-hazing policy to students and staff once per semester, and execution of anti-hazing agreements by students; (ii) continuation of anti-hazing prevention week events and anti-hazing website; (iii) completion of re-certification of all student organizations, including review of new intake procedures for members; (iv) continuation of anti-hazing instruction in the freshman studies course; (v) updating of the handbook and published anti-hazing policies to incorporate new procedures; (vi) implementation of System Anti-Hazing Best Practices, as appropriate; and (vii) maintenance of 24/7 hazing reporting hotline. 	<p>October 2013: SACS conducted an on-site visit to FAMU in September 2013 and issued their "Report of the Special Committee." This report concluded, regarding FAMU's implementation of an anti-hazing program, that the institution has taken reasonable steps to provide a healthy, safe, and secure environment. The report also concluded that "The institution's 'zero tolerance' policy seems to be understood by students and staff members. Evidence of enforcement is found in band eligibility data, workshop participation receipts, student organization bylaws, and by the recent suspensions of two student organizations for hazing. Processes developed for reporting, investigating, and addressing allegations of hazing involve appropriate offices and administrators and seem to be implemented as described. The institution would benefit from making processes more systematic and better able to track all complaints from notification to resolution." Final action on the accreditation status of the institution rests with the Commission on Colleges who expects to make a determination at their December 2013 meeting.</p> <p>FAMU's systematic tracking of all complaints from notification to resolution is performed using the Maxient System which is currently in operation (http://www.maxient.com). This system provides a Conduct Manager that receives incident reports via the website, tracks and manages all behavioral issues, and provides timely analytics to meet the needs of the institution. All actions are electronically tracked and regular status reports are available to the campus community. The SACS team was on campus in late September and the company's training program for campus staff occurred September 25 – October 1, 2013, so the team was unable to observe the Maxient System in operation.</p> <p>May 2013: FAMU has communicated the anti-hazing policy to students and to the music department faculty, ROTC cadre, the university Deans, as well as all Clubs and Organizations Advisors.</p> <p>FAMU has participated in the anti-hazing prevention week and will continue to do so during the fall of 2013 and subsequent years.</p> <p>The Office of Student Activities continues to re-certify student organizations during the designated re-certification periods. The Office of Student Activities has implemented new intake procedures, and procedures were introduced to organizations</p>	●

	<p>prior to intake periods.</p> <p>The university will continue the anti-hazing instruction in the First Year Experience course.</p> <p>University handbooks have been updated and published to include anti-hazing policies and new procedures.</p> <p>The <i>SUS Council of Student Affairs Campus Environment Matrix: Hazing Prevention Best Practices</i> has been updated. FAMU is in compliance with all 16 SUS campus environment variables. The updated matrix will be provided during the Board of Governors meeting.</p> <p>FAMU has a "24/7 hazing reporting hotline" via its online anti-hazing website, its Campus Safety telephone number, and FAMU's collaboration with Big Bend Crime Stoppers. This collaboration was introduced to the campus community during the Black History month convocation. The telephone number and website were provided to constituents as an avenue to anonymously provide information. The caller is entitled to a reward if the information leads to a conviction.</p>	
<p>(E2) Implement an operational plan for the Office of Judicial Affairs and Department of Public Safety to ensure:</p> <ul style="list-style-type: none"> (i) timely referral of all alleged conduct violations to Judicial Affairs by the Department of Public Safety per new Department of Public Safety policy (Departmental General Order 2, Chapter 11); (ii) timely investigation and adjudication of all alleged conduct violations by Judicial Affairs and timely investigation of hazing allegations by Department of Public Safety; (iii) adequate staffing and training of Judicial Affairs personnel; (iv) development of a centralized data base for tracking conduct code complaints. 	<p>October 2013: FAMU's confirmed that the Maxient Tracking System is currently operational (http://www.maxient.com). The company's training program for campus staff occurred September 25 – October 1, 2013.</p> <p>June 2013: Coordinator of Judicial Affairs has been hired. Started May 24, 2013.</p> <p>Maxient Tracking System approved as judicial tracking software. Funding to support software approved June 2013.</p> <p>May 2013: FAMU has coordinated the reporting process so that the timely referral of alleged conduct violations reflect the new Department of Public Safety policy.</p> <p>A Director of Judicial Affairs was hired (2-1-13) and the additional staffing is expected.</p> <p>A student code of conduct reporting software has been selected and is expected to be online June 2013.</p>	●
<p>(E3) Present an annual update on the Anti-Hazing Program to the FAMU board of trustees and Board of Governors Academic and Student Affairs Committee.</p>	<p>May 2013: Completed at FAMU board of trustees meeting 4/10/13 - 4/11/13.</p>	●
<u>Student Conduct Code</u>		
<p>(E4) Revise the Student Conduct Code to allow for university disciplinary action concurrent with or subsequent to other criminal or civil proceedings.</p>	<p>June 2013: Revised Student Code of Conduct approved at June 6, 2013, board of trustees meeting.</p> <p>May 2013: Student Code of Conduct will reflect this language - anticipated by June 2013.</p>	●

**STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Audit and Compliance Committee
November 20, 2013**

SUBJECT: Discussion: Office of Inspector General and Director of Compliance
Updates

PROPOSED COMMITTEE ACTION

Information only

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Article IX, Section 7, Florida Constitution

BACKGROUND INFORMATION

The Inspector General and Director of Compliance, Mr. Joseph Maleszewski, will update the Committee on the office's activities, which include the release of the 2012-2013 Annual Report and an overview of the System chief audit executives roles and responsibilities.

Supporting Documentation Included: 2012-2013 OIGC Annual Report

Facilitators/Presenters: Joe Maleszewski

Office of Inspector General
and Director of Compliance

Annual Report
2012-2013



STATE
UNIVERSITY
SYSTEM
of FLORIDA

Board of Governors



STATE
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of FLORIDA
Board of Governors

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September 27, 2013

Dean Colson, Chair
Frank T. Brogan, Chancellor
State University System of Florida
Board of Governors
325 West Gaines Street, Suite 1614
Tallahassee, Florida 32399-0400

Dear Chair Colson and Chancellor Brogan:

I am pleased to submit our Annual Report on the activities of the Office of Inspector General and Director of Compliance (OIGC). Section 20.055(7), Florida Statutes, requires the OIGC submit an annual report outlining the work and activities performed to fulfill our mission to promote accountability, integrity and efficiency in the State University System of Florida. This report covers the 12-month period from July 1, 2012, through June 30, 2013.

As you know, my predecessor, Derry Harper, served as Inspector General for this period and therefore the matters highlighted in this report are his accomplishments. This work would not have been possible without the dedication and support of the Board of Governors, the Audit and Compliance Committee and board staff. I am especially grateful for the hard work and dedication of Compliance Analyst, Lori Clark.

I deeply appreciate your support and leadership and look forward to working with you, the Board of Governors, board staff and universities across the State University System of Florida.

Sincerely,

A handwritten signature in blue ink that reads "Joseph K. Maleszewski".

Joseph K. Maleszewski
Inspector General and Director of Compliance

Chair Colson and Chancellor Brogan
September 27, 2013
Page 2 of 2

JM/lc

Attached: *Office of the Inspector General And
 Director of Compliance Annual Report 2012-2013*

Cc: Governor Morteza “Mori” Hosseini, Vice Chair
 Governor Alan Levine, Chair, Audit Committee
 Governor Edward A. Morton, Vice Chair, Audit Committee
 Members of the Board of Governors
 Florida Auditor General
 Chief Inspector General, Office of the Governor
 State University Audit Council



THE STATE UNIVERSITY SYSTEM *of* FLORIDA | Board of Governors

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THE STATE UNIVERSITY SYSTEM *of* FLORIDA | Board of Governors

Introduction

In compliance with Florida's Inspector General Act, Section 20.055, Florida Statutes, the Office of Inspector General and Director of Compliance (OIGC) has prepared this Annual Report for the Fiscal Year 2012-2013. The Annual Report summarizes the activities during the prior fiscal year within the framework approved by the Board of Governors, the Audit and Compliance Committee (audit committee), and the chancellor of the State University System of Florida.

