



# BOARD OF TRUSTEES Audit & Compliance Committee

**Wednesday, September 8, 2021  
12:30 PM – 1:30 PM**

**Florida Polytechnic University  
WEBEX TELECONFERENCE MEETING**

**Dial in: 1-415-655-0001 | Access code: 161 104 3868#**

## MEMBERS

Bob Stork, Chair  
Lyn Stanfield

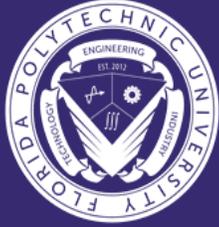
Mark Bostick, Vice Chair

Dr. Laine Powell

## 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 April 26, 2021 Minutes</a><br><b>*Action Required*</b>                             | Mark Bostick, Vice Chair |
| V. <a href="#">2021-22 Audit &amp; Compliance Committee Work Plan</a><br><b>*Action Required*</b>                  | David Blanton, CAE/CCO   |
| VI. <a href="#">Audit &amp; Compliance Update</a>  | David Blanton, CAE/CCO   |
| VII. <a href="#">UAC Annual Report – FYE 21</a>  | David Blanton, CAE/CCO   |
| VIII. <a href="#">UAC Risk Assessment &amp; Audit Plan – FYE 22</a><br><b>*Action Required*</b>                    | David Blanton, CAE/CCO   |
| IX. <a href="#">UAC Compliance &amp; Ethics Program Plan – FYE 22</a><br><b>*Action Required*</b>                  | David Blanton, CAE/CCO   |
| X. <a href="#">UAC Compliance Monitoring Review – Financial Disclosures &amp; Conflicts of Interest</a>            | David Blanton, CAE/CCO   |
| XI. <a href="#">Performance Based Funding Audit Scope &amp; Objectives –2021 Audit</a><br><b>*Action Required*</b> | David Blanton, CAE/CCO   |
| XII. Closing Remarks and Adjournment   | Mark Bostick, Vice Chair |





# Audit & Compliance Committee Meeting

## DRAFT MEETING MINUTES

**Monday April 26, 2021  
9:45 AM – 10:30 AM**

### **Florida Polytechnic University WEBEX TELE-CONFERENCE MEETING**

I. Call to Order

Committee Chair Bob Stork called the meeting to order at 9:45 a.m.

II. Roll Call

Kim Abels called the roll: Committee Chair Bob Stork, Committee Vice Chair Mark Bostick, Trustee Laine Powell, and Trustee Lyn Stanfield were present (Quorum).

Other Trustees present: Trustee Gary Wendt and Trustee Beth Kigel were present.

Staff present: President Randy Avent, Ms. Gina DeIulio, Mrs. Kathy Bowman, Mrs. Kris Wharton, Mr. David Blanton, Mrs. Kim Abels, Ms. Michele Rush, Mr. Rick Maxey, Mr. John Causey, Mr. David Brunell, Ms. Lydia Guzman, Mr. Alex Landback and Ms. Melaine Schmiz were present.

III. Public Comment

There were no requests received for public comment.

IV. Approval of the February 10, 2021 minutes

**Trustee Laine Powell made a motion to approve the Audit & Compliance Committee meeting minutes of February 10, 2021. Trustee Mark Bostick seconded the motion; a vote was taken, and the motion passed unanimously.**

V. 2021-2022 Audit & Compliance Committee Work Plan

Mr. David Blanton, Chief Compliance Officer and Chief Audit Executive, presented the 2021-2022 University Audit and Compliance (UAC) Committee Work Plan. There was no discussion and no changes were made to the Work Plan.

VI. Audit and Compliance Update

Mr. Blanton provided the Committee with an update on all Audit & Compliance activities. (both external audits and internal audits). Two external audits are still pending release; however, no significant findings are expected for either audit.

VII. Foundation 990-FYE 6/30/20

As required by Board of Governors (BOG) regulation and to ensure appropriate oversight over Foundation activities, the committee reviewed the Foundation's filing of IRS Form 990 for the period ending June 30, 2020.

VIII. University Financial Audit-FYE 6/30/20

The Committee reviewed the University's financial audit conducted by the Auditor General for fiscal year ended June 30, 2020. The audit included an unqualified (clean) opinion on the financial statements and a clean report on the internal control and compliance.

IX. Compliance Program Review-Approval of Independent Validators

The Committee discussed the peer review validation process for the required five-year review of the University's Compliance Program. Compliance professionals from Florida State University and New College of Florida (external validators) will conduct the review later this year and issue a written report, as required by BOG Regulation.

**Trustee Mark Bostick made a motion to recommend approval to the Board of Trustees of the selection of the Independent Validators, as presented, to perform the required review of the University's Compliance and Ethics Program. Trustee Lyn Stanfield seconded the motion; a vote was taken, and the motion passed unanimously.**

X. Textbook Adoption Monitoring Review-Spring 2021

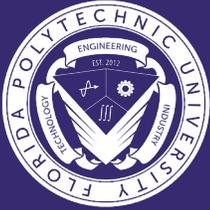
The Committee considered the results of Mr. Blanton's review of textbook adoptions for the spring 2021 term and was advised that the University is in compliance with applicable State law. However, certain improvements were recommended to adequately document excluded courses. The CAE/CCO will continue to perform monitoring until this recommendation is implemented.

XI. BOG Regulation 3.003, Fraud Prevention and Detection

The Committee was briefed on this new BOG Regulation which requires the University to establish an antifraud framework that includes the prevention, detection, reporting, investigation, and remediation of fraud and fraud risks. Annual reporting to the Board of Trustees over such processes is required by the new regulation.

XII. Closing Remarks and Adjournment

With no further business to discuss, the meeting adjourned at 10:26 a.m.



# Committee Work Plan

## Audit and Compliance Committee Work Plan 2021-2022 *Revised 9.8.21*

### SEPTEMBER

- Audit and Compliance Committee Charter (*review and approve every two years – due September 2022*)
- University Operational Audit – Auditor General (*minimum every three years*)
- UAC Annual Report (*prior FY*)
- UAC Risk Assessment and Audit Plan (*current FY*)
- University Compliance and Ethics Program Plan (*current FY*)
- Performance Based Funding Audit Scope Approval

### NOVEMBER

- CARES Act Monitoring Report (*Reviewed November 2020*)
- Textbook Affordability Monitoring Report (*Fall semester*)

### FEBRUARY

- Performance Based Funding Audit and Data Integrity Certification
- University Annual Financial Audit (*prior FY*)
- Foundation 990 Financial Audit (*prior FY*)

### JUNE

- Textbook Affordability Monitoring Report (*Spring semester*)
- Bright Futures Audit (*review and approve every two years – due June 2022 for two prior FYs*)

**Florida Polytechnic University  
Audit and Compliance Committee  
Board of Trustees  
September 8, 2021**

**Subject: Audit & Compliance Update**

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**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 audit and compliance activity including the status of all external audits and University Audit & Compliance activities and plans.

