PERFORMANCE FUNDING AUDIT

For the Year Ending 2015

Audit Summary	
Audit #	AUD2015.003
Report Date	March 17, 2015
Fiscal Year	2015

Initial Risk Rating[1]	Critical	(High)	Moderate	Low
Report Rating[2]	Critical	High	(Moderate)	Low

Reportable Items[3]

• **Critical**	0
• **High**	0
• **Moderate**	1
• **Low**	1
Total	2

Distribution	
Various	Finance & Audit Committee
John Delaney	President
Tom Serwatka	Chief of Staff
Shari Shuman	VP – Administration and Finance
Jim Stultz	State of Florida, Auditor General - Audit Manager
Randy Arend	State of Florida, Auditor General - Audit Supervisor

Contact(s)	
Audit Director:	Robert Berry, CPA, CIA, CISA, CCEP

[1]The Initial Risk Rating measures the <u>inherent</u> risk and is determined during the annual risk assessment process.

[2]The Report Rating is the residual risk based on auditing management's controls and processes. Report Ratings are defined in Attachment 2 on page 12

[3]Reportable Items rating scale is defined in Attachment 1 on page 11

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Executive Summary.

Background

The Florida Board of Governors (BOG) is authorized to "operate, regulate, control, and be fully responsible for the management of the whole university system". The BOG monitors the 11 Florida State University System (SUS) schools activity, and awards funding, using the results of 10 performance measurements. The measurements derive partially from data prepared the universities and others obtained from and prepared by the BOG. The BOG requests that each university perform an audit of the processes to ensure the completeness, accuracy, and timeliness of data submissions. This report summarizes audit results.

Conclusion

The University has adequate processes to provide <u>reasonable</u> assurance that data is complete, accurate and timely.

Objectives & Scope

The purpose of the audit was to assess the effectiveness of processes designed to ensure the completeness, accuracy, and timeliness of data submissions to the BOG that support the University's Performance-Based Funding (PBF) Metrics. The BOG extracts data from files the University provides and performs additional calculations. The University is not involved in these extractions and additional calculations. Therefore, these items are not included in the audit scope.

The BOG did not provide a uniform audit program, however, the BOG requested that, at a minimum, the audit includes reviewing the following:

1. The appointment of the Data Administrator by the university president and his/her duties as outline in the position description.

2. The processes used to ensure the completeness, accuracy and timely submission of data to the BOG.

3. Any available documentation including policies, procedures, desk manuals to assess their adequacy for data submissions.

4. System access controls and user privileges to determine if data is adequately secured from unauthorized access.

5. The accuracy of data.

6. The veracity of the university Data Administrator's data submission statements that indicate, "I certify that this file/data represents the position of this University for the term being reported."

7. The consistency of data submissions with the data definitions and guidance provided by the Board of Governors through the Data Committee and communications from data workshops.

8. The university Data Administrator's data resubmissions to the Board of Governors with a view toward ensuring these resubmissions are both necessary and authorized. This review should also evaluate how to minimize the need for data resubmissions.

Issue Summary

The following is a summary of the issues resulting from this audit engagement. These items are discussed in detail in the "Detailed Observations, Recommendations & Management Responses" section of the report.

See *Attachment #1 – Issue Classifications* for issue ratings.

Critical Issues
None

High Risk Issues

None

Executive Summary.

Moderate Risk Issues

1. There were two terminated employees with access to the virtual folder containing performance funding data.

Low Risk Issues

2. Policies and procedures need updating.

Follow Up

Please note there is a structured open items follow-up process. Follow-up occurs based on the target completion dates established by management. As always, the Office of Internal Auditing is available to partner with staff to discuss feasible risk mitigating control processes. Please feel free to contact us should you wish to discuss any aspect of the audit report.

Management's Responsibilities for Internal Controls

Management has primary responsibility for establishing and maintaining the internal control system. All levels of management must be involved in assessing and strengthening internal controls. This and any internal audit enhances and complements, but does not substitute management's continuing emphasis on control activities.

Inherent Limitations in Internal Controls Systems

There are inherent limitations in all internal control systems. As a result, errors or irregularities may occur and not be detected. Specific limitation examples include but are not limited to, resource constraints, unintentional errors, management override, circumvention by collusion, and cost/benefit constraints.

Acknowledgement

We would like to express our gratitude to your management and staff for their assistance and cooperation during the audit. We will request that your department complete a Customer Survey. You will receive the survey shortly after the distribution of the final report.

Performance Funding Audit
Detailed Observations & Recommendations

Detailed Observations, Recommendations & Management Responses.

The BOG did not provide a uniform audit program, however, the BOG requested that, at a minimum, the audit includes reviewing the following:

1. Review the appointment of the Data Administrator by the university president and his/her duties as outline in the position description.