The mission of the OIGC is to promote accountability and integrity in the State University System of Florida.



THE STATE UNIVERSITY SYSTEM of FLORIDA | Board of Governors

Authority, Standards, and Functions

Authority

As authorized by the Florida Constitution and Section 20.155(5), Florida Statutes, the board established the OIGC in July 2007 to promote accountability, efficiency, and effectiveness and to detect fraud and abuse within state universities. Subsequently, the board adopted the *Audit and Compliance Committee Charter* and the *Office of the Inspector General and Director of Compliance Charter* (Charters). The *Office of the Inspector General and Director of Compliance Charter* articulates the OIGC's duties and responsibilities consistent with the provisions of Florida's Inspectors General Act [Section 20.055, Florida Statutes]. These responsibilities include promoting accountability, integrity, and efficiency for the board office and throughout the State University System of Florida.

To achieve and maintain independence and objectivity, the inspector general reports directly to the board, through the chair of the audit committee, and administratively to the chancellor. The dual reporting relationship is designed to promote effective communication and coordination of OIGC activities, while ensuring that the inspector general is not impaired in any manner from performing his mandated duties and responsibilities.

In accordance Section 20.155(5), Florida Statutes, the OIGC shall have access to all information and personnel necessary to perform its duties and responsibilities and shall have all of its current powers, duties, and responsibilities authorized in Florida's Inspectors General Act. For example, as it relates to the board office, the inspector general must review and evaluate internal controls to ensure fiscal accountability by conducting operational, financial, and compliance audits or reviews and develop an annual audit plan based upon a systematic risk assessment of board operations. In addition, the inspector general shall initiate and conduct investigations into fraud, waste, mismanagement, misconduct, or abuse and report results of investigative activities, including those complaints filed by a board employee pursuant to the Florida Whistle-blower's Act [Sections 112.3187-112.31895, Florida Statutes].

If the board, based upon the recommendation by the audit committee, determines that a state university board of trustees is unwilling or unable to address substantiated allegations made by any person relating to waste, fraud, or financial mismanagement, the inspector general shall conduct, coordinate, or request investigations. [Section 20.155 (5), Florida Statutes]



Standards

The inspector general shall conduct all of its activities in accordance with the *Principles and Standards for Offices of Inspector General* published by the Association of Inspectors General. Audit work will be conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors, Inc., or, where appropriate, in accordance with *Government Auditing Standards*, published by the Comptroller General of the United States.

Functions

In accordance with the Charters, the OIGC's three areas of focus are:

1. Audit Activities

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

As it relates to the operation and management of the Board of Governors, the audit committee provides oversight of activities related to internal audit, financial controls, compliance and ethics, as well as assessment of the effectiveness of internal control systems.

As it relates to the State University System, the audit committee receives and reviews university audit reports and identifies trends. It confirms that adverse trends are being addressed by the universities. If it has reasonable cause to believe a university is not providing an appropriate response to significant audit findings, it may initiate an inquiry.

2. Investigative Activities

As provided in its charter, the audit committee can direct the inspector general to conduct an inquiry or investigation if it has reasonable cause to believe a university board of trustees is unwilling or unable to provide for objective investigation of credible allegations of fraud or other substantial financial impropriety. In those instances where the inspector general determines that no further action is warranted, the board has delegated authority to the audit committee chair to make a final determination regarding a complaint.

3. Compliance Activities

In the area of Compliance, relative to the operation and management of the Board of Governors, the OIGC shall prioritize the implementation of a compliance program to focus on areas of higher regulatory risk which could impact health or safety, academic or fiscal integrity. The inspector



general will also provide recommendations, education and training in connection with regulatory compliance gaps identified.

