

FLORIDA

POLYTECHNIC
UNIVERSITY

Audit & Compliance Committee Meeting

Wednesday, September 7, 2016
2:15 p.m. Eastern Standard Time
(or upon adjournment of the Academic and Student Affairs Committee meeting)

Florida Polytechnic University
Admissions Center
4700 Research Way
Lakeland, FL 33801-8531

Cliff Otto, Chair
Rear Admiral Philip Dur

Don Wilson, Vice-Chair
Dr. Richard Hallion

Bill Brown

AGENDA

- | | | |
|------|--|-------------------|
| I. | Call to Order | Cliff Otto, Chair |
| II. | Roll Call | Maggie Mariucci |
| III. | Public Comment | Cliff Otto, Chair |
| IV. | Approval of March 16, 2016 Minutes (Pg. 2-4)
Action Required | Cliff Otto, Chair |
| V. | Regulatory Update (Pg. 5-24) | Mark Mroczkowski |
| VI. | Internal Audit Report (Pg. 25-47)
Action Required | Mark Mroczkowski |
| VII. | Closing Remarks and Adjournment | Cliff Otto, Chair |

DRAFT

**FLORIDA POLYTECHNIC UNIVERSITY
AUDIT & COMPLIANCE COMMITTEE
MEETING MINUTES
The Terrace Hotel
Ballrooms A and B
329 East Main Street
Lakeland, FL 33801
March 16, 2016 at 12:45 p.m.**

I. Call to Order and Roll Call

Chair Don Wilson called the Audit and Compliance Committee meeting to order at 11:46 a.m.

Maggie Mariucci called the roll: Chair Don Wilson, Trustee Dick Hallion, and Trustee Bob Stork were present (Quorum).

Other trustees present: Trustee Sandra Featherman, Trustee Veronica Perez-Herrera, Trustee Frank Martin, and Trustee Bob Stork were present.

Staff present: President Randy Avent, Gina DeJulio, Tom Hull, Maggie Mariucci, Rick Maxey, Mark Mroczkowski, Dr. Elhami Nasr, and Scott Rhodes were present.

II. Public Comment

There were no requests for public comment.

III. Approval of Minutes

Trustee Dick Hallion made a motion to approve the Audit and Compliance Committee meeting minutes of September 9, 2015. Trustee Bob Stork seconded the motion; a vote was taken, and the motion passed unanimously.

IV. Operational Audit by the Auditor General

Mark Mroczkowski presented a report to the Committee concerning the Operational Audit by the Auditor General. On December 18, 2015, the Florida Auditor General issued its report on the first ever operational audit of the University which focused on selected University processes and administrative actions and concluded with eight findings.

1. *Finding 1* – The University had not adopted a detailed action plan to transition to the University the administrative service responsibilities that were being performed by the University of Florida.

Action - Florida Polytechnic and the University of Florida have completed and agreed upon a detailed transition action plan for approval by the Board.

2. *Finding 2* – University had not developed comprehensive written procedures for all accounting and other business-related functions. This will be completed by September 30, 2016.

Action – The University continues to operate under a Shared Services agreement with University of Florida. The University operated in accordance with University of Florida’s written procedures for those processes they managed and Florida Polytechnic’s written procedures for the processes we manage. As part of the process of implementing a new ERP System, Florida Polytechnic is redesigning and documenting a new set of comprehensive processes and procedures based on best business practices.

3. *Finding 3* – The University needs to enhance its textbook affordability monitoring procedures to ensure that textbooks are timely posted on its website in accordance with State Law.

Action – In December 2015, the University completed an integration between the Barnes & Noble system and Florida Polytechnic’s Student Information System such that students can now see a book list button next to each course in the “Course Offering” and “Registration” online menu items.

- As of last semester, we were 74% compliant, and we plan to be more compliant by next fall.

4. *Finding 4* – The University did not perform background screenings for individuals in positions of special trust and responsibility.

Action - The University has acquired a LiveScan device that electronically scans applicants’ fingerprints and collects other information and uploads that information to the Florida Department of Law Enforcement who, in turn, submits the information to the FBI for fingerprint Level 2 background check.

Trustee Don Wilson suggests it is definitely worth the investment to screen everyone.

5. *Finding 5* – The University needs to implement procedures to ensure supervisory review and approval of exempt employees’ work time and ensure it is documented.

Action – As part of the implementation of the new ERP System, the University is planning to implement this recommendation using automation.

6. *Finding 6* – The University needs to enhance controls over payments for contractual services.

Action – Since June 2015, the University has steadily increased staffing in its’ accounting department to improve processes and enable implementation of the ERP System. With the new staff, Florida Polytechnic has improved its’ procedures and processes sufficiently to ensure that internal controls are adequate to prevent errors such as those noted by the auditors.

7. *Finding 7* – The University did not adequately document the effectiveness and suitability of software acquisition and had not clearly established, prior to purchase, time frames for implementation.

Action – The University personnel performed due diligence on the system acquired and followed appropriate contracting procedures by piggy-backing on a contract that had been competitively solicited and in doing so felt confident that the best price was obtained.

Although the University knew the approximate time frame for implementation, it could not have precisely or adequately made this determination prior to commencing discovery and implementation.

8. *Finding 8* – The University needs to enhance procedures over the purchasing card program.

Action – Since June 2015, the University has steadily increased staffing in its accounting department to improve processes. With the new staff, Florida Polytechnic has improved its procedures and processes sufficiently to ensure that internal controls are adequate to prevent errors such as those noted by the auditors.

DRAFT

AGENDA ITEM: V

**Florida Polytechnic University
Board of Trustees
Audit and Compliance Committee
September 7, 2016**

Subject: Regulatory Update

Proposed Committee Action

No action required- information only

Background Information

The Board of Governors has proposed new regulations governing SUS audit and compliance. We together with other Universities participated in workshops and otherwise commented on the attached draft regulations that are now in final form and expected to be approved by the BOG in its next meeting September 21 and 22, 2016.

The attached presentation summarizes the new regulations.

