Florida Gulf Coast University Board of Trustees  
April 15, 2008

SUBJECT: (1) Quality Review of FGCU’s Office of Internal Audit, and (2) Internal Controls

PROPOSED BOARD ACTION

Information only

BACKGROUND INFORMATION

As required by Sections 1010.30 and 11.45, Florida Statutes, FGCU’s Office of Internal Audit (IA) performs its work in compliance with Institute of Internal Auditors (IIA) Standards. In order to comply with the IIA Standards, the operations and work products of FGCU’s IA Office must be reviewed at least once every five years. The IA Office has undergone such an assessment this year, and its operations and work products were found to generally conform to IIA Standards.

With the growth and increasing complexity of University programs and operations, management has taken the opportunity to implement enhancements to FGCU’s existing program of audit and internal controls.

Supporting Documentation Included: (1) Memo from President Wilson Bradshaw to FGCU Board of Trustees, (2) FGCU Management Control Policy, and (3) FGCU Office of Internal Audit Charter.

Prepared by: Internal Audit Director Carol Slade

Legal Review by: General Counsel Vee Leonard (March 31, 2008)

Submitted by: President Wilson G. Bradshaw
MEMORANDUM

TO: Florida Gulf Coast University Board of Trustees
FROM: President Wilson G. Bradshaw
DATE: March 31, 2008
SUBJECT: (1) Quality Review of FGCU's Office of Internal Audit, and (2) Internal Controls

As required by Sections 1010.30 and 11.45, Florida Statutes, Florida Gulf Coast University's Office of Internal Audit performs its work in compliance with Institute of Internal Auditors (IIA) Standards. In order to comply with the IIA Standards, the Internal Audit Office (IA) and its work products must be assessed at least once every five years for conformity with the IIA Standards as a whole. FGCU's Office of Internal Audit has undergone such an assessment, and it was found to generally conform to IIA Standards.

As part of the University's process of continuous improvement of programs and operations, the following enhancements to FGCU's existing programs are being implemented:

- **Enterprise Risk Management**
  - Enterprise risk management is a process that helps an institution identify and evaluate risks, enabling it to more effectively control and mitigate the impact of risks. It expands upon traditional risk management practices by taking a comprehensive, organization-wide approach towards managing risks. It looks at an institution's entire risk spectrum including strategic and planning risks, business and operational risks, and financial and hazard risks. It assesses the spectrum of risks relative to each other.
  - FGCU currently has a number of effective risk management programs in place, and we also are implementing the enterprise risk management program as described above.

- **Management Control Policy**
  - A Management Control Policy describes the responsibility for a system of internal controls and emphasizes the importance of internal control processes. Internal controls are the policies and procedures used to reasonably ensure that assets are safeguarded; transactions are properly recorded; laws, regulations and best practices are followed;
and resources are efficiently and effectively used to accomplish goals and objectives.

- A copy of the "Florida Gulf Coast University Management Control Policy" is presented for your information, as well as a copy of the "FGCU Office of Internal Audit Charter."

As you know, the FGCU Board of Trustees' committees operate as Committees of the Whole. The Finance and Administration Committee includes the audit function among its areas of responsibility, and trustees receive reports from the Internal Audit Director. With the growth and increasing complexity of University programs and operations, the FGCU Board of Trustees may wish to consider the creation of an Audit Committee, in addition to the existing Finance and Administration Committee, and the Academic/Student/Faculty Affairs Committee.

I will be happy to discuss with you any questions about the Internal Audit review process and/or suggestions for its continuing improvement. Thank you.
A Management Control Policy describes the responsibility for a system of checks and balances and emphasizes the importance of internal control processes. Internal controls are the policies and procedures used to reasonably ensure that assets are safeguarded; transactions are properly recorded; laws, regulations and best practices are followed, and resources are efficiently and effectively used to accomplish goals and objectives.

1. A. Management is charged with the responsibility for establishing a network of processes with the objective of controlling the operations of Florida Gulf Coast University in a manner which provides the Board of Trustees reasonable assurance that:
   i. Data and information published either internally or externally is accurate, reliable, and timely.
   ii. The actions of employees are in compliance with the University’s policies, standards, plans and procedures, and all relevant laws and regulations.
   iii. The University’s resources (i.e., its reputation, employees, systems, data information bases) are adequately protected.
   iv. Resources are acquired economically and employed effectively; quality business processes and continuous improvement are emphasized.
   v. The University’s plans, programs, goals, and objectives are achieved.

B. Developing and implementing control processes are functions of management and are integral parts of the overall process of managing internal operations. As such, it is the responsibility of managers at all levels of the University to:
   i. Identify and evaluate the exposures to loss which relate to their particular sphere of operations.
   ii. Specify and establish policies, plans, and operating standards, procedures, systems, and other disciplines to be used to minimize, mitigate, and/or limit the risks associated with the exposures identified.
   iii. Establish practical controlling processes that require and encourage employees to carry out their duties and responsibilities in a manner that achieves the five control objectives outlined in 1A above.
   iv. Maintain the effectiveness of the controlling processes they have established and foster continuous improvement to these processes.

2. The Internal Audit Office is charged with the responsibility for ascertaining that the ongoing processes for controlling operations throughout the University are adequately designed and are functioning in an effective manner. Internal Audit is also responsible for reporting to the President on the adequacy and effectiveness of the University’s systems of internal control, together with ideas, counsel, and recommendations to improve the systems.
3. The President is responsible for monitoring, overseeing, and evaluating the duties and responsibilities of management, the internal audit activity, and the external auditors as those duties and responsibilities relate to the University's processes for controlling its operations. The President also is responsible for reporting to the Chair of the FGCU Board of Trustees or his designee matters that may need to come before the Board. Decisions regarding matters for presentation to the Board will be made by the Chair or his designee.
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) 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.
• 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 Finance and Administration Committee of the FGCU Board of Trustees. The Finance and Administration Committee has audit among its responsibilities.

• 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.
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.