Support for Audit and Compliance Committee

The OIGC provides staffing support for the audit committee, which meets face-to-face or by conference call four times per year or as needed. Activities in support of the audit committee during this reporting period include:

1. Holding one-on-one briefings with Board members prior to board meetings to discuss agenda topics.
2. Preparing meeting materials and making presentations to the audit committee for face-to-face meetings or conference calls.
3. Communicating by phone and email with the audit committee chair for guidance in handling concerns under the audit committee's purview.
4. Assisting audit committee members in staying abreast of applicable regulations and statutes.



Audit Activities

During Fiscal Year 2012-2013, the OIGC engaged in the following internal audit-related activities:

Board Office Ethics Climate Audit

The OIGC initiated an audit of the Ethics Climate in the board office (OIGC Project No. 2012-001). The audit focused on actions taken by the board to design, communicate, monitor, promote and enforce ethical standards and policies applicable to its employees. The report was released August 2, 2012.

This audit evaluated the board office's Code of Ethics; the internal operating policies and procedures in comparison to requirements contained in Chapter 112, Part III, Florida Statutes, and best practices from professional organizations.

An ethical environment survey was sent to 47 board office staff. A 60% response rate was achieved (28 of 47 individuals provided a response). Survey results indicated the board office had established a positive ethical climate. For example, all respondents agreed or strongly agreed that senior management models and promotes ethical behavior.

The audit concluded the board office has a favorable ethical climate that could be enhanced by providing periodic training of employees on the Code of Ethics policy and applicable law. As a result, the ethics officer conducted ethics training for board office staff and made plans to provide ethics training on an annual basis.

The six-month follow-up report was submitted February 11, 2013, to Board of Governors Chair, Dean Colson, and to Chancellor Frank Brogan reporting that corrective actions have been completed. Copies of the Ethics Climate Audit and the associated six-month follow-up are available upon request.

The 2011-2012 Board of Governors Operational Audit

In accordance with the Charters and applicable law, the OIGC acted as liaison with Florida Auditor General staff during its audit of the board operations for the Fiscal Year 2012. The OIGC coordinated communications and responses for the board's operational audit, including tracking approximately 160 requests for information.



The final report, No. 2013-024, was released October 18, 2012, and listed four findings in the areas of board regulations and oversight as well as monitoring.

In the regulations and oversight category, the auditors recommended that board staff review and revise, as appropriate, current regulations to address the areas of Sponsored Research, Anti-hazing, Student Code of Conduct, and Purchasing Practices. Board staff responded that they have engaged with university staff for each of these areas and that they will continue to do so to ensure minimum standards, system-wide, are implemented.

There were three findings in the monitoring category related to SUS Capital Improvement Bonds, 21st Century World Class Scholars Program, and New Florida Initiative Awards. The recommendations for all three were for board staff to strengthen monitoring, review, and analysis of information received from universities.

On April 19, 2013, the OIGC issued the statutorily required six-month follow-up report to the Joint Legislative Auditing Committee. This follow-up report highlighted corrective actions taken through April 2013. The OIGC will follow-up on any outstanding corrective actions before the end of the calendar year.

A copy of the Board of Governors Operational Audit, Report No. 2013-024, is available at the State of Florida Auditor General website (<http://www.myflorida.com/audgen/>). Copies of the associated six-month follow-up are available upon request.

Quality Assessment Review – OIGC Internal Audit Activity

As required by Section 11.45(2)(i), Florida Statutes, and professional standards, the OIGC internal audit activities are subjected to a periodic quality assessment review. This review, conducted by the auditor general's office, is designed to ensure the OIGC's quality assurance program for the internal audit activity (i.e., the charter, organizational environment, and policies and procedures) provide management with reasonable assurance that the internal audit activity operates in conformity with applicable auditing standards. The review also assessed OIGC compliance with specific provisions of Section 20.055, Florida Statutes, governing the internal audit activities.

The Quality Assessment Review report (No. 2013-188) was issued June 27, 2013, and covered the period, July 2011 through August 2012. This report concluded the OIGC's internal audit activity was adequately designed and complied with to provide reasonable assurance of



conformance with applicable professional auditing standards. The report included two findings related to continuing professional development and statutory compliance. The board office and OIGC developed a six-point corrective action plan to address the report findings.

