



MEMORANDUM

TO: QAIP File (2017-2018)

FROM: Joseph Maleszewski, Inspector General and Director of Compliance 

DATE: May 16, 2018

RE: Quality Assurance and Improvement Plan of the OIGC

The International Professional Practices Framework, Standard 1300, requires a quality assurance and improvement plan (QAIP) that includes internal and external assessments of the internal audit office's conformance to professional audit standards.

The purpose of this memorandum is to summarize the Office of Inspector General and Director of Compliance's (OIGC) QAIP results, which serves as the internal assessment. The external assessment, conducted by the Auditor General's office during the fall of 2015 (Report No. 2016-063), was released December 17, 2015, and contained no findings.

The **Methodology** for the internal assessment used the *Quality Assessment Manual for the Internal Audit Activity* (Updated 6th Edition), published by the Institute of Internal Auditors Research Foundation. In particular, we used Tool 19: Standards Conformance Evaluation Summary to assess each standard, the key conformance criteria and the examples of evidence, sound practices, and other considerations for evaluation. This assessment also includes newly-implemented standards as provided in the 2017 edition of the International Professional Practices Framework (the Red Book).

See Appendix I for a summary of key OIGC initiatives and projects which support our assessment.

Standards Conformance Evaluation Summary

The assessment results were documented in the "Standards Conformance Evaluation Summary." Areas needing improvement are listed at the end of this memo. Some of the areas identified include aligning our charters and policies and procedures manual to each other as well as to professional standards and regulations. Additionally, we have been challenged to complete our annual work plan projects due to competing deadlines and unexpected, non-audit projects.

OIGC Newsletter

To maintain a high-level of reporting and communication to management regarding OIGC activities, we send a quarterly OIGC newsletter to Board of Governors members, the Chancellor, the State University Audit Council, and the State University System Compliance and Ethics Consortium. Included in the newsletter are descriptions of OIGC activities and projects, staffing levels, training events attended and provided, and an updated work plan for the quarter. Each newsletter is also posted to the OIGC webpage.

OIGC Value to the State University System of Florida Board of Governors

One way of gauging the value the OIGC and its activities for the Board of Governors and the State University System is to confer frequently with the Chancellor, Board of Governors members, Board of Trustees members, and university administrators such as Chief Audit Executives, Chief Compliance Officers, General Counsels, Presidents, and others. Additionally, OIGC are often called upon for guidance and advice on a variety of audit-, investigative-, and compliance-related activities by any of the constituents just listed.

QAIP Conclusion

Based upon this internal assessment and the “clean” quality assessment review by the Auditor General’s office (Report No. 2016-063), I conclude that the quality assurance program related to the Office of Inspector General’s internal audit activity is adequately designed and complied with to provide reasonable assurance of conformance with the Standards for the Professional Practice of Internal Auditing, as well as the Institute of Internal Auditor’s Core Principles, Code of Ethics, and Definition of Internal Auditing.

Resource Needs and Opportunities for Improvement

Although not material to overall conformance to professional standards, the internal audit activity can benefit from additional staffing to meet its mission. An additional professional staff member could address audits of university non-profit support organizations and other backlogged work efforts.

Opportunities for improvements include:

- Updating OIGC policies and procedures;
- Increasing number of audits performed of Board Office operations;
- Developing a more well-formed and mature Board Office compliance function;
- Reviewing and reporting more timely on System audits and related information submitted to the OIGC; and
- Enhancing the audit risk universe for annual risk assessments.

This memorandum, in addition to the Standards Conformance Evaluation Summary, constitute the OIGC Quality Assurance Improvement Plan.

JKM:lc

Attachment: Standards Conformance Evaluation Summary

Appendix I

The OIGC strives to conform to the definition of internal auditing, the Code of Ethics, and the following Core Principles:

1. Demonstrates integrity.
2. Demonstrates competence and due professional care.
3. Is objective and free from undue influence (independent).
4. Aligns with the strategies, objectives, and risks of the organization.
5. Is appropriately positioned and adequately resourced.
6. Demonstrates quality and continuous improvement.
7. Communicates effectively.
8. Provides risk-based assurance.
9. Is insightful, proactive, and future-focused.
10. Promotes organizational improvement.

