Florida Gulf Coast University Board of Trustees
January 17, 2012

SUBJECT: 2010-2011 Internal Audit Activity Report

PROPOSED BOARD ACTION

Information only.

BACKGROUND INFORMATION

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

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

The 2010-2011 Internal Audit activity report is presented for information only.

Supporting Documentation Included: 2010-2011 Internal Audit Activity Report

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Legal Review by: N/A

Submitted by: President Wilson G. Bradshaw
Office of Internal Audit
Annual Report 2010-2011

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations.”

FLORIDA GULF COAST UNIVERSITY

This annual report provides information on the benefits and effectiveness of the FGCU Office of Internal Audit (OIA) during the 2010—2011 fiscal year. The primary objective of our office is to assist management at all levels of the University and members of the FGCU Board of Trustees in the effective discharge of their duties.
MESSAGE FROM THE DIRECTOR OF INTERNAL AUDIT

This annual report provides information on the benefits and effectiveness of the FGCU Office of Internal Audit (OIA) during the 2010—2011 fiscal year. The primary objective of our office is to assist management at all levels of the University and members of the FGCU Board of Trustees in the effective discharge of their duties.

OIA had a successful year during which we completed substantially all audits in our audit work plan. Also of note, we also completed our first full year of using the data analytics tool IDEA to regularly search all accounts payable records for unusual activity.

Members of the Board of Trustees may also be interested in knowing that, on a recurring basis, additional auditing was performed by the Procurement Services Department and the Payroll Department. During 2010—2011 Procurement Services performed approximately 200 Purchasing Card audits from a population of approximately 265 cards eligible for audit at the fiscal year-end. The Payroll Department performed 75 audits of decentralized payroll custodian records during 2010—2011. The audits provided coverage of the entire population of payroll custodian records.

The Institute of Internal Auditing Standards require internal auditors to continually enhance their knowledge, skills, and other competencies through continuing education. This year Internal Audit complied with this standard when one staff member earned the Certified Internal Auditor designation and another completed a second significant step towards earning it. The third staff member began the MBA program at FGCU.

Our 2011—2012 fiscal year promises to be a challenging one as we undergo a Quality Assurance Review required by the IIA standards. The Review of all aspects of Internal Audit operations will be a comprehensive internal self-assessment with independent validation by a qualified, independent external reviewer.

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

ABOUT OUR DEPARTMENT

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

Each year Senior Management and the Board allocate resources to the Office of Internal Audit that must be used in the effective and efficient execution of audit and consulting services. During the 2010—2011 fiscal year, authorized personnel resources totaled 2.5 positions (2 audit professionals and 1 half-time accountant) for the first half of the year and 3 positions (2 audit professionals and 1 accountant) for the second half of the year.

The Internal Audit Director is a Certified Public Accountant, a Certified Internal Auditor, and a Certified Government Financial Manager. All staff members are professionals with sufficient experience, credentials and continuing education to effectively execute their duties and responsibilities.
Each staff member spent more than 80 hours during 2010—2011 improving their internal auditing skills and knowledge of critical issues in higher education.

**INTERNAL AUDIT ACTIVITY**

Seven projects were scheduled for 2010—2011. Two audits started in 2009—2010 were completed in 2010—2011. Four new projects were started and completed during 2010—2011: three audits and one review. The Institutes and Centers reporting audit began in May 2011 and is scheduled for completion in 2011—2012.

The five audits and one review completed during 2010—2011 are listed below:

- Student Support Services Program Audit
- AB7 Construction Audit
- Fitness Center Revenue Collections & Inventory Audit
- Housing Access Audit
- International Service—Incoming Students Audit
- E-Learning Review

Of the areas audited and reviewed in 2010—2011, the design of key controls taken as a whole appeared sufficient to manage University risks.

![Internal Audit Activity 2010-2011](chart_image)
INTERNAL AUDIT ACTIVITY PLAN 2011-2012

Internal Audit has five projects scheduled for 2011 – 2012. We will begin by completing our audit of Institutes and Centers Reporting that began in May 2011. The next project will require a complete review of Internal Audit operations over the last five years. This is a Quality Assurance Review (QAR) required by Institute of Internal Audit standards. We will prepare the comprehensive internal self-assessment and obtain independent validation by a qualified, independent external reviewer. Other projects will include an audit of travel expenditures, an audit of activity and service fees, and an audit of course fees and certificate program receipts.

Internal Audit Activity 2011-2012

- Audits: 2308, 45%
- Quality Assurance Review: 769, 15%
- Management Assistance: 1026, 20%
- Auditor General Assistance: 769, 15%
- Training, Quality Assurance Improvement Programs and Administrative Tasks: 256, 5%

Numbers Represent: Hours per Fiscal Year, Percentage of Total Hours

POST AUDIT FEEDBACK

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

AUDIT FOLLOW-UP

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

As a part of the audit process, management issues a response to each audit recommendation. Internal Audit requests that the management response include any proposed actions, a responsible party and the proposed
implementation date. After the implementation date has passed, we ask management to provide an update of their progress. Of the audits completed during 2010-2011, all five departments have successfully completed their goals or have taken necessary steps to complete the goals. Follow-up inquiries are not made for reviews.

MANDATORY DISCLOSURES

As mentioned previously, the Office of Internal Audit’s activities are governed by standards promulgated by the Institute of Internal Auditors. These standards require the reporting of specific items to an organization’s Board and Senior Management. The following is a list of required disclosures not previously addressed in the body of this document.

Organizational Independence

As required by standard, the Office of Internal Audit (OIA) must confirm to the board, at least annually, the organizational independence of the internal audit activity. FGCU’s OIA reports administratively to the President and functionally, through the President, to the Audit Committee. Reporting to the Audit Committee helps promote the independence necessary for the OIA to adequately perform its job function.

Impairments to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed. There were no impairments to independence or objectivity for any engagements performed during the 2010 – 2011 fiscal year.

Disclosure of Nonconformance

Occasionally circumstances require the completion of projects/engagements in a manner that is not consistent with applicable standards. When this occurs, the OIA must disclose the nonconformance and the impact to Senior Management and the Board. During the 2010 – 2011 fiscal year, there were no instances in which projects were performed in a manner that did not comply with applicable standards.

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 in limited circumstances and is often due to cost/benefit constraints. The OIA is required to disclose to Senior Management and the Board any situations in which it is believed university personnel has accepted a level of residual risk that may not adequately reduce/mitigate the risk of loss. There were no such instances during the 2010 – 2011.