Supporting Documentation:

1. Presentation summarizing regulations
2. Draft BOG regulations:
 - 4.001 *State University System Processes for Complaints of Waste, Fraud, or Financial Mismanagement;*
 - 4.002 *State University System Chief Audit Executives;*
 - 4.003 *State University System Compliance and Ethics Programs; and*
 - 4.004 *Board of Governors Oversight Enforcement Authority*

Prepared by: Mark Mroczkowski, Vice President and CFO

FLORIDA

POLYTECHNIC
UNIVERSITY

**New Audit and Compliance
Regulations**

Mark Mroczkowski

September 7, 2016

Audit and Compliance Committee 09.07.16
Page 6

4.002 State University System Chief Audit Executives

- 1. University shall have a chief audit executive (“CAE”)**
- 2. BOT shall establish an audit and compliance committee**
- 3. BOT shall adopt a charter which defines the duties and responsibilities of the CAE**
- 4. BOT must obtain Board of Governors’ approval before outsourcing the CAE’s entire audit or investigative function**
- 5. CAE must be organizationally independent and objective**
- 6. Scope and assignment of audits shall be determined by the CAE**
- 7. President and BOT may request specific audits**

4.002 State University System Chief Audit Executives

- 8. CAE may be designated by BOT to review information and coordinate all activities required by the Florida Whistle-blower's Act**
- 9. CAE shall prepare an annual report to the President, BOT, and the BOG**

4.001 State University System Processes for Complaints of Waste, Fraud, or Financial Mismanagement

- 1. BOT shall have a process for reporting allegations of waste, fraud, or financial mismanagement to the CAE**
- 2. CAE shall provide BOG evidence that BOT can address any allegation(s)**
- 3. The BOG will evaluate any allegation(s) for disposition**
- 4. BOT shall adopt a regulation requiring BOG notification, of allegation(s) against the President or a BOT member**
- 5. BOT regulation shall address allegation(s) made against the CAE or CCO**

4.003 State University System Compliance and Ethics Programs

- 1. BOT shall implement a compliance and ethics program**
- 2. Program must be effective and consistent with state law and federal sentencing guidelines**
- 3. BOT shall assign this to the Audit & Compliance Committee**
- 4. University shall designate a senior level administrator as the Chief Compliance Officer (CCO)**
- 5. The CCO reports to BOT and President**
- 6. The Program must address eight components**

4.004 Board of Governors Oversight Enforcement Authority

- 1. Florida Legislature has the authority to address universities fail to correct audit findings from the two preceding financial or operational audit reports
Unresolved matters shall be referred to the BOG**
- 2. The BOG's Office of Inspector General and Director of Compliance (OIGC) will investigate all instances referred to the Board of Governors by the JLAC**
- 3. The OIGC investigation finding will be reported to BOT for a written response to demonstrate compliance or a plan to come into compliance**

4.004 Board of Governors Oversight Enforcement Authority

- 4. If the BOT is unwilling or unable to come into compliance, the BOG may:
 - a) Withhold state funds**
 - b) Declare the University ineligible for grants**
 - c) Require monthly reporting**
 - d) Recommend that the Legislature take action****

4.001 University System Processes for Complaints of Waste, Fraud, or Financial Mismanagement

- (1) The Office of Inspector General and Director of Compliance (OIGC) for the State University System of Florida Board of Governors shall be organized to promote accountability, efficiency, and effectiveness, and to detect fraud and abuse within state universities. The OIGC charter is incorporated herein by this reference.
- (2) Each board of trustees shall have a process for university staff, faculty, students, and board of trustees members to report allegations of waste, fraud, or financial mismanagement to the university chief audit executive.
- (3) Significant and credible allegations are those that, in the judgment of the chief audit executive, require the attention of those charged with governance and have indicia of reliability. For significant and credible allegations of waste, fraud, or financial mismanagement within the university and its board of trustees' operational authority, the chief audit executive shall timely provide the OIGC sufficient information to demonstrate that the board of trustees is both willing and able to address the allegation(s). If the information provided by the chief audit executive does not clearly demonstrate that the board of trustees is both willing and able to address the allegation(s), then the OIGC will conduct a preliminary inquiry in accordance with section 10.2.a of the OIGC Charter.
- (4) Upon the OIGC's receipt of a complaint, the OIGC will evaluate the nature of the allegation(s) to determine operational authority, proper handling, and disposition. University-related allegations will be handled as described below:
 - (a) Such allegations will be referred to the university chief audit executive for appropriate action without regard to the final responsible entity at the university. As appropriate, a copy of the referral will be provided to the chief compliance officer and general counsel. For significant and credible allegations of waste, fraud, or financial mismanagement, the chief audit executive shall provide the OIGC with university action and final case disposition information sufficient to demonstrate that the board of trustees was both willing and able to address such allegations.
 - (b) When case disposition information does not clearly demonstrate that the board of trustees was both willing and able to address significant and credible allegation(s), then the OIGC will conduct a preliminary inquiry in accordance with section 10.2.a of the OIGC Charter.
- (5) Each board of trustees shall adopt a regulation which requires timely notification to the Board of Governors, through the OIGC, of any significant and credible allegation(s)

of fraud, waste, mismanagement, misconduct, and other abuses made against the university president or a board of trustees member. Such allegations will be handled as follows:

- (a) The chair of the board of trustees (or chair of the board of trustees' committee responsible for handling audit matters if the allegations involve the board chair), in consultation with the chair of the Board of Governors, shall review the matter and may ask the OIGC to conduct a preliminary inquiry, in accordance with section 10.2.a of the OIGC Charter. If it is determined that an investigation is warranted, it shall take one of the following forms:
 1. The board of trustees will hire an independent outside firm to conduct the investigation with OIGC guidance and monitoring; or
 2. The OIGC will perform the investigation.
- (b) At the conclusion of such investigation, the report shall be submitted to the subject, who shall have twenty (20) working days from the date of the report to submit a written response. The subject's response and the investigator's rebuttal to the response, if any, shall be included in the final report presented to the chair of the board of trustees and the Board of Governor's Audit and Compliance Committee.
- (6) The board of trustees' regulation shall articulate how the university will address any significant and credible allegation(s) of fraud, waste, mismanagement, misconduct, and other abuses made against the chief audit executive or chief compliance officer.

Authority: Section 7(d), Art. IX, Fla. Const., History – New M-D-YY.

