



# BOARD OF TRUSTEES Audit & Compliance Committee

**September 9, 2020  
10:00 AM-10:45 AM**

*Or upon the conclusion of the previous committee meeting*

**Florida Polytechnic University  
WEBEX TELECONFERENCE MEETING**

**Dial in: 1-415-655-0001 | Access code: 171 599 4704#**

## MEMBERS

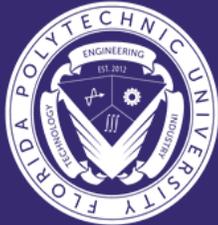
**Bob Stork, Chair  
Don Wilson**

**Mark Bostick, Vice Chair**

**Dr. Ala J. Alnaser**

## AGENDA

- |  |                          |
|--|--------------------------|
| I. Call to Order   | Mark Bostick, Vice Chair |
| II. Roll Call  | Kim Abels                |
| III. Public Comment  | Mark Bostick, Vice Chair |
| IV. <a href="#">Approval of the May 20, 2020 Minutes</a><br><i>*Action Required*</i>                 | Mark Bostick, Vice Chair |
| V. <a href="#">2020-22 Audit &amp; Compliance Committee Work Plan</a>                                | David Blanton, CAE/CCO   |
| VI. <a href="#">Committee Charter Review and Approval</a><br><i>*Action Required*</i>                | David Blanton, CAE/CCO   |
| VII. <a href="#">Audit &amp; Compliance Update</a>   | David Blanton, CAE/CCO   |
| VIII. <a href="#">Auditor General Operational Audit</a><br><i>*Action Required*</i>                  | David Blanton, CAE/CCO   |
| IX. <a href="#">UAC Annual Report – FYE 6/30/20</a><br><i>*Action Required*</i>                      | David Blanton, CAE/CCO   |
| X. <a href="#">UAC Audit Plan and Risk Assessment - FYE 6/30/21</a><br><i>*Action Required*</i>      | David Blanton, CAE/CCO   |
| XI. <a href="#">UAC Compliance and Ethics Program Plan – FYE 6/30/21</a><br><i>*Action Required*</i> | David Blanton, CAE/CCO   |
| XII. Closing Remarks and Adjournment   | Mark Bostick, Vice Chair |



# Audit & Compliance Committee Meeting

## DRAFT MEETING MINUTES

Wednesday, May 20, 2020  
10:00 AM – 10:15 AM

Florida Polytechnic University  
WEBEX TELE-CONFERENCE MEETING

I. Call to Order

Committee Chair Gary Wendt called the meeting to order at 10:50 a.m.

II. Roll Call

Michele Rush called the roll: Committee Chair Gary Wendt, Committee Vice Chair Mark Bostick, Trustee Earl Sasser, Trustee Connor Coddington, and Trustee Victoria Astley were present (Quorum).

Other Trustees present: Board Chair Don Wilson, Board Vice Chair Cliff Otto, Trustee Frank Martin, Trustee Philip Dur, Trustee Henry McCance, and Trustee Bob Stork

Staff present: Mr. David Blanton, Mrs. Kim Abels, Ms. Gina Deulio, Ms. Michele Rush, Mr. Rick Maxey, Mrs. Kris Wharton, President Randy Avent, Provost Terry Parker, and Mrs. Kathy Bowman

III. Public Comment

There were no requests received for public comment.

IV. Approval of the February 25, 2020 Minutes

**Trustee Earl Sasser made a motion to approve the Audit & Compliance Committee meeting minutes of February 25, 2020. Trustee Connor Coddington seconded the motion; a vote was taken, and the motion passed unanimously.**

V. University Financial Audit – (FYE 6/30/19)

Mr. David Blanton, Chief Compliance Officer and Chief Audit Executive, presented the audited Financial Statements for the University for the fiscal year ended 6/30/19 that was performed by the Florida Auditor General. The audit had an unqualified (clean) opinion on the financial statements and on the Government Auditing Standards (GAS) report.

**Trustee Connor Coddington made a motion to recommend approval of the Florida Polytechnic University Financial audit conducted by the Florida Auditor General for the fiscal year ended June 30, 2019 to the Board of Trustees. Trustee Victoria Astley seconded the motion; a vote was taken, and the motion passed unanimously.**

VI. Foundation Form 990 (FYE 6/30/19)

Mr. Blanton presented the federal Internal Revenue Service Return of Organization Exempt from Income Tax form (Form 990) to the Audit & Compliance Committee for the fiscal year ending 6/30/19.

**Trustee Earl Sasser made motion to recommend approval of the Foundation's Form 990 for the fiscal year ended June 30, 2019 to the Board of Trustees. Trustee Victoria Astley seconded the motion; a vote was taken, and the motion passed unanimously.**

VII. UAC Quality Assurance Review – Self Assessment (Report No. FPU 2020-07)

Mr. Blanton presented the self-assessment report to the Audit & Compliance Committee for approval. The report included 5 observations for improvement of audit operations. The Code of Ethics and the Standards put forth by the Institute of Internal Auditing (IIA) require that the Chief Audit Executive must periodically perform such reviews for all aspects of the internal audit activity. Committee Chair Wendt questioned what is done with this report. Mr. Blanton answered that it will be filed with the Board of Governors as required.

**Trustee Earl Sasser made a motion to recommend approval of the UAC Quality Assurance Review (QAR) – Self Assessment (Report No. FPU 2020-07) prepared by the Chief Audit Executive, to the Board of Trustees. Trustee Connor Coddington seconded the motion; a vote was taken, and the motion passed unanimously.**

VIII. Charter Review and Approval/Committee Evaluation

Mr. Blanton presented the Audit Charter, the Compliance and Ethics Charter, and the Audit and Compliance Committee Charter for review and approval. The Committee evaluated their performance relative to the Committee Charter requirements and determined that they were performing satisfactorily with respect to duties outlined in the Audit & Compliance Committee Charter.

**Trustee Connor Coddington made a motion to recommend approval of (1) the Audit and Compliance Committee (AACC) Charter, (2) the Internal Audit Charter, (3) the Compliance and Ethics Charter, and (4) the satisfactory performance of the Audit & Compliance Committee relative to the Charter requirements to the Board of Trustees. Trustee Victoria Astley seconded the motion; a vote was taken, and the motion passed unanimously.**

IX. Closing Remarks and Adjournment

With no further business to discuss, the meeting adjourned at 11:12 a.m.

**Florida Polytechnic University  
Audit and Compliance Committee  
Board of Trustees  
September 9, 2019**

**Subject: 2020-21 Committee Work Plan Review**

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**Proposed Committee Action**

No action necessary. Information only.

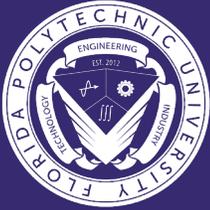
**Background Information**

The Audit and Compliance Committee Work Plan provides committee members with an idea of upcoming meetings and the expected matters to be presented before the committee. The work plan may change primarily because the work flow related to audits and investigations is often difficult to predict.

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**Supporting Documentation:** 2020-21 Audit and Compliance Committee Work Plan

**Prepared by:** David A. Blanton, CAE/CCO



# Committee Work Plan

## Audit and Compliance Committee Work Plan 2020-2022

### SEPTEMBER

- Audit & Compliance
- Committee Charter Review and Approval
- Auditor General Operational Audit
- University Audit & Compliance (UAC) Update
- UAC Annual Report ~ prior FY
- University Audit Risk Assessment & Audit Plan ~ current FY
- University Compliance & Ethics Program Plan ~ current FY

### NOVEMBER

- University Audit & Compliance (UAC) Update
- CARES Act Monitoring Report
- Textbook Affordability Monitoring Report (Fall semester)

### FEBRUARY

- University Audit & Compliance (UAC) Update
- Performance Based Funding Audit and Data Integrity Certification
- University Financial Audit ~ prior FY
- Foundation Financial Audit ~ prior FY

### MAY

- University Audit & Compliance (UAC) Update
- University Compliance & Ethics Program Plan ~ following FY

**Florida Polytechnic University  
Audit and Compliance Committee  
Board of Trustees  
September 9, 2020**

**Subject: Audit & Compliance Committee (AACC) Charter Review and Approval**

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**Proposed Committee Action**

Recommend approval of the changes to the AACC Charter to the Florida Polytechnic University Board of Trustees.

**Background Information**

As the University is starting a new two-year cycle with the Board, charter reviews of each of the various committee's is being performed. The AACC charter has been reviewed by the Office of General Counsel for legal sufficiency and by University Audit and Compliance for consistency with applicable professional standards and requirements specified in Board of Governors Regulations.

The AACC Charter was recently reviewed in May 2020; however, certain changes were suggested to provide for greater consistency between the various committee charters. David Blanton, Chief Audit Executive/Chief Compliance Officer (CAE/CCO) will discuss the changes to the AACC Charter and seek approval from the Committee on such changes.

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**Supporting Documentation:** AACC Charter

**Prepared by:** David A. Blanton, CAE/CCO

**Audit and Compliance Committee**  
**CHARTER**  
*(Staff Liaison: David Blanton, CAE & CCO)*

I. Purpose: The Audit and Compliance Committee (AACC) is responsible for taking appropriate actions to establish the overall standards for ethical behavior, sound risk management, and sound business practices. The AACC serves as the point of contact between the Board of Trustees, external auditors, and state and federal auditors. The primary purpose of the AACC is to assist the Board in fulfilling its oversight responsibilities for the following areas:

- Oversight of the University's internal controls
- Oversight and direction of the internal and external auditing functions ensuring its independence
- Integrity of the University's annual financial statements
- The performance of the University's independent audit functions
- Approval of the annual audit plan
- Monitoring and controlling risk exposure
- Monitoring compliance with laws, rules, and regulations
- Oversight and direction of the University's compliance and ethics program ensuring its independence
- Set standards for ethical conduct

The AACC is one of the standing committees of the Board of Trustees.

II. Composition:

- The AACC will consist of no less than three members of the Board of Trustees.
- The Chief Audit Executive and/or the Chief Compliance Officer will serve as staff and primary liaison to the Committee.
- The Board of Trustees Chair and the Vice-Chair will be ex-officio voting members.
- The AACC Chair and members are appointed and removed by the Chair of the Board of Trustees.
- The Chair of the AACC is the Committee's representative on the Board of Trustees' Executive Committee.

AACC members must be free from any financial, family or other material personal relationship that would impair his or her independence from the management of the University.

III. Meetings:

- The AACC typically meets (4) four times annually. The AACC may schedule additional meetings if needed.
- Florida law requires meetings to be open to the public.
- A majority of AACC members present at a committee meeting constitutes quorum for purposes of committee business.
- The Committee will maintain written minutes of its meetings, and the Committee Chair will approve each meeting's agenda.

- The AACC may invite members of management, auditors, or others to attend meetings and provide pertinent information.
- The Chair of the Committee shall discuss the meeting agenda with the Chief Audit Executive and/or the Chief Compliance Officer prior to each meeting to finalize the agenda and review the issues to be discussed. Meeting agendas and the supporting materials will be provided in advance and the committee members will be briefed prior to each meeting.

IV. Authority: To fulfill its oversight role, the AACC has the authority to investigate or study matters within the AACC's scope of responsibility. The Board authorized the Committee to:

- Perform activities within the scope of its charter.
- Have unrestricted access to management, faculty, and employees of the University and its DSOs, as well as to all their books, records, and facilities.
- Study or investigate any matter related to audit, compliance, or related concerns such as potential fraud or conflicts of interest that the Committee deems appropriate.
- Engage independent counsel, independent accountants and other advisers as it deems necessary to discharge its duties.
- Provide oversight and direction of the internal auditing function, of external auditors, and of engagements with state auditors.
- Provide oversight and direction of the institutional compliance, ethics, and risk program, and be knowledgeable of the program with respect to its implementation and effectiveness.
- Perform other duties as assigned by the Board.

The AACC shall inform the Board of all actions and the results.

V. Confidential/Exempt Issues: Issues being addressed by the Audit and Compliance Committee are subject to Chapter 119, Florida Statutes (Public Records). Meetings are confidential and exempt from the public when the discussion involves sensitive issues related to individuals or an on-going investigation related to Sections 112.3187-112.31895, Florida Statutes - "Whistle-blower's Act".

VI. Responsibilities and Duties: The AACC has the following responsibilities and duties:

General:

- Assist the Board of Trustees in fulfilling oversight responsibilities in relation to financial reporting, internal control systems, risk management systems, compliance with laws rules and regulations and internal and external audit functions. Its role is to provide advice and recommendations to the Board within the scope of this Charter.
- Adopt flexible procedures in order to react to changing conditions and provide reasonable assurances to the Board that the scope of audit services and the adequacy of the internal control systems are in compliance with state and federal laws, regulations and requirements.
- Adopt a formal written charter that specifies the scope, responsibilities, processes and practices of the committee. The charter should be reviewed annually.
- Report committee actions to the Board that the committee may deem appropriate.
- Direct the Chief Audit Executive and/or the Chief Compliance Officer (CAE/CCO) to conduct investigations into any matters within its scope of responsibility and obtaining advice and assistance from outside legal, accounting, or other advisers, as necessary, to perform its

duties and responsibilities. Meeting with and seeking any information it requires from employees, officers, directors, or external parties.

- Conduct or authorize investigations into matters within the committee's scope of responsibilities. The AACC is empowered to retain independent accountants, counsel, or others to assist it in the conduct of any investigation.
- Perform other governance oversight as assigned by the Board.
- Review and monitor implementation of management's response to internal and external audit recommendations.

#### Internal Control:

Regarding internal controls, the AACC will:

- Consider the effectiveness of the University's internal control systems, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- Review management's written responses to significant findings and recommendations of the auditors, including the timetable to correct weaknesses in the internal control system.
- Review the adequacy of accounting, management, and financial processes of the University and its DSOs.

#### Financial Statements:

The AACC must receive and review Auditor General financial statement audits related to the University and conducted for the purpose of determining whether the University:

- Presented the basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal controls over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and,
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.

Receiving and reviewing any disclosure of: i) significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the System's ability to record, process, summarize, and report financial data; and ii) any fraud, whether material or not, that involves management or other employees who have a significant role in the System's internal controls.

The AACC will follow up, as it determines appropriate, on any findings contained in Auditor General financial statement audits of the Board Office and State University System of Florida.

#### External Audit:

With regard to external audits, the AACC will:

- Receive and review all external auditors' reports of the University, including that the University's Boards of Trustees and its President take timely and appropriate corrective actions.
- If the AACC determines that circumstances require special purpose audits beyond that provided by the Auditor General of the State of Florida, then the AACC will:
  - Review and approve the selection of external auditors or may delegate such authority to the President.
  - Review and approve the audit plan and significant changes to the plan.
  - Review all significant findings and recommendations noted by external auditors.
- Meet periodically with appropriate University staff and independent auditors to discuss and evaluate the scope and results of audits.

#### Internal Audit:

With regard to internal audits, the AACC will:

- Approve the internal audit charter.
- Review the independence, qualifications, activities, performance, resources, and structure of the internal audit function and ensure no unjustified restrictions or limitations are made.
- Review and approve the proposed internal audit plan for the coming year or the multiyear plan and ensure that it addresses key areas of risk based on risk assessment procedures performed by Audit in consultation with management and the AACC.
- Review the CAE/CCO's performance of audit activities relative to its plan.
- Ensure that significant findings and recommendations made by the internal auditors and management's proposed response are received, discussed, and appropriately resolved.

#### Compliance and Ethics Program:

With regard to compliance, the AACC will:

- Approve the compliance charter.
- Review the effectiveness of the University's efforts to comply with Board of Governors Regulations and any applicable Federal, State and local laws, rules, and regulations.
- Review and approve the Compliance Program Plan and any subsequent changes.
- Review the independence, qualifications, activities, resources, and structure of the compliance and ethics function and ensure no unjustified restrictions or limitations are made.
- Review the effectiveness of the compliance and ethics program in preventing or detecting noncompliance, unethical behavior, and criminal misconduct and ensure that it has appropriate standing and visibility across the University.
- Ensure that significant findings and recommendations made by the CAE/CCO are received, discussed, and appropriately resolved.
- Ensure that procedures for reporting misconduct, or ethical and criminal violations are well publicized and administered and include a mechanism that allows for anonymity or confidentiality, whereby members of the university community may report or seek guidance without the fear of retaliation.

- Review the effectiveness of the system for monitoring compliance with laws and regulations and management's investigation and follow-up (including disciplinary action) of any wrongful acts or non-compliance.
- Review the proposed compliance and ethics work plan for the coming year and ensure that it addresses key areas of risk and includes elements of an effective program as defined by Chapter 8 of the Federal Sentencing Guidelines.
- Obtain regular updates from the CAE/CCO regarding compliance and ethics matters that may have a material impact on the organization's financial statements or compliance policies.
- Review the findings of any examinations or investigations by regulatory bodies.
- Review the University and DSO conflict of interest policies to ensure that: 1) the term "conflict of interest" is clearly defined, 2) guidelines are comprehensive, 3) annual signoff is required, and 4) potential conflicts are adequately resolved and documented.

#### Investigative Responsibilities:

With regard to investigations, the AACC will:

- Ensure a process exists for receiving anonymous complaints and review the nature and disposition of reported matters.
- Institute and oversee special investigations as needed.
- Direct the CAE/CCO to conduct, coordinate, or request investigations when the Board determines that the University is unwilling or unable to address credible allegations relating to waste, fraud, or financial mismanagement.
- When requested by the Office of General Counsel, Title IX Coordinator, or the University Police, direct the CAE/CCO to assist them in their investigations.

#### Reporting Responsibilities:

- Regularly update the Board about its activities and make appropriate recommendations.
- Ensure the Board is aware of matters that may cause significant financial, legal, reputational, or operational impact to the University or its DSOs.
- Receive a summary of findings from completed internal and external audits and the status of implementing related recommendations.
- Receive a summary of findings from completed reports related to the compliance, ethics, or risk programs.

#### Other Responsibilities:

The AACC's other responsibilities include but are not limited to performing activities consistent with this Charter, regulations, rules, and governing laws that the Board or AACC determines are necessary or appropriate.

