Florida Gulf Coast University Board of Trustees  
January 17, 2012

SUBJECT: Institutes and Centers Reporting Audit

PROPOSED BOARD ACTION

Accept the internal audit of Florida Gulf Coast University institutes and centers reporting provided to President Wilson Bradshaw, Provost and Vice President for Academic Affairs Ron Toll, and Associate Vice President for Research Tom Roberts on December 2, 2011.

BACKGROUND INFORMATION

This report presents a limited scope audit of reporting by Florida Gulf Coast University institutes and centers. The audit’s objective was to verify reporting compliance with Florida Board of Governors Regulation 10.015 and Florida Gulf Coast University Policy 2.001.

The audit was part of the 2011 - 2012 internal audit plan approved by the FGCU Board of Trustees at its June 21, 2011 meeting.

Supporting Documentation Included: Institutes and Centers Reporting Audit Issued December 2, 2011

Prepared by: Director of Internal Audit Carol Slade

Legal Review by: General Counsel Vee Leonard (December 1, 2011)

Submitted by: President Wilson G. Bradshaw
INTEROFFICE MEMORANDUM

To: Dr. Ronald Toll, Provost and Vice President of Academic Affairs
   Dr. Thomas Roberts, Associate Vice President for Research

Cc: Dr. Wilson Bradshaw, President
    Susan Evans, Chief of Staff

From: Carol Slade, CIA, CPA, Director of Internal Audit
      Jena May, Accountant

Date: December 2, 2011

Subject: Institutes and Centers Reporting Audit (FINAL REPORT)

Please see the attached final report of the Institutes and Centers Reporting Audit, which includes the management response. The report is dated November 14, 2011, which is the date Internal Audit received the management response from the Associate Vice President for Research.

Vee Leonard, General Counsel, completed a legal review of the audit report. The audit was performed by Carol Slade, Director of Internal Audit and Jena May, Accountant. It was reviewed by Deborah McEwan, Senior Auditor.
Florida Gulf Coast University
Institutes and Centers Reporting Audit
Internal Audit Report
Report Date: November 14, 2011
EXECUTIVE SUMMARY

This Report represents a limited scope audit of the 2009 – 2010 annual reporting by the Florida Gulf Coast University (FGCU) institutes and centers. Overall institute and center reporting met the requirements of Florida Board of Governors Regulation 10.015 and FGCU Policy 2.001. The annual reports of all institutes and centers were submitted timely to the Board of Governors. Some miscalculations in the annual reports of data occurred despite sound procedures for their preparation and review. Strengthening internal controls within existing procedures may improve accuracy for more effective decision making. In compliance with FGCU Policy 2.001, the Grants and Research Team performed complete reviews and evaluations of all institute and center supplemental reports with acknowledgement of successes and suggestions for improvement.

OBJECTIVES

A. Determine that the 2009 – 2010 reports of FGCU institutes and centers were in compliance with Florida Board of Governors’ reporting requirements and with FGCU policies.

B. Determine that all institutes and centers followed the FGCU policies and procedures that ensure that monies were spent on allowable expenditures appropriate to their missions.

C. Determine that the Grants and Research Team’s evaluation of the 2009 – 2010 annual report supplements disclosed that the institutes and centers demonstrated program effectiveness and progress towards their stated missions.

D. Determine that equipment purchased by an institute or center during the reporting period was properly maintained as a university asset according to FGCU regulation and procedures in effect during 2009 – 2010.

This limited-scope 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.

AUDIT SCOPE. – End of Fieldwork was October 7, 2011
The audit scope included the annual reports submitted by the seven (7) FGCU institutes and centers to the Board of Governors for the 2009-2010 fiscal year. The Center for Leadership and Innovation, a center located in the Lutgert College of Business (LCOB), included in its reporting eight (8) institutes also located in the LCOB. These eight (8) institutes were also included in our audit.

The following are FGCU institutes and centers that have been established in accordance with FGCU policies.

