

Office of Inspector General  
and Director of Compliance

Annual Report  
2018-2019



STATE  
UNIVERSITY  
SYSTEM  
*of* FLORIDA

Board of Governors



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## INTRODUCTION

In compliance with Florida's Inspectors General Act, Section 20.055, Florida Statutes (F.S.), the Office of Inspector General and Director of Compliance (OIGC) has prepared this annual report to summarize the office's activities for the 2018-2019 fiscal year. This report is submitted to the chancellor of the State University System of Florida (System) Board of Governors, members of the Board of Governors (Board), and the Auditor General of Florida.

## AUTHORITY, STANDARDS, AND FUNCTIONS

### AUTHORITY

As authorized by Article IX, Section 7 of the Florida Constitution and Section 20.155(5), F.S., the Board established the OIGC in July 2007 to promote accountability, integrity, and efficiency by providing quality audits, investigations, management reviews, and technical assistance. Subsequently, the Board adopted the *Audit and Compliance Committee Charter* and the *Office of the Inspector General and Director of Compliance Charter* (Charters). The OIGC charter identifies the authority under which the OIGC operates, and specifies its mission, organization, standards of work, code of ethics, access, independence, objectivity, and its Board office- and System-related responsibilities.

To achieve and maintain independence and objectivity, the inspector general and director of compliance (inspector general) reports functionally to the Board, through the chair of the audit and compliance committee (AACC), and administratively to the chancellor. This dual reporting relationship promotes effective communication and coordination of OIGC activities, while ensuring that the inspector general is not impaired in any manner from performing mandated duties and responsibilities.

In accordance with Section 20.155(5), F.S., the OIGC shall have access to all information and personnel necessary to perform its duties and responsibilities, and shall have all of the powers, duties, and responsibilities authorized in Florida's Inspectors General Act. Therefore, 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 office operations. The inspector general must receive and consider complaints (including those filed pursuant to Florida's Whistle-blower's Act, Sections 112.3187-112.31895, F.S.); initiate, conduct, supervise, and coordinate investigations into fraud, waste, mismanagement, misconduct, or abuse; and report results of investigative activities.

If the Board, based upon the recommendation by the AACC, determines that a state university board of trustees is unwilling or unable to address credible 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), F.S., and Board Regulation 4.001]. Likewise, the inspector general shall provide direction for, supervise, and coordinate investigations if the chancellor determines that allegations of material non-compliance with any law or Board of Governors regulations warrant an investigation [Board Regulation 4.004].



## STANDARDS

All work in the OIGC is conducted in accordance with the *Principles and Standards for Offices of Inspector General*, published by the Association of Inspectors General.

Audit engagements are performed in accordance with the *International Professional Practices Framework (Standards for the Professional Practice of Internal Auditing)*, published by the Institute of Internal Auditors, Inc. Investigative assignments are performed in accordance with the Quality Standards for Investigations included in the *Principles and Standards for Offices of Inspector General*, published by the Association of Inspectors General.

## FUNCTIONS

In accordance with the Charters, the OIGC's four main areas of responsibility are audits, investigations, compliance, and AACC support.

### Audits

The OIGC promotes integrity, accountability, and process improvement by providing objective, timely, sufficient, and value-added audit services. The OIGC conducts audits of the Board office and communicates the results of those audits in accordance with audit standards. The inspector general determines the scope and assignment of audits; however, the AACC chair and the chancellor may at any time direct the inspector general to perform an audit of a special program, function, or organizational unit.

Pursuant to Section 20.055, F.S., the internal audit activity of the OIGC includes developing audit plans; conducting audits; following-up on audit findings and related management corrective actions; developing a Quality Assurance and Improvement Program; and consulting with management regarding programs, operations, initiatives, rules, and regulations.

### Investigations

The goal of the OIGC's investigative function is to deter, detect, and investigate internal and external fraud, waste, mismanagement, misconduct, and other abuses in the Board office. The OIGC also has the responsibility to investigate waste, fraud, or financial mismanagement within System universities.

### Compliance

The OIGC is responsible for promoting and supporting a culture of compliance, risk management, and accountability. The office assists in the prevention and detection of conduct that is contrary to applicable laws, regulations, rules, policies, or procedures; and promotes a culture that encourages a commitment to compliance.

