AGENDA

FLORIDA GULF COAST UNIVERSITY BOARD OF TRUSTEES

Audit and Compliance Committee

Tuesday, September 10, 2019 8 to 9:30 a.m.

COHEN CENTER BALLROOM, ROOM #203
FLORIDA GULF COAST UNIVERSITY

Indicated times within the agenda are approximate and are subject to change. Agenda items may be taken out of order at the call of the Chair and with the concurrence of the Committee.

Committee Members:
Trustee Joseph Fogg III – Chair
Trustee Darleen Cors
Trustee Leo Montgomery
Trustee Stephen Smith

8 a.m. Call to Order, Roll Call, and Opening Remarks – Chair Joseph Fogg III

Consent Agenda (Includes Public Comment) – Chair Joseph Fogg III
• Minutes of June 6, 2019 Conference Call Meeting (TAB #1)

Information (Includes Public Comment):
• Investigation – Bishop – Director of Internal Audit William Foster (TAB #2) – TBA

Action (Includes Public Comment):
• Office of Internal Audit Annual Report for 2018-2019 – Director of Internal Audit William Foster (TAB #3)
• Risk Assessment for 2019-2020 Internal Audit Work Plan – Director of Internal Audit William Foster (TAB #4)
• **Degree Works Audit** – Director of Internal Audit William Foster (TAB #5)
• **Vester Marine & Environmental Science Research Field Station Audit** – Director of Internal Audit William Foster (TAB #6)
• **Florida Retirement System Audit** – Director of Internal Audit William Foster (TAB #7)

9:20 a.m.  **Old Business** – Chair Joseph Fogg III

9:25 a.m.  **New Business** – Chair Joseph Fogg III
  • Discussion of Charters and Possible Revised Language – Chair Joseph Fogg III

9:30 a.m.  **Closing Remarks, and Adjournment** – Chair Joseph Fogg III

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ITEM: __1__

Florida Gulf Coast University Board of Trustees
Audit and Compliance Committee
September 10, 2019

SUBJECT: Minutes of June 6, 2019 Conference Call Meeting

PROPOSED COMMITTEE ACTION

Approve minutes

BACKGROUND INFORMATION

The Audit and Compliance Committee met via conference call on June 6, 2019. Minutes of the meeting were kept as statutorily required.

Supporting Documentation Included: Minutes of June 6, 2019 Conference Call Meeting

Prepared by: Transcription Experts and Assistant Director of Board Operations
Tiffany Jackson

Legal Review: N/A

Submitted by: Vice President and Chief of Staff Susan Evans
FLORIDA GULF COAST UNIVERSITY BOARD OF TRUSTEES

AUDIT AND COMPLIANCE COMMITTEE
CONFERENCE CALL MEETING

Thursday, June 6, 2019

EDWARDS HALL, ROOM # 309
Florida Gulf Coast University

Minutes

Members:
Present: Trustee Joseph Fogg III (by phone) – Chair; Trustee Darleen Cors (by phone); Trustee Leo Montgomery (by phone); and Trustee Stephen Smith (by phone).

Others:
Staff: Provost and Vice President for Academic Affairs James Llorens; Vice President and Chief of Staff Susan Evans; Vice President for Administrative Services and Finance, and Executive Director of FGCU Financing Corporation Steve Magiera; Vice President and General Counsel Vee Leonard; Director of Equity, Ethics and Compliance, and Title IX Coordinator Precious Gunter (by phone); Director of Internal Audit Bill Foster; Director of Operations Tiffany Reynolds; Assistant Director of Board Operations Tiffany Jackson; and Project Manager Melissa Pind.

Item 1: Call to Order, Roll Call and Opening Remarks
Chair Joseph Fogg called the meeting to order at 3:07 p.m. He welcomed all members and said the meeting had been duly noticed and was originating from Edwards Hall Room 309 on the campus of Florida Gulf Coast University. He requested Vice President and Chief of Staff Susan Evans to call the roll. Roll call was taken with all Committee members participating, thus meeting quorum requirements.

Item 2: Consent Agenda (See Tab #1)
Chair Fogg stated there was one item on the Consent Agenda: the Minutes of the April 2, 2019 Meeting.

Trustee Darleen Cors made a motion to approve the Consent Agenda. Trustee Leo Montgomery seconded the motion.

There was no public comment, or Committee discussion. The vote was 4-0 in favor of the motion.
Item 3: Action Items (See Tabs #2-3)
Chair Fogg noted there were two action items on the Agenda. He called on Director of Internal Audit Bill Foster to present these items.

Florida Gulf Coast University Audited Financial Statements for the Fiscal Year ended June 30, 2018 (TAB #2)
Mr. Foster reported the audit of FGCU’s Financial Statements for Fiscal Year ending June 30, 2018 had been performed by the Auditor General in accordance with Section 11.45 of the Florida Statutes. He indicated on page 2, the Opinion, the auditors determined the financial statements fairly presented the financial position of the University. He explained this was known as a clean opinion and was what the Finance and Accounting Department strove for each year.

He stated pages 4-16 contained the Management’s Discussion and Analysis, where management described in reader friendly terms what occurred in the last fiscal year. He explained this section pointed out major transactions and presented comparative figures from the prior year. He reported pages 18-19 were the Statement of Net Position (previously known as the Balance Sheet). He noted the first column was titled “University” and contained figures for the University and the FGCU Financing Corporation. The second column was titled “Component Unit” and represented the Foundation’s information. He explained at year end there were total assets of $665.8 million and $131.5 million, total liabilities of $345 million and $0.6 million, with a net position (residual equity) of $341.5 million and $129.9 million, respectively for the “University” and the “Component Unit” columns. He reported page 21 was the Statement of Revenues, Expenses and Changes in Net Position (formerly known as an Income Statement). He explained for the year, FGCU had $117 million and $11.6 million in operating revenue, and $230.4 million and $16.1 million in operating expenses, while net non-operating revenues were $102.6 million and $7.2 million, respectively for the “University” and “Component Unit” columns. He stated pages 22-23 were the Statement of Cash Flows, which showed the effects to cash from the financial transactions. He noted the net effect was a $209,000 increase in cash and cash equivalents for the year end. He reported pages 24-55 were the Notes to the Financial Statements, which contained a significant amount of information to explain the various line items in the Financial Statements. He noted compared to Management’s Discussion and Analysis, these notes were not necessarily as reader friendly. He stated pages 56-58, Supplementary Information, reflected the information the State of Florida used to determine pension and health insurance subsidy liabilities. He noted pages 59-60 were the Auditor’s Report on Internal Control and Compliance, and that this report related financial reporting and compliance with Government Auditing Standards. He said there were no deficiencies in internal controls noted.

Chair Fogg noted there was, once again, a clean opinion. Trustee Stephen Smith asked staff to discuss the long term liabilities that appeared on page 35. He asked if FGCU was comfortable with the debt position. He said that it seemed like a large number and it would be helpful if someone could provide him with some perspective. Chair Fogg explained the long term liabilities were revenue bonds which were issued
only when a great number of State requirements were fulfilled, and were secured by revenues from either the parking garages or student dorm facilities; these were not general obligation bonds. Trustee S. Smith noted the revenue bonds equaled 60 percent of the total; however, there was also a big pension liability.

Vice President for Administrative Services and Finance, and Executive Director of FGCU Financing Corporation Steve Magiera commented Chair Fogg was correct in his assessment of the revenue bonds and loans, and noted all debt requirements were met. He noted there were 4,748 “beds” for students at FGCU, which is a large number and thus why the bonds are high. He noted the bonds payable and loans payable continued to drop as FGCU had not built new housing for several years. He stated the problem area was the benefits payable and the net pension liability, about which he had information he could send Trustee S. Smith. He explained the Governmental Accounting Standards Boards (GASB) decided, under GASB 45 and GASB 75, that the universities were required to report the pension liabilities of the parent company on the subsidiaries. He explained this meant the numbers reflected the Florida Retirement System (FRS) and not those of FGCU; however, the University was required to report the numbers given to FGCU by the State annually, which increased yearly. He noted a former trustee had asked about setting up contingent assets for this as would be done in normal business practice; however, this was not permitted in government accounting. He noted the authority over the Pension Fund was the State Legislature and the Governor; however, the State of Florida had a very good bond rating and a well-funded pension plan. He stated the only piece of the pension which was not funded was health insurance. He noted he would be happy to send the information regarding pension liabilities to the members of the Audit and Compliance Committee.