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**Supporting Documentation:**

1. DMS Retirement Plan Audit Letter
2. BOG Memo: Review of Financial Internal Controls – University Support Organizations

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



Office of Inspector General  
4030 Esplanade Way  
Tallahassee, FL 32399-0950  
850-488-5285

**Ron DeSantis, Governor**  
J. Todd Inman, Secretary

July 21, 2021

Dr. Randy Avent  
President  
Florida Polytechnic University  
4700 Research Way  
Lakeland, Florida 33805

Dear Dr. Avent:

As authorized under section 121.193, Florida Statutes, the Retirement Compliance Audit Unit has completed an audit of the information provided by the Florida Polytechnic University (Agency) to determine if the operations related to retirement coverage comply with the Florida Statutes and associated rules. The results of this audit are based on the information provided by your agency during this process. We appreciate the assistance provided by Shannon Medley during the audit.

The objectives of this audit were to determine the accuracy of reports submitted to the Division of Retirement (Retirement) and to assess the degree of compliance with applicable statutes, rules, and coverage agreements by your agency.

The scope of this audit consisted of retirement transactions reported by your agency from November 2013 to November 2020.

The methodology included:

- Reviewing and analyzing agency retirement transactions for a sample of workers' compensation wages and retiree wages from November 2013 to November 2020;
- Reviewing and analyzing the agency's November 2020 payroll records; and
- Reviewing personnel files and earnings records for a sample of unreported employees for November 2020.

Audits by nature do not include a review of all of records and actions and therefore, cannot be relied upon to identify all instances of noncompliance.

This audit was conducted in accordance with Chapter 121.193, Florida Statutes and is consistent with the applicable standards as defined in the *International Standards for the Professional Practice of Internal Auditing*, issued by the Institute of Internal Auditors.

## Results

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The results of this audit are based on the information provided by your agency during this process. Based on the documentation reviewed and the test results from the samples selected, compliance with applicable statutes, rules and coverage agreements is indicated in the following areas:

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**THIS REPORT MAY CONTAIN INFORMATION THAT IS EXEMPT FROM DISCLOSURE UNDER APPLICABLE LAW. DO NOT RELEASE WITHOUT PRIOR COORDINATION WITH THE OFFICE OF INSPECTOR GENERAL.**

- Employees are reported from beginning of employment.
- Employees are paid semimonthly, and wages are reported when paid.
- Lump sum annual leave payments are reported according to Retirement instructions.
- Accumulated sick leave payments are correctly excluded from Florida Retirement System (FRS) coverage.
- Employees receiving workers' compensation indemnity payments are reported according to Retirement instructions.
- The agency employs retirees of the FRS. A review of reemployed retirees filling positions not reported to retirement indicated that the agency and retirees are in compliance with Retirement reporting instructions and reemployment limitations.

## Summary

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The conclusions in the audit are based on results from a limited scope. No concerns were noted during the course of this audit. Your agency may be contacted by our office in the future regarding a broader scoped review.

If you have questions concerning retirement eligibility and retirement payroll reporting, please call the Division of Retirement, at 850-907-6500 or toll free at 844-377-1888. The *Florida Retirement System Employer Handbook* is available online at the Division of Retirement's website: <http://frs.myflorida.com>.

Sincerely,

*Robert Nelson*

Robert Nelson, Retirement Compliance Auditor

cc: Ms. Shannon Medley  
Ms. Kathy Gould  
Ms. Joyce Morgan  
Ms. Kelly Recio  
Ms. Lindy Still



## MEMORANDUM

TO: University Boards of Trustees Chairs and Presidents

FROM: Tim Jones, Vice Chancellor, Finance & Administration/Chief Financial Officer 

DATE: June 29, 2021

RE: Review of Financial Internal Controls – University Support Organizations

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In his report to the Board of Governors at the June 23, 2021, Board of Governors meeting, Board Chair Syd Kitson directed each university board of trustees chair develop a plan to evaluate the financial internal controls at each of their institution's support organizations.

Chair Kitson stated that these reviews should assess whether financial controls are reasonable over the organization's financial processes and records to protect the organization from theft or malfeasance and that duties are properly segregated among employees with proper oversight and monitoring activities.

A unit or entity not routinely or directly connected with the operations or internal oversight of the support organization should be responsible for conducting the review. To ensure a consistent review and final report, we would encourage universities to work together on a shared contract with one outside entity. At its conclusion, Chair Kitson requested each university prepare a summary report to submit to the Board of Governors, through my office, by June 30, 2022. He has assigned the Board of Governors Audit and Compliance Committee to review each university's summary report.

We acknowledge that each university support organization receives an annual external financial statement audit. Although those statements consider internal control over financial reporting as a basis for designing audit procedures, they generally are not for the purpose of expressing an opinion on the entity's internal control effectiveness over financial reporting.

University Boards of Trustees Chairs and Presidents  
June 29, 2021  
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Board of Governors staff will communicate with Chair Kitson and Vice Chair Lamb to clarify expectations. I will also be coordinating with university chief financial officers and our Inspector General and Director of Compliance Julie Leftheris on the logistics of this review.

We will keep you informed on further developments.

Thank you.

cc: Marshall Criser, Chancellor  
Vikki Shirley, Corporate Secretary/General Counsel  
Julie Leftheris, Inspector General and Director of Compliance  
University Chief Financial Officers  
University Chief Audit Executives

**AGENDA ITEM: VII.**

**Florida Polytechnic University  
Audit and Compliance Committee  
Board of Trustees  
September 8, 2021**

**Subject: University Audit and Compliance (UAC) Annual Report – FYE21**

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**Proposed Committee Action**

No action necessary – information only. (Report No. FPU 2022-01)

**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, 2020, to June 30, 2021.

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 – FYE21 (Report No. FPU 2022-01)

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



**FLORIDA POLYTECHNIC**  
UNIVERSITY

UNIVERSITY AUDIT & COMPLIANCE  
ANNUAL REPORT  
2020-21 FISCAL YEAR

**Report No: FPU 2022-01**

**July 2021**

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 2020-21 fiscal year.

**FLORIDA POLYTECHNIC UNIVERSITY  
UNIVERSITY AUDIT & COMPLIANCE  
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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 is prepared in response to those BOG Regulations and summarizes both audit and compliance activity for the period July 1, 2020, to June 30, 2021.

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

- Completed and released three audit reports:
  - Report FPU 2021-01: Annual Report (2019-20 FY)
  - Report FPU 2021-02: Risk Assessment and Work Plan (2020-21 FY)
  - Report UAC 2021-06: Performance Based Funding Data Integrity Audit (2021)
- Completed and released five compliance reports and/or planned projects:
  - Report FPU 2021-03: Compliance Program Plan 2020-21 FY
  - Report FPU 2021-04: CARES Act Funding Monitoring Review
  - Report FPU 2021-05: Textbook Affordability (Fall 2020)
  - Report FPU 2021-07: Textbook Affordability (Spring 2021)
  - Compliance and Ethics Program 5-year Review (final report to be modified and issued by peer review team).
- 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. However, reported matters were down significantly from the prior three years.
- Assisted with various consulting activities to enhance university operations.
- Obtained relevant educational training for both audit and compliance, as required.