### Support for the Audit and Compliance Committee

The OIGC provides staffing support for the AACC, which meets face-to-face or by conference call at least four times per year. Activities in support of the AACC routinely include:



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

## AUDIT ACTIVITIES

During the 2018-2019 fiscal year, the OIGC engaged in the following internal audit-related activities:

- Board of Governors Foundation, Inc.'s Student Scholarship Programs Audit;
- Board of Governors Information Technology Governance and Management Audit;
- Board of Governors Travel Audit;
- System Performance-based Funding Data Integrity Audits and Certifications;
- OIGC Charter Updates;
- OIGC Quality Assurance and Improvement Program;
- OIGC Audit Follow-up Activities; and
- Other OIGC Audit Activities.

Each of these activities is covered in detail on the following pages.

### BOARD OF GOVERNORS FOUNDATION, INC.'S STUDENT SCHOLARSHIP PROGRAMS AUDIT

The OIGC completed work on the Board of Governors Foundation, Inc.'s Student Scholarship Programs audit. The audit's objective was to evaluate the effectiveness of controls and procedures over the administration of the Board of Governors Foundation in fulfilling its purpose and responsibilities regarding its two major scholarship programs.

Based on our assessment, we concluded Board office staff had implemented reasonable controls in their operational and accountability activities regarding the Johnson Scholarship Program and the Helios Scholarship Program. Notwithstanding that conclusion, we identified three opportunities for improvement concerning the adherence to award criteria, documentation of disbursement approvals, and documentation regarding student eligibility and use of scholarship funds. Management concurred with our recommendations, and prepared an action plan which was published with our report. The status of action plan implementation is periodically assessed in accordance with audit standards.



## **BOARD OF GOVERNORS INFORMATION TECHNOLOGY GOVERNANCE AND MANAGEMENT AUDIT**

The OIGC completed work on the Information Technology Governance and Management audit. The audit's objective was to conduct a high-level assessment of the Board office's governance and management of its information technology (IT) function.

Based on our assessment, we identified the need for the Board office to implement a formalized IT governance function to assist in the prioritization of its IT resources. Management concurred with this finding and indicated a formalized IT governance structure for the Board office would be established. OIGC staff follows-up on the progress of corrective action in accordance with audit standards.

## **BOARD OF GOVERNORS TRAVEL AUDIT**

The OIGC conducted this audit to evaluate the effectiveness of controls and procedures over Board office travel operations and ensure state funded travel was appropriately authorized, and travel reimbursements were approved, supported, and processed in compliance with applicable laws, rules, policies, procedures, and best practices. Additionally, this audit included an evaluation of the effectiveness of internal controls over the storage and maintenance of physical and electronic travel records containing confidential information.

Based on our assessment, we concluded the Board Office has implemented reasonable controls for travel processes and safeguarding of travel records. Notwithstanding this conclusion, we identified two opportunities for improvement regarding timeliness of reimbursement requests and supporting documentation submissions, as well as documentation of justifications and related expenses. Management concurred with our recommendations and provided a corrective action plan in their response. The status of corrective action plan implementation will be periodically assessed, as appropriate, in accordance with audit standards.

## **SYSTEM PERFORMANCE-BASED FUNDING DATA INTEGRITY AUDITS AND CERTIFICATIONS**

Florida has adopted a funding model which provides incentives for System universities to achieve excellence and performance improvements in key areas aligned to the System's strategic plan goals. This Performance-based Funding Model includes 10 metrics that evaluate institutions on a range of issues. The success of this model is tied to the integrity of the data submitted by each institution.

To provide assurance that the data submitted for Performance-based Funding decision-making is reliable, accurate, and complete, the Board developed a data integrity certification process. In his July 12, 2018, letter to each university president and board of trustees chair, Board Chair Ned Lautenbach announced that each university president shall execute a data integrity certification affirmatively certifying the accuracy and completeness of Performance-based Funding information provided to the Board. Additionally, Chair Lautenbach requested each university's board of trustees direct their university's chief audit executive to perform an audit



of the university's processes that ensure the completeness, accuracy, and timeliness of data submissions to the Board.

At the March 2019 Board AACC meeting, members were provided an update on the results of the Performance-based Funding Data Integrity Certification process, which included the certifications submitted, audits conducted, and corrective action plans.