Current Audit Engagements

At the time of this assessment, we have two Board Office audits in process. One audit project is related to the management and governance of our Information Technology (IT) function. This is a high-level perspective based largely on a control self-assessment with validation and confirmation. We expect to plan and execute more granular audits of key IT functions in the future. The second audit project is in the planning/research phase and is an audit of the Board of Governors Foundation. We expect to discuss this project with both Vikki Shirley (general counsel) and Tim Jones (Vice Chancellor and CFO) before proposing a specific scope of work.

2017-2018 Highlights and Accomplishments

For the current fiscal year, the list below includes important highlights and accomplishments. Some of these items are ongoing.

- Conducting System-wide ERM practices survey; sharing information with AACC; providing information and training to universities on this topic.
- Performing follow-up on corrective actions related to previously identified issues:
 - Board Office Auditor General Operational Audit (Report No. 2017-048)
 - Board Office Teleworking (OIGC Project No. 17-009)
 - Board Office Performance-based Funding (OIGC Project No. 15-017)
 - FAMU Intercollegiate Athletics Cash Deficit (OIGC Project No. 14-001)
 - FGCU Investigative Follow-up (Case No. 2017-025)
- Working with Gene Kovacs (Chief Information Officer) and Jamia Wright-Williams (Chief Information Security Officer) on establishing a routine Computer Security Incident Response Team (CSIRT) meeting schedule and activities.

- Conducting on-going Risk Assessment and OIGC Work Plan development projects.
- Preparing agendas and materials for Board of Governors Audit and Compliance Committee meetings (which meets at least four times per year).
- Closed all investigative-related projects that carried over from last fiscal year. (There were seven of 86 total investigative-related projects).
- Handled 55 new investigative-related projects where items were generally referred to universities. We also provided extensive consultation and follow-up on some of the items.
- Updated our Complaints Index Access database to enhance functionality and support better reporting on projects.
- Conducted legislative analysis on bills as requested; monitored other bills of interest.
- Summarized System audit coverage to the AACC on August 31, 2017.
- Updated information in our Non-Profits Document Submittal System (NPDSS) to support more complete and timely reporting of independent CPA audits of various non-profits and items related to athletics and collegiate license plate programs.
- In process on preparing a detailed summary of prior athletics reviews to provide a System-level summary related to this topic.
- Provided Whistle-blower training to all 12 university Chief Audit Executives to enhance compliance with the statute and support consistent application of the statutory provisions. Provided extensive training on this topic at UNF which included a cross-disciplinary group from HR, GC, Audit, Compliance, Title IX, and other areas.
- Active participation in the Board Office Student Professional Development Program.
- Served the profession at large by providing training to a number of professional associations.
- Orientation for New Chief Compliance and Ethics Officers: Two new chief compliance and ethics officers (CCOs) were hired during the winter, 2018. The IG and Compliance and Audit Specialist provided an orientation to each of the new CCOs. FSU's and FAMU's CCOs were on-boarded in March 2018.

Charters

We updated the OIGC and AACC charter documents and received AACC and Board approval at the January 25, 2018, meeting. Revisions were needed to enhance clarity, reflect Board Regulations (4.001 – 4.004), and incorporate new professional standards. For the AACC charter, some changes addressed issues of independence and avoiding potential conflicts – for example, one such change specifies that the Board Chair should not also serve as the AACC Chair.

For the OIGC charter, we sought to better define the role of the OIGC with regard to the Board Office (as a state agency), state universities, and the System as a whole.

Investigative Procedures

In addition, we recognize the need to update OIGC procedures. Investigative procedures have been reviewed and are being revised to conform to the most recent updated Commission for Florida Law Enforcement Accreditation, Inc., standards included in the *The Florida Inspectors General Standards Manual Edition 1.0.09*, approved by the Commission in October 2014. While the OIGC does not intend to seek accreditation for the investigative function, we see value in conforming to a set of standards for our investigative work efforts.