#### Evaluating Performance:

- Evaluate the AACC's own performance, both of individual members and collectively, on a periodic basis and communicate the results of this evaluation to the Board.
- Approve decisions regarding the appointment, replacement, and removal of the CAE/CCO. This responsibility will help ensure the CAE/CCO is independent and possesses the

competencies necessary to perform the position duties and responsibilities as outlined in the position description.

- Provide input to the President on the annual performance evaluation of the CAE/CCO.
- Review the AACC's charter annually and update as necessary.
- Ensure that any changes to the charter are discussed with the Board and reapproved.

AACC Chair Responsibilities:

The AACC Chair will:

- Preside at all AACC meetings and has the authority to call any special or emergency meetings of the Committee. The AACC Chair may assign members responsibility for specific projects
- Accept the CAE/CCO's determination of no further Board action when, as a result of a Preliminary Inquiry, the CAE/CCO recommends that no further Board action is warranted. In all other situations the AACC will review the matter at its next meeting.

The AACC Vice-Chair will perform the duties of the AACC Chair and have the same power and authority in the absence or disability of the AACC Chair.

Adoption of Charter: The Florida Polytechnic University Board of Trustees adopted the Audit and Compliance Committee Charter on March 15, 2017.

History: Adopted September 9, 2015; reviewed and amended March 15, 2017; reviewed and approved without change May 20, 2020.

# FLORIDA POLYTECHNIC UNIVERSITY

## Board of Trustees Charter Audit and Compliance Committee

### **Purpose**

The Audit and Compliance Committee (“AACC” or the “Committee”) is one of the standing committees of the Board of Trustees. The primary purpose of the AACC is to assist the Board in fulfilling its oversight responsibilities for the following areas:

- Oversight of the University’s internal controls
- Oversight and direction of the internal and external auditing functions ensuring its independence
- Integrity of the University’s annual financial statements
- The performance of the University’s independent audit functions
- Approval of the annual audit plan
- Monitoring and controlling risk exposure
- Monitoring compliance with laws, rules and regulations
- Oversight and direction of the University’s compliance and ethics program ensuring its independence
- Set standards for ethical conduct

The Committee is responsible for taking appropriate actions to establish the overall standards for ethical behavior, sound risk management and sound business practices. The AACC serves as the point of contact between the Board of Trustees, external auditors, and state and federal auditors. The Chair of the AACC serves as the liaison between the Florida Polytechnic University Board of Trustees and the AACC

### **Composition**

The AACC shall consist of no less than three members of the Board of Trustees. The Chair and the Vice-Chair shall be ex-officio voting members. The AACC Chair and members are appointed and removed by Chair of the Board of Trustees.

AACC members shall be free from any financial, family or other material personal relationship that would impair his or her independence from the management of the University.

### **Quorum**

A majority of AACC members present at a committee meeting constitutes quorum for purposes of committee business.

## **Authority**

To fulfill its oversight role, the AACC has the authority to investigate or study matters within the AACC's scope of responsibility. The Board authorized the Committee to:

- Perform activities within the scope of its charter
- Have unrestricted access to management, faculty, and employees of the University and its DSOs, as well as to all their books, records, and facilities.
- Study or investigate any matter related to audit, compliance, or related concerns such as potential fraud or conflicts of interest that the Committee deems appropriate.
- Engage independent counsel, independent accountants and other advisers as it deems necessary to discharge its duties.
- Provide oversight and direction of the internal auditing function, of external auditors, and of engagements with state auditors.
- Provide oversight and direction of the institutional compliance, ethics, and risk program, and be knowledgeable of the program with respect to its implementation and effectiveness.
- Perform other duties as assigned by the Board.

The AACC shall inform the Board of all actions and the results.

## **Meetings**

The AACC shall meet at least (4) four times annually. The AACC may schedule additional meetings if needed. All meetings are open to the public and all committee members are expected to attend each meeting in person or via conference call. The AACC will invite members of management, auditors, or others to attend meetings and provide pertinent information. The Chair of the Committee shall discuss the meeting agenda with the Vice President and Chief Financial Officer prior to each meeting to finalize the agenda and review the issues to be discussed. Meeting agendas and the supporting materials will be provided in advance and the committee members will be briefed prior to each meeting. Minutes will be prepared for each meeting.

## **Confidential/Exempt Issues**

Issues being addressed by the Audit and Compliance Committee are subject to Chapter 119, Florida Statutes (Public Records). Meetings are confidential and exempt from the public when the discussion involves sensitive issues related to individuals or an on-going investigation related to Sections 112.3187-112.31895, Florida Statutes - "Whistle-blower's Act".

## **Responsibilities and Duties**

The AACC has the following responsibilities and duties:

### **General**

- Assisting the Board of Trustees in fulfilling oversight responsibilities in relation to financial reporting, internal control systems, risk management systems, compliance with laws rules and regulations and internal and external audit functions. Its role is to

- provide advice and recommendations to the Board within the scope of this Charter.
- Adopt flexible procedures in order to react to changing conditions and provide reasonable assurances to the Board that the scope of audit services and the adequacy of the internal control systems are in compliance with state and federal laws, regulations and requirements.
  - Adopt a formal written charter that specifies the scope, responsibilities, processes and practices of the committee. The charter should be reviewed annually.
  - Maintain minutes of meetings and activities.
  - Report committee actions to the Board that the committee may deem appropriate.
  - Direct the Internal Auditor to conduct investigations into any matters within its scope of responsibility and obtaining advice and assistance from outside legal, accounting, or other advisers, as necessary, to perform its duties and responsibilities. Meeting with and seeking any information it requires from employees, officers, directors, or external parties.
  - Conduct or authorize investigations into matters within the committee's scope of responsibilities. The AACC shall be empowered to retain independent accountants, counsel or others to assist it in the conduct of any investigation.
  - Perform other governance oversight as assigned by the Board.

Review and monitor implementation of management's response to internal and external audit recommendations.

### **Internal Control**

Regarding internal controls, the AACC shall:

- a. Consider the effectiveness of the University's internal control systems, including information technology security and control.
- b. Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- c. Review management's written responses to significant findings and recommendations of the auditors, including the timetable to correct weaknesses in the internal control system.
- d. Review the adequacy of accounting, management, and financial processes of the University and its DSOs.

### **Financial Statements**

The AACC shall receive and review Auditor General financial statement audits related to the University and conducted for the purpose of determining whether the University:

- a. Presented the basic financial statements in accordance with generally accepted accounting principles;
- b. Established and implemented internal controls over financial reporting and

compliance with requirements that could have a direct and material effect on the financial statements; and

- c. Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.

Receiving and reviewing any disclosure of: i) significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the System's ability to record, process, summarize, and report financial data; and ii) any fraud, whether material or not, that involves management or other employees who have a significant role in the System's internal controls.

The AACC shall follow up, as determined appropriate, on any findings contained in Auditor General financial statement audits of the Board Office and State University System of Florida.

### **External Audit**

With regard to external audits, the AACC shall:

- a. Receive and review all external auditors' reports of the University, including that the University's Boards of Trustees and its President take timely and appropriate corrective actions.
- b. If the AACC determines that circumstances require special purpose audits beyond that provided by the Auditor General of the State of Florida, then the AACC shall:
  - i. Review and approve the selection of external auditors or may delegate such authority to the President.
  - ii. Review and approve the audit plan and significant changes to the plan.
  - iii. Review all significant findings and recommendations noted by external auditors.
- c. Meet periodically with appropriate University staff and independent auditors to discuss and evaluate the scope and results of audits.

### **Internal Audit**

With regard to internal audits, the AACC shall:

- a. Approve the internal audit charter.
- b. Review the independence, qualifications, activities, performance, resources, and structure of the internal audit function and ensure no unjustified restrictions or limitations are made.
- c. Review and approve the proposed internal audit plan for the coming year or the multi-year plan and ensure that it addresses key areas of risk based on risk assessment procedures performed by Audit in consultation with management and the Committee.
- d. Review the Internal Auditor's performance of audit activities relative to its plan.
- e. Ensure that significant findings and recommendations made by the internal

auditors and management's proposed response are received, discussed, and appropriately resolved.

### **Compliance and Ethics Program**

With regard to compliance, the AACCC shall:

- a. Approve the compliance charter.
- b. Review the effectiveness of the University's efforts to comply with Board of Governors Regulations and any applicable Federal, State and local laws, rules and regulations.
- c. Review and approve the Compliance Program Plan and any subsequent changes.
- d. Review the independence, qualifications, activities, resources, and structure of the compliance and ethics function and ensure no unjustified restrictions or limitations are made.
- e. Review the effectiveness of the compliance and ethics program in preventing or detecting noncompliance, unethical behavior, and criminal misconduct and ensure that it has appropriate standing and visibility across the University.
- f. Ensure that significant findings and recommendations made by the chief compliance and ethics officer are received, discussed, and appropriately resolved.
- g. Ensure that procedures for reporting misconduct, or ethical and criminal violations are well publicized and administered and include a mechanism that allows for anonymity or confidentiality, whereby members of the university community may report or seek guidance without the fear of retaliation.
- h. Review the effectiveness of the system for monitoring compliance with laws and regulations and management's investigation and follow-up (including disciplinary action) of any wrongful acts or non-compliance.
- i. Review the proposed compliance and ethics work plan for the coming year and ensure that it addresses key areas of risk and includes elements of an effective program as defined by Chapter 8 of the Federal Sentencing Guidelines.
- j. Obtain regular updates from the chief compliance and ethics officer regarding compliance and ethics matters that may have a material impact on the organization's financial statements or compliance policies.
- k. Review the findings of any examinations or investigations by regulatory bodies.
- l. Review the University and DSO conflict of interest policies to ensure that: 1) the term "conflict of interest" is clearly defined, 2) guidelines are comprehensive, 3) annual signoff is required, and 4) potential conflicts are adequately resolved and documented.

### **Investigative Responsibilities**

With regard to investigations, the AACCC shall:

- a. Ensure a process exists for receiving anonymous complaints and review the nature and disposition of reported matters.
- b. Institute and oversee special investigations as needed.

- c. Direct the Internal Auditor to conduct, coordinate, or request investigations when the Board determines that the University is unwilling or unable to address credible allegations relating to waste, fraud, or financial mismanagement.
- d. When requested by the Office of General Counsel or the University Police, direct the Internal Auditor to assist them in their investigations.

### **Reporting Responsibilities**

- a. Regularly update the Board about its activities and make appropriate recommendations.
- b. Ensure the Board is aware of matters that may cause significant financial, legal, reputational, or operational impact to the University or its DSOs.
- c. Receive a summary of findings from completed internal and external audits and the status of implementing related recommendations.
- d. Receive a summary of findings from completed reports related to the compliance, ethics, or risk programs.

### **Other Responsibilities**

The AACC's other responsibilities shall include but not be limited to performing activities consistent with this Charter, regulations, rules and governing laws that the Board or AACC determines are necessary or appropriate.

### **Evaluating Performance**

- a. Evaluate the Committee's own performance, both of individual members and collectively, on a periodic basis and communicate the results of this evaluation to the Board.
- b. Review the Committee's charter annually and update as necessary.
- c. Ensure that any changes to the charter are discussed with the Board and reapproved

### **AACC Chair Responsibilities**

The AACC Chair shall:

- a. Preside at all AACC meetings and shall have the authority to call any special or emergency meetings of the Committee. The AACC Chair shall assign members responsibility for specific projects.
- b. Approve decisions regarding the appointment, replacement and removal of the Internal Auditor. This responsibility will help ensure the Internal Auditor is independent and possesses the competencies necessary to perform the position duties and responsibilities as outlined in the position description.
- c. Provide input to the Board of Trustees on the annual performance evaluation of the Internal Auditor.

- d. Accept the Internal Auditor's determination of no further Board action when, as a result of a Preliminary Inquiry, the Internal Auditor recommends that no further Board action is warranted. In all other situations the Audit Committee shall review the matter at its next meeting.

The AACC Vice-Chair shall perform the duties of the AACC Chair and have the same power and authority in the absence or disability of the AACC Chair.

**Adoption of Charter**

The Florida Polytechnic University Board of Trustees adopted the Audit and Compliance Committee Charter on March 15, 2017.

**History:** Adopted September 9, 2015, reviewed and amended March 15, 2017

**Florida Polytechnic University  
Audit and Compliance Committee  
Board of Trustees  
September 9, 2020**

**Subject: Audit & Compliance Update**

---

**Proposed Committee Action**

Information only – no action required.

**Background Information**

David Blanton, Chief Audit Executive/Chief Compliance Officer (CAE/CCO) will provide the Committee with an update of all University and Foundation audit and compliance activity including the status of all planned external audits and University Audit & Compliance activities and plans.

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**Supporting Documentation:** Power Point presentation

**Prepared by:** David A. Blanton, CAE/CCO



**FLORIDA POLYTECHNIC**  
UNIVERSITY

## **Audit and Compliance Committee**

**David A. Blanton**

**September 9, 2020**

# Audit & Compliance Agenda

---

- **AACC Charter Review & Approval**
  - **Audit & Compliance Update**
  - **Auditor General Operational Audit**
  - **UAC Annual Report ~ 2019-20 FY**
  - **UAC Audit Plan & Risk Assessment ~ 2020-21 FY**
  - **UAC Compliance & Ethics Program ~ 2020-21 FY**
-

# Responsibilities – Committee Charter

- **Internal controls**
- **Audit function**
  - Oversight
  - Direction
- **Integrity of financial statements**
- **Performance of UAC**
- **Approve audit plan**
- **Risk exposure**
- **Compliance**
- **Compliance program**
- **Ethical conduct**

FLORIDA  
POLYTECHNIC  
UNIVERSITY

Board of Trustees  
Charter  
Audit and Compliance Committee

**Purpose**

The Audit and Compliance Committee ("AACC" or the "Committee") is one of the standing committees of the Board of Trustees. The primary purpose of the AACC is to assist the Board in fulfilling its oversight responsibilities for the following areas:

- Oversight of the University's internal controls
- Oversight and direction of the internal and external auditing functions ensuring its independence
- Integrity of the University's annual financial statements
- The performance of the University's independent audit functions
- Approval of the annual audit plan
- Monitoring and controlling risk exposure
- Monitoring compliance with laws, rules and regulations
- Oversight and direction of the University's compliance and ethics program ensuring its independence
- Set standards for ethical conduct

The Committee is responsible for taking appropriate actions to establish the overall standards for ethical behavior, sound risk management and sound business practices. The AACC serves as the point of contact between the Board of Trustees, external auditors, and state and federal auditors. The Chair of the AACC serves as the liaison between the Florida Polytechnic University Board of Trustees and the AACC

**Composition**

The AACC shall consist of no less than three members of the Board of Trustees. The Chair and the Vice-Chair shall be ex-officio voting members. The AACC Chair and members are appointed and removed by Chair of the Board of Trustees.

AACC members shall be free from any financial, family or other material personal relationship that would impair his or her independence from the management of the University.

**Quorum**

A majority of AACC members present at a committee meeting constitutes quorum for purposes of committee business.

# AACC Charter Changes and Approval

- **Organized for clarity/consistent terminology**
- **CAE/CCO evaluation/AACC input**
- **Updated modification date**

**ACTION: Recommend approval of the changes to the Audit and Compliance Committee Charter to the Board.**

# Audit & Compliance Agenda

---

- AACCC Charter Review & Approval
  - **Audit & Compliance Update**
    - External Audits
    - Internal Audit
  - **Auditor General Operational Audit**
  - **UAC Annual Report ~ 2019-20 FY**
  - **UAC Audit Plan & Risk Assessment ~ 2020-21 FY**
  - **UAC Compliance & Ethics Program ~ 2020-21 FY**
-

# Update - External Audits

- **Auditor General: Operational Audit 2019 CY**
  - Report released, presented for approval today
  - 2 findings, down from 9 in the prior audit
- **Auditor General: Bright Futures Audit (2 year)**
  - Fieldwork completed, to be released soon
  - Statewide audit
- **Auditor General: Statewide Federal Audit**
  - Title IV Federal Programs (Pell/SEOG/FWS/Federal Loans/ etc.)
  - Fieldwork in progress – issued by 3/31/21
- **Auditor General: Financial Audit ~ FYE 6/30/20**
  - Fieldwork to start in fall 2020

# Update - Internal Audit/Compliance

---

- **Completed annual report ~2019-20FY**
  - **Completed risk assessment ~ 2020-21 FY**
  - **Completed audit plan ~ 2020-21 FY**
  - **Completed compliance program plan ~ 2020-21 FY**
  - **In-progress/Upcoming projects:**
    - CARES Compliance Monitoring Review (BOG report out by Jan 2021)
    - Textbook Affordability Monitoring Review (Fall 2020)
    - Performance Based Funding Audit (due to BOT by Feb/BOG by 3/1/21)
-

# Audit & Compliance Agenda

---

- AACC Charter Review & Approval
  - Audit & Compliance Update
  - **Auditor General Operational Audit**
  - **UAC Annual Report ~ 2019-20 FY**
  - **UAC Audit Plan & Risk Assessment ~ 2020-21 FY**
  - **UAC Compliance & Ethics Program ~ 2020-21 FY**
-

# Auditor General Operational Audits

---

- **Scope: Review of university processes and administrative activities**
  - **Audit period: Calendar year 2019**
  - **Frequency: Conducted every 2 to 3 years**
  - **Current audit=2 findings/prior audit=9 findings**
  - **One repeat finding (uncorrected)**
-

# Auditor General Operational Audit

---

- **Finding 1: Textbook Affordability**

- Required & recommended instructional materials must be posted 45 days prior to start of classes
  - 3 terms tested; however only 1 term noncompliant (Spring 2019)
  - Certification to the BOG for this same term did not reflect non-compliance
  - Repeat finding (3<sup>rd</sup> time)
  - UAC identified this term as non-compliant in February 2019 (Report FPU-2019-04)
  - Compliance monitoring reports planned for 2020-21 FY as part of Compliance Program Plan
-

# Textbook Affordability

**Table 1**  
**Textbook and Instructional Materials Postings**

| <b>Posted Status</b>  | <b>Spring 2019<br/>Course Sections</b> |
|-----------------------|--|
| Timely                | 234                                    |
| Late                  | 31                                     |
| <b>Totals</b>         | <b><u>265</u></b>                      |
| <b>Percent Timely</b> | <b><u>88%</u></b>                      |

Source: University records.