## OIGC CHARTER UPDATES

We periodically evaluate and consider revisions to the AACC and OIGC charters to ensure they are up-to-date and in accordance with applicable professional standards, statutes, rules, and regulations. Based upon a review conducted in fall 2018, minor revisions were made to the OIGC charter to reflect professional auditing standards requirements. We presented the revised OIGC charter at the January 31, 2019, Board AACC meeting for discussion and approval consideration. The AACC and the Board unanimously approved the revised OIGC charter, which is available on our website at <http://www.flbog.edu/board/office/ig/index.php>.

## OIGC AUDIT FOLLOW-UP ACTIVITIES

### Board of Governors

The OIGC is required to identify significant recommendations made to the Board that were described in previous annual reports on which corrective action has not been completed. We did not identify any such recommendations.

### Florida Agricultural and Mechanical University Intercollegiate Athletics Cash Deficit

For several years, the Board has been monitoring FAMU's athletics cash deficit, which has been cited in multiple Auditor General operational audits as being out of compliance with Board Regulation 9.013 *Auxiliary Operations* and has triggered legislative oversight from the Joint Legislative Auditing Committee. Given the magnitude of this matter, the university's board of trustees chair and senior officials provide the inspector general and Board AACC chair with routine updates on the implementation of their corrective actions and the financial status of their athletics program.

## OIGC QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The OIGC is statutorily required to follow the *International Professional Practices Framework* as published by the Institute of Internal Auditors, Inc. Standard 1300 requires that the chief audit executive develop and maintain a Quality Assurance and Improvement Program (QAIP) that covers all aspects of the internal audit activity.

During the reporting year, the Auditor General's office conducted an external assessment of the OIGC. They issued their report ([Report No. 2019-052](#) *Board of Governors – Office of Inspector General's Audit Activity – Quality Assessment Review*) in November 2018, which contained an opinion that our office's quality assurance and improvement program related to internal audit activity was adequately designed and complied with during the review period, and that our



office generally complied with the provisions of Section 20.055, F.S., governing the operation of internal audit activity.

## **OTHER OIGC AUDIT ACTIVITIES**

### **Chief Audit Executives Reports System Revisions**

In accordance with Board Regulation 4.002, university internal audit offices are required to submit certain documents to the OIGC. The Chief Audit Executives Reports System (CAERS) was launched July 1, 2015, to serve as the official repository for reports, charters, work plans, and the like for university internal audit offices in accordance with regulation 4.002. We have identified potential enhancements and have been working with the Board office's Application Development Unit to implement them.

### **SUS Audits Summary for AACC**

Every year, the OIGC receives copies of audit reports from the following entities:

- The Florida Auditor General's office, which conducts financial, operational, statewide federal awards, Bright Futures Program, and information technology audits of state universities and the System;
- Independent certified public accountants, who conduct financial audits of university direct support organizations, health services support organizations, faculty practice plans, self-insurance programs and captive insurance companies, as well as collegiate license plates and intercollegiate athletics programs; and
- University chief audit executives, who conduct a variety of different types of audits at each of their institutions.

This reporting year, the OIGC received, reviewed, and logged information from 245 audit reports. The inspector general will be presenting a summary of the information contained in those reports at the Board's AACC meeting on August 28, 2019. More detailed information on that audit coverage summary will be available in the August 28, 2019, AACC meeting materials, which will be accessible online at [https://www.flbog.edu/board/meeting\\_archive.php](https://www.flbog.edu/board/meeting_archive.php).

### **State University Audit Council**

The inspector general represents the Board on the State University Audit Council (SUAC), composed of System universities' chief audit executives. SUAC's purpose is to provide an opportunity for System chief audit executives to share information and best practices. SUAC typically meets in person twice annually with conference calls in between as needed.

### **State University Information Technology Auditors Group**

The Information Technology Auditors Group (ITAG) meets quarterly via conference call to discuss information technology (IT) and IT security-related topics. The purpose of the group is



to share best practices and risk information. The compliance and audit specialist participates in ITAG on behalf of the OIGC.