This was the first year that Florida Poly was subject to the auditing and certification requirements related to Performance Based Funding (PBF) data integrity. BOG Regulations require that this audit be completed and submitted to the BOG by March 1 of each year and such assurances are necessary for Florida Poly to secure PBF funding. UAC was able to timely complete and submit the required audit, which consumed a significant portion of UAC's resources for the reporting period. Efficiencies on completing this annually recurring audit is expected going forward.

Like the PBF data integrity audit, the required 5-year review of the university's Compliance & Ethics Program Plan also consumed a significant portion of UAC's resources for the year. During the review period, UAC completed the self-assessment and has selected and contracted with a peer review team to conduct the required review. The final report for this review will be issued by the peer review team.

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Despite the significant commitment of resources to complete both the PBF data integrity audit and the Compliance & Ethics Program 5-year self-assessment, UAC was able to complete monitoring efforts over textbook affordability for two different terms and the administration of CARES Act (Federal) funding. Consequently, released reports were fairly consistent between the two reporting periods. Looking forward to the 2021-22 fiscal year, much of the work performed by UAC will again be driven by external requirements rather than risk (e.g. performance-based funding audit, the BOG's fraud requirement, and legislative efforts aimed at mitigating foreign influence). Consequently, it is again 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. This approach for the current reporting period enabled UAC to maintain a high level of risk coverage within the constraints of limited 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

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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, UAC assists the Audit and Compliance Committee (AACC) in accomplishing their oversight responsibilities in accordance with 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:

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- **Board of Trustees Audit and Compliance Committee (AACC) Charter.** The AACC Charter was amended to provide for the various oversight responsibilities charged to the AACC.
- **Internal Audit Charter.** The Internal Audit Charter effectively establishes the position of Chief Audit Executive (CAE) and outlines the duties and responsibilities of the position.
- **Compliance and Ethics Charter.** The Compliance and Ethics Charter effectively establishes the Compliance function at the University and outlines the duties and responsibilities of the position, including the development of the University’s Compliance and Ethics Program.

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 and are available on the University’s website under Board of Trustees/Committees/Audit & Compliance.

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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, 2020 to June 30, 2021:

- **UAC Annual Report – FYE 6/30/20.** This report was prepared and presented to summarize the activities of University Audit and Compliance for the 2019-20 fiscal year. (Report FPU 2021-01)
- **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 2021-02)
- **Performance Based Funding Data Integrity Audit.** This audit was performed to determine whether the University has established appropriate controls to ensure the completeness, accuracy, and timeliness of data submissions to the BOG which support the PBF metrics of the University as of September 30, 2020. The audit identified 3 audit observations as follows: (Report FPU 2021-06)
  - Required enhancements to strengthen PBF representations in the annual certification.
  - Enhanced controls to ensure the timeliness of data submissions to the BOG.
  - Enhanced controls to provide for data integrity verifications prior to BOG submission.

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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 2020-21 fiscal year:

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<b>Table 1 2020-21 Audit Plan Actual Progress vs. Approved Audit Plan</b>			
#	Planned Audits/Risk	Area of Focus (i.e. processes/Controls)	Status
1	UAC Annual Report	To summarize the activities of University Audit for the year.	☑
2	UAC Risk Assessment & Audit Plan	To evaluate risk across the University and allocate audit resources to areas of risk that might benefit from audit assurance.	☑
3	PBF Data Integrity Audit	To determine whether the University has established adequate controls to properly report on the various metrics related to PBF.	☑
4	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.	X(A)
5	Follow-up on previously reported audit matters	To determine the current status of all corrective action on matters previously reported by UAC.	X(A)
☑	Planned audit or review completed.		
X	Planned audit or review not yet completed.		
(A)	UAC is proposing to consolidate both risks into one project and carry forward this planned audit into the 2021-22 Plan year.		

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 mandated audits. As noted above in Table 1, apart from the annual report and audit plan, only one audit was completed from the prior plan year (PBF audit). Most other UAC resources were committed to the compliance function which are detailed in Table 5 of this report.

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

Activity	Plan Hours	Actual Hours	Difference	% Difference
<b>Administrative</b>	244	249.0	5	2%
<b>Audit</b>	580	591.5	11.5	2%
<b>Compliance</b>	500	744.0	244	48.8%
<b>Investigative</b>	200	10.0	-190	-95%
<b>Consulting</b>	240	165.0	-75	-31.3%
<b>Training</b>	120	111.5	-8.5	-7.1%
<b>Totals</b>	1,884	1,871	(13) <sup>1</sup>	-0.7%

As reflected in Table 2 above, UAC’s time for both investigative and consultative efforts were significantly less than planned. Due to the uncertain nature and frequency of these activities, both are very difficult to predict and establish plan hours. Nevertheless, these plan hours were redirected at compliance activities and were necessary to complete the self-assessment for the required 5-year review and other

<sup>1</sup> Differences in total planned versus total actual hours is primarily the result of slightly more vacation and/or sick time used than planned (resulting in less direct time charged).

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published compliance monitoring reports. Additionally, allegations were down from 18 in the prior reporting period to 2 in the current reporting period and no investigative reports were issued by UAC in the current reporting period.

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

Activity	2018~19 FY	2019~20 FY	2020~21 FY	Difference	% Difference
<b>Administrative</b>	253	266.5	249	(17.5)	-6.6%
<b>Audit</b>	512.5	525.5	591.5	66	12.6%
<b>Compliance</b>	356.5	365	744	379	103.8%
<b>Investigative</b>	452.5	412	10	(402)	-97.6%
<b>Consulting</b>	217	243.5	165	(78.5)	-32.2%
<b>Training</b>	114	82	111.5	29.5	36.0%
<b>Totals</b>	1,905.5	1,894.5	1871	(23.5)	-1.2%

As reflected in Table 3, the most significant variances were noted in investigative effort, consulting, and compliance. The shift in resources from investigations and consulting to compliance essentially allowed UAC to complete the 5-year self-assessment, actively participate in the development of the peer review process for the 5-year reviews, and publish three different compliance monitoring review reports.

The following graph depicts actual hours by activity for the 2020-21 fiscal year:



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*Other Mandatory Disclosures – Audit and Compliance*

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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 (CEP)*, was adopted. Regulation 4.003 requires each university to establish a CEP and complete an external review of the CEP’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 the regulation (November 2021).

The following summarizes the activity of the Compliance function for the period of July 1, 2020 to June 30, 2021:

- **Compliance and Ethics Program Evaluation/External Review:** In May 2021, UAC completed a self-assessment of the CEP utilizing criteria established by the SUS Compliance Consortium. Further, an external peer review team was selected and approved by the AACC to validate the self-assessment and issue a final report over the design and effectiveness of the CEP, in accordance with Regulation 4.003. UAC is working collaboratively with the BOG and other participating peer review SUS institutions to manage how and when the required program evaluations will be conducted and developing a template for the final report. It is anticipated that the external review for UAC will be completed prior to the December 2021 AACC meeting.
  
