Florida Gulf Coast University Board of Trustees
September 16, 2014

SUBJECT: 2013-2014 Internal Audit Activity Report

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 for the past fiscal year to senior management and the FGCU Board of Trustees for review. Certain disclosures regarding Internal Audit’s purpose, authority, and responsibility are also required.

The 2013-2014 Internal Audit activity report is presented for information only.

Supporting Documentation Included: 2013-2014 Internal Audit Activity Report

Prepared by: Director of Internal Audit Carol Slade

Legal Review by: N/A

Submitted by: President Wilson G. Bradshaw
This annual report provides information on the benefits and effectiveness of the FGCU Office of Internal Audit (IA) during the 2013-2014 fiscal year. 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 (IA) during the 2013-2014 fiscal year. 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.

IA had a successful year during which we completed five audits: the four audits in our 2013-2014 audit work plan as well as one audit carried forward from 2012-2013.

As noted in last year’s Biennial Report, Internal Audit has successfully completed its five-year Quality Assurance Review with an overall assessment of “generally conforms,” the highest possible rating.

This spring we trained to use new audit management software called AutoAudit with an implementation date of July 1, 2014. This is a tool to help increase audit productivity.

The 2014-2015 fiscal year promises to be a challenging one as we implement AutoAudit for the first year. In addition, our Senior Auditor of seven years won a prestigious McKnight fellowship and left to pursue doctoral studies full-time. She was an outstanding member of our audit team, and her years of experience with IA cannot be replaced. However, we have hired a very experienced senior auditor who began the first week in August 2014. For the last seven years, he has been employed by the Florida Auditor General to audit FGCU as an external auditor. He is familiar with FGCU procedures as well as the laws, rules, and regulations that govern universities in Florida. We anticipate that he will contribute substantially to the activities of our department.

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 IA staff for their hard work and dedication to the practice of internal auditing during 2013-2014.

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 three positions (one Audit Director, one Senior Auditor and one Internal Auditor).
The Institute of Internal Auditors professional standards require that we possess the knowledge, skills, and other competencies needed to perform our responsibilities. During 2013-2014, staff members spent at least 40 hours improving their internal auditing skills and knowledge of higher education issues through continuing professional education.

**INTERNAL AUDIT ACTIVITY**

2013-2014

The Internal Audit work plan for 2013-2014 included four audits plus one audit that was carried forward from 2012-2013. All projects were completed.

The five audits completed during 2013—2014 were:

- Continuing Education and Off-Campus Programs (Carried forward from 2012-2013)
- Environmental Health and Safety: Laboratory Safety Procedures
- Business Operations: Food Service (Aramark) and Bookstore (Follett)
- Hiring Procedures for Colleges during 2012-2013
- Banner Finance Database: Security and Access

Our management assistance consisted of consulting projects with several departments as well as serving on hiring committees.

![Pie chart 2013-2014 Actual Internal Audit Activity Through July 5, 2014](chart.png)
INTERNAL AUDIT ACTIVITY PLAN 2014-2015

AUDITS & REVIEWS

Project Objectives appear under Department or Topic Name

Undergraduate Admissions Audit
Established department policies & procedures provide for efficient & effective operations
Effective controls exist over Admissions data & information is protected against unauthorized access
Prospective students are accepted based on established criteria

Procurement Audit
Bidding & contract piggybacking provide purchasing economies & compliance with laws & regulations
Procedure to obtain contract review by General Counsel exists and operates effectively
Procedure to delegate authority to purchase is documented and operates effectively
Contract management processes include segregation of duties & other appropriate controls

Athletics Student Aid Compliance Audit
New & transfer students are admitted in accordance according to FGCU and NCAA requirements
Students comply with FGCU and NCAA satisfactory academic progress requirements
GPA & other data reported to outside bodies on eligibility reports are in agreement with FGCU records

Testing & Evaluation Department Audit
Documented policies and procedures are in place and operating effectively
Resources appear adequate for the functions of the department

OTHER ON-GOING ACTIVITIES

Follow-up of Management's Actions in Response to Audit Recommendations
Annual Review of Procurement Services Department use of Purchasing Cards
Routine Data Analysis
Provide Responses to Requests for Information from External Auditors
Management Advisory Services as Requested
Special Projects and Investigations as Requested

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 office 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. Follow-up inquiries are not made for reviews and audits with no observations.

The four audits completed during 2012-2103 were Family Resource Center, Health Services, Grant Compliance and Banner Student Database Access. Members of Management responsible for the Family Resource Center and Health Services audits have implemented the recommendations made in the audit reports. Management responsible for the Banner Student Access Audit has made satisfactory progress towards completing the recommendations stated in the report. Because the Grant Compliance Audit did not require any observations and recommendations, follow-up inquiries were not required.

Additionally, the follow-up process has begun for the 2013-2014 audits. Management responsible for the Office of Continuing Education and Off-Campus Programs and the Hiring Procedures Audits have implemented the recommendations stated in the audit reports. Management responsible for the Environmental Health and Safety audit has made progress towards implementing the report recommendation. The Business Operations: Food Service and Bookstore recommendations were implemented by the end of the fiscal year, and Banner Finance Database Access did not require follow-up.

MANDATORY DISCLOSURES

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 must regularly confirm to the Board, at least annually, its organizational independence. IA 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 IA to perform its organizational 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 2013-2014 fiscal year.
Disclosure of Nonconformance
Occasionally circumstances require the completion of projects or engagements in a manner that is not consistent with Institute of Internal Audit standards. When this occurs, IA must disclose the nonconformance and its impact to Senior Management and the Board. During the 2013-2014 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. IA 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 2013-2014 fiscal year.
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