1. The Coastal Watershed Institute;
2. The Center for Environmental & Sustainability Education;
3. The Center for Leadership and Innovation. The Center includes the following institutes as part of its reporting entity:
   i. the Institute for Chinese Studies;
   ii. the Regional Economic Research Institute;
   iii. the Institute for Entrepreneurship;
   iv. the Institute for Advances in Human Resources;
   v. the Lucas Institute for Real Estate Development and Finance;
   vi. the Institute for Business and Professional Ethics;
   vii. the Institute for Responsible Corporate Governance; and,
   viii. the Institute for Technology Innovation.
4. The Whitaker Center for Science, Technology, Engineering, and Mathematics (STEM) Education;
5. The Institute for Youth and Justice Studies;
6. The Southwest Center for Public and Social Policy; and,
7. FGCU's Small Business Development Center (SBDC). The SBDC is part of the Florida SBDC network. The network provides management advice, training and information needed to make business decisions. This statewide service network is hosted by the University of West Florida. FGCU is a regional center for the Florida SBDC.

The annual reports of data are required by Board of Governors Regulation 10.015 and FGCU Policy 2.001. The FGCU Small Business Development Center, a regional center, reports through the University of West Florida, its state headquarters. However, the Board of Governors has requested that the FGCU Small Business Development Center submit its own annual report of data to them, and FGCU complies with this request.

From the seven (7) annual reports described in paragraph 1 of the Audit Scope section, the reported actual expenditures of all the institutes and centers were reviewed. The calculations of actual FTE (full time equivalent) positions for three (3) institutes and centers were reviewed.
The three (3) institutes and centers were the Center for Environmental & Sustainability Education, the Whitaker Center for Science, Technology, Engineering and Mathematics (STEM) Education, and the Institute for Youth and Justice Studies. No estimated 2010 - 2011 budget information was reviewed because of its inherent subjectivity.

The audit also included a review of the annual report supplements created by 14 of the 15 institutes and centers as well as the associated reviews and evaluations by the Grants and Research Team. As mentioned above, the 15th center, FGCU Small Business Development Center submits its annual report to the University of West Florida per grant requirements. The Board of Governors requests that the FGCU Small Business Development Center also submit its annual report of data to them. However, Associate Vice President for Research Thomas J. Roberts believes that the Small Business Development Center is not required by the Board of Governors to complete an annual report supplement. The requirements for an annual report supplement and the evaluation procedure are set forth in FGCU Policy 2.001.

BACKGROUND

Florida's public universities support hundreds of centers and institutes that pursue research, teaching, and public service goals. They supplement and extend existing departmental and college instruction, research, and service programs.

State Legislature Interest in Institutes and Centers Addressed in External Audits
The Office of Program Policy Analysis & Government Accountability (OPPAGA) provides the Florida Legislature with evaluative research and objective analyses to promote government accountability and the efficient and effective use of public resources. In August 2007, OPPAGA provided the Legislature with a report titled "University Centers and Institutes Report Many Benefits; the Oversight Process Needs to Be Strengthened." OPPAGA noted that, as of 2005 – 2006 (the latest date for which data was available in August 2007), the majority of universities had not established performance expectations for centers and institutes. In addition, OPPAGA stated that "universities should improve financial oversight of centers and institutes."

After the report was released, another audit arm of the Legislature, the Auditor General (AG) began reviewing institutes and centers as a part of their biennial operational audits. The AG operational audit for the 2007 – 2008 fiscal year included a comment that "certain information in the University’s annual reporting of information for institutes and centers to the Board of Governors was incorrect." However, the next AG audit for the 2009 – 2010 fiscal year had no institutes and centers finding.