# Auditor General Operational Audit

---

- **Finding 2: Background Screenings**

- Level 2 background screenings were not maintained for 9 employees
  - In 4 instances this occurred due to internal promotions
  - In 5 instances the screenings were performed but documentation was not maintained
  - The university has now performed the screenings for these employees
  - Internal controls enhanced to preclude further instances
-

# Auditor General Operational Audit



**ACTION: Recommend approval of the Auditor General Operational Audit to the Board of Trustees.**

# Audit & Compliance Agenda

---

- **Audit & Compliance Update**
  - **Auditor General Operational Audit**
  - **UAC Annual Report ~ 2019-20 FY**
  - **UAC Audit Plan & Risk Assessment ~ 2020-21 FY**
  - **UAC Compliance & Ethics Program ~ 2020-21 FY**
-

# UAC Annual Report

---

- **Fiscal year ended June 30, 2020**
  - **Required by IIA Standards, BOG Regulation, and UAC Charter**
  - **Summarizes the activity of UAC**
  - **Audit & Compliance Committee Oversight (fulfills certain charter responsibilities)**
    - Resource allocation
    - Sufficient resources committed
    - Risks adequately addressed
    - Overall oversight of audit & compliance functions
-

# UAC Annual Report Highlights

---

- **Completed and released 4 audit reports**
  - **Completed and released 4 investigative reports**
  - **Presented 4 training sessions**
  - **Administered 18 allegations of fraud, waste, noncompliance or abuse**
  - **Completed an audit self-assessment**
-



# UAC Resource Allocation

**TABLE 2**  
**COMPARISON OF APPROVED PLAN HOURS TO ACTUAL HOURS**

| Activity              | Plan Hours | Actual Hours | Difference        | % Difference |
|-----------------------|------------|--------------|-------------------|--------------|
| <b>Administrative</b> | 244        | 266.5        | 22.5              | 9.2%         |
| <b>Audit</b>          | 680        | 525.5        | (154.5)           | -22.7%       |
| <b>Compliance</b>     | 400        | 365          | (35)              | -8.8%        |
| <b>Investigative</b>  | 200        | 412          | 212               | 106%         |
| <b>Consulting</b>     | 240        | 243.5        | 3.5               | 1.5%         |
| <b>Training</b>       | 120        | 82           | (38)              | -31.7%       |
|                       |            |              |                   |              |
| <b>Totals</b>         | 1,884      | 1,894.5      | 10.5 <sup>4</sup> | 0.6%         |

Time by Activity (Actual)



# UAC Progress towards Audit Plan

| <b>Table 1</b><br><b>2019-20 Audit Plan</b><br><b>Actual Progress vs. Approved Audit Plan</b> |  |   |                                     |
|---|--|---|-------------------------------------|
| #   | Planned Audits/Risk Areas for 2019-20  | Area of Focus (i.e. processes/Controls)   | Status                              |
| 1   | ADA/ODS Audit (from previous plan but completed in early 2019-20)  | To determine compliance with the Americans with Disabilities Act (ADA) Regulations, the operations of the University's Office of Disability Services (ODS), and compliance with Section 504 <sup>2</sup> .  | <input checked="" type="checkbox"/> |
| 2   | Quality Assurance Review (QAR) Self-Assessment   | To determine conformance with IIA Standards and Code of Ethics.   | <input checked="" type="checkbox"/> |
| 3   | Institutional Scholarship Awards   | Initially planned as a limited scope review to determine whether institutional scholarships offered were administered without bias, on a consistent basis, and in accordance with University and Federal Regulations. Scope expanded to address additional areas of perceived risk. | X(A)                                |
| 4   | Expense Card & Travel Expenses   | To determine whether the E-card program was administered in accordance with applicable university policies and procedures and whether related purchasing card travel expenses were reasonable, adequately supported, and for valid university purposes.                             | X(B)                                |
| 5   | PIE Report   | Primarily relates to carryforward funds. Limited scope report to determine whether the recommendations in the Public Integrity and Ethics (PIE) Committee has been adequately addressed.  | X(B)                                |
| <input checked="" type="checkbox"/>   | Planned audit or review completed.   |   |                                     |
| X   | Planned audit or review not yet completed.   |   |                                     |
| (A)   | UAC has performed a significant amount of work on this focus area and provided its expanded scope, is proposing to carry forward this risk into the 2020-21 Plan year. |   |                                     |
| (B)   | Area of focus included in recent operational audit performed recently by the Auditor General and thus no longer considered a high area of risk.                        |   |                                     |

# Mandatory Audit Disclosures

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- **Organizational Independence**
  - **Impairments to independence or objectivity (none)**
  - **Disclosure of nonconformance (none)**
  - **Unacceptable risks (none)**
  - **Quality assurance**
-

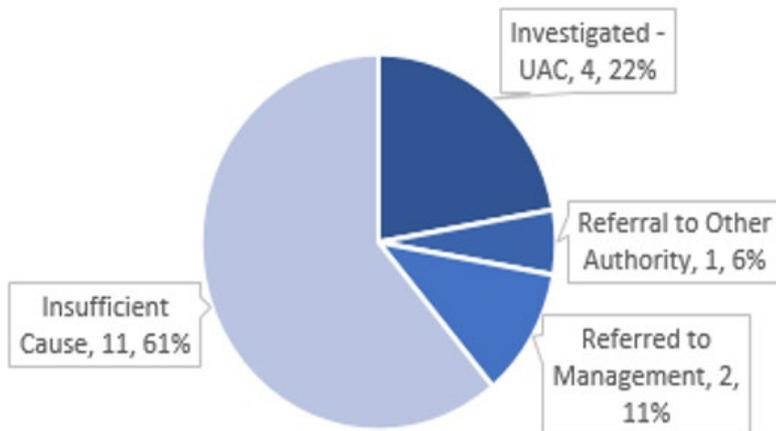
# UAC Progress towards Compliance Program Plan

**Table 5**  
**2019-20 Compliance & Ethics Program Plan**  
**Actual Progress vs. Approved Plan**

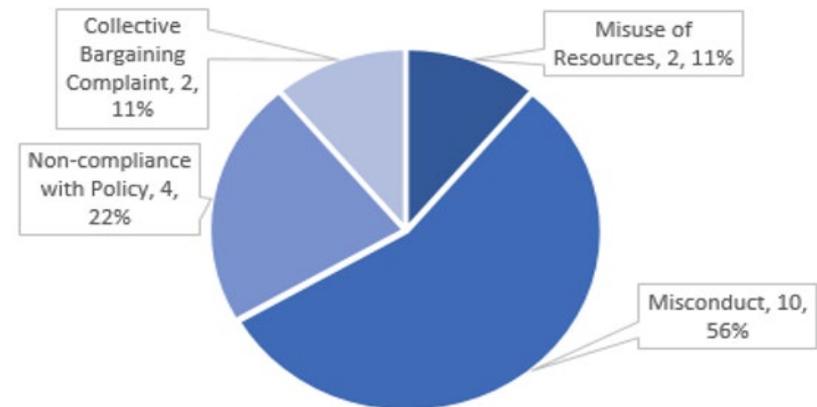
| #   | Planned Area of Focus for 2019-20  | Status/Comments |
|-----|--|-----------------|
| 1   | General Compliance Activities/Investigations   | ☑               |
| 2   | Trainings & Communication  | ☑               |
| 3   | Environmental Health & Safety  | X(A)            |
| 4   | Contract Management  | X(B)            |
| 5   | Background Screenings  | X(B)            |
| 6   | Compliance Program Self-Assessment   | X(C)            |
| ☑   | Planned area of focus in progress or completed.  |                 |
| X   | Planned audit or review not yet started or completed. Project deferred into subsequent fiscal year.  |                 |
| (A) | Since this area involves instructional labs that are currently impacted by COVID-19 restrictions, recommending postponement of this area of focus.   |                 |
| (B) | Sufficiently included in the scope of the Auditor General's recent operational audit. Therefore recommending removal from Plan.  |                 |
| (C) | Self-assessment criteria not formally adopted by Compliance Consortium until late in the 2019-20 fiscal year. Therefore, carrying this focus area into the 2020-21 Plan. Additionally, as noted in this report the external assessment will need to be initiated by November 2021. |                 |

# UAC Allegations

ALLEGATION DISPOSITIONS  
2019-20 FY



NATURE OF ALLEGATION  
2019-20 FY



NOTE: All allegations and dispositions reported monthly to the Audit & Compliance Committee.

# Key Performance Indicators: Audit & Compliance

| Key Performance Indicator                  | 17/18 <sup>6</sup> | 18/19 | 19/20 | Comments                   |
|--|--------------------|-------|-------|----------------------------|
| Total reports released                     | 3                  | 8     | 8     |                            |
| Number of audits completed                 | 1                  | 2     | 2     |                            |
| Percentage of audit effort                 | 21.9%              | 26.9% | 27.7% |                            |
| Number of allegations addressed            | 33                 | 26    | 18    |                            |
| Number of investigative reports released   | 1                  | 3     | 4     |                            |
| Number of consults/compliance inquiries    | -                  | -     | 138   | Not tracked until 19/20 FY |
| Number of certifications held by UAC staff | 1                  | 2     | 2     | CPA, CCEP                  |
| Trainings conducted by UAC                 | 1                  | 3     | 4     |                            |
| Audit experience (years)                   | 28                 | 29    | 30    |                            |
| Compliance professional experience (years) | 0                  | 1     | 2     |                            |

<sup>6</sup> The initial year that UAC was staffed only included 11 months and most effort was directed at establishing an appropriate infrastructure for audit and compliance.

# UAC Annual Report

- **Includes both Audit and Compliance**
- **Annual report used as the basis to evaluate performance relative to the approved plans and assists the Committee with its oversight responsibility**
- **Annual report required by BOG Regulation**

**ACTION: Recommend approval of the UAC Annual Report for the fiscal year ended June 30, 2020 to the Board.**

# Audit & Compliance Agenda

---

- **AACC Charter Review & Approval**
  - **Audit & Compliance Update**
  - **Auditor General Operational Audit**
  - **UAC Annual Report ~ 2019-20 FY**
  - **UAC Risk Assessment & Audit Plan ~ 2020-21 FY**
  - **UAC Compliance & Ethics Program Plan ~ 2020-21 FY**
-



# Risk Assessment & Audit Plan

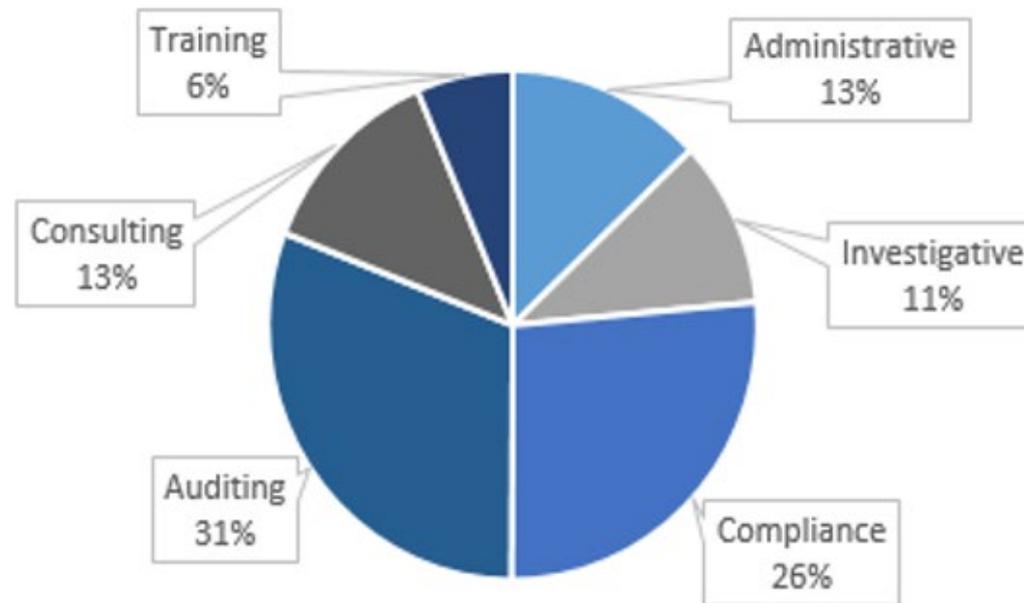
| Rank  | Audit Risk Area                                    | Objectives/Purpose of Audit   | Notes |
|---|--|---|-------|
| 1   | Performance Based Funding (PBF) Reporting Controls | To determine whether the University has established adequate controls in order to properly report on the various metrics related to PBF.<br>[Note: This is the first year that PBF will be applicable to Florida Poly.] | A     |
| 2   | Institutional Scholarship Awards                   | To determine whether institutional scholarships offered were administered without bias, on a consistent basis, and in accordance with University and Federal Regulations.   | B     |
| 3   | Follow-up on previously reported matters           | To determine the current status of all corrective action on matters previously reported by UAC.   |       |
|   |  |   |       |
|   |  |   |       |
|   |  |   |       |
| <b>Notes:</b>   |  |   |       |
| A – PBF audit and BOT data certification is required to be presented to the BOG by March 1, 2021. This is the first year that Florida Poly will participate in the funding for PBF and a condition of participation is an audit of the data integrity supporting the metrics developed to measure performance. Consequently, this is ranked highest priority for the 2020-21 Plan year. |  |   |       |
| B – Risk and audit carried forward from 2019-20 Audit Plan. This audit initially planned as a limited scope audit; however, scope expanded to review other related risks. Completion of audit impacted by UAC workflow and COVID-19.  |  |   |       |
|   |  |   |       |

# University Audit Work Plan: 20/21 FY

| Florida Polytechnic University<br>University Audit & Compliance<br>Work Plan (A)   |                 |                  |
|--|-----------------|------------------|
| Activity   | Estimated Hours | Total Hours      |
| <b>ADMINISTRATIVE ACTIVITIES:</b>  |                 | 244              |
| Periodic meetings with President/Board   | 40              |                  |
| BOG Communications   | 20              |                  |
| Prepare Audit & Compliance liaison materials and attend briefings  | 160             |                  |
| Other  | 24              |                  |
| <b>INVESTIGATIVE ACTIVITIES:</b>   |                 | 200 <sup>5</sup> |
| Complaint Intake, Preliminary Inquiries, Investigations (B)  | 200             |                  |
| <b>COMPLIANCE ACTIVITIES:</b>  |                 | 500 <sup>5</sup> |
| Administration of the Compliance and Ethics Program  | 360             |                  |
| Perform Compliance & Ethics Training   | 40              |                  |
| Compliance Program Evaluation  | 100             |                  |
| <b>AUDITING ACTIVITIES:</b>  |                 | 580              |
| UAC Risk Assessment and Audit Plan 2020-21   | 80              |                  |
| UAC Annual Report  | 60              |                  |
| PBF Audit  | 360             |                  |
| Follow-up on Prior Audit Observations  | 80              |                  |
| Scholarships/Admissions  | 100             |                  |
| <b>MANAGEMENT ADVISORY/CONSULTING ACTIVITIES:</b>  |                 | 240              |
| Various (B)  | 240             |                  |
| <b>TRAINING ACTIVITIES:</b>  |                 | 120              |
| Webinars, SUS Committees, and Continuing Professional Education  | 120             |                  |
| <b>Total Estimated Hours</b>   | <b>1,884</b>    | <b>1,884</b>     |
| Notes:   |                 |                  |
| (A) This annual work plan is subject to change based on requests made by the Board to evaluate particular programs or activities.  |                 |                  |
| (B) Estimated hours for investigations and management advisory services not readily quantifiable and could increase given additional allegations and/or consulting requests. |                 |                  |

# University Audit Work Plan: 20/21 FY

Planned Work Distribution - 2020-21 FY



■ Administrative ■ Investigative ■ Compliance ■ Auditing ■ Consulting ■ Training

# University Audit Risk Assessment & Work Plan

- **Plan year: 2020-21 FY**
- **The Plan assists the Committee with its oversight responsibility**
- **The Committee should consider (a) whether the Plan is aligned with the university's strategic plan, objectives, and applicable risk and (b) whether it provides for the effective use of UAC resources**

**ACTION: Recommend approval of the UAC Risk Assessment and Work Plan for the fiscal year ended June 30, 2021 to the Board.**

# Audit & Compliance Agenda

---

- **AACC Charter Review & Approval**
  - **Audit & Compliance Update**
  - **Auditor General Operational Audit**
  - **UAC Annual Report ~ 2019-20 FY**
  - **UAC Risk Assessment & Audit Plan ~ 2020-21 FY**
  - **UAC Compliance & Ethics Program Plan ~ 2020-21 FY**
-

# Compliance and Ethics Program

---

- **Compliance & Ethics Program Plan Developed for each FY**
  - **AACC Charter requires Trustees to be knowledgeable of the Program**
  - **Federal Sentencing Guidelines (FSG): 7 Basic Elements**
-

# FSG 7 Basic Elements – Compliance & Ethics Plan

- **Standards, Policies, Procedures**
- **Compliance Program Administration**
- **Conduct Controls for Employees**
- **Communication, Education, & Training**
- **Monitoring, Auditing, Reporting System  
(Hotline)**
- **Discipline & Incentives**
- **Program Modifications**

NOTE: 2020-21 Compliance & Ethics Plan addresses each FSG element.

# 2020-21 Compliance Plan Focus Areas

---

- **Compliance Monitoring Reviews**
    - CARES Act Funds
    - Textbook Affordability Compliance
    - Financial Disclosures/Conflicts
    - Foreign Influence/Gifts Contracts
    - Compliance Program Assessment
  - **Reporting system (Hotline)/Investigations**
  - **Training**
  - **Consultations/advisory services**
-

# Compliance & Ethics Program Plan Approval

- **Plan year: 2020-21 FY**
- **The Plan assists the Committee with its oversight responsibility**
- **The Committee should consider (a) whether the Plan is aligned with the university's strategic plan, objectives, and applicable risk and (b) whether it provides for the effective use of UAC resources**

**ACTION: Recommend approval of the Compliance & Ethics Program Plan for the fiscal year ended June 30, 2021 to the Board of Trustees**

**AGENDA ITEM: VIII.**

**Florida Polytechnic University  
Audit and Compliance Committee  
Board of Trustees  
September 9, 2020**

**Subject: Auditor General Operational Audit of the University**

---

**Proposed Committee Action**

Recommend approval of the Operational Audit performed by the Florida Auditor General for the calendar year 2019.

