Florida Gulf Coast University Board of Trustees
June 18, 2013


________________________________________________________

PROPOSED BOARD ACTION
Information only

BACKGROUND INFORMATION
As required by Section 20.055(5)(a), Florida Statutes, FGCU’s Internal Audit Office performs its work in compliance with current International Standards for the Professional Practice of Internal Auditing as published by the Institute of Internal Auditors (IIA).

The IIA Performance Standard 2060 requires the Director of Internal Audit to communicate Internal Audit’s activities regularly to senior management and the Board of Trustees for review. Certain disclosures regarding Internal Audit’s purpose, authority, and responsibility are also required.

The Internal Audit Activity Report for 2011-2012 & 2012-2013 is presented for information only.

________________________________________________________


Prepared by: Internal Audit Director Carol Slade

Legal Review by: N/A

Submitted by: President Wilson Bradshaw
This biennial report provides information on the benefits and effectiveness of the FGCU Office of Internal Audit (OIA) during the 2011—2012 and 2012-2013 fiscal years. The primary objective of our office is to assist management at all levels of the University including members of the FGCU Board of Trustees in the effective discharge of their duties.
MESSAGE FROM THE DIRECTOR OF INTERNAL AUDIT

This annual report provides information on the benefits and effectiveness of the FGCU Office of Internal Audit (OIA) during the 2011-2012 and 2012-2013 fiscal years. The primary objective of our office is to assist management at all levels of the University including members of the FGCU Board of Trustees in the effective discharge of their duties.

OIA had two successful years during which we completed substantially all audits in our annual audit work plans. Of note, OIA successfully completed its five-year Quality Assurance Review with the highest possible rating.

The Institute of Internal Auditing Standards requires internal auditors to continually enhance their knowledge, skills, and other competencies through continuing education. This year Internal Audit complied with this standard when a second staff member earned the Certified Internal Auditor designation and another graduated from the FGCU MBA program.

The 2013—2014 fiscal year promises to be a challenging one as we continue to automate more of our processes to improve the efficiency and effectiveness of our documentation of OIA work required by the Standards.

I want to thank the President and the Board of Trustees for their continued support of the Office of Internal Audit. I would also like to thank the OIA staff for their continuing hard work and dedication to the practice of internal auditing.

ABOUT OUR DEPARTMENT

The mission of the FGCU Office of Internal Audit is to assist the University in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our Internal Audit Charter, included as Appendix A, defines the purpose, authority, and responsibility of the internal audit activity. The Charter is consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards mandated by the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors.

Each year Senior Management and the Board allocate resources to the Office of Internal Audit that must be used in the effective and efficient execution of audit and consulting services. Authorized personnel resources include 3 positions (1 Audit Director, 1 Senior Auditor and 1 Internal Auditor).

The Internal Audit Director is a Certified Public Accountant, a Certified Internal Auditor, and a Certified Government Financial Manager. The Senior Auditor became a Certified Internal Auditor during 2011-2012, and the Internal Auditor earned an MBA during 2012-2013. All staff members are professionals with sufficient experience, credentials and continuing education to effectively execute their duties and responsibilities.
Every staff member spent more than 40 hours during 2011—2012 and more than 30 hours during 2012-2013 improving their internal auditing skills and knowledge of higher education issues through continuing professional education.

INTERNAL AUDIT ACTIVITY
2011-2012

The Internal Audit work plan for 2011-2012 included four audits plus the required completion of a Quality Assurance Review of our office. All projects were completed. The 2012-2013 work plan included five audits. As of the end of May 2013, three audits have been completed, a fourth is in progress, and the fifth has been postponed due to management advisory services beyond those originally planned.

The four audits and one review completed during 2011—2012 are:

- Institutes and Centers
- Travel Expenditures
- Activity and Service Fees — presented to the Board of Trustees in 2012 - 2013
- Material and Supplies Fees and Certificate Programs — presented to the Board in 2012 -2013
- Quality Assurance Review of the Internal Audit Office — presented to the Board in 2012 - 2013
2012-2013

As of the end of May, 2013, three audits were completed during 2012-2013, one audit is in progress and the remaining audit has been postponed due to additional management advisory work during 2012-2013.