OPPAGA issued a follow-up report in May 2010. On a statewide basis, and including only State of Florida institutes and centers in its sample, OPPAGA stated that "increased accountability and
oversight of university centers and institutes is needed.” The agency recognized that the Board of Governors and universities had adopted new regulations, policies, and procedures but stated that additional action was needed. OPPAGA was also concerned that most university internal auditing offices (including ours) still did not consider centers and institutes individually in routine risk assessments.

For these reasons, and because Internal Audit (IA) had never performed an audit of any aspect of institutes and centers, an institutes and centers reporting audit was selected as part of IA’s 2011 – 2012 fiscal year audit plan.

**General Information about FGCU Institutes and Centers**

There are two (2) categories of institutes and centers in Florida public universities:

- State of Florida institutes and centers which must be approved by the Florida Board of Governors
- University institutes and centers

Currently no FGCU institutes and centers are State of Florida institutes and centers. FGCU has seven (7) University institutes and centers that submit annual reports of actual and estimated expenditure and position data to the Board of Governors. The FGCU Center for Leadership and Innovation report includes its own data and the data of eight (8) other institutes. The Small Business Development Center is a regional center that reports all its information to the University of West Florida, its state headquarters.

An eighth institute (not part of our review), the Florida Institute of Government, is an affiliated office of the John Scott Dailey Florida Institute of Government (IOG) whose executive center is located at Florida State University (FSU). FSU includes the data from all IOG affiliates in its reports to the Board of Governors.

The Board of Governors defines a university institute or center as “an entity that is generally established by a single university to coordinate institutional research, service, and/or educational/training activities that enhance existing instruction, research, and service at the university.” BOG Regulation 10.015, Institutes and Centers, continues by stating that “the budget of a university institute or center and any requests for additional funding are wholly within the purview of the host university.”

Board of Governors Regulation 10.015(3) requires that “the University Board of Trustees must adopt policies for establishing, operating, evaluating, reviewing, and disbanding university institutes and centers in accordance with Board of Governors criteria.” FGCU’s policy is 2.001, Centers and Institutes. In addition to complying with the BOG regulation, the policy “provides for a consistent set of criteria and procedures that allows for the formal approval and review of
proposals to establish centers and institutes. By so doing, FGCU will ensure that all centers and institutes operating under its auspices are viable, capable of fulfilling their stated purposes and goals, and are accountable for the ongoing achievement of their respective missions.”

The Board of Governors requires that each institute or center report annually actual and estimated expenditures and position data via a Web based reporting system. FGCU policy specifies that the annual reports to the Board of Governors will be reviewed by the Office of Research and Sponsored Programs (ORSP); and, once ORSP has determined that the reports are in compliance with Board of Governors instructions, the reports are submitted to the Board of Governors utilizing its reporting system. ORSP is led by Dr. Thomas J. Roberts, Associate Vice President for Research.

FGCU Policy 2.001 states that “University institutes or centers must have a formal review conducted at least once every seven years. In an effort to stay apprised of institute/center activity, establish an ongoing record of activity, and to ensure activities of an institute/center are current and fiscally sound, a formal review will be conducted annually.”

In order to comply with this policy, the director of each institute and center creates an annual supplemental report to accompany the data report that is required annually by the Board of Governors. The Office of Research and Sponsored Programs has created an Annual Report Supplement template that is utilized by each institute and center, exclusive of the Small Business Development Center, when creating their annual report supplement. Each supplement report focuses on the ended fiscal year’s activities, goals, objectives, budget and scholarly enhancement. After the close of each fiscal year, the director submits the supplemental report to the Grants and Research Team for evaluation.

The Grants and Research Team’s Annual Report Review of each institute or center’s supplemental report includes an overall evaluation of its performance, feedback on the quality of the written report and a summary letter of Team observations from Dr. Roberts. The letter is copied to the President, the Provost, the dean of the college in which the institute or center is located, and members of the Grants and Research Team.