**Background Information**

In accordance with Section 11.45, Florida Statutes, an operational audit was performed on the University's various programs, activities, and functions. The operational audit focused on various processes and administrative activities and included a follow-up of the 9 findings reported in the previous operational audit of the University. David Blanton, Chief Audit Executive/Chief Compliance Officer (CAE/CCO) will present the results of the operational audit to the Committee for their consideration and approval.

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**Supporting Documentation:** Florida Polytechnic University Operational Audit Report No. 2021-008 (issued by the Florida Auditor General).

**Prepared by:** David A. Blanton, CAE/CCO

**STATE OF FLORIDA AUDITOR GENERAL**

**Operational Audit**

Report No. 2021-008  
August 2020

**FLORIDA POLYTECHNIC UNIVERSITY**



Sherrill F. Norman, CPA  
Auditor General

## Board of Trustees and President

During the period January 1 through December 31, 2019, Dr. Randy K. Avent served as President of Florida Polytechnic University and the following individuals served as Members of the Board of Trustees:

|  |                                      |
|--|--------------------------------------|
| Donald H. Wilson, Chair                      | Frank T. Martin                      |
| Clifford "Cliff" K. Otto, Vice Chair         | Henry McCance                        |
| Dr. Victoria Astley from 5-2-19 <sup>a</sup> | Ryan Perez from 4-25-19 <sup>b</sup> |
| R. Mark Bostick                              | Dr. Adrienne Perry                   |
| Dr. James Dewey through 5-1-19 <sup>a</sup>  | Dr. Louis S. Saco                    |
| Rear Admiral Philip A. Dur, USN (Ret.)       | Dr. W. Earl Sasser from 10-30-19     |
| Dr. Richard P. Hallion through 10-29-19      | Robert W. Stork                      |
| Travis Hills through 4-24-19 <sup>b</sup>    | Gary C. Wendt                        |

<sup>a</sup> Faculty Senate Chair.

<sup>b</sup> Student Body President.

The team leader was Gregory J. Lemieux, CPA, and the audit was supervised by Mark A. Arroyo, CPA.

Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Manager, by e-mail at [jaimehoelscher@aud.state.fl.us](mailto:jaimehoelscher@aud.state.fl.us) or by telephone at (850) 412-2868.

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**State of Florida Auditor General**

**Claude Pepper Building, Suite G74 · 111 West Madison Street · Tallahassee, FL 32399-1450 · (850) 412-2722**

# FLORIDA POLYTECHNIC UNIVERSITY

## **SUMMARY**

---

This operational audit of Florida Polytechnic University (University) focused on selected University processes and administrative activities and included a follow-up on findings noted in our report No. 2018-214. Our operational audit disclosed the following:

**Finding 1:** As similarly noted in our report Nos. 2018-214 and 2016-067, University textbook affordability procedures need improvement.

**Finding 2:** Required background screenings were not always performed and documented for individuals in positions of special trust and responsibility.

## **BACKGROUND**

---

The Florida Polytechnic University (University) is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors (BOG). The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints 6 citizen members and the BOG appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered 5-year terms. The Faculty Senate Chair and Student Body President also are members.

The BOG establishes the powers and duties of the Trustees. The Trustees are responsible for setting University policies, which provide governance in accordance with State law and BOG Regulations. The University President is selected by the Trustees and confirmed by the BOG. The University President serves as the Executive Officer and the Corporate Secretary of the Trustees and is responsible for administering the policies prescribed by the Trustees for the University.

## **FINDINGS AND RECOMMENDATIONS**

---

### **Finding 1: Textbook Affordability**

State law<sup>1</sup> requires each university to post prominently in the course registration system and on its Web site, as early as feasible, but at least 45 days before the first day of class for each term, a hyperlink to lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections offered at the university during the upcoming term. In addition, State law<sup>2</sup> requires universities to report to the Chancellor of the State University System (SUS) no later than September 30, 2019, the number of courses and course sections that were not able to meet the textbook and instructional materials posting deadline for the previous academic year.

---

<sup>1</sup> Section 1004.085(5), Florida Statutes.

<sup>2</sup> Section 1004.085(7), Florida Statutes.

The University contracted with a Bookstore Vendor to manage and operate the University Bookstore, as well as compile and post adopted textbooks and instructional materials in the University Bookstore Web site. According to University personnel, textbook and instructional material information was simultaneously updated in the course registration system and on the Bookstore Web site. University policies<sup>3</sup> require that course instructors submit a list of required and recommended textbooks and instructional materials to the Bookstore Vendor by the provost or designee established adoption date deadline and also require course instructors to confirm to the Vendor the courses and course sections that will require no textbooks or instructional materials.

As part of our audit, we examined University records supporting textbooks and instructional materials for the Spring 2019, Summer 2019, and Fall 2019 Terms. Specifically, from the population of 609 course sections offered during those terms, we examined University records supporting textbook and instructional material adoptions for all course sections to determine whether the University textbook affordability procedures complied with State law. Based on that examination and discussions with University personnel, we determined for the Spring 2019 Term that:

- As shown in Table 1, the University timely posted the textbooks and instructional materials for 88 percent of the course sections, instead of at least 95 percent of the course sections pursuant to State law.

**Table 1**  
**Textbook and Instructional Materials Postings**

| Posted Status         | Spring 2019<br>Course Sections |
|-----------------------|--------------------------------|
| Timely                | 234                            |
| Late                  | 31                             |
| <b>Totals</b>         | <b><u>265</u></b>              |
| <b>Percent Timely</b> | <b><u>88%</u></b>              |

Source: University records.

In response to our inquiries, University personnel indicated that delays occurred because instructors were changed for several course sections. The timely posting of required and recommended textbook and instructional material information in the course registration system and on the University Bookstore Web site is necessary for students to understand course textbook requirements, have sufficient time to consider textbook purchase options, and limit their textbook costs.

- The University Report to the Chancellor of the SUS indicated that textbook and instructional materials information for 1 percent of the course sections did not meet the posting deadline and, therefore, the University represented that 99 percent of course sections met the posting deadline for that term. In response to our inquiries regarding the difference between the 99 percent represented for the term on the University report and the 88 percent of textbooks and instructional materials timely posted for the term, University personnel indicated that the University report was based on incorrect information. Accurate information reported to the SUS Chancellor is required by State law and helps the Chancellor summarize and report the information by institution to the Board of Governors.

<sup>3</sup> FPU Policy – 5.003, *Textbook Adoption and Affordability*.

Similar findings were noted in our report Nos. 2018-214 and 2016-067.

**Recommendation: The University should ensure that a hyperlink to lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections offered at the University during the upcoming term is prominently posted in the course registration system and on its Web site, as early as feasible, but at least 45 days before the first day of class for each term. Additionally, the University should ensure accurate records are used when reporting the number of courses and course sections not able to meet the posting deadline to the SUS Chancellor.**

## **Finding 2: Background Screenings**

State law<sup>4</sup> requires universities to designate the positions of special trust or responsibility subject to a level 2 background screening.<sup>5</sup> In addition, University policies<sup>6</sup> require level 2 background screenings for certain positions and volunteers, and provide that timely conduct of the screenings is the responsibility of the Human Resources Department. However, procedures had not been established to always ensure that screening results were maintained and that employees, who were promoted into positions that require screenings, had obtained the screenings.

As part of our audit, we requested and the University provided a list of the 267 employees, such as Information Technology, Financial Aid, Registrar, and Finance Department personnel, who were required as of December 2019 to have a level 2 background screening. From that list, we requested for examination University records supporting the background screenings for 49 selected employees, including the 19 employees on the list without a screening date posted. While University records evidenced the required screenings for 40 of the 49 selected employees, records were not provided for 9 of the 19 employees on the list without a screening date posted. In response to our inquiries, University personnel indicated that screenings for 5 of the employees had been conducted but the screening results expired before the results were saved. University personnel also indicated that 4 of the employees had been promoted into positions that required the screenings but did not obtain the screenings.

Absent records that demonstrate level 2 background screenings of employees in positions of special trust or responsibility, there is an increased risk that those employees may not have been background screened and may not have suitable backgrounds for their positions.

**Recommendation: The University should enhance procedures to ensure that level 2 background screenings are performed and documented for all individuals in positions of special trust or responsibility.**

## ***PRIOR AUDIT FOLLOW-UP***

The University had taken corrective actions for findings included in our report No. 2018-214, except that Finding 1 was noted in our report Nos. 2018-214 and 2016-067 as Finding 1 and Finding 3, respectively.

<sup>4</sup> Section 1012.915, Florida Statutes, effective July 1, 2019.

<sup>5</sup> A level 2 background screening includes fingerprinting for Statewide criminal history records checks through the Florida Department of Law Enforcement (FDLE), national criminal history records checks through the Federal Bureau of Investigation, and may include local criminal checks through local law enforcement agencies.

<sup>6</sup> FPU Policy – 6.011, *Criminal Background Checks*.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from March 2020 through June 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This operational audit focused on information technology resources and related controls; direct support organizations; student fees; textbook affordability; compensation, construction, other expenses; and other processes and administrative activities. For those areas, our audit objectives were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2018-214.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

In planning and conducting our audit, we assessed whether internal controls were significant to our audit objectives by considering the internal control integrated framework established by the Committee of Sponsoring Organizations (COSO)<sup>7</sup> and adapted for a government environment within the *Standards for Internal Control in the Federal Government* issued by the United States Government Accountability Office. That framework is illustrated in the following table.

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<sup>7</sup> The Committee of Sponsoring Organizations (COSO) of the Treadway Commission was established in 1985 to develop guidance in the areas of risk and control which enable good organizational governance and reduction of fraud. Pursuant to their mission, COSO developed a framework for internal control that consists of five components and 17 underlying principles.

## COSO Internal Control Integrated Framework

| Internal Control Component           | Description  | Underlying Principles<br>(To be Applied by the Board and Management)   |
|--------------------------------------|--|--|
| <b>Control Environment</b>           | Standards, processes, and structures that provide the basis for carrying out internal control across the organization. Represents the foundation on which an effective internal control system is built.                         | <ul style="list-style-type: none"> <li>• Demonstrate commitment to integrity and ethical values.</li> <li>• Exercise oversight responsibility.</li> <li>• Establish structures and reporting lines and assign authorities and responsibilities.</li> <li>• Demonstrate commitment to a competent workforce.</li> <li>• Hold individuals accountable for their responsibilities.</li> </ul> |
| <b>Risk Assessment</b>               | Management's process to consider the impact of possible changes in the internal and external environment and to consider actions to mitigate the impact. The basis for how risks will be managed.                                | <ul style="list-style-type: none"> <li>• Establish clear objectives to define risk and risk tolerances.</li> <li>• Identify, analyze, and respond to risks.</li> <li>• Consider the potential for fraud.</li> <li>• Identify, analyze, and respond to significant changes that impact the internal control system.</li> </ul>  |
| <b>Control Activities</b>            | Activities in the form of policies, procedures, and standards that help management mitigate risks. Control activities may be preventive in nature or detective in nature and may be performed at all levels of the organization. | <ul style="list-style-type: none"> <li>• Design control activities to achieve objectives and respond to risks.</li> <li>• Design control activities over technology.</li> <li>• Implement control activities through policies and procedures.</li> </ul>   |
| <b>Information and Communication</b> | Information obtained or generated by management to support the internal control system. Communication is the dissemination of important information to help the organization meet requirements and expectations.                 | <ul style="list-style-type: none"> <li>• Use relevant and quality information.</li> <li>• Communicate necessary information internally to achieve entity objectives.</li> <li>• Communicate necessary information externally to achieve entity objectives.</li> </ul>  |
| <b>Monitoring</b>                    | Periodic or ongoing evaluations to verify that the internal control system is present and functioning properly.  | <ul style="list-style-type: none"> <li>• Conduct periodic or ongoing evaluations of the internal control system.</li> <li>• Remediate identified internal control deficiencies on a timely basis.</li> </ul>   |

We determined that all components of internal control and underlying principles were significant to our audit objectives.

This audit was designed to identify, for those areas included within the scope of the audit, weaknesses in management's internal controls significant to our audit objectives; instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; identifying and evaluating internal controls significant to our audit objectives; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included transactions, as well as events and conditions, occurring during the audit period of January 2019 through December 2019 and selected University actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of management, staff, and vendors and, as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed applicable laws, rules, University policies and procedures, and other guidelines, and interviewed University personnel to obtain an understanding of applicable processes and administrative activities.
- Reviewed University information technology (IT) policies and procedures to determine whether the policies and procedures addressed certain important IT control functions, such as security, systems development and maintenance, and disaster recovery.
- Evaluated University procedures for maintaining and reviewing employee access to IT data and resources. We examined access privileges for all 44 employees with access to the database and finance and human resources applications during the audit period to determine the appropriateness and necessity of the access based on the employees' job duties and user account functions and the adequacy with regard to preventing the performance of incompatible duties.
- Evaluated University procedures for protecting the sensitive personal information of students, such as social security numbers. From the population of 33 employees who had access privileges to the personal information during the audit period, we examined University records supporting the access privileges granted to those employees to determine the appropriateness and necessity of the access privileges based on the employees' assigned job responsibilities.
- Determined whether a comprehensive IT security awareness and training program was in place for the audit period.
- Reviewed operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- From the population of 609 course sections offered during the audit period, examined University records supporting textbook adoptions for those course sections to determine whether the University textbook affordability procedures complied with Section 1004.085, Florida Statutes.
- Examined the three bank account reconciliations for the June 2019 bank statements to determine whether the reconciliations were accurate, timely, and evidenced timely supervisory review and approval.
- Determined whether any investment income for the audit period was properly allocated to the funds that generated the investment income.
- Examined University records supporting food service operations to determine whether the University properly monitored compliance with contract terms for commission revenues during the audit period.

- Determined whether student fees during the audit period were properly assessed and authorized, and accurately calculated in accordance with Board of Governors Regulations 7.001 and 7.003, and Section 1009.24, Florida Statutes.
- From the population of compensation payments totaling \$29,443,892 made to 610 employees during the audit period, selected payments totaling \$172,776 made to 30 employees and examined the related payroll and personnel records to determine the accuracy of the rate of pay, the validity of employment contracts, whether performance evaluations were completed, the accuracy of leave records, and whether supervisory personnel reviewed and approved employee reports of time worked.
- Examined University records for the three applicable employees (including the President) who individually received compensation over \$200,000 and collectively received a total of \$906,796 to determine whether the amounts paid complied with the limits established in Sections 1012.975(3) and 1012.976(2), Florida Statutes.
- Evaluated University policies and procedures for obtaining personnel background screenings to determine compliance with Section 1012.915, Florida Statutes.
- Examined University records to determine whether payments from the University to its direct support organization complied with Section 1004.28(1)(a)2. and (2), Florida Statutes.
- Examined University records to determine whether the Trustees had prescribed by regulation, pursuant to Section 1004.28(2)(b), Florida Statutes, the conditions with which the DSO must comply in order to use University property, facilities, and personal services and whether the Trustees documented consideration and approval of anticipated property, facilities, and personal services provided to the DSO and the related costs.
- Examined University records to determine whether selected expenses were reasonable, correctly recorded, adequately documented, for a valid University purpose, properly authorized and approved, and in compliance with applicable laws, rules, contract terms, and University policies. Specifically, from the expenses totaling \$19,849,156 for the audit period, we examined University records supporting:
  - 30 selected payments for general expenses totaling \$3,379,351.
  - 30 selected payments for contractual services totaling \$3,484,878.
- From the population of 5,086 purchasing card (P-card) transactions totaling \$1,049,231 during the audit period, examined University records supporting 30 selected P-card transactions totaling \$90,837 to determine whether the P-card program was administered in accordance with University policies and procedures and transactions were not of a personal nature.
- From the population of three major construction projects with construction expenses totaling \$5,075,380 during the audit period, selected six payments totaling \$1,311,281 related to the largest construction project (with total construction expenses totaling \$1,996,595) and examined University records to determine whether the payments were made in accordance with contract terms and conditions, University policies and procedures, and provisions of applicable State laws and rules.
- Reviewed documentation related to the largest construction project during the audit period to determine whether the University process for selecting design professionals and construction managers was in accordance with State law; the selection process of subcontractors was adequately monitored including verification of licenses; the Trustees had adopted a policy establishing minimum insurance coverage requirements for design professionals; and design professionals provided evidence of required insurance.
- From the population of Education and General carryforward funds and other restricted capital outlay expenses totaling \$8,800,108 during the audit period, examined records supporting

16 selected expenses totaling \$5,117,471 to determine whether these funds were expended in compliance with the restrictions imposed on the use of these resources. Also, we determined whether Education and General carryforward funds were budgeted and used in accordance with Board of Governors Regulation 9.007.

- Determined whether Public Education Capital Outlay funds were properly encumbered by the required reversion date or reverted as required by Section 216.301(2)(a) and (c), Florida Statutes.
- From the population of non-Federal grant moneys totaling \$573,864 during the audit period, examined seven selected payments totaling \$290,752 to determine whether the moneys had been spent in accordance with grant terms.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

## **AUTHORITY**

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Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each University on a periodic basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



Sherrill F. Norman, CPA  
Auditor General

# MANAGEMENT'S RESPONSE

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FLORIDA POLYTECHNIC  
UNIVERSITY

Office of the President  
863-874-8612  
president@floridapoly.edu

August 11, 2020

Ms. Sherrill F. Norman, CPA  
State of Florida – Auditor General  
Claude Denson Pepper Building, Suite G74  
111 West Madison Street  
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

Pursuant to Section 11.45(4)(d), Florida Statutes, the university is required to submit a written statement of explanation concerning all findings. Please find the attached responses to the Preliminary and Tentative Findings for Florida Polytechnic University's operational audit. Should you have any questions, please contact David Blanton at (863) 874-8441.