4.002 State University System Chief Audit Executives

- (1) 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.
- (2) Each board of trustees shall establish a committee responsible for addressing audit, financial- and fraud-related compliance, controls, and investigative matters. For purposes of this regulation, this committee will be referred to as the audit and compliance committee. This committee shall have a charter approved by the board of trustees and reviewed at least every three (3) years for consistency with applicable Board of Governors and university regulations, professional standards, and best practices.
- (3) Each board of trustees shall adopt a charter which defines the duties and responsibilities of the office of chief audit executive. The charter shall be reviewed at least every three (3) years for consistency with applicable Board of Governors and university regulations, professional standards, and best practices. At a minimum, the charter shall specify that the chief audit executive:
 - (a) Provide direction for, supervise, and coordinate audits and investigations which promote economy, efficiency, and effectiveness in the administration of university programs and operations including, but not limited to, auxiliary facilities and services, direct support organizations, and other component units.
 - (b) Conduct, supervise, or coordinate activities for the purpose of preventing and detecting fraud and abuse within university programs and operations including, but not limited to, auxiliary facilities and services, direct support organizations, and other component units.
 - (c) Address significant and credible allegations relating to waste, fraud, or financial mismanagement as provided in Board of Governors Regulation 4.001.
 - (d) Keep the president and board of trustees informed concerning significant and credible allegations and known occurrences of waste, fraud, mismanagement, abuses, and deficiencies relating to university programs and operations; recommend corrective actions; and report on the progress made in implementing corrective actions.
 - (e) Promote, in collaboration with other appropriate university officials, effective coordination between the university and the Florida Auditor General, federal auditors, accrediting bodies, and other governmental or oversight bodies.

- (f) Review and make recommendations, as appropriate, concerning policies and regulations related to the university's programs and operations including, but not limited to, auxiliary facilities and services, direct support organizations, and other component units.
 - (g) Communicate to the president and the board of trustees, at least annually, the office's plans and resource requirements, including significant changes, and the impact of resource limitations.
 - (h) Provide training and outreach, to the extent practicable, designed to promote accountability and address topics such as fraud awareness, risk management, controls, and other related subject matter.
 - (i) Coordinate or request audit, financial- and fraud-related compliance, controls, and investigative information or assistance as may be necessary from any university, federal, state, or local government entity.
 - (j) Develop and maintain a quality assurance and improvement program for the office of chief audit executive.
 - (k) Establish policies which articulate the steps for reporting and escalating matters of alleged misconduct, including criminal conduct, when there are reasonable grounds to believe such conduct has occurred.
 - (l) Inform the board of trustees when contracting for specific instances of audit or investigative assistance.
- (4) The board of trustees must obtain Board of Governors' approval before outsourcing the chief audit executive's entire audit or investigative function.
- (5) Each board of trustees shall ensure that the university chief audit executive is organizationally independent and objective to perform the responsibilities of the position. The chief audit executive shall:
- (a) Report functionally to the board of trustees and administratively to the president.
 - (b) Report routinely to the board of trustees on matters including significant risk exposures, control issues, fraud risks, governance issues, and other matters requested by the president and the board of trustees.

- (c) Conduct and report on audits, investigations, and other inquiries free of actual or perceived impairment to the independence of the chief audit executive's office.
 - (d) Have timely access to any records, data, and other information in possession or control of the university including information reported to the university's hotline/helpline.
 - (e) Notify the chair of the board of trustees' audit committee or the president, as appropriate, of any unresolved restriction or barrier imposed by any individual on the scope of an inquiry, or the failure to provide access to necessary information or people for the purposes of such inquiry. The chief audit executive shall work with the board of trustees and university management to remedy scope or access limitations. If the university is not able to remedy such limitations, the chief audit executive shall timely notify the Board of Governors, through the OIGC, of any such restriction, barrier, or limitation.
- (6) In carrying out the auditing duties and responsibilities set forth in this regulation, each chief audit executive shall review and evaluate controls necessary to enhance and promote the accountability of the university. The chief audit executive shall perform or supervise audits and prepare reports of their findings, recommendations, and opinions. The scope and assignment of the audits shall be determined by the chief audit executive; however, the president and board of trustees may request the chief audit executive direct, perform, or supervise audit engagements.
- (a) Audit engagements shall be performed in accordance with the *International Professional Practices Framework*, published by the Institute of Internal Auditors, Inc.; the *Government Auditing Standards*, published by the United States Government Accountability Office; and/or the *Information Systems Auditing Standards* published by ISACA. All audit reports shall describe the extent to which standards were followed.
 - (b) At the conclusion of each audit engagement, the chief audit executive shall prepare a report to communicate the audit results and action plans to the board of trustees and university management. A copy of the final audit report will be provided to the Board of Governors consistent with Board of Governors Regulation 1.001(6)(g).
 - (c) The chief audit executive shall monitor the disposition of results communicated to university management and determine whether corrective actions have been

effectively implemented or that senior management or the board of trustees, as appropriate, has accepted the risk of not taking corrective action. If, in the chief audit executive's judgment, senior management or the board of trustees has chosen not to take corrective actions to address substantiated instances of waste, fraud, or financial mismanagement, then the chief audit executive shall timely notify the Board of Governors, through the OIGC.

- (d) The chief audit executive shall develop audit plans based on the results of periodic risk assessments. The plans shall be submitted to the board of trustees for approval. A copy of approved audit plans will be provided to appropriate university management and the Board of Governors.
- (e) The chief audit executive must develop and maintain a quality assurance and improvement program in accordance with professional audit standards. This program must include an external assessment conducted at least once every five (5) years. The external assessment report and any related improvement plans shall be presented to the board of trustees, with a copy provided to the Board of Governors.

(7) Each chief audit executive shall initiate, conduct, supervise, or coordinate investigations that fall within the purview of the chief audit executive's office and be designated by their board of trustees as the employee to review statutory whistle-blower information and coordinate all activities of the university as required by the Florida Whistle-blower's Act. Investigative assignments shall be performed in accordance with professional standards issued for the State University System. All final investigative reports shall be submitted to the appropriate action officials, board of trustees, and the Board of Governors if, in the chief audit executive's judgment, the allegations are determined to be significant and credible. Such reports shall be redacted to protect confidential information and the identity of individuals, when provided for by law.