Chair Fogg asked if there was an offsetting asset on the balance sheet for the pension liabilities. Mr. Magiera responded in the negative; he explained the pension liabilities were the State’s liability, not FGCU’s liability, and the rules did not permit FGCU to provide an offsetting asset.

Trustee S. Smith stated he would appreciate a copy of the information on pension liabilities. He asked for the bonds payable (dorms, etc.), at what occupancy level would FGCU begin to have problems fulfilling debt requirements. Mr. Magiera responded 80 percent occupancy would be problematic; 89 percent was currently the break-even occupancy rate. He noted the fall 2019 semester was estimated to open at 97 percent occupancy, while last year FGCU was at 100 percent occupancy. He explained one percent equaled roughly 47 beds, or $300,000. He did not foresee any problems with occupancy.

Chair Fogg stated he did not understand why the unfunded liabilities were not causing FGCU to have a negative net worth. Mr. Magiera explained FGCU did carry a negative unrestricted balance of $42,798,613; however, the rating agencies and the Southern Association of Colleges and Schools (SACS) accrediting body understood what this was and did not hold this number against the University.
Trustee Montgomery noted Mr. Magiera and Mr. Foster answered his prior questions regarding the liabilities associated with the pension plans. He noted this was a very complex area which he researched extensively. He stated the State pension plan was well-funded which he found comforting. He reported next year there would be a new financial reporting requirement whereby the auditors would be required to report on the liquidity of the institution.

Trustee S. Smith made a motion to accept the Florida Gulf Coast University Audited Financial Statements for the Fiscal Year ended June 30, 2018 and to recommend its acceptance to the FGCU Board of Trustees. Trustee Montgomery seconded the motion.

There was no public comment, or further Committee discussion. The vote was 4-0 in favor of the motion.

State of Florida Compliance and Internal Controls over Financial Reporting and Federal Awards Audit (TAB #3)

Mr. Foster explained the State of Florida Compliance and Internal Controls over Financial Reporting and Federal Awards Audit was a Statewide Federal Audit, and as FGCU was a component unit of the State of Florida, it was included in the State’s Federal Audit. He noted there were zero findings for the year 2018. He reported there was one incident in 2017, which was relevant because FGCU for 2018 was required to include a summary schedule of prior year findings and how they were addressed (which was done). He noted the incident involved a refund of a Federal Tuition Assistance Program which was due near the time of Hurricane Irma and as a result, FGCU was unable to make the refund to the student in a timely manner. He explained FGCU adjusted its procedures to ensure in the future the refund would be appropriately provided to the Federal Program at the time it was due.

Trustee Cors made a motion to accept the State of Florida Compliance and Internal Controls over Financial Reporting and Federal Awards Audit and to recommend its acceptance to the FGCU Board of Trustees. Trustee Montgomery seconded the motion.

There was no public comment, or Committee discussion. The vote was 4-0 in favor of the motion.

Item 4: Old Business

There was no old business for discussion.

Item 5: New Business

Chair Fogg reported that he recently had his quarterly discussion with Director of Equity, Ethics and Compliance, and Title IX Coordinator Precious Gunter regarding updates
from the Office of Institutional Equity and Compliance. He stated nothing from this discussion warranted reporting.

There was no further new business for discussion.

**Item 6: Closing Remarks, and Adjournment**

Chair Fogg adjourned the meeting at 3:28 p.m.

Minutes prepared by Transcription Experts, and reviewed by Tiffany Jackson, FGCU Assistant Director of Board Operations.

**Agenda Items:**

A. See Tabs # 1-3
   a. [https://www2.fgcu.edu/Trustees/AgendaFile/2019/6-6-2019/FGCUACCMTG-AGENDAPACKET-6-6-19.pdf](https://www2.fgcu.edu/Trustees/AgendaFile/2019/6-6-2019/FGCUACCMTG-AGENDAPACKET-6-6-19.pdf)

**Attachment:**

A. Record of Votes
Record of Votes  
FGCU Board of Trustees  
Audit and Compliance Committee Meeting  
DATE: June 6, 2019

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<tr>
<th>TRUSTEES</th>
<th>Yes/No</th>
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<tr>
<td>1 Trustee Darleen Cors</td>
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<td>2 Trustee Leo Montgomery</td>
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<td>3 Trustee Stephen Smith</td>
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<td>4 Trustee Joseph Fogg</td>
<td>Yes</td>
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SUBJECT: Office of Internal Audit Annual Report for 2018-2019

PROPOSED COMMITTEE ACTION

Approve the Office of Internal Audit Annual Report for 2018-2019 and recommend its final approval by the FGCU Board of Trustees.

BACKGROUND INFORMATION

To comply with the Board of Governors Regulation 4.002 (State University System Chief Audit Executives), "Each university shall have an office of chief audit executive as a point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency in the operations of the university." FGCU's chief audit executive is the Director of Internal Audit who shall prepare a report summarizing the activities of the Office for the preceding fiscal year.

Upon approval by the Audit and Compliance Committee, a copy of this report will be forwarded to the FGCU Board of Trustees for its consideration for final approval.


Prepared by: Director of Internal Audit William Foster

Legal Review: N/A

Submitted by: Director of Internal Audit William Foster
This annual report provides information on the benefits and effectiveness of the FGCU Office of Internal Audit (IA) during the 2018-2019 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

Thank you for allowing the Office of Internal Audit (IA) to provide you with information about our office’s activities during the year 2018-2019. Contained herein is information regarding our personnel, such as education and professional development, quality assurance and improvement program, audit engagements, and open items follow-up.

The Fall and Spring meetings of the Chief Audit Executives of the 12 member State University System reflected the ever-increasing emphasis by the Legislature and Board of Governors on Internal Audit’s role to monitor compliance with University spending in addition to the Performance Measures Data Integrity. Our 2019-2020 Internal Audit Work Plan includes audits to address these risks.

Our team is committed to providing independent, objective assurance services. Within this report, we intend to demonstrate that the internal auditing function is operating as intended. Based on the program of work completed during the year, we have the following representations:

- All audits were performed in accordance with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing.
- The work plan and each individual audit were risk-driven.
- All significant observations were reported.
- We received cooperation from management and staff in performing our work.

I want to thank the President, Audit and Compliance Committee and the full Board of Trustees for their continued support. And to the staff of the Office of Internal Audit, I thank them for their work and dedication.

William D. Foster, MBA, CPA, CIA, CGAP, CFE, CRMA, CCSA
Director, Internal Audit

ABOUT OUR DEPARTMENT

Our Internal Audit Charter 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. We have updated the Charter according to the latest guidance from the Institute of Internal Auditors. An updated Charter was approved at the June 13, 2017 Board of Trustees meeting.

The Institute of Internal Auditors professional standards require that our Office possess the knowledge, skills, and other competencies needed to perform our responsibilities. We are pleased to report the approval of adding a staff member to our office in May. Ron Tortorello comes to our office with a Masters in
Information Assurance and Computer Security and two years’ information technology audit experience. Our staff has 64 years of cumulative auditing experience (Director, 19 years; Internal Auditors 45 years). Members of our office hold a total of 9 certifications, and three have a Master’s degree. During 2018-2019, each staff member met the hours required by professional standards to improve internal auditing skills and knowledge of higher education issues through continuing professional education. Those auditors with certifications also met the continuing education requirements for each certification.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

BOG Reg. 4.002(6)(e) and the Institute of Internal Auditors professional standards require our Office to maintain a quality assurance and improvement program in accordance with professional audit standards (Standards). The quality assurance and improvement program must include both internal and external assessments. Our office has established a Quality Assurance and Improvement Program (QAIP) Policy and conducts periodic QAIP meetings to ensure compliance with the Standards.

Internal Assessments

According to the Standards, internal assessments must include ongoing monitoring of the performance of the internal audit activity and periodic self-assessments. Internal Audit conducts a variety of internal assessments during the course of its routine audit processes. The Internal Audit Director provides supervision over IA staff during the course of audit work. After the completion of each audit, another Internal Audit staff member reviews the audit materials. In addition to our Operations Manual and Charter, guidelines have been established to provide a framework so that all necessary elements of the audit process are completed and documented.

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 engagement activities, the audit process, the closing meeting and the reporting of observations. Internal Audit utilizes the feedback to help us continue to improve our processes. Additionally, we completed an Internal Assessment Evaluation Summary for the 2018-2019 year, with a rating of “Generally Conforms” the highest rating available.