Compliance Projects

With regard to the Director of Compliance and the compliance duties of the Compliance and Audit Specialist, the FY2017-2018 OIGC Work Plan contains three projects:

1. Board Office Compliance Program Plan Development
2. Board of Governors Regulations, Compliance
3. Implementation of Regulations 4.001 through 4.004

OIGC efforts related to compliance have focused largely on implementation of Regulation 4.003, *State University System Compliance and Ethics Programs*. We continue to monitor universities' implementation of a centralized compliance and ethics program as required by the regulation. For our monitoring tool, we created a summary table reflecting the implementation status of the 18 elements as required in 4.003. For the baseline summary in January 2017, there were 67 check marks (which represent the implementation of one of the 18 elements). For the Year 1 summary report to the AACC provided in January 2018, there were 167 check marks reflecting a 140% increase in the implementation of the 18 required elements. The next status report to the AACC will be at the June 27, 2018, meeting, and based on results of the survey sent to universities on May 7, 2018. The final report will be after the November 2018 implementation deadline.

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		"X" Evaluator's Decision			NOTES
		GC	PC	DNC	
Overall Evaluation		X			While GC, several OIGC improvements have been initiated and many of those items have been completed.
Attribute Standards					
1000	Purpose, Authority, and Responsibility	X			The purpose, authority, and responsibility of the OIGC is included in the OIGC and AACC Charters, which were revised January 25, 2018.
1010	Recognizing Mandatory Guidance in the Internal Audit Charter	X			Mandatory Guidance is included in the OIGC charter as well as in the OIGC Policies and Procedures. The OIGC and AACC charters were updated to conform to the revised standards. These revisions were approved at the January 2018 AACC and Board of Governors meeting.
1100	Independence and Objectivity	X			The Inspector General and Director of Compliance has a dual reporting relationship and appropriate access to management and board members.
1110	Organizational Independence	X			The OIGC charter covers the reporting relationship as does Section 20.155(5), F.S. Additionally, the OIGC charter is incorporated by reference into BOG Regulation 4.001(1). Going forward, we will report out on the reporting relationship at the June AACC meeting when we present our annual OIGC work plan for approval consideration.
1111	Direct Interaction with the Board/Audit Committee	X			Interaction has been routine and appropriate. The Audit and Compliance Committee meets at least four times annually, and the IG produces and disseminates a quarterly newsletter of OIGC activities to all Board of Governors members.

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1112	Chief Audit Executive Roles Beyond Internal Auditing	X			<p>We recognize the IG's role as the Director of Compliance and that being a small office, it is not yet possible to separate the internal audit function from the compliance function (which is considered a management function). In his compliance role, the IG participates in the State University System Compliance & Ethics Consortium. Additionally, he has championed the development and implementation of effective compliance & ethics programs at each university in accordance with Board of Governors Regulation 4.003. Should conflicts arise in performing audit-related and compliance-related activities, the IG will disclose the conflict and seek appropriate remedies within our staffing and resource limitations.</p> <p>Additionally, the IG's role includes conducting preliminary inquiries and/or investigations under specific circumstances as described in s. 20.155, F.S. Should any conflicts arise in the performance of such activities, OIGC staff will disclose the conflict and seek appropriate remedies within our staffing and resource limitations.</p> <p>Last, the IG's role includes monitoring the State University System's audit-, investigative-, and compliance-related activities as governed by Chapter 4 of</p>

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					the Board of Governors Regulations. Should any conflicts arise in the performance of such activities, OIGC staff will disclose the conflict and seek appropriate remedies within our staffing and resource limitations.
1120	Individual Objectivity	X			OIGC staff each prepare annual independence statements as well as project-specific independence statements in accordance with OIGC procedures.
1130	Impairment to Independence or Objectivity	X			None noted on Annual Independence Statements prepared by staff. Should a possible or perceived impairment to independence or objectivity arise, staff will disclose the impairment and take appropriate safeguards depending on the nature of the (possible or perceived) impairment. Such a disclosure was made in the audit engagement for Project No. 15-017.
1200	Proficiency and Due Professional Care	X			OIGC staff use audit templates, the audit section of the policies and procedures manual, and supervision to ensure engagements are performed with proficiency and due professional care.
1210	Proficiency	X			Appropriate and being enhanced through professional associations, certifications, and trainings. OIGC staff regularly attend professional organization training luncheons as well as annual conferences and other training opportunities. OIGC staff generally exceed the minimum required professional development hours each year as evidenced on our individual training records.