(8) By September 30th of each year, the chief audit executive shall prepare a report summarizing the activities of the office for the preceding fiscal year. The report shall be provided to the president, board of trustees, and the Board of Governors.

Authority: Section 7(d), Art. IX, Fla. Const., History – New M-D-YY.

4.003 State University System Compliance and Ethics Programs

- (1) Each board of trustees shall implement a university-wide compliance and ethics program (Program) as a point for coordination of and responsibility for activities that promote ethical conduct and maximize compliance with applicable laws, regulations, rules, policies, and procedures.
- (2) The Program shall be:
 - (a) Reasonably designed to optimize its effectiveness in preventing or detecting non-compliance, unethical behavior, and criminal conduct, as appropriate to the institution's mission, size, activities, and unique risk profile;
 - (b) Developed consistent with the Code of Ethics for Public Officers and Employees contained in Part III, Chapter 112, Florida Statutes; other applicable codes of ethics; and the Federal Sentencing Guidelines Manual, Chapter 8, Part B, Section 2.1(b); and
 - (c) Implemented within two (2) years of the effective date of this regulation.
- (3) Each board of trustees shall assign responsibility for providing governance oversight of the Program to the committee of the board responsible for audit and compliance. The charter required by Board of Governors Regulation 4.002(3) shall address governance oversight for the Program.
- (4) Each university, in coordination with its board of trustees, shall designate a senior-level administrator as the chief compliance and ethics officer (herein referred to as the chief compliance officer). The chief compliance officer is the individual responsible for managing or coordinating the Program. Universities may have multiple compliance officers; however, the highest ranking compliance officer shall be designated the chief compliance officer. Nothing in this regulation shall be construed to conflict with the General Counsel's responsibility to provide legal advice on ethics laws.
- (5) The chief compliance officer shall report functionally to the board of trustees and administratively to the president. If the university has an established compliance program in which the chief compliance officer reports either administratively or functionally to the chief audit executive, then the university shall have five (5) years from the effective date of this regulation to transition the reporting relationship of the chief compliance officer to report functionally to the board of trustees and administratively to the president.
- (6) The office of the chief compliance officer shall be governed by a charter approved by the board of trustees and reviewed at least every three (3) years for consistency with

applicable Board of Governors and university regulations, professional standards, and best practices.

(7) The Program shall address the following components:

- (a) The president and board of trustees shall be knowledgeable about the Program and shall exercise oversight with respect to its implementation and effectiveness. The board of trustees shall approve a Program plan and any subsequent changes. A copy of the approved plan shall be provided to the Board of Governors.
- (b) University employees and board of trustees' members shall receive training regarding their responsibility and accountability for ethical conduct and compliance with applicable laws, regulations, rules, policies, and procedures. The Program plan shall specify when and how often this training shall occur.
- (c) At least once every five (5) years, the president and board of trustees shall be provided with an external review of the Program's design and effectiveness and any recommendations for improvement, as appropriate. The first external review shall be initiated within five (5) years from the effective date of this regulation. The assessment shall be approved by the board of trustees and a copy provided to the Board of Governors.
- (d) The Program may designate compliance officers for various program areas throughout the university based on an assessment of risk in any particular program or area. If so designated, the individual shall coordinate and communicate with the chief compliance officer on matters relating to the Program.
- (e) The Program shall require the university, in a manner which promotes visibility, to publicize a mechanism for individuals to report potential or actual misconduct and violations of university policy, regulations, or law, and to ensure that no individual faces retaliation for reporting a potential or actual violation when such report is made in good faith. If the chief compliance officer determines the reporting process is being abused by an individual, he or she may recommend actions to prevent such abuse.
- (f) The Program shall articulate the steps for reporting and escalating matters of alleged misconduct, including criminal conduct, when there are reasonable grounds to believe such conduct has occurred.

(g) The chief compliance officer shall:

- i. Have the independence and objectivity to perform the responsibilities of the chief compliance officer function;
- ii. Have adequate resources and appropriate authority;
- iii. Communicate routinely to the president and board of trustees regarding Program activities;
- iv. Conduct and report on compliance and ethics activities and inquiries free of actual or perceived impairment to the independence of the chief compliance officer;
- v. Have timely access to any records, data, and other information in possession or control of the university, including information reported to the university's hotline/helpline;
- vi. Coordinate or request compliance activity information or assistance as may be necessary from any university, federal, state, or local government entity;
- vii. Notify the president, or the administrative supervisor of the chief compliance officer, of any unresolved restriction or barrier imposed by any individual on the scope of any inquiry, or the failure to provide access to necessary information or people for the purposes of such inquiry. In such circumstances, the chief compliance officer shall request the president remedy the restrictions. If unresolved by the president or if the president is imposing the inappropriate restrictions, the chief compliance officer shall notify the chair of the board of trustees committee charged with governance oversight of the Program. If the matter is not resolved by the board of trustees, the chief compliance officer shall notify the Board of Governors through the Office of Inspector General and Director of Compliance (OIGC);
- viii. Report at least annually on the effectiveness of the Program. Any Program plan revisions, based on the chief compliance officer's report shall be approved by the board of trustees. A copy of the report and revised plan shall be provided to the Board of Governors;

- ix. Promote and enforce the Program, in consultation with the president and board of trustees, consistently through appropriate incentives and disciplinary measures to encourage a culture of compliance and ethics. Failures in compliance or ethics shall be addressed through appropriate measures, including education or disciplinary action;
- x. Initiate, conduct, supervise, coordinate, or refer to other appropriate offices (such as human resources, audit, Title IX, or general counsel) such inquiries, investigations, or reviews as deemed appropriate and in accordance with university regulations and policies; and
- xi. Submit final reports to appropriate action officials.

(h) When non-compliance, unethical behavior, or criminal conduct has been detected, the university shall take reasonable steps to prevent further similar behavior, including making any necessary modifications to the Program.

(8) The university shall use reasonable efforts not to include within the university and its affiliated organizations individuals whom it knew, or should have known (through the exercise of due diligence), to have engaged in conduct not consistent with an effective Program.