External Assessments

External Assessments must be conducted at least once every five years. A Quality Assurance Review (QAR) was conducted during 2016-2017. The QAR was a self-assessment with independent validation done by Monica Moyer, Director of Internal Audit at Saint Leo University. Her professional activities include serving the Association of College and University Auditors (ACUA) as annual conference director for 2014-17, and as an international ambassador of the Institute of Internal Auditors (IIA).

We were assessed as a department that “generally conforms to the International Standards for the Professional Practice of Internal Auditing,” the highest rating available.

In order to maintain compliance with the Standards, our next external assessment will be conducted in 2021-2022.
**INTERNAL AUDIT ACTIVITY**

The Internal Audit work plan for 2018-2019 included four audits. Three of the four audits have been completed successfully, with the fourth in process.

The scheduled audits and projects completed during 2018-2019 were:

- **Performance Measures Data Integrity Audit** - The Florida Board of Governors required each Board of Trustees to direct its Internal Audit Director to perform, or cause to have performed by an independent firm, an audit of the processes that ensure data submission to the Florida Board of Governors, that support the performance funding metrics, are complete, accurate and timely.

- **Degree Works** - A limited-scope audit of the Degree Works software program to determine whether capabilities and limitations are utilized and addressed, data represented in Degree Works is accurate and access controls and training are appropriate.

- **Vester Marine & Environmental Science Research Field Station** - A limited-scope audit of Vester to ensure that internal controls for their activities are sufficient and that procedures with revenues and expenditures are appropriate and in compliance with applicable guidelines.

- **Information Technology Security** – A limited-scope audit for compliance with the Board of Governors Regulation 3.0075. This audit is in progress with completion expected before the end of calendar year 2019.
INTERNAL AUDIT ACTIVITY PLAN 2019-2020

The following plan will be presented for approval at the September 2019 Board of Trustees Meeting. Objectives may be adjusted as we obtain additional information and/or conditions change relative to risk.

1. **Performance Measures Data Integrity Audit**
   Determine whether there are effective internal controls, processes, and procedures to ensure the completeness and accuracy of data submissions to the Board of Governors, which support performance measures funding.

   Ensure the President and Board of Trustees receive the report in time to review, approve and sign the data integrity certification and send to Board of Governors by 03/02/2020.

2. **Student Loan Information - Section 1009.45, Florida Statutes**
   Determine whether the university has at least once during the academic year, provided each student receiving student loans with the following up-to-date information in print or electronic format: An estimate of the student’s total amount of borrowed student loans; the student’s total potential loan repayment, including principal and interest, for the total amount of borrowed student loans; the student’s monthly loan repayment amounts for the total amount of borrowed student loans at the time the institution provides the student loan information required under this paragraph; the percentage of the borrowing limit that the student has reached at the time the information is provided.

3. **Sponsored Research - Board of Governors Regulation 10.002**
   Determine whether the University has written policies in place to negotiate, enter into, and execute research contracts including, but not limited to: policies for solicitation and acceptance of research grants, policies for the collection of fees in the context of university sponsored research, and policies relating to the appropriate use of research funds.

   Determine whether written, certified policies are being followed.

   Determine whether the certification is signed by the most senior officer responsible for research, and is submitted to the Board of Governors by October 1 each year and reported to the Board of Trustees.

4. **Emergency Preparedness IT Audit**
   Determine whether there is a Disaster Recovery, Business Continuity, and Incident Response plan is in place, in writing, and approved.

   Determine whether the institution has a complete, documented Business Impact Analysis to prioritize critical business functions.

   Determine whether issues exist that may limit interim business processing and restoration of systems.

   Determine whether the plans are tested and results are reviewed.
5. **Education and General Carryforward Expenditures**
   Determine whether Education and General Carryforward Expenditures made in Fiscal Year 2018-2019 were spent in accordance with applicable state statutes and Board of Governors Regulations.

6. **Coastal Watershed Institute**
   Determine whether revenues presented in the Institute’s Annual Report are correctly stated according to appropriate guidelines.

   Determine whether expenditures are appropriate, properly authorized and in conformance with applicable guidelines.

**AUDIT FOLLOW-UP**

As required by the Institute of Internal Auditors Standards, and BOG Reg. 4.002(6)(c), 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 Office of Internal Audit has taken steps to implement the recommendations stated in the Internal Audit Quality Assurance Review. The recommendations included reviewing and updating internal policies and procedures, enhancing the risk assessment process, and enhancing communications with FGCU Senior Management.

Management responsible for the Academic Camps Audit have taken steps to implement the recommendations stated in the 2017-2018 audit report. Recommendations included background screenings in compliance with Florida Department of Children and Families requirements, using approved waivers, enhancing procedures to identify unknown camps, enhancing procedures regarding campers’ insurance and compliance with cash collection procedures.

Management responsible for the International Travel: Outgoing Student and Faculty Audit has implemented the following recommendations stated in the 2017-2018 audit report: Record keeping and University-Wide International Travel Policy (International Service Office); lack of liability waivers (Lutgert College of Business); third party agreements (Office of Student Involvement); and export controls monitoring for compliance and training (Office of Research and Graduate Studies). The recommendation regarding policies and procedures enhancement for Internships & Co-Operative Programs Office will be addressed once the Director for this Office is hired.
The follow up process for the audits in the 2018-2019 year will be reported in the 2019-2020 Annual Report once the departments have had the opportunity to implement the recommendations in their respective audit reports.

PROFESSIONAL ACTIVITIES

The Institute of Internal Auditors professional standards require that our Office possess the knowledge, skills, and other competencies needed to perform our responsibilities. Members of our Office hold memberships in the following professional organizations to increase our knowledge to better serve FGCU and to pass our knowledge to others:

- Institute of Internal Auditors (IIA)
- Association of College and University Auditors (ACUA)
- Information Systems Audit and Control Association (ISACA)
- Association of Certified Fraud Examiners (ACFE)
- American Institute of Certified Public Accountants (AICPA)
- Florida Institute of Certified Public Accountants (FICPA)
- State University Audit Council (SUAC)
- Association of Government Accountants (AGA)

During 2018-2019, two (2) members of our office served as Vice President and Governor of the Southwest Florida Chapter #226 of the IIA. During 2018-2019, each staff member met the required hours improving their internal auditing skills and knowledge of higher education issues through CPE.

Quality Assurance Review

In 2018-2019, the Director was fortunate to serve on the Independent Validation Team that reviewed the self-assessment of the Office of Internal Auditing at the University of North Florida.

MANDATORY DISCLOSURES

Institute of Internal Auditors standards and BOG Reg. 4.002(5) require that Internal Audit regularly disclose the following information about its activities to the FGCU Board of Trustees and Senior Management.

Organizational Independence

The Office of Internal Audit (IA) confirms to the Board, at least annually, its organizational independence. IA reports administratively to the President and functionally to the Chair of the Audit and Compliance Committee of the FGCU Board of Trustees. Reporting to the Board 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. IA had no impairments to independence or objectivity for any engagements performed during the 2018-2019 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 2018-2019 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 have accepted a level of residual risk that may not adequately reduce or mitigate the risk of loss. There were no such instances during the 2018-2019 fiscal year.
Florida Gulf Coast University Board of Trustees  
Audit and Compliance Committee  
September 10, 2019

SUBJECT: Risk Assessment for 2019-2020 Internal Audit Work Plan

PROPOSED COMMITTEE ACTION

Approve the Risk Assessment for 2019-2020 Internal Audit Work Plan and recommend its final approval by the FGCU Board of Trustees.

BACKGROUND INFORMATION

To comply with Board of Governors Regulation 4.002 (State University System Chief Audit Executives), "Each university shall have an office of chief audit executive as a point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency in the operations of the university." FGCU's chief audit executive is the Director of Internal Audit who must develop, at least annually, audit plans that are communicated to the President and submitted to the FGCU Board of Trustees for approval.

Upon approval by the Audit and Compliance Committee, a copy of this risk assessment and work plan will be forwarded to the FGCU Board of Trustees for its consideration for final approval.

Supporting Documentation Included: Risk Assessment for 2019-2020 Internal Audit Work Plan

Prepared by: Director of Internal Audit William Foster

Legal Review: N/A

Submitted by: Director of Internal Audit William Foster
Florida Gulf Coast University
Risk Assessment for
2019-2020 Internal Audit Work Plan
Report Date: May 23, 2019
INTERNAL AUDIT RISK ASSESSMENT

EXECUTIVE SUMMARY

In developing the 2019-2020 Internal Audit Work Plan, we performed a university-wide internal audit risk assessment, a process that identified and analyzed risks facing Florida Gulf Coast University (FGCU). The objective of the risk assessment is to align internal audit’s resources with the processes that pose the highest risks to the University’s ability to achieve its objectives. In addition, we considered fraud risk factors in developing this assessment.