Four of the six corrective actions have been completed and the remaining two are in progress (expected to be completed by calendar year end).

Audit Plan

Section 20.055, Florida Statutes, specifies that the inspector general develop long-term and annual audit plans based on the findings of periodic risk assessments and that the plan contain the individual audits to be conducted during each year and related resources to be devoted to the respective audits. By statute, the plan is submitted to the audit committee and the board for approval, and a copy of the approved plan is submitted to the chancellor and the auditor general.

This fiscal year, the OIGC initiated a risk assessment that included each of the organizational units that comprise the board office and a review of board regulations, the Florida Constitution, applicable statutes, financial records, internal operational manuals, handbooks, organizational charts, and various reports including prior audit reports, and other available data.

The audit committee approved and the Board of Governors ratified the *Long-term and Annual Audit Plan for Fiscal Year 2013-2014* in a conference call of the Audit and Compliance Committee held June 10, 2013. The plan contains two audit projects each year for the next three years. Each audit is expected to require 350 staff hours.

Fiscal Year 2013-2014:

- Tuition Differential/Tuition and Fees Program(s)
- Institutes and Centers

Fiscal Year 2014-2015:

- Establishment of Educational Sites
- University Work Plans Process

Fiscal Year 2015-2016:

- State University System of Florida Board of Governors Foundation
- Residency for Tuition Purposes



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Investigative Activities

The following section summarizes the most significant matters the OIGC handled during this reporting period.

Continued Monitoring of Corrective Action Plan by a State University (OIGC Complaint Nos. #2011-023 and -024)

Monitoring of this matter began in July 2011 when two individuals contacted the OIGC with a complaint that the chief audit executive at a state university had knowingly engaged in fraudulent activities, including the submission to the university's board of trustees of report summaries of audits that had not been completed.

Because the subjects of the allegations of misconduct were staff in the chief audit executive's office, which is the office typically responsible for investigating such complaints, it was determined that the matter should be referred to the chair of the university board of trustees with the recommendation that an outside firm be retained to conduct an investigation. The university board of trustees retained the services of an outside law firm that determined the information provided by the complainants met the statutory criteria as a whistle-blower complaint.

This matter as well as Anti-hazing Program Investigation (see below) required additional monitoring by board office staff. Because the findings span various areas, such as audit and compliance, finance, and student affairs, the chancellor initiated a board office-wide project to monitor the university's progress in addressing all identified concerns. Refer to the Compliance Activities section of this report for more detail.

Anti-Hazing Program Investigation (OIGC Complaint No. #2011-038)

In November 2011, a student at a state university died from blunt force trauma sustained as a result of hazing. On November 29, 2011, in response to this tragic event, the board's chair notified the university board of trustees that she had directed the chancellor to initiate an investigation into whether the university had implemented an anti-hazing program in compliance with state law and that reflected the board's zero tolerance for hazing.

The OIGC, with investigative resources provided by other state agencies, began an investigation to examine the following issues:

- Did the university have a rigorous anti-hazing program in place during the five-year period before the tragedy of November 2011 that



would prevent, detect, deter and discipline students engaged in prohibited hazing activities and that included the implementation of effective institutional and internal controls as required by Board of Governors and university regulations and applicable state law?

- Did university staff during the period in question fail to adequately address or investigate complaints of hazing and impose appropriate discipline on students who had allegedly engaged in prohibited activity in violation of application regulations or law?
- Did the university's senior administrative staff fail to respond to allegations of hazing reported to them on or about November 8, 2011, by the former Director of Bands? If so, did their actions demonstrate a reckless indifference or disregard of applicable state law, Board of Governors' or university regulations?