We appreciate the thoroughness and professionalism of your Lakeland staff in examining university processes and administrative activities. The resulting recommendations will assist the university in improving university operations.

Sincerely,

A handwritten signature in black ink, appearing to read "Randy K. Avent".

Dr. Randy K. Avent  
President  
Florida Polytechnic University

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**Florida Polytechnic University  
Responses to Operational Audit Findings**

**Finding 1: Textbook Affordability**

Recommendation: The University should ensure that a hyperlink to lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections offered at the University during the upcoming term is prominently posted in the course registration system and on its Web site, as early as feasible, but at least 45 days before the first day of class for each term. Additionally, the University should ensure accurate records are used when reporting the number of courses and course sections not able to meet the posting deadline to the SUS Chancellor.

Response: As noted in the finding, three terms were tested (Spring 2019, Summer 2019, and Fall 2019) and only the earlier term (Spring 2019) was cited for noncompliance. Therefore, the University has enhanced controls to ensure better compliance with applicable law over the timely posting of textbook information. The University will continue its efforts to ensure compliance for all upcoming terms and to provide for accurate reporting to the SUS Chancellor.

**Finding 2: Background Screenings**

Recommendation: The University should enhance procedures to ensure that level 2 background screenings are performed and documented for all individuals in positions of special trust or responsibility.

Response: The University's Human Resources Department has enhanced controls to ensure that (1) screening posting dates are properly recorded in our ERP system and (2) that evidence of such background checks is maintained for all individuals in positions of special trust or responsibility. Additionally, the Human Resources Department is in the process of completing background checks for all individuals noted in the audit. (8 of the 9 completed to date)

**Florida Polytechnic University  
Audit and Compliance Committee  
Board of Trustees  
September 9, 2019**

**Subject: University Audit and Compliance (UAC) Annual Report – 2019-20 Fiscal Year**

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**Proposed Committee Action**

Recommend approval of the UAC Annual Report for the 2019-20 fiscal year to the Board of Trustees. (Report No. FPU 2021-01)

**Background Information**

Board of Governors Regulation 4.002 requires that an annual report be prepared summarizing the Activities of University Audit for the preceding year. Similarly, BOG Regulation 4.003 provides that the chief compliance officer shall report at least annually on the effectiveness of the compliance and ethics program. This annual report reflects the activity for University Audit and Compliance for the period July 1, 2019 to June 30, 2020.

The Audit and Compliance Committee should utilize the information presented in this report to review the operations of UAC and to fulfill their oversight responsibility with respect to the audit and compliance functions at the University.

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**Supporting Documentation:** UAC Annual Report – 2019-20 Fiscal Year (Report No. FPU 2021-01)

**Prepared by:** David A. Blanton, CAE/CCO



**FLORIDA POLYTECHNIC**  
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**Report No: FPU 2021-01**

**July 2020**

In accordance with Board of Governors Regulations 4.002, 4.003, and Internal Auditing Standards, this report is presented to summarize the activities of University Audit and Compliance for the 2019-20 fiscal year.

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*Message from the Chief Audit Executive and Chief Compliance Officer*

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Board of Governors (BOG) Regulation 4.002(8) requires that an annual report be prepared summarizing the activities of University Audit for the preceding year. Similarly, BOG Regulation 4.003(7)(g.)8. provides that the chief compliance officer shall report at least annually on the effectiveness of the compliance and ethics program. This report summarizes both audit and compliance activity for the period July 1, 2019 to June 30, 2020.

The following accomplishments highlight the activity of University Audit and Compliance (UAC) during the reporting period:

- Completed and released four audit reports:
  - Report FPU 2020-01: Annual Report (2018-19 FY)
  - Report FPU 2020-02: Audit of Americans with Disability Act (ADA) and Office of Disability Services (ODS)
  - Report UAC 2020-03: Risk Assessment and Work Plan (2019-20 FY)
  - Report FPU 2020-07: Quality Assurance Review (QAR) Self-Assessment
- Completed and released four investigative reports and reviews:
  - Report FPU 2020-04: Step 2 Grievance Review #GR19-006-2
  - Report FPU 2020-05: Step 1 Grievance Review #GR-19-008-1
  - Report FPU 2020-06: Rotaract Club Fundraising Expenses
  - A report on discrimination performed jointly by UAC and Title IX and issued out of the Title IX office
- At the request of the Audit and Compliance Committee (AACC), a monthly reporting process continued to be administered to provide summary information on all reported compliance and ethics matters as well as the disposition of such matters by UAC.
- At the request of the AACC, a quarterly reporting of Foundation revenues and expenses for the operating and scholarship funds was presented by UAC during the 2019 calendar year in order to facilitate monitoring of these funds by the AACC. Provided that the Foundation has a full-time finance director and has enhanced reporting to the University Board, such reporting to the AACC is no longer warranted.
- Prepared and presented two other trainings to University staff as follows:
  - New Hire Orientations (presented at three sessions in October, December, and March)
  - Brown Bag Lunch & Learn – Working in a Public Institution: Compliance and the Sunshine Law (October 2019 presented jointly with the Office of General Counsel)
- Assisted with various consulting activities to enhance university operations.
- Performed other investigative activities on 18 reported allegations of fraud, waste, noncompliance, and abuse.
- Obtained relevant educational training for both audit and compliance, as required.

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- University stakeholder survey responses obtained in performing the QAR self-evaluation were very favorable. (See Report No. FPU 2020-07, Exhibit C – Summary of Survey Results)

Despite the implications of COVID-19 and working from home for an 18-week period, the workload for UAC was fairly consistent between the two reporting periods. (As evidenced from the distribution of time for UAC for the last two years on page 9 of this report - Table 3). Additionally, released reports were consistent between the two reporting periods (8 for each period). Looking forward to the 2020-21 fiscal year, much of the work performed by UAC will be driven by external requirements rather than risk (e.g. performance-based funding audit and the external review of the compliance program). Consequently, it is my intention to address areas of risk more from a compliance standpoint than from that of an audit perspective, provided that the latter requires considerably more resources.

I am very grateful for the opportunity to serve the University and the Board of Trustees and for their continued support of the audit and compliance functions. If you have any questions or need further information, please feel free to call me at (863) 874-8441.

*David A. Blanton, CPA, CCEP*  
Chief Audit Executive/Chief Compliance Officer

**FLORIDA POLYTECHNIC UNIVERSITY  
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***Purpose and Mission***

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The mission of University Audit and Compliance (UAC) is to serve the University by recommending actions to assist them in achieving its strategic and operational objectives. This assistance includes providing recommendations to management of activities designed and implemented by management to strengthen internal controls, reduce risk to and waste of resources, and improve operations to enhance the performance and reputation of the University. In addition, University Audit assists the Audit and Compliance Committee (AACC) of the Board of Trustees in accomplishing its oversight responsibilities in accordance with the University's Board of Trustees and Florida Board of Governors guidelines and regulations.

***Definition and Role of Internal Auditing***

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According to the Institute of Internal Auditors (IIA):

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes." Under the IIA "Three Lines of Defense" model, Internal Audit serves as "the third line of defense" as noted below:

- The first line of defense is provided by front line staff and operational management. The systems, internal controls, the control environment and culture developed and implemented by these business units is crucial in anticipating and managing operational risks.
- The second line of defense is provided by the risk management and compliance functions. These functions provide the oversight and the tools, systems and advice necessary to support the first line in identifying, managing, and monitoring risks.
- The third line of defense is provided by the internal audit function. This function provides a level of independent assurance that the risk management and internal control framework is working as designed.

***Governance and Charters***

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In November 2016, the Board of Governors (BOG) promulgated Regulations 4.001: *University System Processes for Complaints of Waste, Fraud, or Financial Mismanagement*, 4.002: *State University System Chief Audit Executives*, and 4.003: *State University System Compliance and Ethics Programs*. In response to these new BOG Regulations, the University structured and approved the following Florida Poly Charters in March of 2017. All three charters detailed below were subsequently reviewed and approved by the AACC in May 2020:

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- **Board of Trustees Audit and Compliance Committee (AACC) Charter.** The AACC Charter was amended to provide for the following oversight responsibilities charged to the AACC:
  - Oversight of internal controls
  - Oversight and direction of the internal and external auditing functions ensuring its independence
  - Integrity of the University's annual financial statements
  - The performance of the University's independent audit functions
  - Approval of the annual audit plan
  - Monitoring and controlling risk exposure
  - Oversight and direction of the University's compliance and ethics program ensuring its independence
  - Set standards for ethical conduct

- **Internal Audit Charter.** The Internal Audit Charter effectively establishes the position of Chief Audit Executive (CAE) and provides for a dual-reporting relationship of the CAE to promote independence and objectivity. In this dual-reporting relationship, the CAE reports functionally to the AACC and administratively to the President. In addition, to further promote independence the Charter specifies that the CAE is not authorized to:
  - Perform any operational duties
  - Initiate or approve accounting transactions or the selection of vendors
  - Direct the activities of any University employee

The Charter provides that the CAE is required to perform audits and reviews, provide consulting services, and perform investigations generally focused on improper activities including misuse of University resources, fraud, financial irregularities, academic integrity concerns, and research misconduct. The Charter also directs that such audits and investigations will be performed according to an approved risk-based annual plan.

- **Compliance and Ethics Charter.** The Compliance and Ethics Charter effectively establishes the University's Compliance and Ethics Program consistent with Chapter 8 of the Federal Sentencing Guidelines and BOG Regulation 4.003. The Charter outlines the following elements which define the duties and responsibilities of University Compliance:
  - Oversight of compliance and ethics and related activities
  - Development of effective lines of communication
  - Providing effective training and education
  - Revising and developing ethics policies and procedures
  - Performing internal monitoring, investigations, and compliance reviews
  - Responding promptly to detected problems and undertaking corrective action
  - Enforcing and promoting standards through appropriate incentives and disciplinary guidelines
  - Measuring compliance program effectiveness
  - Oversight and coordination of external inquiries into compliance with Federal and State laws and taking appropriate steps to ensure Safe Harbor

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As prescribed by the Charter, University Compliance provides guidance on compliance, ethics, and related matters to the university community. The office collaborates with compliance partners and senior leadership to review and resolve compliance and ethics issues and coordinate compliance and ethics activities, accomplish objectives, and facilitate the resolution of problems.

All three charters are required to be reviewed and approved for consistency with Board of Governors and university regulations, professional standards, and industry practices at least every three years. All three charters were presented to the AACC for review and approval in May of 2020. No amendments to the charters were deemed necessary.

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***Internal Audit Activity (Audits, Reviews, and Consulting Activities)***

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The following summarizes the activity of the internal audit function for the period of July 1, 2019 to June 30, 2020:

- **UAC Annual Report – FYE 6/30/19**. This report was prepared and presented to summarize the activities of University Audit and Compliance for the 2018-19 fiscal year. (Report FPU 2020-01)
  
- **Audit of Americans with Disabilities Act (ADA) and Office of Disability Services (ODS)**. The planned scope of this audit was initially limited to ADA compliance; however, given the frequency of concerns reported through the UAC Hotline and to other oversight authorities throughout the State with respect to the University’s Office of Disability Services (ODS), the scope of the audit was expanded to address the operations of ODS and compliance with Section 504<sup>1</sup>. The audit report was released shortly after the fiscal year end, in July 2019, and identified 5 observations as follows: (Report FPU 2020-02)
  - ADA Self-evaluation.
  - ADA grievance procedures.
  - ODS process enhancements.
  - Required notices.
  - Required course syllabi disclosures.
  
- **Risk Assessment and Audit Plan**. Each year, the CAE prepares a Risk Assessment and Audit Plan that is presented to the AACC for approval. (Report FPU 2020-03)
  
- **Quality Assurance Review (QAR) Self-Assessment**. This QAR was performed to assess UAC’s conformance with the Institute of Internal Auditor’s (IIA) International Standards for the Professional Practice of Internal Auditing (*Standards*) and with the IIA Code of Ethics. Overall, the

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<sup>1</sup> Section 504 of the Rehabilitation Act of 1973 (Section 504), as amended, 29 U.S.C. §794, and its implementing regulation at 34 C.F.R. Part 104 and Title II of the Americans with Disabilities Act of 1990 (Title II), 42 U.S.C. §12131 *et seq.*, and its implementing regulation at 28 C.F.R. Part 35.

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QAR supported the opinion that UAC generally conforms to the *Standards* and the Code of Ethics. The QAR identified 5 opportunities for continuous improvement as follows: (Report FPU 2020-07)

- The development of enhanced KPI's.
- Update UAC written policies and procedures.
- Facilitate the self-evaluation of the AACC and charter reviews.
- Enhance linkage of risks identified in audit planning to actual audit work performed.
- Enhance procedures over audit follow-up.

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**AUDIT PLAN PROGRESS & RESOURCE UTILIZATION**

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Table 1 below provides a measure of actual progress against the BOT-approved audit work plan for the 2019-20 fiscal year:

| <b>Table 1<br/>2019-20 Audit Plan<br/>Actual Progress vs. Approved Audit Plan</b> |  |   |               |
|---|--|---|---------------|
| <b>#</b>  | <b>Planned Audits/Risk Areas for 2019-20</b>   | <b>Area of Focus (i.e. processes/Controls)</b>  | <b>Status</b> |
| 1   | ADA/ODS Audit (from previous plan but completed in early 2019-20)  | To determine compliance with the Americans with Disabilities Act (ADA) Regulations, the operations of the University's Office of Disability Services (ODS), and compliance with Section 504 <sup>2</sup> .  | ☑             |
| 2   | Quality Assurance Review (QAR) Self-Assessment   | To determine conformance with IIA Standards and Code of Ethics.   | ☑             |
| 3   | Institutional Scholarship Awards   | Initially planned as a limited scope review to determine whether institutional scholarships offered were administered without bias, on a consistent basis, and in accordance with University and Federal Regulations. Scope expanded to address additional areas of perceived risk. | X(A)          |
| 4   | Expense Card & Travel Expenses   | To determine whether the E-card program was administered in accordance with applicable university policies and procedures and whether related purchasing card travel expenses were reasonable, adequately supported, and for valid university purposes.                             | X(B)          |
| 5   | PIE Report   | Primarily relates to carryforward funds. Limited scope report to determine whether the recommendations in the Public Integrity and Ethics (PIE) Committee has been adequately addressed.  | X(B)          |
| ☑   | Planned audit or review completed.   |   |               |
| X   | Planned audit or review not yet completed.   |   |               |
| (A)   | UAC has performed a significant amount of work on this focus area and provided its expanded scope, is proposing to carry forward this risk into the 2020-21 Plan year. |   |               |
| (B)   | Area of focus included in recent operational audit performed recently by the Auditor General and thus no longer considered a high area of risk.                        |   |               |

<sup>2</sup> Section 504 of the Rehabilitation Act of 1973 (Section 504), as amended, 29 U.S.C. §794, and its implementing regulation at 34 C.F.R. Part 104 and Title II of the Americans with Disabilities Act of 1990 (Title II), 42 U.S.C. §12131 *et seq.*, and its implementing regulation at 28 C.F.R. Part 35.

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Given the limited resources of UAC, and the amount of time necessary to effectively perform the responsibilities of both the audit and compliance functions at the University, planned audits were limited to the three highest risks and Quality Assurance Review (QAR) self-assessment. As noted above in Table 1, one audit report was completed from the prior plan year (ADA/ODS Audit) and the QAR assessment was completed during the evaluation period.

**TABLE 2  
COMPARISON OF APPROVED PLAN HOURS TO ACTUAL HOURS**

| Activity              | Plan Hours | Actual Hours | Difference        | % Difference |
|-----------------------|------------|--------------|-------------------|--------------|
| <b>Administrative</b> | 244        | 266.5        | 22.5              | 9.2%         |
| <b>Audit</b>          | 680        | 525.5        | (154.5)           | -22.7%       |
| <b>Compliance</b>     | 400        | 365          | (35)              | -8.8%        |
| <b>Investigative</b>  | 200        | 412          | 212               | 106%         |
| <b>Consulting</b>     | 240        | 243.5        | 3.5               | 1.5%         |
| <b>Training</b>       | 120        | 82           | (38)              | -31.7%       |
| <b>Totals</b>         | 1,884      | 1,894.5      | 10.5 <sup>3</sup> | 0.6%         |

As noted from Table 2 above, UAC’s time distribution was very close to that approved in the audit plan for the fiscal year. Time for both investigations and consulting are based on allegations and requests and are therefore often difficult to predict. Investigative time is attributable to both allegations received that require preliminary investigative effort to determine whether an investigation is warranted and actual investigations performed and for which investigative reports are issued. Although allegations were down from 26 in the prior reporting period to 18 in the current reporting period, a similar number of investigations were performed for both periods. Two investigative reports issued by UAC were related to collective bargaining grievances. This investigative effort reduced the amount of resources available for planned audits.

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<sup>3</sup> Differences in total planned versus total actual hours is primarily the result of slightly less vacation and/or sick time used than planned (resulting in higher direct time charged).