While completing this year’s risk assessment, we met with members of the President’s Cabinet, collectively and individually to identify changes in risks from the prior year. Where additional risks were identified, we met with selected department heads, e.g. Information Technology Services, Athletics, and Institutional Equity and Compliance. At the conclusion of these meetings and reviews, this information is discussed with the Chair of the Audit and Compliance Committee, then with the President, for input and guidance to meet appropriate aspects of governance.

OBJECTIVES

A. Review the Risk Universe for Florida Gulf Coast University.

B. Using quantitative and qualitative measures, assess the risks, giving consideration to potential fraud and mitigating factors.

SCOPE and REFERENCE MATERIAL

- International Professional Practices Framework as issued by the Institute of Internal Auditors
- International Organization for Standardization (ISO) 31000:2009, Risk Management – Principles and Guidelines
- Committee of Sponsoring Organizations of the Treadway Commission (COSO) Enterprise Risk Management – Integrated Framework
- Association of College and University Auditors (ACUA)
- State University System of Florida Board of Governors BOG Regulation 4.002
- Office of Internal Audit Operations Manual
BACKGROUND

The one risk area of note that is most significant to a university, and almost all the other risks we list end up contributing to it. That is the objective for a strong, trusted reputation.

Many university products are intangible, and intangible products in particular require referential value, or reputational value as their value is difficult to quantify or measure. For many public schools there are few going-concern level threats as there are in manufacturing or merchandising perhaps, but a single reputational folly can spoil a whole lot of plans and goals. The impact is often most keenly felt in financial terms - redirection of funds to remediate reputational events, or away from strategic, innovative, or developmental concerns, loss of funding sources or the inability to pursue them. The other key impact is in the ability to attract the best and brightest in both student and academic/research audiences due to reputation concerns.

The primary risk concern for universities is **loss of reputation**. I define risk as the potential for negative impact or damaging events/conditions that adversely contribute to goals and objectives. There are a number of common risks that contribute to reputation loss, such as the following:

- Unethical, immoral, or culturally contrary behavior. This may be in leadership, financial management, athletics, legal, compliance, or any number of areas.
- Failure to protect the life, health, and safety of constituents or customers in our care.
- Failure to provide quality service.
- Failure to protect assets (data/intellectual or physical), personal and private information. A private data breach, corruption or degradation of physical assets, ineffective handling of funds, failure to comply, and fraudulent activity all undermine trust, and some of these harm our constituents personally.
- Failure to recognize and adapt to competition. Technology and social change provide a plethora of interesting alternatives to universities that might not have been envisioned a couple of decades ago. Competition itself may be a risk to call out.
- Failure to maintain public/private support and funding or identify alternative revenue streams as state/federal funding decreases.
- Failure to control costs in delivering our educational, service, research, and other products.
- Failure to recognize and pursue opportunity. There are predictions that many institutions of education (as many as 40 to 50%) in the US will fail in the next decade. I do not know the validity of these concerns, but as with any venture that depends on customer funding, we need to be prepared to react in innovative and relevant ways to the demands of the populace.
- Lack of resiliency in the face of a disaster or other wide-scale economic or damaging structural event.
- Regulatory non-compliance or breach of contract.

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**OBJECTIVE A**

For the Risk Universe, we reviewed higher education and other industry models from the Association of College and University Auditors (ACUA), the Institute of Internal Auditors (IIA), among other relevant sources, and adjusted for changes in external and internal factors. Consideration was given to identifying changes in the risks and opportunities from discussions with appropriate management, our collective knowledge of the University’s operations and past internal audit reports. Once the risks were identified, then they were assigned to a division or department with primary responsibility.

<table>
<thead>
<tr>
<th>Division or Department</th>
<th>Risk Universe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic Affairs</td>
<td>Academics and program support, academic and program quality</td>
</tr>
<tr>
<td>Student Success and Enrollment Management (SSEM)</td>
<td>Student drug and alcohol abuse, illegal acts (students), financial aid, key performance indicators, failure to meet strategic goals</td>
</tr>
<tr>
<td>Administrative Services and Finance (includes FGCU Financing Corp)</td>
<td>Knowingly misspending money, unknowingly misspending money, difference in interpretation of rules and regulations between FGCU and the Legislature, BOG or state auditors. Inappropriate behavior by faculty or staff. Facilities management, funding for strategic priorities, physical safety and security, contract management, financial reporting errors</td>
</tr>
<tr>
<td>General Counsel</td>
<td>Lawsuits (parent, donor, alumni or other 3rd party), legal settlements, potential lack of process or inconsistency of process</td>
</tr>
<tr>
<td>University Advancement (includes FGCU Foundation)</td>
<td>Economic conditions, investment performance, media exposure, community relations</td>
</tr>
<tr>
<td>Intercollegiate Athletics</td>
<td>Public image, media, NCAA compliance, e.g. identity for online classes</td>
</tr>
<tr>
<td>Office of Institutional Equity and Compliance (OIEC)</td>
<td>Compliance and Title IX, administrative policies, are they followed?</td>
</tr>
<tr>
<td>Information Technology Services (ITS)</td>
<td>Data Privacy, cyber security, disasters</td>
</tr>
</tbody>
</table>
OBJECTIVE B

The Institute of Internal Auditors defines risk as the possibility of an event occurring that will have an impact on the achievement of objectives. Risks can be defined and categorized in various manners. Organizations view risks based on their history, experiences, environment, both historical, present and future as perceived. Risks constantly fluctuate by varying degrees.

The risks identified above were categorized by type of exposure on a qualitative basis:

- Strategic - affects FGCU’s ability to achieve its goals
- Financial – Significant financial effects
- Operational – Affects on-going management process
- Compliance – Affects compliance with laws, regulations, or internal policies
- Reputation – Affects FGCU’s reputation

We considered quantitative risk factors, with a higher number representing more risk, for the following six (6) factors:

- Criticality of the unit to the proper functioning of the University
- Internal Controls – a measure of the internal control environment based on prior audit work and other interactions
- Public or Political Sensitivity
- Financial Impact
- Change in Management or Organizational Structure
- Unit’s Unique Systems – if the unit has a unique system, how critical is it to the University’s functioning
- Overall Total Quantitative Factors

Then, how well does FGCU manage the risk: excellent, good, fair, poor.

Finally, potential for fraud to occur, considering mitigating controls or factors: strong, moderate, low.

CONCLUSION

In my opinion, based on the procedures performed, this report identifies appropriate risk areas to facilitate audit topics in preparing the Internal Audit Work Plan for fiscal year 2019-2020.

Prepared By: William D. Foster, MBA, CPA, CIA, CGAP, CFE, CRMA, CCSA
Director, Internal Audit
Florida Gulf Coast University
Office of Internal Audit
DRAFT 2019-20 Audit Work Plan

AUDITS
Objectives may be adjusted as we obtain additional information and/or conditions change relative to risk. Project objectives appear under the audit’s name.

1. Performance Measures Data Integrity Audit
   A. Determine whether there are effective internal controls, processes, and procedures to ensure the completeness and accuracy of data submissions to the Board of Governors, which support performance measures funding.
   B. Ensure the President and Board of Trustees receive the report in time to review, approve and sign data integrity certification and send to Board of Governors by 03/02/2020.

2. Student Loan Information - Section 1009.45, Florida Statutes
   Determine whether the university has at least once during the academic year, provided each student receiving student loans with the following up-to-date information in print or electronic format:
   - An estimate of the student’s total amount of borrowed student loans.
   - The student’s total potential loan repayment, including principal and interest, for the total amount of borrowed student loans.
   - The student’s monthly loan repayment amounts for the total amount of borrowed student loans at the time the institution provides the student loan information required under this paragraph.
   - The percentage of the borrowing limit that the student has reached at the time the information is provided.

   A. Determine whether the University has written policies in place to negotiate, enter into, and execute research contracts including, but not limited to:
      - policies for solicitation and acceptance of research grants,
      - policies for the collection of fees in the context of university sponsored research, and
      - policies relating to the appropriate use of research funds.
   B. Determine whether written, certified policies are being followed.
   C. Determine whether the certification is signed by the most senior officer responsible for research, and is submitted to the Board of Governors by October 1 each year and reported to the Board of Trustees.
4. **Emergency Preparedness IT Audit**
   A. Determine whether there is a Disaster Recovery, Business Continuity, and Incident Response plan is in place, in writing, and approved.
   B. Determine whether the institution has a complete, documented Business Impact Analysis to prioritize critical business functions.
   C. Determine whether issues exist that may limit interim business processing and restoration of systems.
   D. Determine whether the plans are tested and results are reviewed.