Issues
None

Rating
N/A

Management Response
N/A

2. Review the processes used to ensure the completeness, accuracy and timely submission of data to the BOG.

Issues
No Issues.

Rating
N/A

Management Response
N/A

3. Review any available documentation including policies, procedures, desk manuals to assess their adequacy for data submissions.

Issues
Some procedures are documented (i.e. Data extraction queries contain detailed information describing programming code), however, there are no formally documented end to end procedures covering the data extraction and submission process. It is recommended that management develop and maintain accurate procedures.

Rating
Low Risk

Management Response
Management agrees that policies and procedures need to be updated. We are currently working to update procedures for extracting and submitting data.

Detailed Observations, Recommendations & Management Responses.

4. Review system access controls and user privileges to determine if data is adequately secured from unauthorized access.

Issues
There were two retired/terminated employees with access to the folder containing data submitted to the BOG. There is a process for revoking access. The individuals in question did not have ability to log onto the network. Therefore, the risk of folder access is minimal. It is recommended that management ensures that access to data is accurate and appropriate.

Rating
Moderate Risk

Management Response
Management concurs with the observation. There is a process to terminate user access. This process ensured users did not have access to the network. The folder access is still active and the risk of the data being compromised is low. Management will work to ensure user access is accurate and appropriate.

5. The accuracy of data.

Issues
No Issues

Rating
N/A

Management Response
N/A

6. The veracity of the university Data Administrator's data submission statements that indicate, "I certify that this file/data represents the position of this University for the term being reported."

Issues
No Issues

Rating
N/A

Management Response
N/A

Detailed Observations, Recommendations & Management Responses.

7. The consistency of data submissions with the data definitions and guidance provided by the Board of Governors through the Data Committee and communications from data workshops.

Issues
No Issues

Rating
N/A

Management Response
N/A

8. The university Data Administrator's data resubmissions to the Board of Governors with a view toward ensuring these resubmissions are both necessary and authorized. This review should also evaluate how to minimize the need for data resubmissions.

Issues
No Issues. It is important to note that this does not mean there are never resubmissions. The intent is to note that resubmissions are not due to weaknesses in the controls surrounding the data extraction and submission process.

Rating
N/A

Management Response
N/A

Attachments

Attachment #1 – Issue Classifications.

Attachment #1 – Issue Classifications/Ratings

The following risk categories have been used to rate each of the issues identified and presented in this report. These ratings represent the risk each issue poses to the overall effectiveness and efficiency of the specific function audited.

Rating	Description
Critical	These items should be addressed with urgency, and represent inefficient controls, ineffective controls and/or a lack of controls that: • Present extreme risks with direct, material exposure to assets and/or a significant potential dollar loss. • Have had or will have a significant adverse impact on operations, legal & regulatory compliance and/or financial statement results.
High	These items should be addressed with high priority and represent inefficient controls or a lack of controls that: • Present risks with direct, material exposure to assets or a potential dollar loss. • Have had or will have an adverse impact on operations, legal & regulatory compliance and/or financial statement results.
Moderate	These items pose a moderate risk and represent inefficient or a lack of controls that: • Present moderate risk exposure to assets and/or a possible dollar loss. • Have had or could have a moderately adverse impact on operations, legal & regulatory compliance and/or financial statement results.
Low	Addressing these items will strengthen current internal controls. Additionally, these issues: • Present risks with minor direct or indirect exposure to assets and/or a small dollar loss. • Have had or will have a nominal impact on operations, legal & regulatory compliance and/or financial statement results. • Provide little or no disruption of normal business operations.

Attachment #1 – Issue Classifications.

Attachment #2 – Report Classifications/Ratings

The following categories and related definitions are used for the final, comprehensive rating of the audited area. The issues presented in this report are considered collectively in developing a final rating.

Rating	Description
Critical	One or more deficiencies exist in the internal control system, causing remaining operating risk to be at a critical level. These deficiencies may have a significantly adverse effect on financial performance, customer satisfaction and/or management information, if not corrected. A corrective action plan should be undertaken immediately and given the highest priority.
High	The internal control system needs improvement and the deficiencies identified in the audit issues could significantly impair operations. If not corrected, they may escalate to a critical level. Remaining operating risk requires that a corrective action plan be given priority.
Moderate	The internal control system is functioning in a manner that provides reasonable assurance that most **major** risks will be mitigated. Corrective action to address the audit issues is not critical to the business function, but needs to be addressed.
Low	The internal control system is functioning satisfactorily, and remaining operating risk is low. The collective audit issues are considered minor deficiencies, and related corrective action need only be addressed to improve current operations.

End Report