## INVESTIGATIVE ACTIVITIES

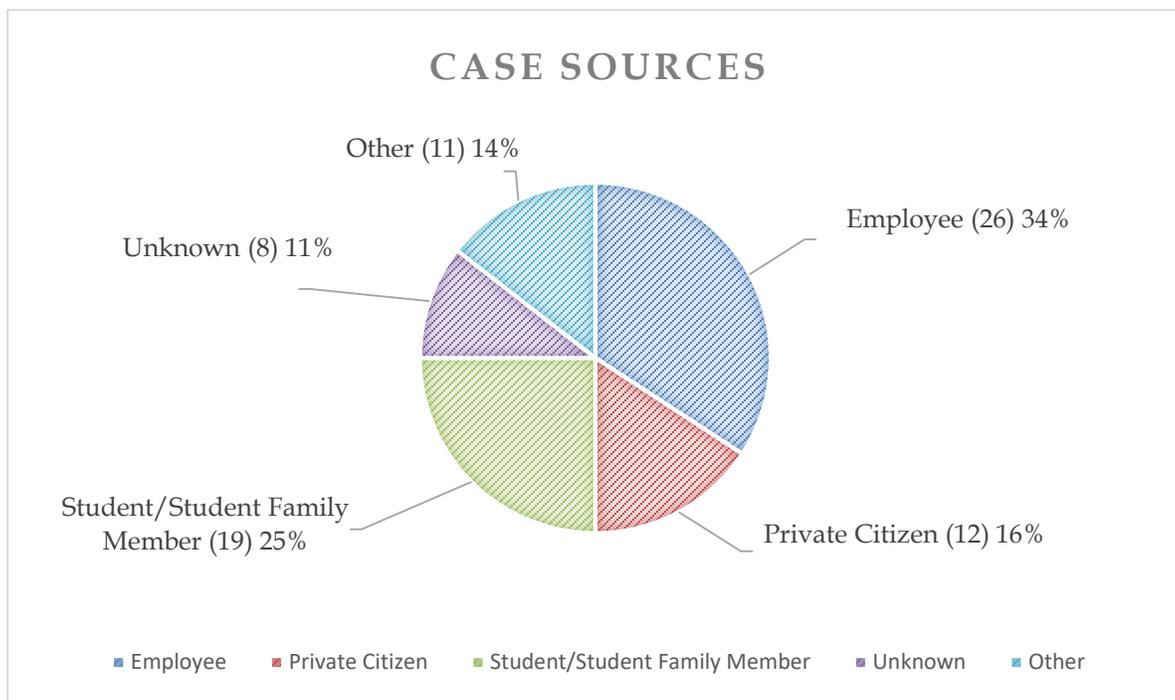
During the 2018-2019 fiscal year, the OIGC engaged in the following investigative-related activities:

- New Complaints, Investigations, and Requests;
- New Consultations and Notifications;
- Historical Case Dispositions;
- Whistle-blower Activity;
- Investigations; and
- Background Checks.

Each of these activities is covered in detail on the following pages.

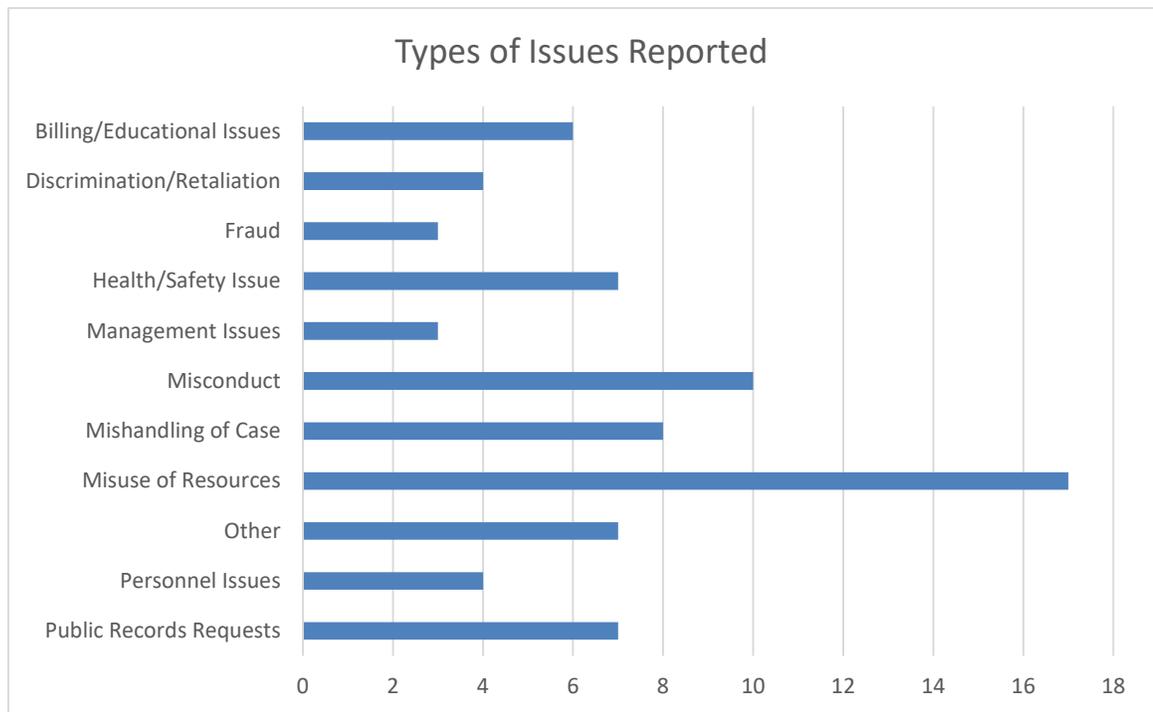
### NEW COMPLAINTS, INVESTIGATIONS, AND REQUESTS