**OBSERVATIONS AND RECOMMENDATIONS**

*Objectives A and B: 2009 – 2010 Annual Report*

*Observations*

1. The State University System (SUS) Institutes/Centers Online Reporting System instructions indicate that expenditures for an institute or center include, but are not limited to, expenditures from expense categories such as salaries and benefits for Faculty*
as well as Administrative & Professional and Support personnel. For two (2) of seven (7) institutes and centers, the report preparers did not include Payroll Department adjustments to benefits, thereby overstating expenditures by approximately $4,700 in one instance and $13,700 in the other.

2. For three (3) institutes and centers reports, expenditures were understated by amounts that ranged from approximately $500 to $35,000. For instance, the largest institute omitted certain salary and benefit expenditures that totaled approximately $35,000 or 2.5% of reported institute expenditures.

3. Our review of actual FTE (full time equivalent) positions for three (3) institutes and centers reports revealed that full-time equivalent positions were underreported for all three (3) entities by approximately fifty percent (50%). The range of underreporting was 48% (.983 FTE) to 69% (.068 FTE). The institute and centers reviewed are marked with asterisks (*) in the table below.

4. The table below displays the expenditures and FTE positions reported for each institute or center. Seventy-Seven percent (77%) of total expenditures were paid with funds from contracts and grants.

<table>
<thead>
<tr>
<th>Total 2009 – 2010 Reported Expenditures and FTE</th>
<th>SUS Appropriated Funds</th>
<th>Contracts and Grants</th>
<th>Fees for Services</th>
<th>Private &amp; Other</th>
<th>Total</th>
<th>FTE Total</th>
</tr>
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<tbody>
<tr>
<td>Center for Leadership and Innovation</td>
<td>$</td>
<td>-</td>
<td>$448,488.00</td>
<td>$134,032.00</td>
<td>$35,043.00</td>
<td>$617,563.00</td>
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<td>SW FL Center for Public and Social Policy</td>
<td>$</td>
<td>-</td>
<td>$10,606.00</td>
<td>$11,631.06</td>
<td>-</td>
<td>$22,237.06</td>
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<td>Center for Environmental &amp; Sustainability</td>
<td>$70,686.83</td>
<td>$62,690.85</td>
<td>$1,414,402.77</td>
<td>-</td>
<td>$63,154.59</td>
<td>$196,532.27</td>
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<td>Education*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coastal Watershed Institute</td>
<td>$</td>
<td>-</td>
<td>$1,414,402.77</td>
<td>-</td>
<td>-</td>
<td>$1,414,402.77</td>
</tr>
<tr>
<td>Whitaker Center for STEM Education*</td>
<td>$188,491.48</td>
<td>$107,336.00</td>
<td>-</td>
<td>$26,105.04</td>
<td>$321,932.52</td>
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<td>Institute for Youth and Justice Studies*</td>
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<td>-</td>
<td>$6,462.61</td>
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Recommendation Regarding Annual Report of Data

There are sound procedures in place for the reporting required for the annual reports to the Board of Governors. However, it appears that not all of the controls in the procedures are functioning adequately. We believe that the Office of Research and Sponsored Programs, in consultation with the directors of the institutes and centers, can best determine how to strengthen the internal controls that are part of report preparation procedures. Strengthened controls will ensure more accurate reporting, and accurate reporting allows for more effective decision making at the university level.
**Objective C: Annual Report Supplements for 2009-2010**

**Observations**

All FGCU institutes and centers created required annual report supplements for 2009 – 2010. The Grants and Research Team reviewed and evaluated all the supplemental reports. Each institute or center director received a cover letter regarding the results of the review and evaluation. Institute or center strengths as well as any applicable weaknesses were addressed in the cover letter. Copies of the letter are sent routinely to the President, the Provost, the dean of the college in which the institute or center is located, and members of the Grants and Research Team.