Authority: Section 7(d), Art. IX, Fla. Const., History – New M-D-YY.

4.004 Board of Governors Oversight Enforcement Authority

(1) The Joint Legislative Auditing Committee (JLAC) of the Florida Legislature has the authority to address state universities that have failed to take full corrective action in response to audit findings included in the two (2) preceding financial or operational audit reports in accordance with section 11.45(7)(j), Florida Statutes. The JLAC may request from a board of trustees a written statement explaining why full corrective action has not been taken or, if the board of trustees intends to take full corrective action, describing the corrective action to be taken and when it will occur. If the JLAC determines that the written statement is not sufficient, it may require the chair of the board of trustees, or the chair's designee, to appear before the JLAC. If the JLAC determines that the state university has failed to take full corrective action for which there is no justifiable reason or has failed to comply with their requests made pursuant to section 11.45(7)(j), Florida Statutes, the JLAC shall refer the matter to the Board of Governors to proceed in accordance with this regulation.

(2) The Office of Inspector General and Director of Compliance (OIGC) Charter is incorporated herein by this reference.

(3) In addition to OIGC investigative responsibilities outlined in the OIGC charter, the chancellor may determine that allegations of material non-compliance with any law or Board of Governors regulations warrant an investigation. The Board of Governors' inspector general shall provide direction for, supervise, and coordinate such investigations. When appropriate, matters of alleged non-compliance will be forwarded to the proper university for handling. In addition, the Board of Governors' inspector general will review all instances referred to the Board of Governors by the JLAC as described in paragraph (1) above.

(4) The Board of Governors' inspector general shall submit the investigatory findings to the chair of the university's board of trustees, or the chair's designee, which shall have twenty (20) working days from the receipt of the draft report to submit a written response to the findings. The university's response and the inspector general's rebuttal to the response, if any, shall be included in the final report presented to the Board of Governor's Audit and Compliance Committee and the chair of the university's board of trustees or the chair's designee.

(5) The Board of Governors may require the university board of trustees to document that it has come into compliance with the law or Board of Governors regulation or that it is taking reasonable and diligent steps to come into compliance. If, after being provided the opportunity to demonstrate compliance, the university board of trustees cannot satisfactorily document that it is in compliance or will come into compliance within a reasonable period of time, the Board of Governors may order compliance within a specified timeframe.

- (6) If non-compliance is substantiated, and the Board of Governors determines that a university board of trustees is unwilling or unable to comply with any law, Board of Governors regulation, or audit recommendation within the specified timeframe, the Board of Governors may initiate any of the following actions:
- (a) Withhold the transfer of state funds, discretionary grant funds, discretionary lottery funds, or any other funds appropriated to the Board of Governors by the Legislature for disbursement to the state university until the university complies with the law or Board of Governors' regulation.
 - (b) Declare the state university ineligible for competitive grants disbursed by the Board of Governors until the university complies with the law or Board of Governors' regulation.
 - (c) Require monthly or periodic reporting on the situation related to noncompliance until it is remedied.
 - (d) Report to the Legislature that the state university is unwilling or unable to comply with the law or Board of Governors' regulation and recommend action to be taken by the Legislature.
- (7) Any actions taken by the Board of Governors pursuant to this regulation will be commensurate with, and take into account, the nature and severity of the non-compliance, the criticality of the compliance, and the reason for the university's failure to come into compliance.

Authority: Section 7(d), Art. IX, Fla. Const., Section 1008.322, F.S., History – New M-D-YY.

AGENDA ITEM: VI

**Florida Polytechnic University
Board of Trustees
Audit and Compliance Committee
September 7, 2016**

Subject: Internal Audit Reports

Proposed BoardAction

Recommend approval of the Internal Audit Report Goals and Objectives to the Board of Trustees.

Background Information

Our Internal Auditors have issued one report since the last meeting of the Committee. The report concludes a review of the ongoing Workday HCM, Financials and Payroll implementation. The auditors made several recommendations and concluded as follows:

“After review of the Workday configurations and interviews with key personnel, internal audit noted that the current configurations and planned activities will support the University’s critical business processes. The configurations will mitigate key business risks and support the University’s control environment. We recommend an additional review of the final configuration closer to the go-live date.”

The Internal Auditor will also present to this Committee a Risk Assessment review of the University’s system of internal control that they will use to develop their audit plan for the coming year.

Supporting Documentation:

Internal Audit Memo dated July 5, 2016

Presentation of Risk Analysis including Goals and Objectives

Prepared by: Mark Mroczkowski, Vice President and CFO

Internal Audit Memo

Workday Implementation Review

The following was performed based on our agreed upon procedures as this was not a financial audit.

OBJECTIVE

Management requested an internal audit review of the planned Workday HCM, Financials and Payroll implementation for Florida Polytechnic University (“University”), including the critical business processes and planned procedures.

PROCEDURES

Internal Audit performed the following procedures:

1. Interviewed key personnel from the University project team and Sierra-Cedar Inc. (the implementation partner) to gain an understanding of the planned business process procedures and configurations.
2. Obtained access to Workday and reviewed current system configurations and process flows for each critical business process demonstrated by the project team. Determined whether the planned Workday configurations and process flows are aligned correctly to support the critical business processes.
3. Identified key risks in the planned configurations of Workday thus far in the project.

RESULTS

We interviewed keyed personnel from the project team, including a representative from Sierra-Cedar Inc., System Administration, IT Security, Human Resources, Payroll, Procurement, Project Management, Accounting, and Grants/Awards. This team demonstrated key Workday configurations within the testing environment in conference room pilot. We were also giving Workday access and inspected the corresponding workflows within the system. We reviewed the configurations for each demonstrated functional area, and considered business process risks associated with each area. The following are observations and recommendations resulted from our review:

Process	Configuration	Recommendation
HR/ Payroll: Terminations	Workday is configured to alert key personnel (HR, IT Security, Budget Managers, Benefits, Payroll) upon termination of an individual. These University team members have specific procedures to perform related to the termination; all procedures must be complete prior to the final payout to the terminated employee. The current configurations do not require sequential performance of such procedures, and do not alert Payroll that all necessary procedures have been performed.	The final payout for a terminated employee is dependent upon completion of a series of tasks. Each task is required before Payroll performs the final payout. We recommend a sequential workflow be utilized within Workday, with an alert to Payroll upon completion of all activities.
Projects: Approvals	New construction projects are routed by the system to the Project Manager for approval, then to Construction Accounting for asset and budget creation. The current system configuration does not require a separate reviewer for any projects created by the Project Manager.	To prevent the same individual from approving their own project configure a workflow based on the project creator's title.
Procurement: Contracts	Procurement contracts with vendors can be entered and tracked within Workday. The system has fields for contract expiration, and alerts can be configured to warn Procurement of upcoming expirations. While these fields can be utilized, they are not required fields.	Contraction Expirations and alerts should be required by the system to allow for better monitoring and timely renewal of contracts, without disruption of supplier goods or services.