During the 2018-2019 fiscal year, the OIGC opened 76 new cases for complaints, investigations, or information/public records requests. All such cases were documented in the OIGC database. The following chart depicts the sources of those cases.





The following graph provides an overview of the types of issues reported within those cases.



Of the 76 new cases, the OIGC closed 70 during the reporting year in the following ways:

- Referred 36 to the appropriate university for handling, and monitored the outcome if necessary;
- Referred four to the appropriate Board office unit for handling;
- Processed three within the OIGC; and
- Determined 27 required no referral as they were either previously or concurrently being addressed by other appropriate entities, or were unrelated to the System.

## NEW CONSULTATIONS AND NOTIFICATIONS

The OIGC serves as a resource to university chief audit executives in that they may request a consultation. Consultations are conducted for the purpose of sharing expertise on investigative or Whistle-blower matters. During the 2018-2019 fiscal year, the OIGC received three consultation requests from university chief audit executives, one of which was closed.

Pursuant to Board Regulations 4.001-4.003, universities are required to keep the Board informed concerning credible and significant allegations of fraud, abuse, and other deficiencies within university programs and operations. They do this by providing notifications to the OIGC. During the 2018-2019 fiscal year, the OIGC received 11 notifications, eight of which were closed.



## HISTORICAL CASE DISPOSITIONS

At the beginning of the 2018-2019 fiscal year, five cases (one complaint, one investigation, one consultation, and two notifications) carried over from the previous fiscal year. The OIGC conducted follow-up activities on these cases, resulting in four closures; only one notification remains open.

## WHISTLE-BLOWER ACTIVITY

In fulfilling our responsibilities under the Whistle-blower's Act, the OIGC assesses every complaint it receives to determine if the Act's provisions might apply. The OIGC did not receive any complaints from the Board office that would fall under the Whistle-blower's Act.

Pursuant to Board Regulation 4.002, *State University System Chief Audit Executives*, each university's chief audit executive is to be the individual designated by the university's board of trustees to receive complaints and coordinate all activities of the Whistle-blower's Act for their respective university. Therefore, if the OIGC receives a university-related complaint that may fall under the provisions of the Whistle-blower's Act, the OIGC refers it to the appropriate university chief audit executive for primary handling.



To support the chief audit executives in fulfilling their responsibilities under the Whistle-blower's Act, the OIGC offers training on the components and requirements of the Act. In August 2018, the inspector general and investigations and audit specialist provided this training to Florida State University staff. There were thirteen training participants representing the Offices of Inspector General Services, Equal Opportunity and Compliance (to include Title IX and Human Resources staff), and General Counsel.