Each overall evaluation included scores Part I – Overall Evaluation of Center Performance and Part II – Feedback on the Quality of the Written Report. In its evaluation of center performance, the Grants and Research Team issues scores ranging from one (1) to five (5). A score of 1 is below average, a score of 2 is average, a score of 3 is good, a score of 4 is excellent, and a score of 5 is outstanding. However, intermediate scores such as 3.70 were issued. The Small Business Development Center is not included in the evaluation because it is not required to prepare an annual report supplement. The Small Business Development Center reports its activities as a regional center to the state office at the University of West Florida. Therefore, Associate Vice President for Research Thomas J. Roberts believes that the Small Business Development Center is not required by the Board of Governors to complete an annual report supplement.

Part I – Overall Evaluation of Center Performance

The graphs below summarize the Overall Evaluation of Center Performance scores from the 14 supplemental reports. The graphs indicate the number of times a score was given for a particular range of scores. For example, four (4) institutes and centers received a score from 4.01 to 5 for the “overall support of FGCU’s mission and vision” category.
Support of FGCU's Mission/Vision

Annual Achievements

Viability and Longevity

Accountability

Part II – Feedback on the Quality of the Written Report

The graphs below summarize the Feedback on the Quality of the Written Report from the fourteen supplemental reports. The same grading scale described above applies. (However, scores for the quality of the “vision and mission” and the “permanent goals” are either a score of 0 or 5. As long as the report included a vision and mission statement and permanent goals, those criteria received grades of 5.)
Recommendation Regarding Annual Report Supplements

There are no audit recommendations. FGCU policy 2.001 with its implementing procedures for the creation, review and evaluation of the supplemental reports are the responsibility of the Office of Research and Sponsored Programs. The policy was approved by the Provost and Vice President of Academic Affairs and then, by the Board of Trustees. The 2009 – 2010 annual report supplements were created by the directors of institutes and centers, who are Faculty members. The reports were reviewed and evaluated by the Grants and Research Team.

Objective D: Equipment Purchased with Institute and Center Funds

Observation

The audit included an inspection of all equipment with a cost exceeding $1,000 that had been purchased by an institute or center during the 2009 – 2010 fiscal year. Although purchased and used by a particular institute or center, such equipment is an FGCU asset that must be safeguarded accordingly.

All items were appropriately recorded, tagged and inventoried according to FGCU regulation and procedures.

Audit Performed by: Carol Slade, Director of Internal Audit and Jena May, Accountant
Audit Reviewed by: Deborah McEwan, Senior Auditor
1. Institutes and Centers Reporting

RECOMMENDATION (page 7 of Institutes and Centers Reporting Audit):

“There are sound procedures in place for the reporting required for the annual reports to the Board of Governors. However, it appears that not all of the controls in the procedures are functioning adequately. We believe that the Office of Research and Sponsored Programs, in consultation with the directors of the institutes and centers, can best determine how to strengthen the internal controls that are part of report preparation procedures. Strengthened controls will ensure more accurate reporting, and accurate reporting allows for more effective decision making at the university level.”

RESPONSE:

The Office of Research and Sponsored Programs (ORSP) concurs with the recommendation. ORSP will instruct the Center and Institute Directors to report all adjustments to E&G Fringe Benefits and not the consolidated benefit transfer amounts as previously done. Regarding the reporting of FTE positions, we [Office of Research and Sponsored Programs] felt the SUS Institutes/Centers Online Reporting System instructions were not clear as to the reporting of summer salary activity and a “best estimate” was used as allowed in the reporting instructions. However, we will instruct the Centers and Institute Directors to utilize the procedures contained in the test methodology section of the Internal Audit review in order to ensure consistent reporting. This will require the Centers and Institute Directors to have access to specific HR screens to use the correct FTE number in their calculations.

IMPLEMENTATION DATE: Specific instruction will be provided to Center and Institute Directors in January 2012 and be applied to the next reporting period (FY 2011-2012). In addition, Human Resources will be informed of the need for Center and Institute Directors to have access to specific HR screens in Banner.

PERSON RESPONSIBLE: Thomas J. Roberts, Associate Vice President for Research