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					In addition to participating in training events, the IG serves as Association of Inspectors General Institute faculty, on the AIG Regulation Review Committee, as Past President of the Tallahassee Chapter of the IIA, as Treasurer of the Florida Chapter of the AIG, and assists as a presenter for other professional organizations.
1220	Due Professional Care	X			OIGC staff are committed to a high-level of due professional care as evidenced by on-going review and revision of charters, policies and procedures, training, and templates as well as obtaining and documenting supervisory review on all projects/engagements.
1230	Continuing Professional Development	X			OIGC staff regularly attend training luncheons and record each one in a CPE log per staff member. Additionally, each staff member develops annually and has IG approval of an individual training plan.
1300	Quality Assurance and Improvement Program	X			The OIGC conducts an annual QAIP of its internal audit activities.
1310	Requirements of the Quality Assurance and Improvements Program	X			This assessment is the internal assessment in action. The Auditor General's office periodically performs an external assessment. The last AG assessment was conducted during the fall 2015. Report No. 2016-063 was released December 2015 and contained no findings.
1311	Internal Assessments	X			This assessment is an essential part of the OIGC internal assessment required by this standard.
1312	External Assessments	X			See 1310 above

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1320	Reporting on the Quality Assurance and Improvement Program	X			Results of this self-assessment will be described in the July 2018 OIGC newsletter and will be included in the IG's report to the Audit and Compliance Committee at the June 2018 meeting wherein the IG will also describe the risk assessment progress and annual work plan. Additionally, the IG routinely discusses OIGC staffing, resources, limitations, and needs with the Chancellor and AACC Chair.
1321	Use of <i>"Conforms with the International Standards for the Professional Practice of Internal Auditing"</i>	X			The conformance statement will be used with the two OIGC audits currently in progress as of May 8, 2018.
1322	Disclosure of Nonconformance	X			Disclosure of nonconformance will be made as appropriate; it has not been appropriate to date.
Performance Standards					
2000	Managing the Internal Audit Activity	X			The OIGC ensures effective management of the internal audit function for maximum value added via the means below.
2010	Planning	X			The OIGC has a current audit plan and has performed a risk assessment for purposes of establishing a FY2018-2019 audit plan. We have conducted a risk assessment each fiscal year, resulting in an annual work plan.
2020	Communication and Approval	X			The IG presents the results of the annual risk assessment to the Chancellor and Audit and Compliance Committee members at the June Board of Governors meeting every year. Additionally, he describes the projects listed on the

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					annual work plan, which is approved every year by the Chancellor, Audit and Compliance Committee Chair, and the Board of Governors Chair each June.
2030	Resource Management	X			Staffing is inadequate and is being addressed through a part-time OPS Student Assistant and discussions with the Chancellor and AACC Chair for an additional professional staff member. The additional staff member will address audits of university non-profit support organizations and other backlogged OIGC work efforts.
2040	Policies and Procedures	X			Written policies and procedures exist for all areas of the OIGC's responsibilities (audits, investigations, and compliance [which are incorporated as either Administrative or OIGC procedures]). Procedures are developed, reviewed, and/or updated on an on-going basis.
2050	Coordination and Reliance	X			Coordination with Auditor General staff and internal auditors at each state university have been routine. In addition to meeting bi-annually with university CAEs in person, the IG also meets quarterly by conference call and once a year in-person with university Chief Compliance Officers. Additionally, the IG coordinates corrective actions with SUS institutions with Federal awards findings as well as those with "three-peat" findings in accordance with BOG

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					Regulation 4.004 and the Joint Legislative Auditing Committee (JLAC).
2060	Reporting to Senior Management and the Board	X			See 1320 above and 2110 below
2070	External Service Provider and Organizational Responsibility for Internal Auditing	—	—	—	The OIGC does not use an external service provider for the Internal Audit activity; this standard, therefore, does not apply to the OIGC.
2100	Nature of Work	X			The nature of the OIGC's work and operations is described via each of the standards below.
2110	Governance	X			<p>The Board of Governors requires university CAEs to conduct annual audits of Performance-based Funding Data Integrity. Audit results are provided to boards of trustees who are then required to certify data integrity. Audit reports and corresponding certifications are submitted to the Board Office via the IG. Results are summarized annually and presented to the Board of Governors at their March meeting.</p> <p>The OIGC has undertaken a process to survey universities on Enterprise Risk Management processes. The results of this survey were reported to the AACC at their March 2018 meeting.</p> <p>One OIGC project related to Board Office IT includes both governance and management of the IT functions.</p>