## INVESTIGATIONS

In August of 2018, the Board of Governors was notified that the Auditor General uncovered in an operational audit that the University of Central Florida (UCF) misused Education and General (E&G) Funds to construct an academic building, Trevor Colbourn Hall. The UCF Board of Trustees took action by hiring national law firm Bryan Cave Leighton Paisner ("Bryan Cave") to investigate this matter. The investigation was led by UCF Audit and Compliance Committee Chair Beverly Seay and Bryan Cave's lead investigator, Partner Joey Burby. PricewaterhouseCoopers LLP (PwC) worked in conjunction with Bryan Cave during this investigation to provide forensic accounting services. The investigation took place between late September and December 2018. The inspector general worked with Bryan Cave to provide the Board of Governors updates on this investigation. UCF continues to take corrective actions in response to this investigation.

## BACKGROUND CHECKS

Board office policy requires the inspector general to review and approve pre-employment background screenings of Board office staff. During the reporting year, the OIGC reviewed and



approved the results of six Level 1 background checks for new Board staff and student assistants.

## COMPLIANCE ACTIVITIES

During 2018-2019 fiscal year, the OIGC engaged in the following compliance-related activities:

- Development of a Board Office Compliance Program;
- System Compliance with Board of Governors Regulation 4.003;
- Compliance and Ethics Reports System Development; and
- State University System of Florida Compliance and Ethics Consortium.

Each of these activities is covered in detail on the following pages.

### BOARD OFFICE COMPLIANCE PROGRAM

At its meeting on March 28, 2019, the AACC approved the Board of Governors Compliance Program. Similar to what the Board requires of our universities in Regulation 4.003, *State University System Compliance and Ethics Programs*, the Board's Compliance Program provides a structured and organized approach for promoting and supporting a culture of compliance, risk mitigation, and accountability within the Board office.

### SYSTEM COMPLIANCE WITH BOARD REGULATION 4.003

The Board adopted Board Regulation 4.003, *State University System Compliance and Ethics Programs*, in November 2016, which required all universities to implement an effective compliance and ethics program within two years of the effective date of the regulation. The OIGC has been actively monitoring the implementation of this regulation. At the Board's AACC meeting in January 2019, the OIGC reported that all universities have come into compliance with the required elements of the regulation.

### COMPLIANCE AND ETHICS REPORTS SYSTEM DEVELOPMENT

To accommodate submissions for university compliance and ethics programs in accordance with Board Regulation 4.003, OIGC staff has been working with the Board office's Application Development Unit to create the Compliance and Ethics Reports System (CERS). CERS will be accessible via the Board Application Portal and will serve as the official repository for reports, charters, work plans, and the like for university compliance and ethics programs.

### STATE UNIVERSITY SYSTEM OF FLORIDA COMPLIANCE AND ETHICS CONSORTIUM

The inspector general represents the Board on State University System Compliance and Ethics Consortium (Consortium), composed of compliance directors and representatives from each of the System universities. The Consortium met three times during the reporting year to discuss



the development and improvement of compliance and ethics programs, new federal and state regulations, best practices, and issues they may be facing.

## OIGC ACTIVITIES

In addition to the OIGC's audit, investigative, and compliance activities, the OIGC also provided a presentation to the Florida House of Representatives, performed a review of System athletics programs, performed bill analyses, published quarterly newsletters, and participated in the Board of Governors Student Leadership Program. Each of these activities is described in detail below.

### FLORIDA HOUSE OF REPRESENTATIVES LEGISLATIVE PRESENTATION

In December 2018, the OIGC was invited to make a presentation before higher education legislative staff committees on the internal audit function within the System, as well as the role and responsibilities of the OIGC. On January 9, 2019, the inspector general joined the Chancellor and Vice Chancellor/Chief Financial Officer at the Capitol and presented the requested information to the legislative committee members.

### ATHLETICS PROGRAM REVIEW

At an Audit and Compliance Committee meeting, Board members raised questions about state university athletics programs' compliance with *Board of Governors Regulation 9.013 Auxiliary Operations*. Based on these questions, the Office of Inspector General initiated a review to understand the type and nature audit coverage as well as financial information received in the Board office about SUS athletics programs.

The review found that the Board's Office of Budgeting and Fiscal Policy receives and reviews SUS athletics department budgetary information as part of the annual budget reporting processes. Athletics programs and operations are subject to a variety of audits and other types of reviews from various sources that include the Auditor General, university chief audit executives, and external auditors. The results of these audit reports are shared with the Board's Audit and Compliance Committee in the annual SUS Audit Summary, as well as with other Board office senior management as appropriate. Financial audits provide the most relevant information related to athletics programs' overall financial condition and compliance with Board of Governors regulations and five of the ten SUS athletics programs receive a financial audit.