Process	Configuration	Recommendation
Employee Expenses: Requirements	University employee expenses must first be authorized within the system via a "Spend Authorization" prior to the actual expense. After the spend authorization is approved, the employee completes their transaction and enters the expense within Workday. The screens within Workday link to various external websites with Florida State governance.	There is currently no plan to monitor external links within Workday. A plan should be created for regular maintenance of any external links to ensure employees have access to the current state guidelines.
Employee Expenses: Spend Authorization Approval	In addition, spend authorizations are routed to multiple people for approval, including the Budget Manager, Project Coordinator, Project Manager, Principal Investigator, Award Contract Specialist, Manager, Cost Center Manager, Accounting Manager, Provost, Controller, and President.	Thresholds should be configured into workflows to route to the appropriate agency head who oversees the corresponding fund for approval. Spend requests should be routed to only appropriate approvers based on dollar value, rather than all parties for every request.
Awards/Grants: Entry	Workday has been configured for the Award Contract Specialist to enter all awards, including grants. The system allows the Specialist to enter restrictions on the award, however, those restrictions are not currently configured to limit or impact budgets etc. tied to the award.	The project team should leverage the functionality of the restrictions entered into Workday; the system should be configured to reference those restrictions and apply them to related schedules, budgets, purchases, etc.

CONCLUSION

After review of the Workday configurations and interviews with key personnel, internal audit noted that the current configurations and planned activities will support the University's critical business processes. The configurations will mitigate key business risks and support the University's control environment. We recommend an additional review of the final configuration closer to the go-live date.



July 5, 2016

Distribution List:

Mark Mroczkowski (mmroczkowski@flpoly.org)
 Don Wilson, Chair (dhw@bosdun.com)
 Tom O'Malley, Vice Chair (tom@boiloil.net)
 Richard Hallion (trusteehalliom@aol.com)
 Larry Burke, Sunera Partner
 Joyce Block, Sunera Partner

APPENDIX A

Interviewees/Inquiries

The following University personnel demonstrated Workday configurations for this engagement:

Personnel	Title
Jackye Maxey	Director Special Projects ERP
Jolene Scaglione	Engagement Manager
Angela Debose	Associate Director System Analyst & Mgmt
Shelley Wells	Director HR
DeAnn Doll	Associate Director HR
Jeanne Viviani	Contracts and Grants Manager
David Calhoun	Director of Campus Development & Facilities
John Irvine	Analyst, Financial Reporting
Derek Horton	University Controller
Arlene Gallagher	Business Administrative Specialist
David O'Brien	Director of Procurement
Shannon Medley	Payroll & Tax Manager

Florida Polytechnic University

Internal Audit Overview

August 2016



Agenda

- Internal Audit Overview and Internal Audit Risk Assessment Overview
- Appendix - A
 - Internal Audit Goals and Objectives
 - Risk Assessment Project Approach
 - 2016 Ranking of FPU Risks
 - 2016/2017 Proposed Internal Audit Areas
 - Next Steps
- Appendix - B
 - Risk Assessment Interview List
- Appendix - C
 - Magnitude Risk Rating Criteria
 - Likelihood Risk Rating Criteria

Internal Audit Overview

- Background:
 - Sunera LLC (“Sunera”) was engaged in 2015 by the Audit and Compliance Committee Chairman to serve as the Internal Auditor (“IA”) for Florida Polytechnic University (“FPU”) and its affiliated organizations.
 - Currently, Sunera is administratively reporting to the Vice President and CFO, and in the future expects to report to the [yet to be named] Chief Audit Executive of FPU.
 - Prior to Sunera, there was no Internal Auditor directly engaged at FPU.
- Initial Internal Audit Activities (See Appendix A for more detail):
 - Develop IA governance (e.g. Define mission, scope, independence, etc.) to be adopted by the Audit and Compliance Committee.
 - Perform an initial risk assessment of FPU to identify areas to perform select internal audits in 2016/2017 as part of a flexible internal audit plan.
 - Perform ad hoc requested internal audits by members of FPU (e.g. ERP system implementation, select policy reviews, select payroll audits).

Internal Audit Risk Assessment Overview

- Background:
 - An initial risk assessment was performed as the first step in developing the Internal Audit Plan and included the following high level phases:
 - Identified the population of risks that could impact FPU through interviews with senior members of FPU and benchmarking against other higher education institutions.
 - Evaluated the identified population risks using 2 principal criteria:
 - Likelihood of risk event occurrence
 - Magnitude/Severity of risk event
 - Selected a sub-set of the risk population based on the criteria above to evaluate the internal controls as part of the 2016/2017 Internal Audit Plan
 - Next steps include planning out the 2016/2017 internal audit activities by developing a timeline and specifically scoping each internal audit with the Internal Audit Plan
 - The first internal audits under the Internal Audit Plan will commence in the fourth quarter of CY 2016

Appendix A

Internal Audit Goals and Objectives

Risk Assessment Project Approach

2016 Ranking of FPU Risks

2016/2017 Proposed Internal Audit Areas

Next Steps

Internal Audit Goals and Objectives

- Mission:

Provide independent, objective assurance and consulting services, using a risk-based approach, to add value and improve the operations of Florida Polytechnic University (“FPU”) and its affiliated organizations.