- **Compliance and Ethics Program Plan.** Each year, the CCO prepares a Compliance & Ethics Program Plan (Plan) that is presented to the AACC for approval. The 2020-21 Plan was presented to and approved by the AACC in September 2020. Table 5 below provides a measure of actual progress against the BOT-approved Plan for the 2020-21 fiscal year:

<b>Table 5 2020-21 Compliance &amp; Ethics Program Plan Actual Progress vs. Approved Plan</b>		
<b>#</b>	<b>Planned Area of Focus</b>	<b>Status/Comments</b>
1	General Compliance Activities/Investigations	☑
2	Trainings & Communication	☑
3	CARES Act Monitoring Review	☑
4	Self-Assessment of CEP	☑
5	Textbook Affordability Monitoring Review (Fall 2020)	☑
6	Textbook Affordability Monitoring Review (Spring 2021)	☑
7	Statement of Financial Disclosures/Conflict Monitoring Review	X (A)
8	Foreign Influence Compliance Monitoring Review	X (B)
☑	Planned area of focus in progress or completed.	
X	Planned audit or review not completed in Plan year.	
(A)	Not completed in plan year; however, completed shortly thereafter (August 2021)	
(B)	Due to recently issued legislation (HB 7017) and significant involvement by University Compliance over such legislatively imposed requirements, recommending removal from planned monitoring.	

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UNIVERSITY AUDIT & COMPLIANCE  
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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 slightly less assurance than an audit report, but allow UAC to provide greater coverage of selected areas of risk.

- **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 CAE/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 mechanisms are publicized on the university website.
- **Board Trainings/Orientations.** 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. During the reporting period, UAC participated in individual orientation sessions for five new Trustees to familiarize them with the duties and responsibilities of the audit and compliance functions at the university.
- **University Staff Trainings.** The CCO presented the following trainings during the 2020-21 fiscal year:
  - New Hire Orientations. These trainings are designed to introduce employees to the university’s code of conduct and provide information on the Compliance and Ethics Hotline.
- **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 2 allegations, complaints, or concerns from which no investigative reports were issued by UAC. Both matters were referred to management for corrective action and did not warrant further investigative effort. Monthly, as applicable, 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 2018 to provide sufficient information to the Committee to fulfill their oversight responsibility, as outlined by the AACC Charter.

Allegations can be classified and analyzed for patterns of behavior to determine whether UAC needs to commit future resources in order prevent or correct recurring 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 2020-21 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:

- Internal controls/compliance/best practice
- Review of the Annual Financial Report
- Performance-based funding documentation requirements
- Research integrity controls
- Fraud prevention and detection
- Miscellaneous advisory services on a variety of other topics

During the current reporting period, UAC responded to a total of 80 consulting and/or advisory requests that accounted for approximately 9 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. Due to health concerns with COVID-19, both groups moved to a virtual forum and held periodic virtual meetings to discuss common issues, best practices, and trends in audit and compliance.

As noted in Table 3, the CAE/CCO's activities included 111 hours for training, which translated into 80 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.

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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 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>2</sup></b>	<b>18/19</b>	<b>19/20</b>	<b>20/21</b>	<b>Comments</b>
Total reports released	3	8	8	9	
Number of audits completed	1	2	2	1	
Percentage of audit effort	21.9%	26.9%	27.7%	31.6%	
Compliance Monitoring Reports Issued	0	0	0	3	
Number of allegations addressed	33	26	18	2	
Number of investigative reports released	1	3	4	0	
Number of consults/compliance inquiries	-	-	138	80	Not tracked until 19/20 FY
Number of certifications held by UAC staff	1	2	2	2	CPA, CCEP
Training sessions conducted by UAC	1	3	4	1	
Audit experience (years)	28	29	30	31	
Compliance professional experience (years)	0	1	2	3	

KPI's are 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>2</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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*Compliance Message*

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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).

**AGENDA ITEM: VIII.**

**Florida Polytechnic University  
Audit and Compliance Committee  
Board of Trustees  
September 8, 2021**

**Subject: University Audit Risk Assessment and Audit Plan, 2021-22 Fiscal Year**

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**Proposed Committee Action**

Recommend approval of the University Audit Risk Assessment and Audit Plan for the 2021-22 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 and 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, 2021-22 FY (Report No. 2022-02).

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



**FLORIDA POLYTECHNIC**  
UNIVERSITY

**University Audit  
Risk Assessment & Work Plan  
For the Fiscal Year Ended June 30, 2022  
Report No: FPU 2022-02  
August 2021**



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# Transmittal Letter

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August 12, 2021

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, 2022. 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.

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

## Introduction

The Internal Audit Charter, approved by the Audit and Compliance Committee (AACC), provides that the mission of 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:

- inquiry with various University staff/observations and a review of University records
- 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 107 risk areas were compiled to create the “audit risk universe”. This represents an increase of 7 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 and those risks dedicated to compliance monitoring<sup>3</sup>.

### 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>4</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> Planned risks to be monitored through compliance monitoring reviews are detailed in the 2021-22 Compliance & Ethics Program Plan.

<sup>4</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>5</sup>.

A list of risk areas, prepared from inquiry of senior management, reviews 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
3. Concern
4. Management's ranking
5. Risk factor classifications (see sidebar at right)
6. Fraud risk

A weighted value was then determined, based on the 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.

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>5</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 or Activity	Notes
1	Performance Based Funding (PBF) Data Integrity Audit	To determine whether the University has established adequate controls to properly report on the various metrics related to PBF.	A
2	Follow-up on previously reported matters	To determine the current status of all corrective action on matters previously reported by UAC.	B
3	Quality Assurance Review	An external review of the audit function to determine conformance with Institute of Internal Auditors (IIA) Standards.	
Notes:			
A – PBF audit and BOT data certification is required to be presented to the BOG by March 1, 2022. This is the second 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 2021-22 Plan year.			
B – Risk and audit carried forward from 2021-22 Audit Plan.			