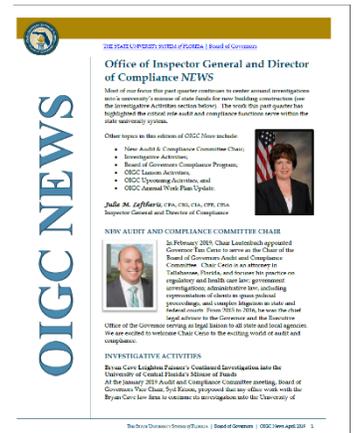
### LEGISLATIVE BILL ANALYSES

The OIGC provided staff analysis on bills potentially affecting offices of inspectors general and university chief audit executives. The topics of various bill analyses included HB 11 Government Accountability and HB 7007 Public Integrity and Ethics Commission.



## OIGC NEWSLETTER

The OIGC newsletter is designed to supplement Board meetings and briefings to keep the AACC informed regarding OIGC activities and updates. OIGC newsletters are prepared and disseminated on a quarterly basis and are available at: <http://www.flbog.edu/board/office/ig/reports.php>



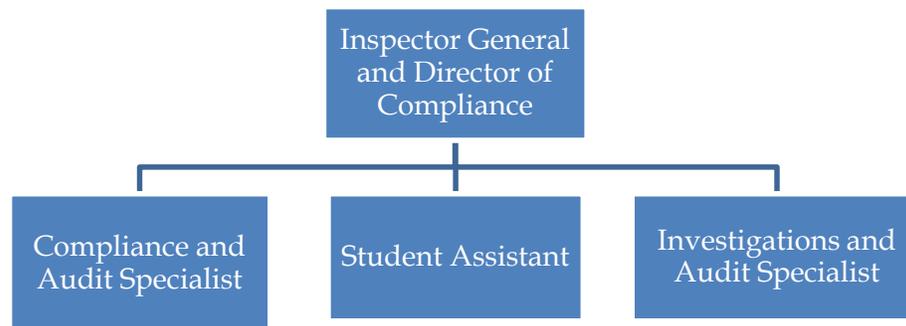
## BOARD OF GOVERNORS STUDENT PROFESSIONAL DEVELOPMENT PROGRAM

In February 2017, Chancellor Criser approved the development of a Board of Governors Student Professional Development Program (SPDP) to promote more engagement, participation, and ethical values for student assistants who work at the Board office. SPDP activities include professional development opportunities such as workshop and training events, student-led presentations, and attendance at Legislative or Board of Governors meetings. The directorship of the SPDP transitioned to the compliance and audit specialist in May 2018.

## ORGANIZATIONAL STRUCTURE, PROFESSIONAL DEVELOPMENT AND ASSOCIATIONS

OIGC staff develop and maintain their professional knowledge, skills, and abilities through a number of methods. The following section summarizes the staffing and organizational structure, professional certifications and affiliations.

### ORGANIZATIONAL STRUCTURE





## PROFESSIONAL DEVELOPMENT AND ASSOCIATIONS

Expertise within the OIGC covers a variety of disciplines. Employees are qualified in auditing, financial matters, investigations, fraud, compliance, and information technology. Staff members continually seek to augment their credentials, further enhancing their abilities and contributions to the OIGC, the Board office, and the System. Collectively, OIGC staff maintain nine professional certifications that include:

- Certified Inspector General,
- Certified Inspector General Investigator,
- Certified Inspector General Auditor,
- Certified Internal Auditor,
- Certified Public Accountant,
- Certified Government Auditing Professional,
- Certified Fraud Examiner,
- Certified Information Systems Auditor, and
- Certified Compliance and Ethics Professional.

OIGC staff members participate in a number of professional organizations to maintain proficiency in their areas of expertise and certification. These associations allow OIGC staff members to maintain currency, establish and advance professional networks, and participate in professional community activities. The OIGC staff's professional affiliations include:

- Association of Inspectors General (National and State Chapters);
- Institute of Internal Auditors (National and Tallahassee Chapters);
- ISACA (National and Tallahassee Chapters);
- Association of Government Accountants;
- Association of Certified Fraud Examiners;
- Society for Corporate Compliance and Ethics; and
- Association of College and University Auditors.



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