5. **Education and General Carryforward Expenditures**
   Determine whether Education and General Carryforward Expenditures made in Fiscal Year 2018-2019 were spent in accordance with applicable state statutes and Board of Governors Regulations.

6. **Coastal Watershed Institute**
   A. Determine whether revenues presented in the Institute’s Annual Report are correctly stated according to appropriate guidelines.
   B. Determine whether expenditures are appropriate, properly authorized and in conformance with applicable guidelines.

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Prepared by Bill Foster, Director of Internal Audit 06/19/2019
Recommended for Approval by President Mike Martin 06/19/2019
And Audit and Compliance Committee Chair Joseph Fogg III xx/xx/xxxx
Approved by Board of Trustees xx/xx/xxxx
ITEM: __5__

Florida Gulf Coast University Board of Trustees
Audit and Compliance Committee
September 10, 2019

SUBJECT: Degree Works Audit

PROPOSED COMMITTEE ACTION

Accept the Degree Works Audit Report Dated June 10, 2019 and recommend its acceptance by the FGCU Board of Trustees.

BACKGROUND INFORMATION

This report presents a limited scope audit of the Degree Works software program to determine whether it provides accurate and timely degree advice for reviewing the student's progress towards degree completion.

Upon acceptance by the Audit and Compliance Committee, a copy of this report will be forwarded to the FGCU Board of Trustees for consideration for final acceptance.

Supporting Documentation Included: Degree Works Audit Report dated June 10, 2019

Prepared by: Director of Internal Audit William Foster

Legal Review: Vice President and General Counsel Vee Leonard (July 21, 2019)

Submitted by: Director of Internal Audit William Foster
INTEROFFICE MEMORANDUM

To: Dr. James Llorens, Provost and Vice President, Academic Affairs  
   Dr. Cathy Duff, Associate Vice President, Academic and Curriculum Support

Cc: Dr. Michael Martin, President  
   Susan Evans, Vice President and Chief of Staff

From: Jena Valerioti, Internal Auditor II  
       William Foster, Director, Internal Audit

Date: July 10, 2019

Re: Degree Works Audit (FINAL REPORT)

Please see the attached final report of the Degree Works Audit, which includes the management responses. The report is dated June 10, 2019, which is the date Internal Audit received the management response from the Associate Vice President of Academic and Curriculum Support.

On June 21, 2019, Vee Leonard, Vice President and General Counsel, completed a legal review of the audit report.

The audit was performed by Jena Valerioti, Internal Auditor II and reviewed by Carol Slade, Internal Auditor III and William Foster, Director, Internal Audit.
Florida Gulf Coast University

Degree Works Audit

Internal Audit Report

Report Date: June 10, 2019
DEGREE WORKS AUDIT

EXECUTIVE SUMMARY
This Report represents a limited-scope audit of the Degree Works software program. Degree Works is a computerized, web-based advising tool, student academic planner, reporting, and enrollment management software package utilized by various University departments. It provides accurate and timely degree advice for students, advisors and faculty in reviewing the student’s progress toward degree completion.

Overall, our audit indicates the use of Degree Works at Florida Gulf Coast University is effective and useful as an advising tool to identify and track degree completion elements. However, we did find an opportunity to enhance access controls as noted in this report.

This audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors. The audit procedures provided a reasonable basis for our opinion and the following reportable observation and recommendation.

OBJECTIVES
A. Determine whether Degree Works’ capabilities are appropriately utilized and its limitations addressed.
B. Determine whether data represented in Degree Works is accurate as compared to original sources.
C. Determine whether the access controls to the program data are appropriate, and sufficient training is available.

AUDIT SCOPE – End of Fieldwork was April 19, 2019.
• Interviews with a total of 11 advisors from all colleges and Exploratory Advising.
• Review a sample of 30 student Degree Works audits and associated Banner screens. The review included students from every college.
• Review Degree Works policies and procedures.
• Review Degree Works training materials.

BACKGROUND
The degree audit tool, the primary degree tracking feature in Degree Works, was implemented in February 2014. Degree Works, including additional features, such as the Student Educational Planner, was fully implemented April 2016. Academic and Curriculum Support (ACS), a department in Academic Affairs, is responsible for oversight of Degree Works. When the academic catalog is updated each year based on approved curriculum changes, these degree requirements are then coded in Degree Works using programming language called Scribe. Part of
ACS’s responsibilities include scribing degree program requirements as outlined in the applicable academic catalog, providing training, resolving user questions and concerns that arise.

Academic advisors are the primary users of Degree Works. Advisors across all colleges use Degree Works to aid in advising students and certifying degrees. While Degree Works enhances academic advising, it is not intended to replace face-to-face advising sessions. It also allows for more timely degree certification by reducing paperwork and manual degree certification checklists.

The primary function of Degree Works is to provide a degree audit. A student’s degree audit outlines their degree requirements and tracks their completed course work all the way through degree completion. User friendly functions, such as checkboxes and color coding exist within each requirements block to outline what courses and requirements are complete, are in progress and need to be completed. Students also have direct access to course requirements through hyperlinks to view course descriptions, prerequisites, and class schedules for courses.

Using Degree Works, advisors are also able to document degree requirement exceptions, make advising notes, calculate grade point average (GPA) goals, and view scenarios for potential changes to a student’s major.

ACS has established a Share Point account for all Degree Works users to access and submit questions or concerns as well as user access requests. Training materials are also available via Share Point and ACS’ website.

A Data Analytics and Reporting Group has been created and charged by Dr. Mitch Cordova, Vice President for Student Success and Enrollment Management and Mary Banks, Associate Vice President and Chief Information Officer to focus on using data, reporting and University systems to enhance student success. This group is considering other potential uses or features of Degree Works and other University systems to enhance student success at the University. For example, they are researching how Degree Works and other methods can be used to predict course demand. Also, a milestones group is working on creating milestones to better demonstrate whether a student is on track to graduate in a timely manner. This milestones group will enhance Degree Works because Degree Works does not track for timeliness to degree completion. This Data Analytics and Reporting Group will provide value by considering uses of Degree Works to enhance student success initiatives.

**OBSERVATIONS**

**Objective A**

Degree Works functions are utilized differently by advising units within each college based on the needs of each college. Some functions utilized by advisors include GPA calculator, “what-if” analysis, look ahead feature to see how adding courses affects student course plans, informational notes and course exceptions.
Interviews with advisors demonstrated that the Student Educational Planner (SEP), a function of Degree Works, is not utilized to the fullest extent. The SEP allows for students to plan which courses they will take for each semester. Advisors cited the following reasons for not utilizing the SEP: 1) students often deviate from an advisor's outlined plan, 2) the time involved with manually entering the plan outweighs its benefits, 3) it can be confusing to students and 4) making changes to the plan is a cumbersome process. The College of Engineering has created their own “smart plan” tracking system through the use of an excel spreadsheet. This allows for more flexibility when creating student plans and allows for sequencing of courses. There is an opportunity for management to review the intended use and functionality of the SEP to determine whether it should be required or if additional training would demonstrate the appropriate use of the SEP. Management might also consider whether alternative “smart plans” could be utilized across other colleges.

Degree Works is also utilized by other university departments such as the Center for Academic Achievement (CAA), Athletics, and Financial Aid. CAA uses Degree Works to document the completion of academic hold requirements. They also use the system to verify if the student has completed those requirements with other departments, such as academic advising. Pre-defined informational notes have been created to easily document academic hold requirement completion. It also is another method to view student information during CAA academic coaching sessions.

Athletics utilizes Degree Works to aid in tracking National Collegiate Athletic Association (NCAA) certification criteria such as progress towards degree and pass rates for degree applicable courses. They also use Degree Works as a check for NCAA degree applicable credits, graduation tracking purposes and to project NCAA eligibility.

Degree Works also has a financial aid component that is not activated for use by our Financial Aid department. At this time, Financial Aid does not have a need for exploring the content and capabilities of this specific financial aid function within Degree Works. Those individuals in Financial Aid with access do however, use other feature in Degree Works to monitor specific financial aid criteria like monitoring the student’s academic plan resulting from financial aid suspension, course completion percentages, and length of financial aid use.