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. Additionally, audit resources were reserved to complete an annual report, risk assessment and audit plan, and other administrative duties in the upcoming plan year. In the event that resources for the 2021-22 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 2021-22 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:

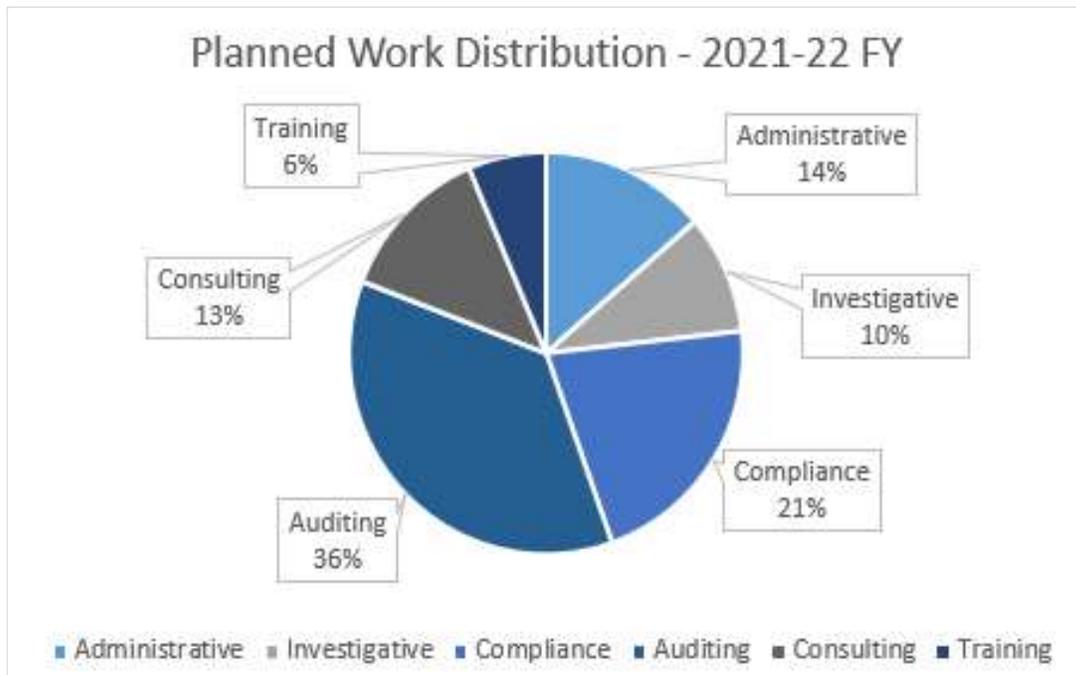
<b>Florida Polytechnic University University Audit &amp; Compliance Work Plan (A) 2021-22 Fiscal Year</b>		
Activity	Estimated Hours	Total Hours
<b>ADMINISTRATIVE ACTIVITIES:</b>		
		256
Periodic meetings with President/Board	40	
BOG Communications	20	
Prepare Audit & Compliance liaison materials and attend briefings	160	
Other	36	
<b>INVESTIGATIVE ACTIVITIES:</b>		
		180 <sup>6</sup>
Complaint Intake, Preliminary Inquiries, Investigations (B)	180	
<b>COMPLIANCE ACTIVITIES:</b>		
		400 <sup>6</sup>
Administration of the Compliance and Ethics Program	300	
Perform Compliance & Ethics Training	40	
Compliance Program Evaluation – External Validators	60	
<b>AUDITING ACTIVITIES:</b>		
		680
UAC Risk Assessment and Audit Plan 2021-22	80	
UAC Annual Report	40	
PBF Audit	440	
Follow-up on Prior Audit Observations	80	
QAR/Peer Review	40	
<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>1,876</b>	<b>1,876</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>6</sup> Hours for investigative and compliance activities as separately detailed in the 2021-22 Compliance Program Plan.

The table below identifies current resources available for University Audit and University Compliance during the 2021-22 Plan year: (1 staff FTE)

Available Staffing Hours	
Month	Hours
July	168
August	176
September	168
October	168
November	152
December	144
January	152
February	160
March	184
April	168
May	168
June	176
<b>Sub Total</b>	<b>1,984</b>
<b>Vacation/sick</b>	<b>(108)</b>
<b>Annual hours available</b>	<b>1,876</b>

The graph below depicts the planned allocation of UAC resources by activity, for the 2021-22 fiscal year, as detailed in the work plan on page 5:



**Florida Polytechnic University  
Audit and Compliance Committee  
Board of Trustees  
September 8, 2021**

**Subject: University Compliance & Ethics Program Plan – FYE 22**

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**Proposed Committee Action**

Recommend approval of the University Compliance & Ethics Plan for the 2021-22 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 2021/22 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 – 2021/22 Fiscal Year. (Report No. FPU 2022-03)

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



**FLORIDA POLYTECHNIC**  
UNIVERSITY

## **University Compliance**

### **Compliance and Ethics Program Plan**

**2021-22 Fiscal Year**

**Report No: FPU 2022-03**

**August 2021**

**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 outlined below:

### 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

Each of the seven (7) components required by the Federal Sentencing Guidelines and listed above are discussed at greater detail below:

**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*

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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

- *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 it’s 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

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

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>. Additionally, this Plan includes planned monitoring efforts over background check controls during the 2021-22 fiscal year.

**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).
- 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).

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

- The university is currently exploring various learning management systems which should enhance the delivery and tracking of training efforts throughout the institution.

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 Governors. This Plan provides for an external evaluation of the Program for the 2021-22 fiscal year. (See **Section II** and **Section III**)
- (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. 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

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

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

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 is tied to merit/promotional increases, and utilizes the following criteria for evaluation: (1 of 4 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 conduct or unethical behavior was ever detected, the Program would be modified to mitigate future occurrences.

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

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

This Compliance and Ethics Program Plan has identified eight (8) different areas of focus for the 2021-22 fiscal year. These focus areas were selected on the basis of perceived risk and available resources, and specifically relate to the following areas:

- Statements of Financial Interests and Potential Conflicts of Interest Compliance Monitoring Review:
  - The AACC is charged with oversight of controls over conflicts of interest. This monitoring effort will provide tangible evidence that the AACC has appropriately addressed such responsibilities.
  - Planned scope to include a review of filed financial disclosure statements, annual affirmations of conflict disclosure, 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.
- Textbook Affordability Compliance Monitoring Reviews:
  - 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.
- Employment Background Checks Compliance Monitoring Review:
  - University Regulation<sup>9</sup>, requires that a criminal background check shall be conducted on all job candidates, after an offer of employment is made, and on all accepted volunteers, prior to employment or placement of a volunteer in a position of special trust or responsibility or a position in a safety sensitive location.
  - Planned scope to include a review of persons in positions of special trust or responsibility to ensure that an appropriate criminal background check was conducted.
- Compliance and Ethics Program Review – Independent Validation:
  - UAC will need to serve as liaison to the independent validators from peer institutions during the Program review fieldwork.
  - During the previous Plan period, UAC conducted a self-evaluation of the Compliance and Ethics Program Plan. The AACC has approved an external validation team, composed of SUS peer professionals, to review the self-evaluation and independently validate the effectiveness of the Compliance and Ethics Program at Florida Poly. It is expected that the external validation will be completed by year end.
  - See further discussion of the Program review in **Section III** of this report.