- Scope:

Although the Internal Audit (“IA”) function is relatively new at FPU, we expect the scope of work performed by the IA function to determine whether FPU’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.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employee’s actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and protected adequately.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in FPU’s controls process.
- Significant legislative or regulatory issues impacting FPU are recognized and addressed properly.
- Opportunities for improving management control may be identified during audits. They will be communicated to the appropriate level of management.

- Organization and Authority:

Sunera LLC is currently serving as the IA function and is administratively reporting to the CFO and reports to the Audit and Compliance Committee. Relationship promotes independence and assures adequate consideration of audit findings and planned actions.

Internal Audit Goals and Objectives

- Independence:
 - The IA function is authorized to:
 - Have unrestricted access to all functions, records, property, and personnel.
 - Have full and free access to the FPU president and Audit and Compliance Committee Chairman.
 - Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
 - Obtain the necessary assistance of personnel from FPU where they perform audits.
 - The IA function is not authorized to:
 - Perform any operational duties for FPU.
 - Initial or approve accounting transactions.
 - Direct to the activities of any FPU employee.
- Duties and Responsibilities:
 - As a new function, IA will initially complete a risk assessment and then develop a flexible annual audit plan. Other duties and responsibilities will include:
 - Implement the annual audit plan as approved.
 - Conduct and coordinate audits, investigation and management reviews relating to programs and operations of the FPU.
 - Perform other consulting services or activities carried out or financed by FPU for purposes of assisting management in meeting its objectives, promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in its programs and operations. These may include facilitation, training and advisory services.

Internal Audit Goals and Objectives

- Duties and Responsibilities (continued):
 - We also expect to add the following duties and responsibilities as the IA function continues to mature:
 - Issue periodic reports to management and the Audit and Compliance Committee summarizing results of audit activities.
 - Receive complaints and coordinate all activities of FPU as required by the Whistle-blower's Act pursuant to Sections 112.3187-112.31895, Florida Statutes.
 - In accordance with FPU Policy on Fraud Prevention and Detection, receive and consider complaints that do not meet the criteria for an investigation under the Whistle-blower's Act and conduct, supervise, or coordinate such inquiries, investigations, or reviews as appropriate.
 - Recommendation is to update FPU Policy to allow IA to investigate.
 - Keep FPU Audit and Compliance Committee Chairman, VP & CFO, and General Counsel and President informed concerning fraud, abuses, and internal control deficiencies relating to programs and operations, initiate corrective actions, and report on the progress made in implementing corrective actions.
 - Consider the scope of work and ensure effective coordination and cooperation between the Auditor General, federal auditors, and other governmental bodies and external auditors with a view toward avoiding duplication.
 - Review, as appropriate, rules and procedures relating to the programs and operations of the FPU and make recommendations concerning their impact.

Risk Assessment Project Approach

Background:

In accordance with the IA proposal and consistent with the initial internal activities described therein, we performed an initial risk assessment to identify the population of risks and then identify a subset of risks areas where we are proposing to perform internal audits.

Scope and Approach:

The risk assessment process is designed to identify the population of risks that could impact FPU and its objectives and related operations. The risk assessment process is designed to incorporate feedback via interviews with the senior leaders of FPU and obtain their collective input throughout the risk assessment process by establishing a Senior Assessment Team (SAT)*, which is comprised of FPU's senior leaders.

The risk population was identified and developed through interviews with senior FPU leaders and a review of a standard risk population that is common to higher education institutions.

- Internal Audit interviewed 13 members of FPU senior management as part of developing the initial FPU risk population.
 - See Appendix B for listing.

** For the initial risk assessment, we worked primarily with the VP & CFO and interviewed likely members of the SAT. However, given that many of the individuals that we interviewed were new to their roles, we propose that FPU identify a select group of individuals to form a SAT in late 2016 or early 2017. We then propose obtaining their feedback on the overall risk assessment at that time as part of a periodic enterprise risk management process update.*

Risk Assessment Project Approach

Risk Rating:

All identified risks from both the FPU interviews and the review of a standard risk catalog were grouped into risk categories that were evaluated using the risk rating criteria noted below:

- Magnitude/Impact of the potential risk event (See Appendix C).
- Likelihood of risk event occurring (See Appendix C).

Based on the criteria, we identified the twelve most significant risks and presented them on the next slide reflecting the combined magnitude and likelihood ratings.