The investigative team reviewed and analyzed all reported cases of hazing during the five-year period before November 2011, conducted interviews of current or former university employees, and reviewed approximately 7,000 pages of documents. The final report of investigation, issued February 12, 2013, concluded that the university failed to implement an anti-hazing program in compliance with Board of Governors regulations, university regulations, or state law. Additionally, it revealed a lack of effective institutional and internal controls designed to prevent, detect, deter, and discipline students involved in hazing. Regarding the last allegation, however, the investigative team determined it was unsubstantiated.

The final report of investigation included a list of recommendations, which was incorporated into the Corrective Action Plan Project. The CAP Project includes findings and recommendations from various audits and investigations conducted by audit or law firms retained by the university to enhance its internal controls in areas of identified weakness.

Complaints, Matters, and Inquiries

During the past year, the OIGC handled a variety of matters submitted by current or prospective students, parents, university faculty and staff, and the general public. All matters were categorized, indexed, and assigned a case number for tracking and follow-up.

In accordance with the OIGC statute [Section 20.155(5), Florida Statutes], the Board of Governors must determine "that a state university board of trustees is unwilling or unable to address substantiated allegations made by any person relating to waste, fraud, or financial mismanagement..." before it conducts, coordinates, or requests an investigation. Therefore, when a complaint is received, the OIGC reviews not only the allegations



but also the steps the complainant has already taken with the university in question to address his or her concerns. Allegations of matters that fall under the university's purview are referred to the university's internal audit office, which also conducts investigations into credible allegations. The OIGC requests that the university follow-up with this office on their actions.

For those complaints where appropriate avenues at the university have been exhausted, the OIGC contacts the complainant for additional information if needed, and then pursues a preliminary inquiry to determine if the university has responded appropriately to the complainant's assertions. When as a result of a preliminary inquiry the inspector general recommends that no further board action is warranted, the audit committee chair is delegated the authority to accept that determination. In all other situations the audit committee shall review the matter at its next meeting.

This reporting period, OIGC staff reviewed a total of 42 matters. Of these, we had eight complaints; two consultations; one information request; two investigations; and 29 matters referred to appropriate university staff for handling.

In addition, board policy requires the inspector general to review and approve all Pre-Employment Background Screenings of board staff. This past year seven new staff submitted to a background screening.

The following chart depicts the above activity:

Category	Open	Referred	Closed	Total
Complaints	1	1	6	8
Consultations	--	--	2	2
Information Requests	--	--	1	1
Investigations	1	--	1	2
Matters	7	6	16	29
TOTAL	9	7	26	42



THE STATE UNIVERSITY SYSTEM of FLORIDA | Board of Governors

Compliance Activities

In fulfilling its compliance responsibilities for this reporting period, the OIGC performed the following functions:

System Financial and Operational Audit Report Review

As required by law, the auditor general conducts annual financial audits for each system university, and operational audits are performed every two years. The OIGC receives final auditor general reports of all system audits and forwards them to the board's senior staff. Any findings common across the university reports are tracked and discussed with the appropriate interested parties (such as university or board staff or the State University Audit Council, an informal committee of State University System chief audit executives) for follow-up or to request additional information.

System Internal Audit Reports Review

In March 2009, Board Regulation 1.001, University Board of Trustees Powers and Duties, required that all state universities submit to the OIGC final internal audit reports [Board Regulation 1.001(6)(g)]. In September 2010, the submission procedure was finalized and announced to all universities that internal audit reports would be submitted on a quarterly basis to the OIGC.

The OIGC logs and tracks each quarter the audit reports received and audit topics covered. OIGC staff monitors reports to identify any trends and confirm with a given university that it is addressing any adverse trends.

For this reporting period, the OIGC received internal audit reports from system institutions. University internal audit offices vary in size, as do the universities themselves. Some internal audit offices have as few as two staff members, others have many more. Additionally, university internal audit offices are responsible for not only internal audits, but also investigations, compliance oversight, consultations or advising.