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					We continue to follow up on prior audits recommending supervisory training for Board Office supervisors.
2120	Risk Management	X			The OIGC conducts an annual risk assessment and shares the results, along with the resulting work/audit plan, with the Board Office management team. Also, the IG discusses priorities, risks, and controls during periodic direct reports meetings hosted by the Chancellor and attended by executive and other senior staff.
2130	Control	X			See 2120 above. Also, OIGC annual work plan projects assess Board Office controls and will speak to strategic objectives. OIGC work is coordinated, in accordance with 20.055, F.S., to minimize duplication with audit work performed by the Auditor General on a triennial basis.
2200	Engagement Planning	X			Policies and procedures recognize the need to address engagement planning considerations. Audits conducted incorporate this into OIGC practice. Audit templates exist to help ensure consistency and conformance.
2201	Planning Considerations	X			See 2200 above
2210	Engagement Objectives	X			See 2200 above
2220	Engagement Scope	X			See 2200 above
2230	Engagement Resource Allocation	X			See 2200 above
2240	Engagement Work Program	X			See 2200 above
2300	Performing the Engagement	X			Policies and procedures recognize the need to address performing the engagement considerations. Audits

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					incorporate this into OIGC practice. Audit templates help ensure consistency and conformance.
2310	Identifying Information	X			See 2300 above
2320	Analysis and Evaluation	X			See 2300 above
2330	Documenting Information	X			See 2300 above
2340	Engagement Supervision	X			See 2300 above
2400	Communicating Results	X			Policies and procedures recognize the need to address communicating results considerations. Audits incorporate this into OIGC practice. Audit templates exist to help ensure consistency and conformance.
2410	Criteria for Communicating	X			See 2400 above
2420	Quality of Communications	X			See 2400 above
2421	Errors and Omissions	X			See 2400 above
2430	Use of "Conducted in conformance with the International Standards for the Professional Practice of Internal Auditing"	X			See 1321 and 2400 above
2431	Engagement Disclosure of Nonconformance	X			See 1322 and 2400 above
2440	Disseminating Results	X			See 2400 above
2450	Overall Opinions	X			The OIGC will take into consideration strategies, objectives, Board Office risk, and stakeholder expectations when forming and communicating overall opinions. Given the results of the most recent Auditor General Operational Audit (which had no adverse Board Office findings) and OIGC ongoing audit work, we expect to

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					form and communicate a positive overall opinion regarding governance, controls and risk management.
2500	Monitoring Progress	X			<p>As audit engagements are conducted, we monitor for completion of corrective actions. We have statutory responsibility to follow up on the completion of corrective actions resulting from Auditor General audits and have done so. We summarize all university audit findings (including results of internal audits, Auditor General audits, and Federal Awards audits) and report that information to the Audit and Compliance Committee annually to keep the Board of Governors informed of the status of corrective actions taken at each system university, as well as the acceptance of risk by university boards of trustees.</p> <p>Additionally, Board of Governors Regulation 4.004 requires the IG to address "three-peat" audit findings for universities. The IG reports these findings, and any related corrective actions, to Board of Governors members via email, as well as at their meetings.</p>
2600	Communicating the Acceptance of Risks	X			See 2500 above
	Core Principles	X			<p>The OIGC is knowledgeable of and adheres to the <i>International Professional Practices Framework (IPPF)</i> core principles, which are:</p> <ol style="list-style-type: none"> 1. Demonstrates integrity. 2. Demonstrates competence and due professional care.

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				3. Is objective and free from undue influence (independent). 4. Aligns with the strategies, objectives, and risks of the organization. 5. Is appropriately positioned and adequately resourced (except as noted in 2030). 6. Demonstrates quality and continuous improvement. 7. Communicates effectively. 8. Provides risk-based assurance. 9. Is insightful, proactive, and future-focused. 10. Promotes organizational improvement.
IIA Code of Ethics	X			We are committed to the principles of integrity, objectivity, confidentiality and competency. Our commitment is demonstrated by conformance to the standards summarized above and to our ongoing professional staff development and certification efforts.
Definition of Internal Auditing	X			See 1010 above

GC - "Generally Conform" is the top rating and means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards.

PC - "Partially Conforms" means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner.

DNC - "Does Not Conform" means deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.