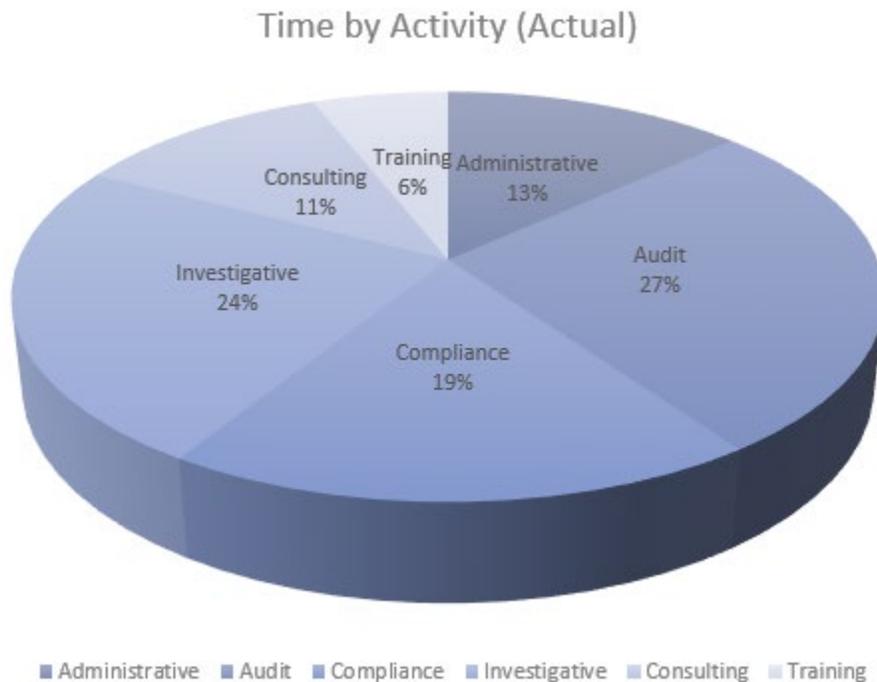
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**TABLE 3  
COMPARISON OF ACTUAL HOURS – CURRENT AND PRIOR PERIODS**

| Activity              | 2018~19 FY | 2019~20 FY | Difference | % Difference |
|-----------------------|------------|------------|------------|--------------|
| <b>Administrative</b> | 253        | 266.5      | 13.5       | 5.3%         |
| <b>Audit</b>          | 512.5      | 525.5      | 13         | 2.5%         |
| <b>Compliance</b>     | 356.5      | 365        | 8.5        | 2.4%         |
| <b>Investigative</b>  | 452.5      | 412        | (40.5)     | -9.0%        |
| <b>Consulting</b>     | 217        | 243.5      | 26.5       | 12.2%        |
| <b>Training</b>       | 114        | 82         | (32)       | -28.1%       |
| <b>Totals</b>         | 1,905.5    | 1,894.5    | (11)       | -0.6%        |

As noted in Table 3, the time distribution for UAC was fairly consistent between the two reporting periods. The most significant variances were noted in investigative effort, consulting, and training, all of which were impacted by COVID-19 and work from home restrictions. The QAR self-assessment and the 2020-21 risk assessment was primarily accomplished during the work from home restrictions as these activities mitigated contact with other university staff.

The following graph depicts actual hours by activity for the 2019-20 fiscal year:



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*Other Mandatory Disclosures- Audit*

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UAC adheres to the Code of Ethics and the *International Standards for the Professional Practice of Internal Auditing (Standards)* adopted by the Institute of Internal Auditors. Those *Standards* and University Audit's Charter require certain other annual disclosures as follows:

- Organizational Independence: The Internal Audit Charter effectively establishes the position of Chief Audit Executive (CAE) and provides for a dual-reporting relationship of the CAE to promote independence and objectivity. In this dual-reporting relationship, the CAE reports functionally to the AACC and administratively to the President. In addition, to further promote independence the Charter specifies that the CAE is not authorized to perform any operational duties, initiate or approve accounting transactions or the selection of vendors, or direct the activities of any University employee.
- Impairments to Independence or Objectivity: Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. During the reporting period, there were no impairments to the independence or objectivity of UAC.
- Disclosure of Nonconformance: When nonconformance with the Code of Ethics or the *Standards* impacts the overall scope or operation of the internal audit activity, such matters must be disclosed to senior management and the board. During the reporting period, there were no such instances of nonconformance with either the Code of Ethics or the *Standards*.
- Management's Response to Unacceptable Risks: When the CAE concludes that management has accepted a level of risk that may be unacceptable to the university, the CAE must discuss the matter with senior management. If the CAE determines that the matter has not been resolved, the CAE must communicate the matter to the Board. For the audit period, no such matters were noted or required to be reported to senior management or the Board.
- Quality Assurance and Review (QAR) Program: A QAR program is designed to enable an evaluation of the internal audit activity's conformance with the *Standards* and an evaluation of whether internal auditors apply the Code of Ethics. The *Standards* require ongoing internal reviews as well as an external QAR. The external QAR is required to be conducted every five years; however, since the internal audit function was just established on July 31, 2017, the initial external review will not be required until the 2021-22 fiscal year. An internal self-assessment was performed in the 2019-20 fiscal year. (See Report FPU 2020-07)
- Restrictions or Barriers to Information: The University Audit Charter requires that the Chair of the Audit and Compliance Committee is to be notified of any unresolved restriction, barrier, or limitation to obtaining necessary information to perform UAC's duties. No such restrictions or barriers have been encountered by UAC.

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*Compliance & Ethics Activity*

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In November 2016, BOG Regulation 4.003, *State University System Compliance and Ethics Programs*, was adopted. Regulation 4.003 requires each university to establish a compliance and ethics program within two years of regulation adoption. To monitor each institutions progress on implementing the requirements of the Regulation, the BOG required each university to complete a “Compliance and Ethics Program Status Checklist”. The Checklist required a response to 19 regulation components identified in BOG Regulation 4.003 as the essential elements of an effective Compliance and Ethics Program. As noted in the table below, 18 of the 19 required regulation components were successfully implemented as of the BOG’s last checklist that was completed in November 2018.

| <b>TABLE 4<br/>BOG REGULATION COMPONET PROGRESS</b> |                                    |  |
|---|------------------------------------|--|
| <b>Area</b>   | <b>Total Regulation Components</b> | <b>Regulation Components Completed 2018-19</b> |
| University-wide Compliance Program                  | 5                                  | 4 <sup>4</sup>                                 |
| Program Plan  | 5                                  | 5  |
| BOT Committee                                       | 4                                  | 4  |
| Chief Compliance Officer                            | 5                                  | 5  |
| <b>TOTALS</b>                                       | <b>19</b>                          | <b>18</b>                                      |

The remaining element has not been completed (program evaluation) and was afforded a five year period for implementation. This Regulation has been clarified to require that the effectiveness review needs to be initiated by November 2021. Since the program evaluation criterion were recently adopted in the 2019-20 fiscal year, no SUS institution has completed this element of the Regulation to date. All SUS institutions will be initiating such an evaluation prior to the required date of November 2021.

The following summarizes the activity of the Compliance function for the period of July 1, 2019 to June 30, 2020:

- Compliance and Ethics Program Evaluation:** Given that each of the seven Program components required by the Federal Sentencing Guidelines Manual have been addressed by the Compliance and Ethics Program Plan, the Program is deemed effective. Additionally, as noted above in Table 4, requirements set forth by BOG Regulations and reported in the SUS Compliance Program Status Checklist, evidence the completion of an effective Compliance and Ethics Program. The SUS Compliance Consortium recently approved the criteria by which each SUS institution will be evaluated. It is anticipated that the external review for UAC will be initiated prior to the November 2021 deadline imposed by the BOG. UAC is working collaboratively with the BOG and other SUS institutions to manage how and when the required program evaluations will be conducted.

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<sup>4</sup> BOG Regulation 4.003 requires that the compliance review be initiated by November 3, 2021 for the program evaluation component. Thus, one element remains to be completed as of June 30, 2020.

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- **Compliance and Ethics Program Plans.** Each year, the CCO prepares a Compliance & Ethics Program Plan (Plan) that is presented to the AACC for approval. The 2019-20 Plan was presented to and approved by the AACC in May 2019. Table 5 below provides a measure of actual progress against the BOT-approved Plan for the 2019-20 fiscal year:

| <b>Table 5<br/>2019-20 Compliance &amp; Ethics Program Plan<br/>Actual Progress vs. Approved Plan</b> |  |                        |
|---|--|------------------------|
| <b>#</b>  | <b>Planned Area of Focus for 2019-20</b>   | <b>Status/Comments</b> |
| 1   | General Compliance Activities/Investigations   | ☑                      |
| 2   | Trainings & Communication  | ☑                      |
| 3   | Environmental Health & Safety  | X(A)                   |
| 4   | Contract Management  | X(B)                   |
| 5   | Background Screenings  | X(B)                   |
| 6   | Compliance Program Self-Assessment   | X(C)                   |
| ☑   | Planned area of focus in progress or completed.  |                        |
| X   | Planned audit or review not yet started or completed.  |                        |
| (A)   | Since this area involves instructional labs that are currently impacted by COVID-19 restrictions, recommending postponement of this area of focus.   |                        |
| (B)   | Sufficiently included in the scope of the Auditor General’s recent operational audit. Therefore recommending removal from Plan.  |                        |
| (C)   | Self-assessment criteria not formally adopted by Compliance Consortium until late in the 2019-20 fiscal year. Therefore, carrying this focus area into the 2020-21 Plan. Additionally, as noted in this report the external assessment will need to be initiated by November 2021. (2021-22 fiscal year) |                        |

As noted above in footnote (C) for Table 5, a self-assessment of the compliance program was planned; however, program effectiveness criteria were not formally approved by the SUS Compliance Consortium until later in the 2019-20 fiscal year. Accordingly, the self-assessment and the related report were not completed in the current reporting period. Although a formal assessment has not been performed, University Compliance has given thought as to how it can be more effective with respect to providing coverage for planned areas of focus and has determined that greater efficiencies would be achieved by issuing Compliance Monitoring Reports for each of the planned focus areas approved by the AACC. These reports provide much less assurance than an audit report, but allow UAC to enhance coverage of selected areas of risk. It is anticipated that a Compliance Monitoring Report will be issued by UAC for each area of risk identified in the 2020-21 Compliance and Ethics Program Plan.

- **Compliance and Ethics Hotline.** The “Compliance and Ethics Hotline” was established to report suspected or actual instances of noncompliance, fraud, waste, or abuse directly to the CCO. The Hotline provides for various methods of reporting including an on-line form, telephone, fax, or direct mailing to a local post office box for completely anonymous reporting. These reporting

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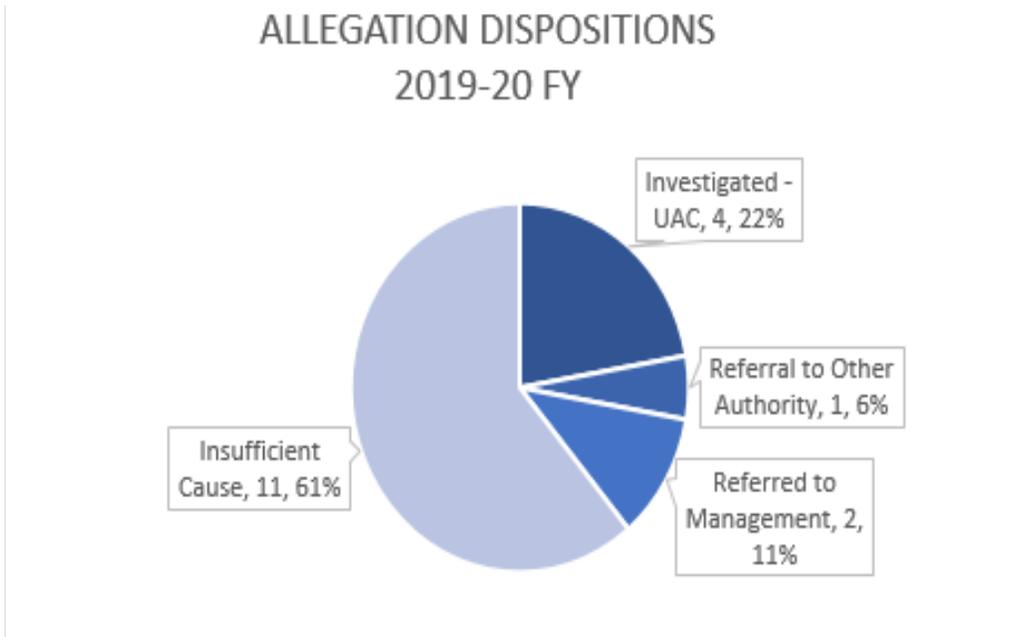
mechanisms are publicized on the university website and the university intranet. In the current fiscal year, the CCO conducted three different live training sessions for university management to further publicize the Hotline and university regulations and policies designed to effectively communicate management's commitment to prevent and detect criminal conduct.

- **Board Training.** The CCO last presented Compliance and Ethics training to the Board of Trustees at their May 2019 meeting. This training essentially outlined the ethical restrictions and requirements set forth in the Board of Trustees Ethics Policy. Due to an abbreviated May 2020 Board meeting resulting from the COVID-19 pandemic, such training was not conducted for the 2019-20 fiscal year.
- **University Staff Trainings.** The CCO presented the following trainings during the 2019-20 fiscal year:
  - New Hire Orientations (presented at three sessions in October, December, and March). These trainings are designed to introduce employees to the university's code of conduct and provide information on the Compliance and Ethics Hotline. Several other planned orientations were postponed into the 2020-21 fiscal year due to the COVID-19 working restrictions.
  - Brown Bag Lunch & Learn – Working in a Public Institution: Compliance and the Sunshine Law (October 2019 presented jointly with the Office of General Counsel). University Compliance's role in this training was to communicate to employees that everyone at the university shares responsibility for compliance and to provide examples of noncompliance at other higher-education institutions and emphasize the reputational damage caused by such noncompliance. OGC's role in this training was to make new employees aware of the Government-in-the-Sunshine laws.
- **Allegations and Investigations.** Allegations are reported to UAC through the Compliance and Ethics Hotline, written correspondence (letters and email), telephone calls, referrals from the Board of Governors Inspector General, referrals from the Chief Inspector General from the State's Executive Office of the Governor (EOG), and other sources. During the reporting period, UAC received 18 allegations, complaints, or concerns from which four investigative reports were issued by UAC. Of the remaining allegations, 2 were referred to management for corrective action, 1 was referred to another authority for consideration, and 11 were deemed to have insufficient cause for investigation. It should be noted that for even those classified as "insufficient cause" UAC typically performs preliminary investigative procedures to determine whether further investigative effort is necessitated and/or of benefit to the university.

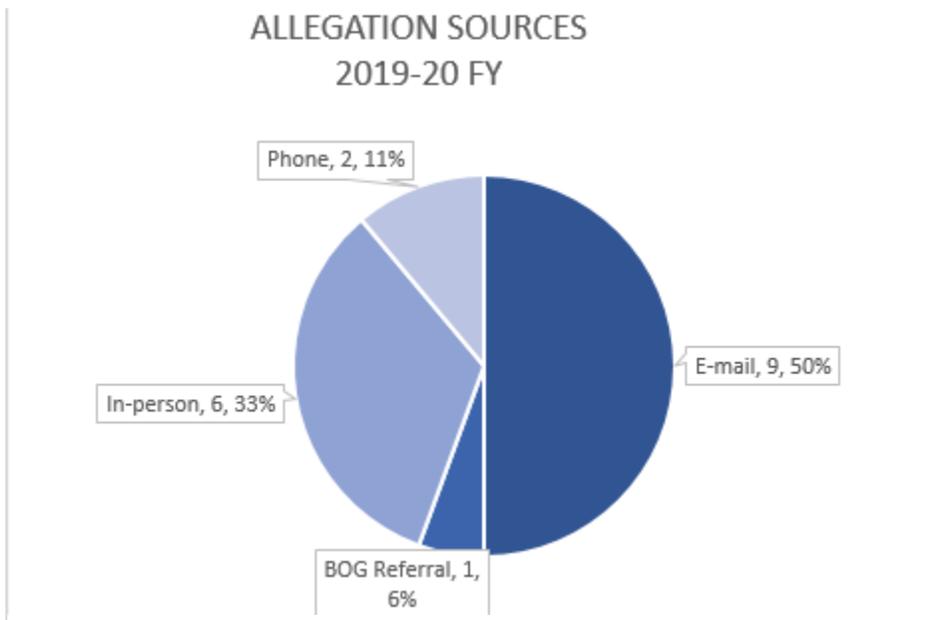
Monthly, the CCO provides a summary report to the members of the AACC of allegations and complaints received and their disposition. This reporting was initiated in September 2018 at the request of the AACC in order to provide sufficient information to the Committee to fulfill their oversight responsibility, as outlined by the AACC Charter.

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The following graph depicts the disposition of all allegations received during the 2019-20 fiscal year:

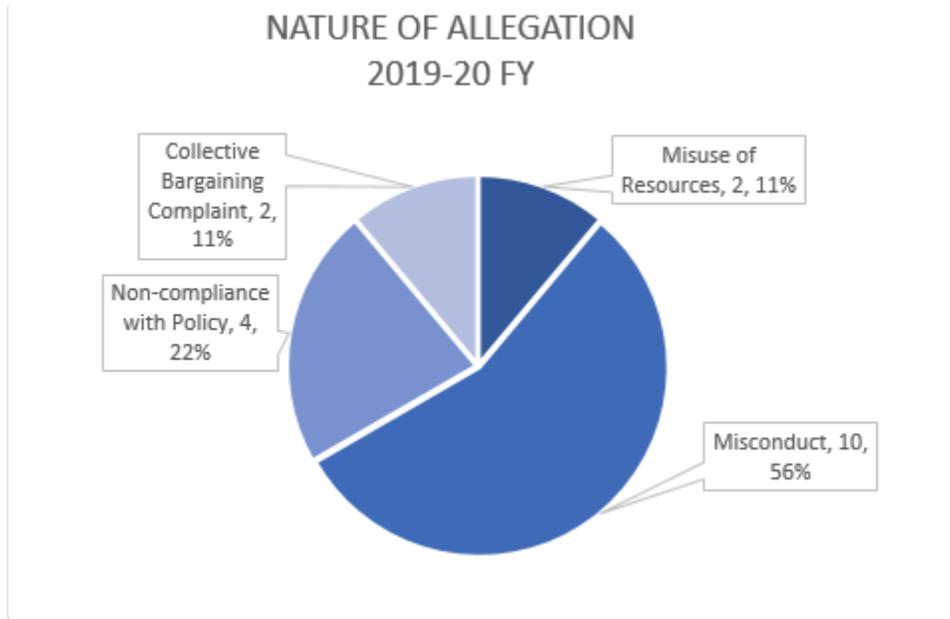


The following graph depicts the reporting source from which the various allegations were received during the 2019-20 fiscal year:



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The following graph depicts the overall nature of the various allegations were received during the 2019-20 fiscal year:



The reported nature of allegations is very beneficial in that it can be used to determine whether UAC needs to commit future resources in order prevent or correct such concerns. For instance, certain matters can be potentially remediated with either additional training or an in-depth audit designed to address such concerns. Based on an analysis of the reported nature of allegations for the 2019-20 fiscal year, no particular area rises to the level of high risk warranting such remedial efforts.