**Objective B**

Our audit testing supports that data represented in Degree Works is just as accurate when compared to Banner. A sample of student data in Degree Works was traced to the applicable Banner screens to check for accuracy for 30 students. *Our review of the 30 students yielded no differences between Banner data and Degree Works data.* We also reviewed degree requirements from catalogs against requirements outlined in Degree Works for 12 degree programs with at least one program from each college. No differences were noted.
Objective C

Our audit review supports that training materials and opportunities are sufficient. Academic and Curriculum Support provides regularly scheduled training as well as additional training sessions as needed. Users requesting access to create course exceptions are required to participate in Degree Works training prior to receiving access. Various resources and step by step guides are also available to Degree Works users. Feedback from advisor interviews indicated that these methods are appropriate and sufficient.

This report includes a recommendation with regards to enhancing Degree Works access controls.

1. Access Control Policy

**Condition:** The Degree Works Access Control Policy for users, available on SharePoint by ACS, does not adequately reflect the current reporting structure of the advising function.

**Criteria:** Only appropriate users should be granted access to Degree Works functions such as course exceptions. Policies should reflect the current organization of the University.

**Cause:** There has been a change in University organization that directly impacted primary user groups of Degree Works. All academic advisor positions are now located within the Student Success and Enrollment Management Division.

**Effect:** The current policy does not provide a clear understanding of the individuals that are authorized to have, request and approve access to Degree Works.

**Recommendation:** It is recommended that Academic and Curriculum Support should work with all applicable departments to update the Degree Works Access Policy to include considerations for the restructured University advising function.

**Academic and Curriculum Support Management Response:** The Office of Academic and Curriculum Support supports this recommendation and will work with all applicable departments to update the Degree Works Access Policy. Discussions have already begun with the Assistant Vice President, University Advising, to address the restructured University advising function in the policy.

**Response Provided By:** Dr. Cathy J. Duff, Associate Vice President, Academic and Curriculum Support

**Person Responsible:** Dr. Cathy J. Duff, Associate Vice President, Academic and Curriculum Support

**Implementation Date:** November 1, 2019
University Advising Management Response: University Advising Services and the Office of Academic Curriculum and Support have begun discussions regarding updates to the Degree Works Access Policy that consider the restructured University advising function.

Response Provided By: Marisa Ouverson, Assistant Vice President, University Advising

Audit Performed by: Jena Valerioti, Internal Auditor II
Audit Reviewed by: Carol Slade, Internal Auditor III and William Foster, MBA, CPA, CIA, CGAP, CFE, CRMA, CCSA
Director of Internal Audit
Florida Gulf Coast University Board of Trustees  
Audit and Compliance Committee  
September 10, 2019

SUBJECT: Vester Marine & Environmental Science Research Field Station Audit

PROPOSED COMMITTEE ACTION

Accept the Vester Marine & Environmental Science Research Field Station Audit Report dated July 10, 2019 and recommend its acceptance by the FGCU Board of Trustees.

BACKGROUND INFORMATION

This report presents a limited scope audit of the Vester Marine & Environmental Science Field Station's activities, revenues, expenditures and related internal controls for calendar year 2018.

Upon acceptance by the Audit and Compliance Committee, a copy of the report will be forwarded to the FGCU Board of Trustees for its consideration for final acceptance.

Supporting Documentation Included: Vester Marine & Environmental Science Research Field Station Audit dated July 10, 2019

Prepared by: Director of Internal Audit William Foster

Legal Review: Vice President and General Counsel Vee Leonard (July 17, 2019)

Submitted by: Director of Internal Audit William Foster
INTEROFFICE MEMORANDUM

To: Dr. James Llorens, Provost and Vice President, Academic Affairs
    Dr. Chuck Lindsey, Interim Dean and Associate Professor College of Arts and Sciences
    Dr. Tachung Yih, Associate Vice President of Research & Dean of Graduate Studies

Cc: Dr. Michael Martin, President
    Susan Evans, Vice President and Chief of Staff

From: Viviana Lauke, Internal Auditor II
       William D. Foster, Director, Internal Audit

Date: July 24, 2019

Re: Vester Marine and Environmental Science Research Field Station Audit (FINAL REPORT)

Please see the attached final report of the Vester Marine and Environmental Science Research Field Station Audit, which includes the management responses. The report is dated July 10, 2019, which is the date Internal Audit received the management responses.

On July 17, 2019, Vee Leonard, Vice President and General Counsel, completed a legal review of the audit report.

The audit was performed by Viviana Lauke, Internal Auditor II and reviewed by William D. Foster, Director, Internal Audit.
Florida Gulf Coast University
Vester Marine & Environmental Science Research Field Station
Internal Audit Report
Report Date: July 10, 2019
EXECUTIVE SUMMARY

This Report represents a limited-scope audit of Vester Marine & Environmental Science Research Field Station (Vester). We reviewed the University’s operations as it relates to Vester’s activities, revenues, expenditures, and related internal controls for the calendar year 2018.

Vester is located on Little Hickory Island in Bonita Springs, Florida, 12 miles from FGCU’s main campus. In June 2007, the FGCU Foundation acquired this waterfront property to support the university’s marine and environmental science programs. The property provides access to local estuarine and coastal environments. The Station connects students, scientists, educators, policy makers, and communities to local environments and enables scientific discovery and invention. During our audit period, calendar year 2018, Dr. Michael Parsons was the Director of the Vester Station.

In our opinion, based on the audit work performed, the evaluated revenue collections, expenditures, programs, and related activities are being conducted in compliance with applicable laws, rules, regulations, and University policies and procedures. However, we identified opportunities for improvement which are addressed in this report.

This audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors. The audit procedures provided a reasonable basis for our opinion and the following reportable observations and recommendations.

OBJECTIVES

A. Determine whether there are sufficient internal controls in place for identified Vester activities.

B. Determine whether revenues are properly assessed, collected and deposited in the correct accounts.

C. Determine whether expenditures are appropriate, properly authorized, and are in compliance with applicable guidelines.

AUDIT SCOPE – End of Fieldwork was May 29, 2019


• Review of Sections 327 and 328, Florida Statutes Vessel Safety - Vessels: Title Certificate; liens; registration

• Review of FGCU Regulation PR1.001 Statement of Agency Organization and Operation
• Review of Florida Gulf Coast University Foundation Inc. Bylaws
• Review of Office of the Controller Procedure Manual Section #8 Property
• Review of Laboratory Safety Guidelines at Vester
• Review of Boat Safety Guidelines at Vester
• Review of Vester Class Request Form
• Review of lease agreement between the FGCU Foundation and the University
• Review of fee schedule for activities related to vessel rental and dormitory rental

BACKGROUND
The Vester Marine & Environmental Science Research Field Station is named for Norm and Nancy Vester, who previously owned and operated the property as the Bonita Beach Plantation Resort. In 2007, the FGCU Foundation acquired the property. The facility is utilized by a number of FGCU science programs for research and education. FGCU students enrolled in various science lab courses have the opportunity to conduct educational projects and research activities in marine biology, oceanography, and environmental science. Non-science classes also utilize the facilities for experiences that enhance their classroom activities such as seminars and tours. Outreach activities, summer camps, and international research programs are hosted by the Station as well.

Daily operations of this facility are coordinated through the College of Arts and Sciences. Since the FGCU Foundation owns the facility, they maintain the building, expending monies related to upkeep including grounds, building maintenance, utilities, and insurance. The property includes three buildings. One building contains, among other things, a student classroom, wet and dry labs and faculty workspace. A second building is an eight-unit apartment building equipped with an outside lab and marine aquaculture cage. The third is a multipurpose building with an additional apartment, a conference room, storage space and labs. Labs are equipped with tanks for water related research, computers, microscopes, and other necessary lab-related equipment like fume hoods and autoclaves. Vester also houses a flow through sea water circulation system which supplies the labs with both raw and filtered seawater. The site includes 11 boat slips with 5 boat lifts, and a fleet of 7 power boats from 19 to 27 feet in length, 21 canoes, and 2 kayaks to facilitate access to mangroves, oyster reefs, mud flats, and seagrasses in and around Estero Bay. The proximity of Vester to the main campus with easy access to the Estero Bay Aquatic Preserve places it in a unique position to support research living laboratories by FGCU faculty, students, and guests.
OBSERVATIONS AND RECOMMENDATIONS

Objective A

1) Operations Manual

Criteria: Guidance for administering Vester should be documented in a manual that contains procedures specific to Vester in addition to referencing established University policies where applicable. A written manual supports allowable practices and consistency in daily operations.