- Family Resource Center
- Health Services
- Grant Compliance
- BANNER Student Database (In Progress)
- Continuing Education and Off-Campus Programs (Postponed)
# INTERNAL AUDIT ACTIVITY PLAN 2013-2014

## AUDITS & REVIEWS

<table>
<thead>
<tr>
<th>Business Operations: Food Services (Aramark) and Bookstore (Follett) Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review commission revenues</td>
</tr>
<tr>
<td>Trace reported revenues back to source documentation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BANNER Finance Database: Security and Access</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review security procedures to ensure that no terminated employees have access to Banner Finance</td>
</tr>
<tr>
<td>Review procedures to ensure employee’s authorized access to Banner Finance is applicable only to current job or position</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hiring Procedures for Colleges during 2012-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Test hiring procedures within the College of Health Professions and Social Work for employees hired during 2012-2013</td>
</tr>
<tr>
<td>Test hiring procedures within the College of Engineering for employees hired during 2012-2013</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Environmental Health &amp; Safety: Laboratory Safety Procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement Services Purchasing Card Audit (Recurring)</td>
</tr>
</tbody>
</table>

## PRIOR YEAR AUDIT FOR COMPLETION

| Continuing Education and Off-Campus Programs: Revenue Collection |

## OTHER ON-GOING ACTIVITIES

<table>
<thead>
<tr>
<th>Management Advisory Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Follow-up</td>
</tr>
<tr>
<td>Routine Data Analysis</td>
</tr>
<tr>
<td>External Audit Coordination</td>
</tr>
<tr>
<td>Special Projects and Investigations</td>
</tr>
</tbody>
</table>
**POST AUDIT FEEDBACK**

At the conclusion of each audit, the Office of Internal Audit solicits feedback from each unit that was audited through a Post Audit Feedback Survey. The survey highlights areas that relate to pre-audit engagements, the audit process, the exit-conference and observation reporting. Internal Audit utilizes the feedback to help us continue to improve our Internal Audit Office (IA) processes. Continually improving IA processes is part of our on-going Quality Assurance & Improvement Program that is required by the International Professional Practices Framework (IPPF).

**AUDIT FOLLOW-UP**

The Institute of Internal Audits Standards state, “The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.” Additionally, “The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.”

As a part of the audit process, management issues a response to each audit recommendation. Internal Audit requests that the management response include any proposed actions, a responsible party and the proposed implementation date. After the implementation date has passed, we ask management to provide an update of their progress. Of the four audits completed during 2011-2012, three departments have successfully completed their goals or have taken necessary steps to complete the goals. We are working with the remaining audit client to complete the follow-up process. Follow-up inquiries are not made for reviews. The follow-up process has not yet begun for audits completed during 2012-2013.

**MANDATORY DISCLOSURES**

As mentioned previously, the Office of Internal Audit’s activities are governed by standards promulgated by the Institute of Internal Auditors. These standards require that Internal Audit regularly disclose the following information about its activities to the Board of Trustees and Senior Management. The following are required disclosures not previously addressed.

**Organizational Independence**

The Office of Internal Audit (OIA) must regularly confirm to the Board, at least annually, its organizational independence. The OIA reports administratively to the President and functionally, through the President, to the Audit Committee. Reporting to the Audit Committee helps promote the independence necessary for the OIA to adequately perform its job function.

**Impairments to Independence or Objectivity**

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed. There were no impairments to independence or objectivity for any engagements performed during the 2011–2012 and 2012-2013 fiscal years.