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

<sup>9</sup> FPU-6.011, Criminal Background Checks

- Consultative Assistance: Foreign Influence/Foreign Gifts and Contracts:
  - 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. Additional compliance requirements now required per recent legislative action<sup>10</sup>.
- Consultative Assistance: Fraud Prevention and Detection:
  - Pursuant to BOG Regulation<sup>11</sup>, University management is responsible for implementing an appropriate framework to identify potential fraud and mitigate fraud risk.
  - UAC has collaborated with university staff to offer suggestions that modify our existing fraud policy to a University Regulation in conformance with the new BOG Regulation. Additionally, UAC has offered to assist management with training and consultation on implementing an appropriate strategy to address the requirements of the new Regulation.
- Training & Communications:
  - Training on compliance and ethics will be conducted at employee orientations held throughout the year.
  - The focus for the 2021-22 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.
  - The CCO will provide updates to the Audit and Compliance Committee (AACC).
    - Quarterly updates to the AACC on the Compliance Program.
    - Monthly reporting, as applicable, of allegations and related UAC dispositions to the AACC.
- 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: Provided 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 to be generally effective. Additionally, this is supported by the self-valuation prepared in the 2020-21 fiscal year. Most importantly, this evaluation is further supported by observations of the CCO, from the date of his hiring to present, that support 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, UAC conducted a self-assessment of the Compliance and Ethics Program in the 2020-21 fiscal year to determine Program effectiveness and to identify opportunities for continuous improvement

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<sup>10</sup> HB 7017 – Foreign Influence, effective July 1, 2021 and BOG Regulation 9.012 (currently under development)

<sup>11</sup> Board of Governors Regulation 3.003, Fraud Prevention and Detection, newly adopted March 23, 2021

to the Program. As detailed below, the self-evaluation is subject to independent validation (external evaluation), as approved by the AACC, in the current (2021-22) Plan year.

External Evaluation: As noted in **Section I**, Requirement (5)(b) above, BOG Regulations<sup>12</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 adopted criteria by which each SUS institution agreed to be evaluated and UAC used this evaluation tool to complete a self-assessment. A team of two CCO's from Florida State University and New College of Florida were selected and approved to perform an independent validation of the self-evaluation and report on the effectiveness of the Compliance and Ethics Plan at Florida Poly. It is anticipated that the external review will be completed prior to end of the calendar year. Upon completion of the external review, a written report will be issued and presented to the AACC and the BOG.

#### **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 University 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 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 Regulations.

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<sup>12</sup> Board of Governors Regulation 4.003 (7)(c), implemented November 3, 2016

## V. Exhibits

### A. Compliance & Ethics Program Plan – Estimated Budget

#### Exhibit A

<b>Proposed Compliance &amp; Ethics Program Plan Budgeted Hours 2021-22 Fiscal Year</b>			
	<b>Focus Area</b>	<b>Planned Hours</b>	<b>Notes</b>
1	CMR: Conflicts of Interest/Financial Disclosures	40	a
2	CMR: Textbook Affordability Compliance Monitoring Review (Fall & Spring)	60	
3	CMR: Employment Background Checks	80	
4	Compliance & Ethics Program Review	60	a
5	Consult: Foreign Influence	60	
6	Consult: Fraud Awareness	60	
7	Training & Communications	40	
8	General Compliance Program/Investigations	180	b
	Total Estimated	580	c
a	Monitoring effort and/or focus overlaps fiscal years – thus only reflects time estimated for current plan year.		
b	Estimate 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.		
c	Hours for the compliance function in agreement with proposed total resource utilization between audit and compliance (As outlined in UAC’s risk assessment and audit plan. (Aggregate time for compliance and investigative activities – see report FPU-2022-02).		
CMR	Compliance Monitoring Review: UAC intends to release CMR reports in connection with this focus area.		

**Florida Polytechnic University  
Audit and Compliance Committee  
Board of Trustees  
September 8, 2021**

**Subject: UAC Compliance Monitoring Review: Financial Disclosures and Conflicts of Interest**

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**Proposed Committee Action**

Information only – no action required.

**Background Information**

Pursuant to the audit work plan, University Audit & Compliance (UAC) conducted a monitoring review over conflicts of interest and required State financial disclosures. This monitoring effort fulfills the Committee's responsibility to review conflict of interest policies and controls (including annual sign-off and proper disposition of reported conflicts), as required by the Audit and Compliance Committee's (AACC) Charter.

As a State institution, Florida Poly is charged with preserving the public trust and utilizing the resources entrusted to the University for public rather than private purposes. To this end, the Florida Commission on Ethics has established reporting requirements to provide some measure of assurance that public officers and public employees do not abuse their positions to obtain a personal benefit. Financial disclosure is required of public officials and employees because it enables the public to evaluate potential conflicts of interest, deters corruption, and increases public confidence in government. Similarly, the university has adopted policies and procedures to identify potential conflicts of interest and outside activities which further ensure that ethical conduct is maintained by all in the performance of their official duties.

The monitoring review disclosed that controls are generally operating effectively; however, certain matters were necessary to promote compliance and/or enhance controls over financial disclosures and conflicts of interest.

The Committee should review the monitoring report and evaluate whether such monitoring provides an appropriate level of assurance with respect to the required responsibilities over conflicts of interest, as required in the AACC Charter.

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**Supporting Documentation:** University Audit Risk Assessment and Audit Plan, 2021-22 FY (Report No. 2022-02).

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



FLORIDA POLYTECHNIC  
UNIVERSITY

**Report No: FPU 2022-04**

**August 2021**

**University Audit & Compliance  
Conflicts of Interest & Financial Disclosures  
Compliance Monitoring Review**

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

# **University Audit & Compliance Conflicts of Interest & Financial Disclosures Compliance Monitoring Review**

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University Audit and Compliance (UAC) is employed by the University. UAC's mission is to serve the University by recommending actions to assist in achieving its strategic and operational objectives. This assistance includes evaluating and providing assurance 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. Accordingly, this report is intended solely for the use of University management and its various oversight authorities and is not intended for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

## **I. Background and Monitoring Approach**

Pursuant to the Audit Work Plan<sup>1</sup> approved by the Audit & Compliance Committee, University Audit and Compliance (UAC) conducted a monitoring review over conflicts of interest and required State financial disclosures<sup>2</sup>. This monitoring effort fulfills the Audit and Compliance Committee's (AACC) responsibility to review conflict of interest policies and controls (including annual sign-off and proper disposition of reported conflicts), as required by the AACC Charter.

As a State institution, Florida Poly is charged with preserving the public trust and utilizing the resources entrusted to the University for public rather than private purposes. To this end, the Florida Commission on Ethics has established reporting requirements to provide some measure of assurance that public officers and public employees do not abuse their positions to obtain a personal benefit. Financial disclosure is required of public officials and employees because it enables the public to evaluate potential conflicts of interest, deters corruption, and increases public confidence in government. Similarly, the university has adopted policies and procedures<sup>3</sup> to identify potential conflicts of interest and outside activities which further ensure that ethical conduct is maintained by all in the performance of their official duties.