Corrective Action Plan Project 2013

As a result of the investigations by various audit and law firms into the matters described for OIGC Complaint Numbers 2011-023, 2011-024, and 2011-038 (refer to the Investigative Activities section of this report), the chancellor of the State University System initiated a corrective action plan to monitor the university's progress in addressing findings from all audit and investigative reports. Board staff developed a master spreadsheet to



track the university's progress in five areas of concern: Audit and Compliance Issues, Finance, Academics and Accreditation, Facilities and Construction, and Hazing and Student Code of Conduct.

The OIGC's focus is on audit issues, staffed by the university's internal audit office. OIGC staff communicates with the chief audit executive monthly for consultation and status. The inspector general reports monthly status information to the audit committee chair as well as the chancellor. The university in question aims to have all corrective actions in place by mid-2014.



THE STATE UNIVERSITY SYSTEM *of* FLORIDA | Board of Governors

Staff

Derry Harper, Inspector General and Director of Compliance



Mr. Harper joined the Board of Governors' senior staff in July 2007 as the first Inspector General and Director of Compliance. In May 2013, he announced that he would be leaving the board office at the end of this reporting period to return to the practice of law.

As the first Inspector General for the Board of Governors, Mr.

Harper was responsible for building the office without the benefit of legacy staff, tools or systems inherited from the previous Board of Regents IG office. Mr. Harper's first priorities as inspector general for the board office were to build a strong working relationship with university chief audit executives; to develop the charters under which this office and the audit committee operate; and to establish the policies and procedures for handling matters, complaints, preliminary inquiries, and investigations.

Before joining the board, Mr. Harper served as Chief of Internal Audit and Investigation for Citizens Property and Insurance Corporation. Before that, he served as the Chief Inspector General for over four years during the administration of former Florida Governor Jeb Bush. In that role, his responsibilities included oversight and management of the 17 executive agency inspectors general.

Before his return to public service, Mr. Harper spent 12 years in the private sector as corporate counsel for BellSouth Corporation handling a variety of legal matters including litigation and employment cases. He is a former federal and state prosecutor, having served as an Assistant United States Attorney and an Assistant District Attorney General, all in Nashville, Tennessee.

A graduate of Vanderbilt University School of Law, Mr. Harper received his undergraduate degree from Davidson College, where he served on the College Board of Trustees for six years.



Mr. Harper is currently serving as the Assistant City Attorney in Memphis, Tennessee. Although returning to the practice of law is “not like riding a bike,” Mr. Harper is enjoying the challenge of litigation in the 21st Century. We are grateful for his contributions to the establishment of the State University System of Florida Board of Governors Office of the Inspector General.

Lori Clark, Compliance Analyst



Ms. Clark became a member of the OIGC staff in August 2008, after serving two years as an educational policy analyst in the board’s Academic and Student Affairs department. She is a graduate of Florida State University with bachelor’s and master’s degrees in French Language and Literature. Ms. Clark has

over 20 years of experience in postsecondary education, including teaching, student services administration, and program implementation.

In addition to receiving professional development and on-the-job training in the area of compliance, Ms. Clark has begun training in auditing and investigations.

Karla Goodson, Executive Assistant

Ms. Goodson joined the Board of Governors staff in March 2010. Her professional experience includes administrative/research roles in association and legal settings, with particular emphasis on public policy and governmental affairs. Her experience and assistance are valuable components in the operations of the OIGC as well as the other units she assists.



THE STATE UNIVERSITY SYSTEM *of* FLORIDA | Board of Governors

Contact Information and Resources

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Resources

OIGC Web Page

<http://www.flbog.edu/about/cod/igoffice.php> Plan 2012-2025.

Office of the Inspector General and Director of Compliance Charter

<http://www.flbog.edu/about/cod/igoffice.php>

Audit and Compliance Committee Charter

<http://www.flbog.edu/about/cod/igoffice.php>

Association of Colleges and Universities Auditors

<http://www.acua.org/>

Association of Inspectors General

www.inspectorsgeneral.org

Florida Inspectors General

<http://www.floridaoig.com/>

Institute of Internal Auditors

<http://www.theiia.org/>

Board of Governors Regulations

<http://www.flbog.edu/about/regulations/>



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