Condition: During our review, we noted that Vester followed appropriate guidelines for campus-wide activities with preexisting University policies and procedures. These included activities related to lab classes, volunteers, tangible personal property, payroll, budgets, and camps.

However, for some activities specific to Vester, there are no policies and procedures or well documented guidelines. Some of these activities without documented policies or procedures include but are not limited to:

- Rentals – boat, dormitory, or lab. Written procedures should include specifying who is responsible for creating and maintaining the revenue fee schedule, including any provision for allowable discounts.
- Boat operation safety training. Written procedures should include training materials and attendance records.
- Visiting school groups and camps with minors. Safety and recordkeeping procedures are needed as well as fee specifications.
- Outside groups, such as collaborative researchers with national or international universities. Procedures should specify whether memorandum of understanding (MOUs), liability waivers, and insurance are applicable with guidance from the Office of the General Counsel.
- Educational programs.
- Internships.
- Vessel Maintenance.

Cause: Vester operates with limited human and financial resources and has been incorporating activities through the years, such as creating networks with other universities and adding community outreach programs. Writing policies and procedures for these activities has not been a priority.

Effect: Procedures that are not in writing may lead to operations inconsistency among those parties using the facilities. Noncompliance with the University’s existing policies and procedures could expose the University to unnecessary risks.

Recommendation: Vester management should develop and maintain an operations manual that addresses all facets of Vester operations. A typical manual would cover areas such as planning, administration, programs, facilities, finance, diving, and boat safety. This manual should be reviewed regularly and updated periodically as activities and conditions change.
**Management Response:** Director Parsons agrees with this recommendation and will work with Vester staff to create an Operations Manual for the Field Station. There are piece-meal materials available that can be incorporated directly into the manual, but new documents will need to be written to address all of the above areas in need of such guidelines.

**Response Provided By:** Michael Parsons, Director of the Vester Field Station

**Person Responsible:** Michael Parsons, Director of the Vester Field Station

**Implementation Date:** The Operations Manual will be developed over the course of the fiscal year 2019-2020, with completion planned by June 30, 2020. Parsons has already implemented suggestions on invoicing (i.e., clearly documenting how various fees were calculated for lab and apartment use on invoices; and numbers the invoices for better tracking).

2) **Office of Research and Graduate Studies: Diving Safety Program**

**Criteria:** According to 29 U.S. Code of Federal Regulations (CFR) 1910 Subpart T 1910.401(a)(2)(iv), there are two elements that a diving activity must contain:

- diving control (safety) board and
- diving safety manual.

Scientific diving should be closely monitored for protection of the divers. Procedures for diving activity should be documented and complied with in order to avoid exposure to unnecessary risks to the divers and the University.

**Condition:** At FGCU, the Institutional Safety Committee (ISC) Guidelines state that there is a Diving Control Board that oversees, approves and monitors diving activity with self-contained underwater breathing apparatus (SCUBA) equipment. We were unable to determine if the Board is operating as stated since Board minutes and approved applications for diving were not available for review despite our requests.

**Cause:** At FGCU, the Office of Research and Graduate Studies (ORGS) administers research compliance through three committees.

1) Institutional Animal Care and Use Committee reviews projects involving animals, endangered species, marine life and fisheries.

2) Institutional Review Board reviews projects with human subjects.

3) Institutional Safety Committee (ISC) administers research safety guidelines including Federal, state, local and University safety policies and regulations. This includes the Director of the Office of Environmental Health and Safety (EH&S) serving as a permanent ex-officio member.

   a) Radiation Safety Committee reports to the ISC and is responsible for radiation safety operations at the University.
b) Diving Control Board reports to the ISC and is responsible for administering diving standards including meeting the conditions that exempt scientific diving from the U.S. Occupational Safety and Health Administration (OSHA) commercial diving regulations.

It appears that oversight from the Institutional Safety Committee was lacking. In addition, as discussed earlier in this report, Vester in general, lacks comprehensive written procedures that might have addressed this issue.

**Effect:** Scientific diving is a serious safety issue for freshwater and marine laboratories. Compliance with written guidelines is critical to maximize the protection of divers from accidental injury and/or illness and to maintain the exemption from Federal OSHA regulations.

**Recommendation:** We recommend that the Office of Research and Graduate Studies ensures that the Diving Control Board operates as stated in the ISC guidelines to comply with all applicable regulations. These guidelines should be made available to Vester and all departments that conduct scientific diving as part of their research or related activities. Records should be maintained as required and available for review. The University Diving Safety Manual should be kept current.

**Office of Research and Graduate Studies Management Response:** The Office of Research and Sponsored Programs (ORSP), a component unit of ORGS, provides administrative support for the ISC. The ISC guidelines are on both the ORGS website and the EH&S website so they are available to all FGCU faculty, staff and students. ORGS will be more diligent in monitoring the oversight of the ISC with regard to the Diving Control Board. To do so, a Canvas course folder was created to organize and compile dive board records so that the ISC, EH&S, ORGS, and the Vester Director or designee can have access. Individual files were created in the Canvas folder for the following items to be stored in one location:

- Diving Disciplinary Actions
- Dive Safety Manual
- Diving Applications
- Diving Board Meeting Agendas
- Diving Board Meeting Minutes
- Diving Equipment Inventory
- Personal Diving Logs
- Training Certificates

**Response Provided By:** Donna Gilmore, Director of Research

**Person Responsible:** Tachung Yih, Ph.D. Associate Vice President for Research

**Implementation Date:** August 1, 2019

**Vester Marine & Environmental Science Research Field Station Management Response:** Director Parsons agrees with the Scientific Diving Program recommendations. FGCU was recently accepted into the American Academy of Underwater Sciences (AAUS), which is the “gold standard” of scientific diving in the United States. We are required by AAUS to keep detailed records of diving activities ranging from diver health to gear maintenance records to dive plan approvals, etc. Donna Gilmore (ORGS) has created a CANVAS page to upload these documents. Parsons is working with Dr. Chuck Lindsey, Interim Dean of the College of Arts and
Sciences and Dr. Greg Tolley, Executive Director of the Water School to secure consistent funding for the dive program to facilitate record keeping and proper dive operations. As AAUS requires this documentation (as outlined in the FGCU Dive Manual), Parsons is confident that the recommendations offered herein will be adhered to through the transition to the AAUS protocols as briefly described here.

Response Provided By: Michael Parsons, Director of the Vester Field Station

Person Responsible: Michael Parsons, Director of the Vester Field Station

Implementation Date: As FGCU was just accepted into AAUS (June 2019), we have already begun to follow the AAUS guidelines. Divers are being trained as required by AAUS and the required documentation is being generated. Therefore, the recommendations have already been implemented.

Objective B
We determined that revenues were properly assessed, collected and recorded in the correct accounts. However, please see Observation I under the Operations Manual, for enhancements to the setting of revenue fees and discounts with appropriate review and approval. An auxiliary account has been set up to record all the revenues derived from the activities conducted at the Station. Approximately $33,611 was generated by the Station for Calendar Year 2018 which included revenues from labs, boats, dormitory usage, and outreach activities such as Marine Science summer camp. We judgmentally selected 10 items for testing. No observations were noted. Additionally, the Station has access to donations made via the Foundation. A total of $41,372 was potentially available to the Station for calendar year 2018 since these funds have restrictions regarding their use.

Objective C
We determined that expenditures were appropriate, properly authorized and in compliance with applicable guidelines for the identified fund codes related to the Station. The available budget for Calendar Year 2018 was approximately $142,269. This total includes an estimate of the revenues generated from activities at the Station and the reminder represents moneys allocated by the College of Arts and Sciences through the Coastal Watershed Institute and General Revenue Appropriations. We judgmentally selected 10 items for testing. No observations were noted.

Audit Performed by: Viviana Lauke, Internal Auditor II
Audit Reviewed by: William Foster, MBA, CPA, CIA, CGAP, CFE, CRMA, CCSA
Director, Internal Audit
Florida Gulf Coast University Board of Trustees
Audit and Compliance Committee
September 10, 2019

SUBJECT: Florida Retirement System Audit

PROPOSED COMMITTEE ACTION

Accept the Florida Retirement System Audit Report and recommend its acceptance by the FGCU Board of Trustees.

BACKGROUND INFORMATION

As authorized under Section 121.193, Florida Statutes, FGCU was selected for an audit in regards to its compliance with Florida Retirement System (FRS) rules and statutes. The objectives of this audit were to determine the accuracy of the reports submitted to the Division of Retirement and to assess the degree of compliance with applicable statutes, rules, and coverage agreements.