Procedures performed by UAC in conducting this monitoring review included review of applicable State reporting requirements for financial disclosures, university Regulations<sup>3</sup>, and control processes and procedures employed to ensure compliance with State Ethics Laws, various disclosure requirements, conflicts, and outside employment and activities. Detailed monitoring procedures included the selection and review of applicable university records and other public information for compliance testing, analytical review procedures, and inquiries to arrive at the conclusions reached in **Section III** of this report. This monitoring review and the related report was not conducted pursuant to *Institute of Internal Auditing Standards*.

## **II. Entrance/Exit Conference**

Entrance Conference: At the inception of the monitoring review, UAC communicated with university human resources and administrative staff responsible for financial disclosures to explain the purpose and the scope of the monitoring review and to establish a timeline for completion.

Exit Conference: At the conclusion of the monitoring review, UAC communicated with applicable university staff to discuss the results of the review. A summary of the findings/observations was provided, and corrective action was discussed.

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<sup>1</sup> UAC Compliance and Ethics Program Plan for the Fiscal Year Ended June 30, 2021.

<sup>2</sup> Pursuant to Section 112.3145(1), certain specified State employees are required to file a Statement of Financial Interests (Form 1)

<sup>3</sup> Regulations FPU 6.002 (Personnel Code of Conduct and Ethics) and FPU-6.008 (Outside Employment and Outside Activities)

### III. Monitoring Results

UAC performed monitoring procedures over State-required financial disclosures and University requirements applicable to conflicts of interest. UAC found that related procedures established by the university were generally operating effectively; however, as noted in **Finding 1**, certain control enhancements were necessary to further promote compliance and/or proper controls over these areas. Additionally, certain other matters did not rise to the level of significant noncompliance or control weaknesses and are therefore reported in the **Other Observations** section of this report.

**Tables 1 and 2** below outline various compliance requirements applicable to this monitoring review and provide an indication as to whether appropriate controls have been designed and implemented to ensure compliance and/or best practices for each requirement. Detailed findings for any noncompliance or control deficiency referenced in the tables below are included in **Section IV** of this report.

Table 1 Statements of Financial Interest (Form 1)			Finding #
1.	The university properly identified all specified State employees that were required to file a Financial Disclosure Form (Form 1) with the Florida Commission on Ethics.	<input checked="" type="checkbox"/>	1
2.	The university implemented appropriate control procedures to ensure that Form 1 was filed within 30 days of appointment or employment and then annually by July 1 of each year. (2020 filing)	<input checked="" type="checkbox"/>	-
3.	For selected filers, financial interests identified on Form 1 were not in conflict with university vendor records. (Sample of 23 tested from 2019 and 2020 filings)	<input checked="" type="checkbox"/>	-
4.	Specified state employees filed a final statement of financial interests within 60 days after leaving his or her public position for the period between January 1 of the year in which the person leaves and the last day of office or employment.	<input checked="" type="checkbox"/>	-
5.	For selected filers, a search of SunBiz disclosed no significant unreported business interests. (Sample of 23 tested from 2019 and 2020 filings).	<input checked="" type="checkbox"/>	-

**LEGEND:**

- Appropriate controls in place to provide for compliance for this requirement and/or no instances of noncompliance noted for this monitoring activity.
- Processes need to be enhanced to ensure compliance for this requirement.

<b>Table 2 Conflicts of Interest/Outside Employment</b>			<b>Finding #</b>
1.	University conflict of interest policies were appropriately designed.	<input checked="" type="checkbox"/>	-
2.	For selected employees, the annual performance evaluation for the 2020 evaluation period was properly completed to either disclose certain employment/conflicting interests or that there were not outside employment/conflicting interests. (Sample of 25 tested)	<input checked="" type="checkbox"/>	-
3.	For selected outside employment/activities disclosure forms filed by employees, documentation maintained in support of the potential conflict was adequately documented, supported an appropriate determination, and approved by both supervisory personnel and human resources. (Sample of 4 tested)	<input checked="" type="checkbox"/>	-
4.	For selected employees, a search of SunBiz disclosed no significant unreported business interests on the corresponding outside employment and outside activities form. Additionally, monitoring efforts disclosed that no business was conducted in conflict with the University for these same selected employees. (Sample of 25 tested).	<input checked="" type="checkbox"/>	-

**LEGEND:**

- Appropriate controls in place to provide for compliance for this requirement and/or no instances of noncompliance noted for this monitoring activity.
- Processes need to be enhanced to ensure compliance for this requirement.

#### **IV. Findings/Instances of Non-compliance**

As noted in **Tables 1 & 2**, the University had generally established appropriate controls to ensure material compliance with financial disclosure requirements and the identification, reporting, and disposition of conflicts of interest. However, as noted below, certain controls should be enhanced to provide for greater compliance over annual financial disclosure requirements:

##### **Finding 1: Identification of Required Financial Disclosure Filers**

**Finding:** State law<sup>4</sup> dictates who must file an annual financial disclosure form<sup>5</sup>. For the University, required filers generally consist of all appointed board members and certain State-specified employees. The University is responsible for identifying persons that are required to file the annual financial disclosure form and communicating such persons to the Florida Commission

<sup>4</sup> Sections 112.3144 and 112.3145, Florida Statutes

<sup>5</sup> Statement of Financial Interests (Form 1), published by the Florida Commission on Ethics

on Ethics (FCOE). Additionally, the FCOE maintains a website<sup>6</sup> that displays to the public all university-identified filers and reports on their filing status for each reporting period. Financial disclosure is required of public officials and employees because it enables the public to evaluate potential conflicts of interest, deters corruption, and increases public confidence in government.

UAC reviewed all filers published on the FCOE website for the current year and determined that 4 persons were not properly identified to FCOE that were required to file a financial disclosure form. As a result, these 4 filers had not made the required disclosure for the 2020 filing<sup>7</sup>. The failure to timely file financial disclosures could result in the assessment of fines; however, annual filers whose name is not on the FCOE's list of persons required to file is not subject to the fines or penalties for failure to file in any year in which the omission occurred, but nevertheless is required to file the disclosure statement.

**Recommendation:** University staff should enhance controls to ensure that all required filers are properly identified and communicated to FCOE, and that such persons file promptly to comply with the annual financial disclosure requirements.

**University Response and Corrective Action Plan:** University staff agree with the finding. In response to the finding, the University has reassigned responsibility for the identification of financial disclosure filers to the Office of General Counsel (OGC). Additionally, OGC is exploring the possibility of enhancing controls in the university's ERP system that would automate business processes to ensure that all financial disclosures are properly identified and filed with the FCOE.

## V. Other Observations

The following other observations were noted during this monitoring review:

- For the most part, affirmations from employees that conflicts were disclosed or that there were no existing conflicts were generally documented on the employee's annual performance evaluation (Table 2, criterion 2); however, UAC noted one instance in which this section of the performance evaluation was not completed. Subsequent to UAC's inquiry, written affirmation was requested and received from this employee. Human Resources (HR) has agreed to enhance controls to ensure that all annual performance evaluations are properly completed upon filing with HR.