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***Consulting and Advisory Activity***

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UAC provides consulting and advisory services which are intended to provide advice and guidance on a wide variety of topics related to compliance, internal controls, reporting, and business practices. This includes reviewing current practices, researching and interpreting policies and procedures, and responding to routine inquiries. UAC also serves as a liaison with any external auditors. During the reporting period, UAC assisted with the following consultative projects:

- Review of policies and procedures
- Review of the Annual Financial Report
- Review of capital construction and project funding
- Performance-based funding documentation requirements
- Research integrity controls

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- Miscellaneous advisory services on a variety of other topics

During the current reporting period, UAC responded to a total of 138 consulting and/or advisory requests that accounted for approximately 11 percent of UAC resources.

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*Professional Development and Certifications*

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UAC maintains active memberships and attends training and continuing professional education seminars from the following professional organizations:

- Institute of Internal Auditors (IIA)
- Association of College and University Auditors (ACUA)
- Society of Corporate Compliance and Ethics (SCCE)
- American Institute of Certified Public Accountants (AICPA)

In addition, UAC meets regularly with other State University System (SUS) CAE's and CCO's to discuss emerging issues and exchange knowledge for best practices related to audit and compliance. During the reporting period, UAC attended one State University Audit Council (SUAC) meeting. Due to health concerns with COVID-19, both groups moved to a virtual forum and held periodic virtual meetings from March of 2020 through the end of the reporting period to discuss common issues, best practices, and trends in audit and compliance.

As noted in Table 3, the CAE/CCO's activities included 82 hours for training, which translated into 55.5 continuing professional educational (CPE) hours. Certain trainings (e.g. SUAC and the Consortium) and all travel to and from trainings are charged as training hours; however, they do not qualify for CPE credit. Training obtained during the fiscal year met the requirements set forth by the Institute of Internal Auditors, the AICPA, the University Audit Charter, the Society for Corporate Compliance and Ethics, and the University Compliance Charter.

The CAE is licensed as a Florida Certified Public Accountant (CPA) and a Certified Compliance & Ethics Professional (CCEP)<sup>®</sup>. A CCEP designation is awarded to someone with knowledge of relevant regulations and expertise in compliance processes sufficient to assist organizations with their legal obligations, and someone who promotes organizational integrity through the operation of effective compliance programs. Both professional certifications require a certain amount of professional development to be obtained in order to maintain licensure.



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*Key Performance Indicators (KPIs) – Audit & Compliance*

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| <b>Key Performance Indicator</b>           | <b>17/18<sup>5</sup></b> | <b>18/19</b> | <b>19/20</b> | <b>Comments</b>            |
|--|--------------------------|--------------|--------------|----------------------------|
| Total reports released                     | 3                        | 8            | 8            |                            |
| Number of audits completed                 | 1                        | 2            | 2            |                            |
| Percentage of audit effort                 | 21.9%                    | 26.9%        | 27.7%        |                            |
| Number of allegations addressed            | 33                       | 26           | 18           |                            |
| Number of investigative reports released   | 1                        | 3            | 4            |                            |
| Number of consults/compliance inquiries    | -                        | -            | 138          | Not tracked until 19/20 FY |
| Number of certifications held by UAC staff | 1                        | 2            | 2            | CPA, CCEP                  |
| Training sessions conducted by UAC         | 1                        | 3            | 4            |                            |
| Audit experience (years)                   | 28                       | 29           | 30           |                            |
| Compliance professional experience (years) | 0                        | 1            | 2            |                            |

As recommended in the Quality Assurance Review self-assessment performed by UAC for the audit function, the addition of KPI's has been incorporated into this annual report for both audit and compliance to facilitate better AACC oversight. UAC welcomes the addition of any additional suggested metrics to these initial KPIs presented.

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<sup>5</sup> The initial year that UAC was staffed only included 11 months and most effort was directed at establishing an appropriate infrastructure for audit and compliance.

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UNIVERSITY AUDIT & COMPLIANCE  
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*“Be the change you want to see in the world” ~Mahatma Gandhi*

*Essentially this means you can make a difference, if you choose to. We are all responsible for results (good or bad) and can influence the outcomes of matters of compliance and ethics within the university.*

Compliance and ethics begins with you because of the difference your decisions can make. When a concern is identified by anyone, it is important that the university is able to respond to the matter and correct the issue. Your choice to report the matter (or to do nothing) will have a significant impact on the university – and this is just one way that compliance and ethics begins with you.

**UNIVERSITY AUDIT & COMPLIANCE  
HOTLINE REPORTING OPTIONS:**

**EMAIL:** [dblanton@floridapoly.edu](mailto:dblanton@floridapoly.edu)

**FAX:** 863.874.8509

**PHONE:** 863.874.8441

**MAIL:** PO BOX 1808/EATON PARK FL/33840\*

**WEBSITE REPORTING FORM:** SEE UAC WEBPAGE

**IN PERSON:** LTB 1146 at POLY SOUTH

\*This option allows for complete anonymity in reporting any concern. (For all other options, UAC will attempt to maintain anonymity to the extent possible).

**Florida Polytechnic University  
Audit and Compliance Committee  
Board of Trustees  
September 9, 2020**

**Subject: University Audit Risk Assessment and Audit Plan, 2020-21 Fiscal Year**

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**Proposed Committee Action**

Recommend approval of the University Audit Risk Assessment and Audit Plan for the 2020-21 fiscal year to the Board of Trustees.

**Background Information**

As required by the Internal Audit Charter, Florida Board of Governors Regulations, and Internal Auditing Standards, audits are to be scheduled and performed according to a risk-based annual plan which shall be submitted to the President, the AACC, and the Board of Governors. The goal of the Plan is to effectively use audit resources in order to provide audit coverage to areas with the greatest known risks and to dedicate sufficient time in administering the Compliance and Ethics Program.

The Plan should be reviewed by the Committee to ensure it is consistent with expectations for University Audit with respect to risk, planned audits, and other activities performed by the audit function. The Plan may be updated, as necessary throughout the year, to reflect changes in the University's strategic plan, program initiatives, and external environment factors along with accommodating requests from the Board of Trustees and University management.

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**Supporting Documentation:** University Audit Risk Assessment and Audit Plan, 2020-21 FY (Report No. 2021-02).

**Prepared by:** David A. Blanton, CAE/CCO



**FLORIDA POLYTECHNIC**  
UNIVERSITY

**University Audit  
Risk Assessment & Work Plan  
For the Fiscal Year Ended June 30, 2021  
Report No: FPU 2020-02  
August 2020**



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# Transmittal Letter

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August 14, 2020

Mr. Bob Stork, Audit and Compliance Committee (AACC) Chair  
Dr. Randy Avent, President  
Florida Polytechnic University

I am pleased to submit the Annual Work Plan (Plan) of the Florida Polytechnic University Audit function for the fiscal year ending June 30, 2021. The Plan primarily provides for the planned activity of University Audit and an allocation of total available time between the audit and compliance functions. A separate Plan for University Compliance has been prepared and submitted for approval; however, approved Compliance Plan hours are also included in this report to account for the total resources of University Audit and Compliance (UAC). This Plan outlines all planned audits and other required audit-related activities based on an assessment of risk and resources available to UAC during the plan year. The Plan also includes provisions for assisting management with additional requests, special investigations, follow-up on any previous observations/findings, and other value-added work.

The Plan may be updated as necessary to reflect changes in the University's strategic plan, program initiatives, and external environment factors along with accommodating requests from the Board of Trustees and University management.

Please sign below to acknowledge your acceptance of the Plan. Thank you in advance for the support offered in the performance of University Audit and Compliance responsibilities.

Sincerely,

***David A. Blanton***

David A. Blanton, CPA, CCEP  
Chief Audit Executive & Chief Compliance Officer  
University Audit and Compliance

Approved by: \_\_\_\_\_  
Dr. Randy Avent, President/Date

Approved by: \_\_\_\_\_  
Bob Stork, Chair AACC/Date

## Introduction

The Internal Audit Charter approved by the Audit and Compliance Committee (AACC) provides that the mission of the University audit is to serve the University by recommending actions to assist them in achieving its strategic and operational objectives. This assistance includes providing recommendations to management of activities designed and implemented by management to strengthen internal controls, reduce risk to and waste of resources, and improve operations to enhance the performance and reputation of the University. Additionally, the Compliance and Ethics Charter provides that the mission of University Compliance is to support and promote a culture of ethics, compliance, risk mitigation, and accountability.

As required by the Internal Audit Charter, pursuant to Florida Board of Governors (BOG) Regulations<sup>1</sup> and Internal Auditing Standards<sup>2</sup>, audits are to be scheduled and performed according to a risk-based annual plan which shall be submitted to the President, the AACC, and the Board of Governors. A risk assessment is an on-going systematic exercise performed to identify concerns and potential areas of risk that may benefit from audit assurance and is used to appropriately allocate audit resources. In performing the risk assessment, information on risk areas and concerns were gathered from the following:

- interviews with various University staff/observations and a review of University records
- previous risk assessments
- the collective knowledge of UAC as it relates to University operations
- a review of other University audit reports
- new legislation, laws, rules, or requirements
- complaints and allegations

A population of 100 risk areas were compiled in order to create the “audit risk universe”. This represents an increase of 10 new risks that were added from the previous risk assessment conducted last year. Various risk factors were then analyzed and applied to the audit risk universe in order to generate a relative risk rating by area/specific risk. University senior management’s input was then solicited and obtained in considering significant risks. The results of this risk assessment process led to the generation of selected audit topics as identified on pages 4 and 5.

### Risk Assessment

The CAE should use risk assessment techniques in developing the internal audit activity’s plan and in determining priorities for allocating internal audit resources. Risk assessment is used to select areas to include in the internal audit activity’s plan. Also, the CAE should seek guidance on what the board and the senior management considers important to assist in assessing risks, prioritizing projects and allocating audit resources.<sup>3</sup>

<sup>1</sup> Florida Board of Governors Regulation 4.002(6)(d)

<sup>2</sup> *International Standards for the Professional Practice of Internal Auditing*

<sup>3</sup> Institute of Internal Auditors’ International Professional Practices Framework (IPPF): IPPF Practice Guide – Interaction with the Board

## Risk Assessment Process

Each year, University Audit and Compliance is charged with completing an assessment of risk to assist in the development of an Annual Audit & Compliance Work Plan (Plan). The goal for the Plan is to effectively use audit resources in order to provide audit coverage to areas with the greatest known risks and to dedicate sufficient time in administering the Compliance and Ethics Program in accordance with BOG Regulations<sup>4</sup>.

A list of risk areas, prepared from interviews with selected senior management, a review of other audit reports, and previous risk assessments was compiled and prioritized with respect to University goals and objectives, the nature and type of risk, and available resources. The areas of risk were assessed and the Work Plan was developed considering the following factors:

1. Impact
2. Likelihood or concern
3. Management's ranking
4. Risk factor classifications (compliance, operational, financial, reputational, strategic, technology, and human capital)

A weighted value was then determined, based on the four factors above, for each risk identified. Risks with a higher risk scores were prioritized for audit consideration and presented to the Audit and Compliance Committee Chair.

Auditing Standards requires that follow up be performed on previously reported matters. The Plan includes an allocation of resources to perform follow-up reviews to ensure appropriate corrective action has been taken for each previously reported finding/observation.

## RISK FACTORS & CONSIDERATIONS

**Operational** – Are University resources being used in an effective and efficient manner? Could University operations be improved?

**Financial** – Are University financial processes handled as intended? Are assets maintained and protected in an appropriate manner? Is financial reporting reliable and accurate? Are accounting records properly maintained?

**Compliance** – Is the department or audited activity in compliance with applicable laws, rules, regulations, and University policies?

**Reputational** – Does an activity or action rise to the level of concern such that the resulting loss or damage impair the reputation of the University?

**Strategic** – Does the activity or department's actions align with the strategic plan of the University? (i.e. mission, goals, and objectives)

**Technology** – Does the processes, applications, and infrastructure that support an activity or department adequately support the technology environment for the University?

**Human Capital** – Is the University workforce properly suited to meet the objectives of the University?

<sup>4</sup> Florida Board of Governors Regulation 4.003(1)

## Risk Areas

The following areas were determined to present the highest risk using the risk assessment methodology or represent audits that are required to be completed:

| Rank  | Audit Risk Area                                    | Objectives/Purpose of Audit   | Notes |
|---|--|---|-------|
| 1   | Performance Based Funding (PBF) Reporting Controls | To determine whether the University has established adequate controls in order to properly report on the various metrics related to PBF.<br>[Note: This is the first year that PBF will be applicable to Florida Poly.] | A     |
| 2   | Institutional Scholarship Awards                   | To determine whether institutional scholarships offered were administered without bias, on a consistent basis, and in accordance with University and Federal Regulations.   | B     |
| 3   | Follow-up on previously reported matters           | To determine the current status of all corrective action on matters previously reported by UAC.   |       |
| Notes:  |  |   |       |
| A – PBF audit and BOT data certification is required to be presented to the BOG by March 1, 2021. This is the first year that Florida Poly will participate in the funding for PBF and a condition of participation is an audit of the data integrity supporting the metrics developed to measure performance. Consequently, this is ranked highest priority for the 2020-21 Plan year. |  |   |       |
| B – Risk and audit carried forward from 2019-20 Audit Plan. This audit initially planned as a limited scope audit; however, scope expanded to review other related risks. Completion of audit impacted by UAC workflow and COVID-19.  |  |   |       |

Given the limited resources of UAC, and the amount of time necessary to administer both the audit and compliance functions at the University, planned audits were limited to these required audits and areas of high risk. In the event that resources for the 2020-21 fiscal year are available beyond activities called for in the Plan above, UAC will present a revised Plan for AACC approval to address additional areas of high risk.

Additionally, UAC utilized the risk assessment process to identify a number of other risk areas that might benefit from monitoring efforts rather than a comprehensive audit. Those areas of risk are separately identified in the 2020-21 Compliance and Ethics Program Plan.

The following Work Plan summarizes planned activity pursuant to the risk-based assessment, required audits, and available hours for UAC to administer the audit and compliance functions at the university:

| <b>Florida Polytechnic University<br/>University Audit &amp; Compliance<br/>Work Plan (A)<br/>2020-21 Fiscal Year</b>  |                 |                  |
|--|-----------------|------------------|
| Activity   | Estimated Hours | Total Hours      |
| <b>ADMINISTRATIVE ACTIVITIES:</b>  |                 |                  |
|  |                 | 244              |
| Periodic meetings with President/Board   | 40              |                  |
| BOG Communications   | 20              |                  |
| Prepare Audit & Compliance liaison materials and attend briefings  | 160             |                  |
| Other  | 24              |                  |
| <b>INVESTIGATIVE ACTIVITIES:</b>   |                 |                  |
|  |                 | 200 <sup>5</sup> |
| Complaint Intake, Preliminary Inquiries, Investigations (B)  | 200             |                  |
| <b>COMPLIANCE ACTIVITIES:</b>  |                 |                  |
|  |                 | 500 <sup>5</sup> |
| Administration of the Compliance and Ethics Program  | 360             |                  |
| Perform Compliance & Ethics Training   | 40              |                  |
| Compliance Program Evaluation  | 100             |                  |
| <b>AUDITING ACTIVITIES:</b>  |                 |                  |
|  |                 | 580              |
| UAC Risk Assessment and Audit Plan 2020-21   | 80              |                  |
| UAC Annual Report  | 60              |                  |
| PBF Audit  | 260             |                  |
| Follow-up on Prior Audit Observations  | 80              |                  |
| Scholarships/Admissions  | 100             |                  |
| <b>MANAGEMENT ADVISORY/CONSULTING ACTIVITIES:</b>  |                 |                  |
|  |                 | 240              |
| Various (B)  | 240             |                  |
| <b>TRAINING ACTIVITIES:</b>  |                 |                  |
|  |                 | 120              |
| Webinars, SUS Committees, and Continuing Professional Education  | 120             |                  |
| <b>Total Estimated Hours</b>   | <b>1,884</b>    | <b>1,884</b>     |
| Notes:   |                 |                  |
| (A) This annual work plan is subject to change based on requests made by the Board to evaluate particular programs or activities.  |                 |                  |
| (B) Estimated hours for investigations and management advisory services not readily quantifiable and could change significantly depending on the number of allegations and/or consulting requests. |                 |                  |

<sup>5</sup> Hours for investigative and compliance activities as separately detailed in the 2020-21 Compliance Program Plan.

The table below identifies current resources available for University Audit and University Compliance during the 2020-21 Plan year: (1 staff FTE)

| Available Staffing Hours      |              |
|-------------------------------|--------------|
| Month                         | Hours        |
| July                          | 176          |
| August                        | 168          |
| September                     | 168          |
| October                       | 176          |
| November                      | 152          |
| December                      | 144          |
| January                       | 152          |
| February                      | 160          |
| March                         | 184          |
| April                         | 176          |
| May                           | 160          |
| June                          | 176          |
| <b>Sub Total</b>              | <b>1,992</b> |
| <b>Vacation/sick</b>          | <b>(108)</b> |
| <b>Annual hours available</b> | <b>1,884</b> |

The graph below depicts the planned allocation of UAC resources by activity, for the 2020-21 fiscal year, as detailed in the work plan on page 5:



**Florida Polytechnic University  
Audit and Compliance Committee  
Board of Trustees  
September 9, 2020**

**Subject: University Compliance & Ethics Program Plan – 20-21 FY**

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**Proposed Committee Action**

Recommend approval of the University Compliance & Ethics Plan for the 2020-21 fiscal year to the Board of Trustees.

**Background Information**

Florida Board of Governors Regulation 4.003 provides that each board of trustees shall implement a university wide compliance and ethics program as a point for coordination of and responsibility for activities that promote ethical conduct and maximize compliance with applicable laws, rules, regulations, rules, policies, and procedures. David Blanton, Chief Compliance Officer (CCO) will present the proposed Plan for the 2020/21 fiscal year. This Plan was developed consistent with applicable codes of conduct and the Federal Sentencing Guidelines and provides for the various planned focus areas for University Compliance.

The Committee should consider whether the Proposed Plan (a) promotes an organizational culture that encourages ethical conduct and a commitment to compliance and (b) allocates University Compliance resources in an efficient and effective manner.