This report presents a limited scope audit of Florida Gulf Coast University's reporting related to State Workers Compensation guidelines by auditors for the Florida Retirement System (FRS).

Supporting Documentation Included: FRS Audit Report dated July 23, 2019

Prepared by: Director of Internal Audit William Foster

Legal Review: Vice President and General Counsel Vee Leonard (August 27, 2019)

Submitted by: Director of Internal Audit William Foster
July 23, 2019

Dr. Michael Martin, President  
Florida Gulf Coast University  
10501 Florida Gulf Coast University Boulevard South  
Fort Myers, Florida 33965

Dear Dr. Martin:

As authorized under section 121.193, Florida Statutes, the Retirement Compliance Audit Unit has completed an audit of the Florida Gulf Coast University to determine if the operations related to retirement coverage comply with the Florida Statutes and associated rules. The results of this audit are based on specific sample selections made during the audit. We appreciate the assistance provided during the audit.

The objectives of this audit are to determine the accuracy of reports submitted to the Division of Retirement and to assess the degree of compliance with applicable statutes, rules, and coverage agreements by the Florida Gulf Coast University.

To determine the objectives above, the scope of this audit consisted of reviewing and analyzing retirement transactions reported by Florida Gulf Coast University from July 2010 to April 2019.

The methodology included analyzing the agency’s retirement transactions since July 2010 for workers’ compensation and retirees. The agency’s April 2019 payroll records were reviewed. Personnel files and earnings records for a sample of unreported employees were reviewed for April 2019.

This audit was conducted in accordance with Chapter 121.193, Florida Statutes and using as a guide the *International Standards for the Professional Practice of Internal Auditing*, issued by the Institute of Internal Auditors.

**Results**

Based on the documentation reviewed and the test results from the samples selected, compliance with applicable statutes, rules and coverage agreements are indicated in the following areas:

- Employees are reported from beginning of employment.
- Employees are paid biweekly and wages are reported when paid.
- Lump sum annual leave payments are reported according to Division instructions.
- Accumulated sick leave payments are correctly excluded from Florida Retirement System (FRS) coverage.
Findings & Recommendations

Finding 1:
Effective 7/1/90, a Florida Retirement System (FRS) member is entitled to retirement service credit for the period of time temporary total or temporary partial workers’ compensation payments are received provided the employee, upon recovery, immediately returns to active employment for one calendar month or is approved for disability retirement. When these conditions are met, the employer is required to make retirement adjustments if the employee’s earnings during this period were reported at less than his/her regular pay rate. An employee is not eligible to receive retirement credit for workers’ compensation leave once he/she has reached maximum medical improvement.

Employees receiving workers’ compensation indemnity payments are not reported according to Division instructions. The following employees were identified:

- Marcus Caraway (0206)
  6/25/11                      Date of Injury
  7/19/11                      Maximum Medical Improvement (MMI) date
  6/12                         Wcomp Wages reported after MMI date

- John Rice (1843)
  3/6/14                       Date of Injury
  6/5/14                       Maximum Medical Improvement date
  4/14-5/15                   Low Wages

- Tamara Tassler (6346)
  3/25/15                      Date of Injury
  N/A                          Maximum Medical Improvement date
  4/15-5/15                   Low Wages

- Paul Salerno (6693)
  5/8/13                       Date of Injury
  N/A                          Maximum Medical Improvement date
  9/13-10/13                  No Wages

- Timothy Miller (9488)
  7/9/14                       Date of Injury
  1/8/15                       Maximum Medical Improvement date
  8/14-10/14                  Low Wages

To comply with the Florida Statutes and associated rules, we recommend your agency:

a) Make the appropriate credit adjustments for Caraway (0206) for workers’ compensation wages reported after the MMI date.

b) Make the appropriate adjustments for Rice (1843), Tassler (6346), Salerno (6693), and Miller (9488) using work period code 88.

c) Research employee records to identify all employees who have received temporary total and temporary partial disability payment and determine if they meet the eligibility requirements for workers’ compensation retirement credit. If additional employees meeting the requirements for
workers' compensation credit are identified, the agency should make the appropriate adjustments using work period code 88.

d) Refer to the Florida Retirement System Employer Handbook, Chapters 2 & 3 for additional information regarding workers’ compensation and retirement credit.

e) Review and update policies and procedures to ensure that lump sum annual leave payments are properly reported.

Finding 2:
The following reemployment limitations shall apply to any retiree of a state-administered retirement system who is reemployed by a Florida Retirement System employer in either a regularly established position or a temporary position, during the first 12 calendar months of retirement. For service retirements without DROP participation this 12 calendar month reemployment limitation period shall commence the month of the retiree’s effective date of retirement. For DROP participants such reemployment limitation period shall apply and commence in the calendar month following the participant’s DROP termination date. Any person employed in violation of any of the limitations in this section, and any employing agency which knowingly employs or appoints such person without notifying the Division to suspend retirement benefits shall be jointly and severally liable for reimbursement to the retirement trust fund of any benefits paid during the reemployment limitation period.

If a retiree who did not participate in DROP is reemployed before meeting the definition of termination, as provided in section 121.021(39), the retirement is voided. The retirement application will be canceled and active membership will be retroactively reinstated. The member must repay all retirement benefits received.

To receive benefits upon retiring from the consolidated FRS or concluding DROP participation, a member must end all employment relationships with all FRS employers and remain off all FRS payrolls for at least six calendar months following the effective retirement date or DROP termination date.

Contributions made by a participating FRS employer are not refundable to the member. However, if a member of the FRS or one of the existing systems as defined in Rule 6.001(27), Florida Administrative Code, terminates all employment with FRS-covered employers for any reason other than retirement or death, the member may request a refund of employee contributions paid by him/her and held by the system (and forfeit associated service credit). The refund includes payments made for additional creditable service (if any) but does not include interest. A member may request a refund of employee contributions any time after terminating all employment with FRS employers. The member must remain off all FRS employer payrolls for three calendar months following termination to be eligible to receive a refund of employee contributions.

Your agency employs retirees of the FRS in positions not creditable for retirement. A review of unreported reemployed retirees identified Susan Healy (7301) and Sarah Burt (8512). Ms. Healy was hired as an adjunct effective 01/5/15 and retired effective 12/1/2016. Ms. Healy did not meet termination and/or reemployment provisions. Ms. Burt was hired effective 8/19/15 as an OPS Instructional Assistant and received a refund of her retirement contributions on 2/26/18. Ms. Burt was not eligible to receive a refund of her retirement contributions.

To comply with the Florida Statutes and associated rules, we recommend:

a) The Bureau of Retirement Calculations confirm that Susan Healy (7301) violated termination and/or reemployment provisions. The Bureau of Retirement Calculations will contact both the employee and the employer, if needed, regarding the next steps.

b) The Bureau of Benefit Payments confirm that Sarah Burt (8512) received an invalid refund. The Bureau of Benefit Payments will notify the employee, if needed, regarding the next steps.
c) Your agency should review its records to identify any employees not reported to retirement who have previously retired and worked within the first 12 months of retirement. If any additional employees are identified, contact the Division of Retirement to determine if there are any additional reemployment violations.

d) Your agency notify employees working in temporary and regularly established positions that any employment with a Florida Retirement System participating employer may impact their retirement benefits including a members’ eligibility for a refund of contributions.

e) Your agency refer to the Florida Retirement System Employer Handbook, Chapter 13 for additional information regarding reemployment.

Summary

Please make all retirement adjustments for the findings listed above as soon as possible. Also, please review your records for similar circumstances as noted for findings listed above and make all necessary retirement adjustments. Retirement adjustments should be made on your monthly payroll report using adjustment code A in the prior period adjustment code column (ADJ Code).

Pursuant to Section 121.78, Florida Statutes, retirement contributions paid for a prior period shall be charged a delinquent fee of 1 percent for each calendar month or part thereof that the contributions should have been paid. This includes prior period contributions due to incorrect wages and contributions from an earlier report or wages and contributions that should have been reported but were not. The delinquent assessments may not be waived.

If you have questions concerning retirement eligibility and retirement payroll reporting, please call the Division of Retirement, at 850-907-6500 or toll free at 844-377-1888. The Florida Retirement System Employer Handbook is available online at the Division of Retirement’s website: http://frs.myflorida.com.

Sincerely,

Terrence Fletcher
Terrence Fletcher
Management Review Specialist

cc: Mr. William D. Foster
Ms. Kathy Gould
Ms. Joyce Morgan
Ms. Kelly Recio
Ms. Lindy Still