**Disclosure of Nonconformance**

Occasionally circumstances require the completion of projects or engagements in a manner that is not consistent with applicable standards. When this occurs, the OIA must disclose the nonconformance and its impact to Senior Management and the Board. During the 2011–2012 and 2012-2013 fiscal year, there were no such instances.
Resolution of Management’s Acceptance of Risks

Each audit engagement can potentially produce items that may pose risks to university operations. Some items will require management’s attention while others may be situations in which management decides to accept the risk associated with continuing the current practice. This is normal and is often due to cost/benefit constraints. The OIA is required to disclose to Senior Management and the Board any situations in which it is believed university personnel has accepted a level of residual risk that may not adequately reduce or mitigate the risk of loss. There were no such instances during the 2011–2012 and 2012-2013.
APPENDIX A

Florida Gulf Coast University
Office of Internal Audit
Charter

Mission and Scope of Work

Internal Auditing is an independent, objective assurance and consulting function designed to add value and improve the University’s operations. It assists Florida Gulf Coast University (FGCU) to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The scope of work of the internal audit activity is to determine whether the organization’s network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Employees’ actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately.
- Allegations of fraud, waste, abuse and other wrongdoing are investigated. When appropriate, coordinate investigative work with the University police.
- Complaints received under the State’s Whistle-blower law are investigated.
- Management’s planned corrective actions significant internal and external audit observations and recommendations are implemented.
- Consulting services to University programs that relate to internal controls and other operational areas.
- Effective coordination and cooperation with external auditors provided to avoid duplication of audit effort.
- Professional audit staff with sufficient internal audit knowledge, skills and experience to meet the requirements of this charter.

Opportunities for improving management control, effectiveness and the University’s reputation may be identified during audits. They will be communicated to the appropriate level of management.

Accountability

The Director of Internal Audit, in the discharge of his/her duties, shall be accountable to the President and, through the President, to a designated member of the University Board of Trustees to:

- Provide annually an assessment on the adequacy and effectiveness of the University’s processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
- Report significant issues related to the processes for controlling the activities of the University, including potential improvements to those processes, and provide information concerning such issues through resolution.
Internal Audit Charter

- Periodically provide information on the status and results of the annual audit plan and the sufficiency of activity resources to the President and other appropriate officers of the University.
- Coordinate with other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).

Independence
To provide for the independence of the internal auditing activity, Internal Audit’s staff report to the Director of Internal Audit. In turn, the Director reports administratively to the President. As required by Institute of Internal Auditors Standard 1110, the Director of Internal Audit must confirm to the Board of Trustees, at least annually, the organizational independence of the internal audit activity. To protect the independence of the Office of Internal Audit, the President will discuss with the Chairman of the Board, as he does for all his direct reports, changes in the Internal Audit Director’s employment status.

Standards of Professional Audit Practice
The internal audit activity will meet or exceed the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. With the adoption of these standards, the Office of Internal Audit prescribes to the Code of Ethics promulgated by the Institute of Internal Auditors. Internal Audit is further committed and prescribes to the guiding principles of integrity, fairness, and objectivity.

Authority
The Director of Internal Audit and staff of the internal audit activity are authorized to:
- Have full, free, and unrestricted access to all University information, documents, records, and personnel deemed necessary to carry out its duties and responsibilities. Internal Audit will handle all information obtained during an engagement in the same prudent manner as the employees normally accountable for the information.
- Through the President, have access to the Chair or designee of the Audit Committee of the FGCU Board of Trustees.
- Manage budgets, establish audit schedules, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance and cooperation of personnel in units of the university where Internal Audit performs audits, as well as other specialized services from within or outside the university.

The Director of Internal Audit and staff of the internal audit activity are **not** authorized to:
- Perform any operational duties for the university.
- Initiate or approve accounting transactions external to the internal auditing activity.
- Direct the activities of any university employee not employed by the Internal Audit Office, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.
Internal Audit Charter

Quality Assurance Program
The Office of Internal Audit will maintain a quality assurance program to evaluate its operations. The purpose of this program is to provide reasonable assurance that its audit work conforms to the Institute of Internal Auditors (IIA) Standards, and includes training, supervision, internal reviews and external reviews.

External assessments of the Office of Internal Audit shall be performed at least once every five years by a qualified, independent reviewer, in accordance with the IIA Standards.

Carol Slade, Director of Internal Audit/Effective March 14, 2008

Wilson G. Bradshaw, Ph.D., President/Effective March 14, 2008