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**Supporting Documentation:** UAC Compliance & Ethics Program Plan Report – 2020-21 Fiscal Year.

**Prepared by:** David A. Blanton, CAE/CCO



**FLORIDA POLYTECHNIC**  
UNIVERSITY

## University Compliance



### Compliance and Ethics Program Plan

2020-21 Fiscal Year

Report No: FPU 2021-03

**Ethical Culture:** The extent to which an organization regards it's values. Strong ethical cultures make doing what is right a priority. Ethical culture is often an unwritten code by which employees learn what they should think and do. (Ethics Resource Center)

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## I. Background and Overview

Florida Board of Governors (BOG) Regulations<sup>1</sup> provide that 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. The BOG Regulation further provides that the Program shall be:

- Reasonably designed to optimize its effectiveness in preventing or detecting noncompliance, unethical behavior, and criminal conduct, as appropriate to the institution’s mission, size, activities, and unique risk profile.
- Developed consistent with various codes of ethics<sup>2</sup> and the Federal Sentencing Guidelines.
- Implemented within two (2) years of the effective date of the Regulation, or November 2018.
- Evaluated within five (5) years of the effective date of the Regulation, or initiated by November 2021.

The Florida Poly Compliance and Ethics Program (Program) was designed with due diligence and the promotion of an organizational culture that encourages ethical conduct and a commitment to compliance, as outlined by the Federal Sentencing Guidelines, for the seven (7) Program components depicted in the flowchart and outlined below:

### 7 Basic Components of an Effective Compliance & Ethics Program



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<sup>1</sup> Florida Board of Governors Regulation 4.003, implemented November 3, 2016

<sup>2</sup> Code of Ethics for Public Officers and Employees contained in Part III, Chapter 112, Florida Statutes and other applicable codes of ethics

## 7 Basic Components of an Effective Compliance & Ethics Program

1. Standards, Policies, Procedures
2. Compliance and Ethics Program Administration
3. Conduct Controls for Employees
4. Communication, Education, and Training
5. Monitoring, Auditing, and Reporting System (Hotline)
6. Discipline and Incentives
7. Program Modifications

Most of the required elements of the Program were properly implemented by November 2018, as required by the BOG Regulation. Each of the various components required by the Federal Sentencing Guidelines are discussed at greater length below and correspond with the seven (7) required Program components outlined above:

**Requirement 1:** The organization shall establish standards and procedures to prevent and detect criminal conduct.

**Plan Response:** The University has adopted the following Regulations and Policies (standards) that effectively communicate management's commitment to prevent and detect criminal conduct:

- *Policy FPU-1.0125P Fraud Prevention and Detection*
- *Regulation FPU-1.015 Allegations of Waste, Fraud, Financial Mismanagement, and Other Abuses*
- *Regulation FPU-6.002 Personnel Code of Conduct and Ethics*
- *Regulation 6.011 Employee Criminal Background Checks*
- *Policy FPU-8.0011P Purchasing of Goods and Services*
- *Regulation 8.003 Authority to Suspend or Debar Contractors/Vendors*

Periodically, such Policies and Regulations are subjected to Policy review to ensure that they are comprehensive and prescribe to current practice.

University Compliance maintains various reporting mechanisms to report waste, fraud, financial mismanagement and other abuses and the standards outlined above provide that employees are obligated to report known or alleged violations. (See also Requirement 5)

**Requirement 2:** The organization's governing authority shall be knowledgeable about the Program and exercise reasonable oversight; high-level personnel shall have overall responsibility for the Program and its effectiveness; and the Program shall be afforded adequate resources to carry out operational responsibility of the Program.

**Plan Response:** The Audit and Compliance Committee (AACC) of the Florida Polytechnic University's Board of Trustees is charged with oversight of the Program. This responsibility is outlined in the Charter for the AACC. The Chief Compliance Officer (CCO) is responsible for communicating the details of the

Program to the AACC and presenting an annual Program Plan to the AACC for approval. The CCO serves as the liaison to the AACC and provides an update on the Program at each meeting (4 times a year). In addition, the Florida BOG exercises certain oversight of each institution of the State University System (SUS). The CCO has overall responsibility for the Program and has been provided with sufficient resources to carry out operational responsibilities of the program. As a new institution founded in 2012, Florida Poly hired its first-ever CCO beginning on July 31, 2017. Therefore, the Program is in the initial development stages and has had a relatively short window of implementation relative to other SUS institutions.

**Requirement 3:** The organization shall use reasonable efforts to preclude the hiring or employment of personnel that have engaged in illegal activities or other conduct inconsistent with an effective compliance and ethics Program.

**Plan Response:** Florida Polytechnic University Regulations<sup>3</sup> provide for the administration of Level 1 background screening for all employees and volunteers and a Level 2 background screening for employees working in areas of special trust or responsibility. (A Level 1 background screening is limited to a statewide criminal history records check through the Florida Department of Law Enforcement while a Level 2 background screening extends beyond that to a national criminal history records check through the Federal Bureau of Investigation). Additionally, the Regulation requires that university employees shall immediately notify the university if convicted of a felony or first degree misdemeanor any time subsequent to becoming employed by the university. The periodic rescreening of employees, as provided for in the University Regulation, serves to further ensure that university employees have not engaged in illegal activities or other conduct inconsistent with an effective compliance and ethics Program.

Controls over this process were recently subjected to an operational audit performed by the Auditor General<sup>4</sup>.

**Requirement 4:** The organization shall periodically conduct effective trainings and otherwise disseminate information in support of the Program.

**Plan Response:** The University currently provides for the following training relative to the Compliance and Ethics Program:

- At new employee orientation, all new hires are provided training and a copy of our Employee Handbook from our Human Resources Department. The training and the Employee Handbook includes an overview of the Employee Code of Conduct and the University's commitment to the highest degree of ethical standards and conduct. The new employee orientation also includes information relative to compliance with sexual harassment (Title IX Compliance), public records and the Sunshine law, official university travel, time and attendance requirements (Fair Labor Standards Act Compliance), leave policies (FMLA compliance), and discrimination/equal opportunity (Federal EEO compliance).

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<sup>3</sup> Regulation FPU 6.011, Employee Criminal Background Checks

<sup>4</sup> Auditor General Report No. 2021-008, issued August 2020

- New employees are required to complete on-line cyber security awareness training that covers FERPA compliance, the Clery Act, Gramm-Leach-Bliley Act (GLBA compliance), protecting personally identifiable information (PII) and other compliance matters related to information systems and data maintained by the University. In addition, this training is required annually for all employees. In the 2018-19 fiscal year, University Audit & Compliance tested the controls over such training for both new and existing employees and determined that controls are operating effectively in this area. (Report No. FPU 2019-04). Additionally, controls over this area were included in the most recent operational audit of the university by the Auditor General<sup>4</sup>.
- New employees are required to complete an on-line sexual harassment training program and our Title IX coordinator provides additional training opportunities throughout the year on sexual harassment.
- All new Board of Trustee (BoT) members attend an orientation that is hosted by the President, the General Counsel, the Chief Financial Officer, and the Chief Audit Executive/Chief Compliance Officer. The orientation includes the dissemination of information relative to the Florida Sunshine law, conflicts of interest, and the Board of Trustees ethics policy which incorporates the Code of Ethics for Public Officers and Employees set forth in Part III of Chapter 112, Florida Statutes. Additionally, Florida Poly Board of Trustee members are required to attend a Board of Governors orientation session prior to service on the university board. The BoT was also provided live ethics training by the CCO at previous Board retreats (May 2018 and 2019).

Training for additional areas with high risk of noncompliance will be developed and conducted by the CCO as provided for in the **Compliance Plan for Key Risks/Compliance Focus Areas** Section of this Program Plan. (Section II)

**Requirement 5:** The organization shall take reasonable steps to ensure that (a) the Program is properly monitored in order to detect criminal conduct (b) evaluate the effectiveness of the Program and (c) publicize a system providing for reporting mechanisms to report or seek guidance on potential or actual criminal conduct.

**Plan Response:** With regard to each of the elements specified above in Requirement 5:

- (a) As noted in Requirement 3 above, University Regulations<sup>3</sup> require that university employees shall immediately notify the university if convicted of a felony or first degree misdemeanor any time subsequent to becoming employed by the university. The periodic rescreening of employees, as provided for in this University Regulation, serves to further ensure that university employees have not engaged in illegal activities or other conduct inconsistent with an effective compliance and ethics Program.
- (b) BOG Regulations<sup>5</sup> require that 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. (November 2021) The assessment shall be approved by the board of trustees and a copy provided to the Board of

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<sup>5</sup> Board of Governors Regulation 4.003 (7)(c), implemented November 3, 2016

Governors. This Plan provides for a self-assessment of the Program as a focus area for the 2020-21 fiscal year. (See Section II)

- (c) In December 2017, the “Compliance and Ethics Hotline” was established to report suspected or actual instances of noncompliance, fraud, waste, or abuse directly to the CCO as outlined below:
1. An on-line reporting form.
  2. Telephone
  3. Fax
  4. Direct mail to P.O. Box.

These mechanisms are publicized on the University website which also has direct links to all University Regulations and Policies that effectively communicate management’s commitment to prevent and detect criminal conduct. In addition, the Compliance and Ethics Hotline information is posted on the intranet, which is accessible to all employees. As provided for in University Policy<sup>6</sup>, retaliation, or otherwise taking adverse action against any member of the University community because that individual reported or filed a complaint alleging a violation, testified or participated in an investigation or proceeding, or opposed discriminatory practices, is strictly prohibited and could result in expulsion or termination.

**Requirement 6:** The Program shall be promoted through appropriate *incentives* and provide for appropriate *disciplinary measures* for engaging in criminal conduct and for failing to take reasonable steps to prevent or detect criminal conduct.

**Plan Response:** (Incentives): The current “Performance Review Form”, used for evaluations and tied to merit/promotional increases, utilizes the following criteria for evaluation: (one of four criteria applied)

- Shows initiative, uses creative problem solving to reduce barriers, **has integrity and follows State regulations and policies.**

(Disciplinary measures): University Regulations<sup>7</sup>, provide that University personnel who are determined to have violated the Code of Ethics are subject to disciplinary action. Disciplinary actions may include penalties such as: dismissal, suspension, demotion, reduction in salary, forfeiture of salary, restitution, public censure, and/or reprimand; other disciplinary actions as may be deemed appropriate.

**Requirement 7:** After noncompliance, unethical behavior, or criminal conduct has been detected, the organization shall take further reasonable steps to prevent further occurrences, including Program modifications.

**Plan Response:** Neither significant unethical behavior or criminal conduct has occurred at the University; however, the University is continually seeking to improve on processes and procedures that ensure compliance with applicable laws, rules, regulations, and laws. To the extent that significant criminal

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<sup>6</sup> Policy FPU-1.0125P, Fraud Prevention and Detection

<sup>7</sup> Regulation FPU-6.002, Personnel Code of Conduct and Ethics

conduct or unethical behavior was ever detected, the Program would be modified to mitigate future occurrences.

## II. Compliance Plan for Key Risks/Compliance Focus Areas

This Compliance and Ethics Program Plan has identified seven (7) different areas of focus for the 2020-21 fiscal year. These focus areas were selected on the basis of perceived risk and available resources, and specifically relate to the following areas:

- Coronavirus Aid, Relief, and Economic Security (CARES) Act Interim Compliance Monitoring Review:
  - Planned scope to include the administration of Institutional Higher Education and Relief Funds and Student Higher Education Emergency Relief Funds to ensure compliance with the U.S. Department of Education’s compliance requirements.
  - Provided that this is a new program that was developed in response to COVID-19, this area has been deemed high risk. The BOG has also identified this as an area of concern and intends to report compliance efforts to their board in January.
- Textbook Affordability Compliance Monitoring Review:
  - Planned scope to include compliance with the State law<sup>8</sup> requiring the timely posting textbooks and instructional materials for the fall and spring terms.
  - Provided that this has been a repeat finding in several of our most recent operational audits conducted by the Auditor General, this area has been deemed high risk.
- Statement of Financial Disclosures and Potential Conflicts of Interest Compliance Monitoring Review:
  - Planned scope to include a review of filed financial disclosure statements and searches for any related conflicts with the university.
  - This concern was mentioned in our last operational audit and thus has been deemed high risk that can be mitigated with an appropriate level of monitoring and oversight.
- Foreign Influence/Foreign Gifts and Contracts Compliance Monitoring Review:
  - Planned scope to include a review of (1) controls and processes over foreign influence over grant integrity and (2) foreign gifts and contracts reporting pursuant to Section 117 of the Higher Education Act.
  - This particular focus area has been of great concern to both the Florida Legislature and to most higher education institutions and thus has been deemed an area of high risk.
- Training & Communications:
  - Live training on compliance and ethics will be conducted at employee orientations held throughout the year.
  - The focus for the 2020-21 Program year will be on enhanced communications to all university staff promoting compliance and ethics awareness. A goal of 2 communications through the university is planned for the current Program Plan.

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<sup>8</sup> Section 1004.085(6), Florida Statutes

- The CCO will provide updates to the Audit and Compliance Committee (AACC).
  - Quarterly updates to the AACC on the Compliance Program.
  - Monthly reporting of allegations and related UAC dispositions to the AACC.
- Self-Assessment – Compliance Program/Development of Program Assessment Criteria
  - In an effort to enhance the effectiveness of the Compliance and Ethics Program at Florida Poly, a formal evaluation of processes in place will be conducted by UAC in order to identify opportunities for continuous improvement. This effort will facilitate the external review that must be initiated by November 2021 pursuant to BOG Regulation.
- General Compliance Activities/Investigations
  - Ongoing review of existing regulations and policies with an emphasis towards those aimed at promoting compliance and an evaluation of the effectiveness of university operations and the program. This area also includes monitoring of the Compliance & Ethics hotline and performing preliminary investigate effort and full investigations, as warranted.

### III. Program Evaluation

Internal Evaluation: Given that each of the seven (7) Program components required by the Federal Sentencing Guidelines (FSG) Manual have been addressed by this Program Plan, the Program is deemed effective. Additionally, requirements set forth by BOG Regulations, and reflected in the SUS Compliance Program Status Checklist, evidence the completion of most elements constituting an effective Compliance and Ethics Program. Most importantly, this evaluation is further supported by observations of the CCO, from the date of his hiring (7/31/17) to present, in support of management’s commitment in both words and action to “do the right thing” to assure that high standards of ethical practice are exhibited in all University business.

As noted above in the Program Plan, UAC is planning to conduct a self-assessment in the 2020-21 fiscal year in order to better to identify opportunities for continuous improvement to the Program. This planned self-assessment is expected to go beyond the essential elements evaluated above (from the FSG Manual) in order to identify specific refinements to enhance the effectiveness of the existing Program.

External Evaluation: As noted in Section I, Requirement (5)(b) above, BOG Regulations<sup>9</sup> require that 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. (November 2021) The assessment shall be approved by the board of trustees and a copy provided to the Board of Governors.

The SUS Compliance Consortium recently adopted the criteria by which each SUS institution will be evaluated in their external evaluation. It is anticipated that the external review will be conducted in accordance with the BOG Regulation, sometime shortly after the 2020-21 fiscal year end.

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<sup>9</sup> Board of Governors Regulation 4.003 (7)(c), implemented November 3, 2016

## IV. Summary

This Compliance and Ethics Program Plan provides for the following components:

- A plan response to address each of the seven program components set forth in the Federal Sentencing Guidelines. Within **Section I**, each of the various Federal Sentencing Guideline requirements are cited within a boxed border and the response to address each requirement.
- Key risks and compliance focus areas deemed necessary to administer the plan. Within **Section II**, such risks and areas of focus were selected based on a review of audit risks and the intention of delivering both compliance and audit services in an efficient manner, given the limited resources of the University and the dual duties of the CAE/CCO.
- **Section III** explains the Program evaluation requirements and outlines a plan for evaluation in order to comply with the applicable BOG Regulation.

This approach to establishing the initial Compliance and Ethics Plan conforms to requirements set forth in both the Federal Sentencing Guidelines and BOG Regulation. Only one component of the BOG Regulation remains outstanding which provides for an external evaluation of the Program with a 5-year window for compliance. (Must be initiated by November 2021). The SUS Compliance Consortium is currently working collaboratively to manage these reviews at each SUS institution and it is expected that Florida Poly's Program will undergo an external evaluation by the BOG due date.

## V. Exhibits

- A. Compliance & Ethics Program Plan – Estimated Budget
- B. Compliance & Ethics Program Plan Approval

## Exhibit A

| <b>Proposed Compliance &amp; Ethics Program Plan Budgeted Hours<br/>2020-21 Fiscal Year</b> |  |                          |              |
|---|--|--------------------------|--------------|
|   | <b>Focus Area</b>  | <b>Planned<br/>Hours</b> | <b>Notes</b> |
| 1   | CARES Act Compliance Monitoring Review   | 80                       |              |
| 2   | Textbook Affordability Compliance Monitoring Review (Fall & Spring)  | 80                       |              |
| 3   | Statement of Financial Disclosures/Conflict Compliance Monitoring Review   | 80                       |              |
| 4   | Foreign Influence Compliance Monitoring Review   | 80                       |              |
| 5   | Training & Communications  | 80                       |              |
| 6   | Assessments of Program   | 100                      |              |
| 7   | General Compliance Program/Investigations  | 200                      | a            |
|   |  |                          |              |
|   | Total Estimated  | 700                      |              |
|   |  |                          |              |
| a   | Includes an estimate of 200 hours for monitoring of hotline and investigations; however actual hours in this area could increase or be less, depending on reported hotline allegations and/or investigative reports released by University Compliance. |                          |              |

## Exhibit B

### 2020-21 Compliance & Ethics Program Plan Approval

The Following signatures document approval of the Compliance & Ethics Program Plan for the 2020-21 fiscal year. This Plan was presented to the Audit & Compliance Committee on September 9, 2020 and approved by the full Board on this same date.

\_\_\_\_\_  
Dr. Randy Avent, President

\_\_\_\_\_  
Date

\_\_\_\_\_  
Bob Stork, Chair - Audit & Compliance Committee

\_\_\_\_\_  
Date