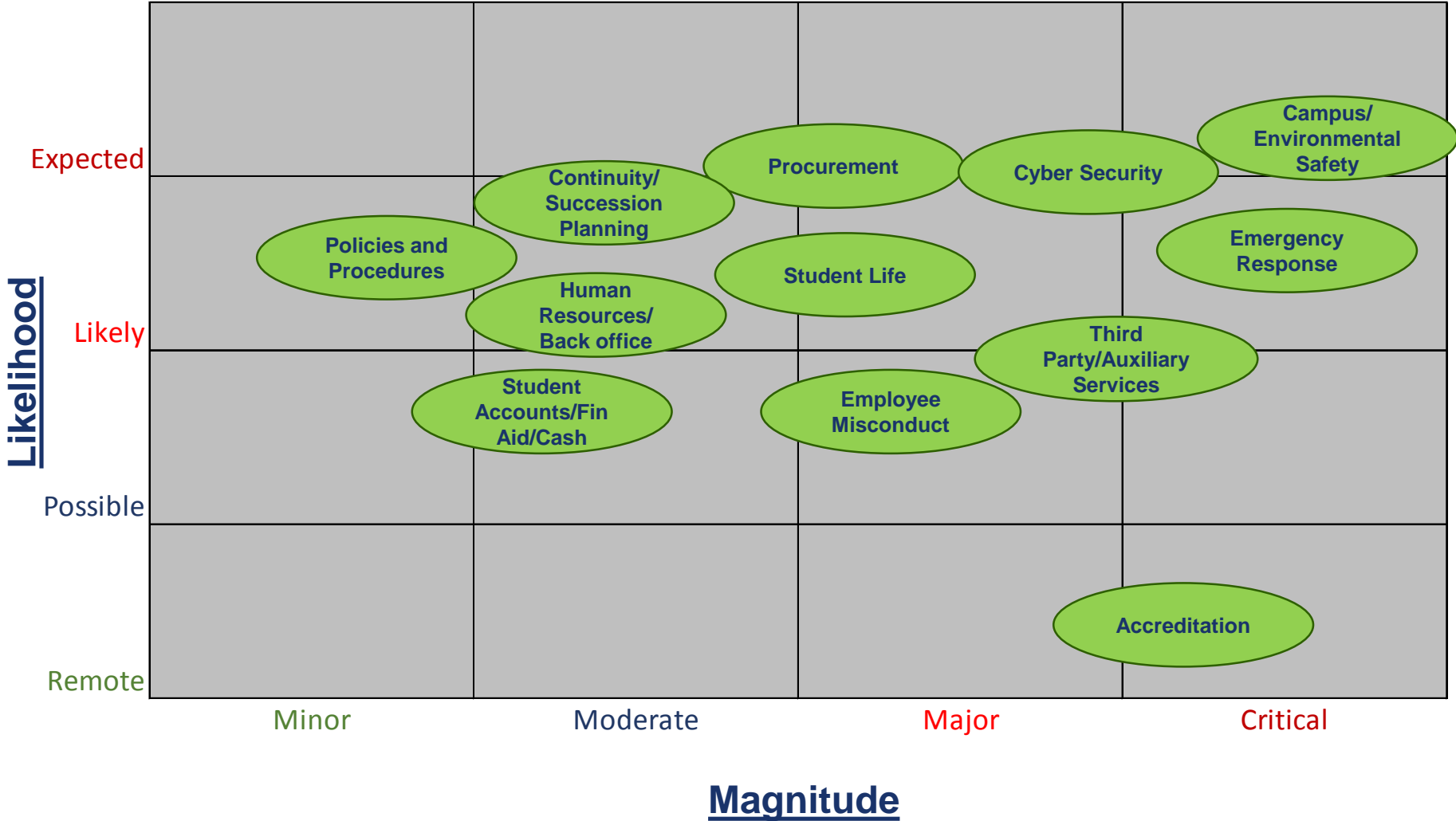
Proposed Audit Areas:

Internal audit selected a sub-set of the risk areas for proposed internal audit activities in 2016/2017 based on process/area maturity and feedback from FPU leadership. Audit risk areas include:

1. Campus/Environmental Safety
2. Cybersecurity
3. Policies and Procedures
4. Student Life
5. Third Party/Auxiliary Services

We will then select within each risk area, a process/activity/operation/etc. to perform an internal audit as part of our risk-based, flexible internal audit plan.

2016 Ranking of FPU Risks



2016/2017 Proposed Internal Audit Areas

#	Risk Area	Area of Focus (i.e. Processes/Controls)	2016/2017 Planned Audits
1	Campus/Environmental Safety	Laboratory safety, faculty/student research, insurance requirements	x
2	Emergency Response	Emergency Management Plan, active shooter plan/training, notification system	
3	Cyber Security	IT risk assessment, user access, security controls, data privacy/data breach	x
4	Third party/Auxiliary Services Management	Contract review, auxiliary services, facilities management, student service management	x
5	Student Life	Title IX, Student Health, Inclusion Programs	x
6	Policies and Procedures	Policy requirements, benchmarking	x
7	Continuity/Succession Planning	Succession planning, employee ratings	
8	Human Resources/Back office	Hiring process, succession planning, ethics/incident reporting, job description/classification	
9	Student Accounts/Fin Aid/Cash	Cash management, student classification, fees	
10	Procurement (incl. bidding)	Competitive bidding, vendor management, committee formation	
11	Employee Misconduct	Employee hotline, investigation procedures	
12	Accreditation	Requirement tracking	

Next Steps

1. Approve Risk Assessment and IA plan.
2. Implement identified recommendations to FPU Policy on Fraud Prevention and Detection.
3. Finalize business process flowcharts over each key functional area.
4. Continue ad hoc IA activities.
5. Plan and commence IA 2016/2017 internal audit activities.
6. Identify FPU members to serve on the SAT for late 2016/early 2017 review of the risk assessment.

Appendix B

Risk Assessment Interview List

Risk Assessment Interview List

Internal Audit conducted a formal risk assessment by conducting interviews with key members of the management team, including:

- Mark Mroczkowski, Vice President, CFO
- Elhami Nasr, Interim Vice President, Provost
- David O'Brien, Director of Procurement
- Scott Warner, Vice President of Student Affairs
- Gina Delulio, Vice President, General Counsel
- Derek Horton, Controller
- John Sprenkle, Director of Finance and Accounting
- Shelley Wells, Director of Human Resources
- Renee Michel, Director of Environmental Health and Safety
- Richard Holland, Director of Safety and Police
- Jay Morton, Director of Academic Technology and Support Services
- Ercan Elibol, Director of Information Security
- Andrew Strazi, Bursar

Appendix C

Magnitude Risk Rating Criteria

Likelihood Risk Rating Criteria

Magnitude Risk Rating Criteria

Risks were evaluated using both magnitude of impact (more fully described below) and likelihood of occurrence.

RATING

ATTRIBUTES

Critical

- Significant impact to financial operations
- Significant data loss or unauthorized disclosure of sensitive data
- Significant impact to physical building, reputation or bodily harm
- Severe regulatory action by Federal, State or Local authority

Major

- Major impact to financial operations
- Major campus security event and disruption
- Adverse reputational event

Moderate

- Medium regulatory action by Federal, State, or Local authority
- Moderate impact to financial operations
- Medium regulatory action by Federal, State, or Local authority
- Medium fraud event
- Event requires senior management attention

Minor

- Minor impact to operating income
- Inconsequential business disruption
- Event does not require senior management attention
- Consequences can be absorbed under normal operating conditions

Likelihood Risk Rating Criteria

Risks were evaluated using both magnitude of impact and likelihood of occurrence (see below).

ATTRIBUTES

RATING

- Event is expected to occur in most circumstances

Expected >90%

- Event will likely occur in most circumstances
- Significant oversight is required to ensure risk does not occur

Likely 50% - 90%

- Event could occur under some circumstances
- Moderate oversight is required to ensure risk does not occur

Possible 20% - 50%

- Event may only occur in exceptional circumstances
- Minimal oversight is required to ensure risk does not occur

Remote <20%