<sup>6</sup> [www.ethics.state.fl.us/FinancialDisclosure/](http://www.ethics.state.fl.us/FinancialDisclosure/)

<sup>7</sup> Financial disclosure is due July 1 for the preceding calendar year. Therefore, the 2020 Form 1 that was due on July 1, 2021 was reviewed by UAC.

- As noted in this monitoring review, affirmations from employees that conflicts were disclosed or that there were no existing conflicts were generally documented on the employee's annual performance evaluation. UAC noted that a standardized form was used for non-faculty employees; however, this documentation differed from one faculty member to the next. The university may wish to consider standardizing the affirmation for all faculty to ensure consistency in the annual disclosure.
- For the most part, employee's annual performance evaluations used to affirm conflicts were disclosed were generally approved by appropriate supervisory personnel; however, UAC noted one instance in which this supervisory approval for conflict affirmation was not documented on the performance evaluation. HR has agreed to enhance controls to ensure that all annual performance evaluations are properly approved, acknowledging discussion of the performance evaluation and conflict disclosure between the employee and their supervisor.
- Beginning January 1, 2023, all Financial Disclosure Forms (Form 1) must be filed electronically through an electronic filing system that is created and maintained by the Florida Commission on Ethics as provided in s. 112.31446.

UAC would like to extend gratitude to HR staff and OGC staff for their cooperation and assistance with these monitoring efforts.

## **VI. References and Technical Assistance**

Listed below are the applicable guidelines and other information related to conflicts of interest and financial disclosures that were used by UAC to set the scope of this monitoring review:

- Florida Poly Audit and Compliance Committee Charter
- Florida Poly Regulation FPU-6.002, Personnel Code of Conduct and Ethics
- Florida Poly Regulation FPU-6.008, Outside Employment and Outside Activities
- Chapter 112, Part III, Florida Statutes, "Code of Ethics for Public Officers and Employees"
- Section 112.3145, Florida Statutes, "Disclosure of Financial Interests and Clients Represented before Agencies".
- Filing Instructions, Form 1, Florida Commission on Ethics
- Rule 34-8.202, Florida Administrative Code

**Florida Polytechnic University  
Audit and Compliance Committee  
Board of Trustees  
September 8, 2021**

**Subject: Performance Based Funding (PBF) Data Integrity Audit Scope and Objectives**

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**Proposed Committee Action**

Recommend approval of the Performance Based Funding Audit Scope and Objectives, to be performed by University Audit, to the Board of Trustees.

**Background Information**

Board of Governors Regulation (BOG) 5.001, Performance Based Funding (PBF) provides that chief audit executives shall conduct or cause to have conducted an annual data integrity audit to verify the data submitted for implementing the Performance-based Funding Model complies with the data definitions established by the BOG. The audit report shall be presented to the university's board of trustees for its review, acceptance, and use in completing the data integrity certification. The audit report and data integrity certification are due to the BOG's Office of Inspector General by March 1 each year.

The following representation is included on the BOG-developed data integrity certification which must be signed by the Board Chair and President of the University:

- I certify that I agreed to the scope of work for the performance-based funding data integrity audit conducted by my chief audit executive (CAE).

Therefore, the University's CAE will present the planned scope of work for the required PBF audit to the Committee for review and approval.

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**Supporting Documentation:**

1. Memo from Board of Governors Chair Syd Kitson on PBF Audits and Certifications
2. Data Integrity Certification Form
3. UAC PBF Data Integrity Audit Scope & Objectives Document

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



**Florida Board of Governors**  
**State University System of**  
**Florida**  
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## MEMORANDUM

TO: Chairs, University Boards of Trustees  
University Presidents

FROM: Sydney Kitson, Chair 

DATE: June 14, 2021

RE: Data Integrity Audits and Certifications for Performance-based Funding  
and Preeminence Metrics

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The Performance-based Funding Model has incentivized universities and their boards of trustees since 2014 to achieve excellence and performance improvements in key areas aligned to the State University System of Florida Strategic Plan goals. The Performance-based Funding state investment demonstrates continued support for the System and is a testament to the value of the state university system to the educational and economic growth of our state. These investments have allowed the System to keep tuition stable for our students.

The State University System recently announced a 10 percent five-year increase in graduation rates as well as a 31 percent year-over-year drop in the cost-to-the-student for a bachelor's degree. Due to support from elected leaders and initiatives that drive down costs, the average State University System student pays \$5,990 for a bachelor's degree once financial aid is included. The U.S. News & World Report has ranked Florida as the best state for higher education for five consecutive years, based on graduation rates, class size, student-faculty ratio, and the number of students on Pell Grants.

Given the success of Performance-based Funding and return on investment for the additional state funds to the state's university system, we are grateful for the Legislature's continued investment into Performance-based Funding. Through Performance-based Funding, universities have demonstrated the ability to achieve excellence and improvements in the 10 key metrics, including graduation and retention rates. Florida improved on three of the five metrics in the recent rankings, including four-year graduation rate, average debt, and tuition and fees.

Key to the model's success is the ability of the Board of Governors to rely on the information you provide for performance-based funding decision-making. As required by Florida Statutes,<sup>1</sup> university boards of trustees shall direct the university chief audit executive to perform, or cause to have performed by an independent audit firm, an audit of the university's processes that ensure the completeness, accuracy, and timeliness of data submissions. Additionally, I ask that these audits include testing of data that supports performance funding metrics, as well as preeminence or emerging preeminence metrics for those universities so designated. Testing is essential in determining that processes are in place and working as intended. This audit may be included with or separate from the Performance-based Funding Data Integrity Audit.

The scope and objectives of the audit(s) should be set jointly between the chair of the university board of trustees and the university chief audit executive. The audit(s) shall be performed in accordance with the current *International Standards for the Professional Practice of Internal Auditing* as published by the Institute of Internal Auditors, Inc.

Using the results from the data integrity audit(s), each university president should complete the attached Data Integrity Certification. When completing this certification, evaluate each of the 13 prepared representations. If you are able to affirm a representation as prepared, do so. If you are unable to affirm a representation as prepared, explain the modification in the space provided. It is important that representations be modified to reflect significant or material audit findings. The certification document shall be signed by the university president and board of trustees' chair after being approved by the board of trustees.

The audit results and corrective action plans as needed shall be provided to the Board of Governors after being accepted by the university's board of trustees. The audit results shall support the certification and include any noted audit findings. The completed Data Integrity Certification and audit report(s) shall be submitted to the Office of Inspector General and Director of Compliance no later than **March 1, 2022**. Ensure they are accessible to all readers by complying with Section 508 of the Rehabilitation Act.

I ask that you consider the March 1<sup>st</sup> deadline when establishing dates for your 2022 board of trustees' meetings as we will need these audits and certifications in sufficient time to be included in our March Board of Governors' meeting materials.

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<sup>1</sup> Florida Statutes, sections 1001.7065, *Preeminent State Research Universities Program*, and 1001.92, *State University System Performance-based Incentive*

University Boards of Trustees Chairs and Presidents  
September 3, 2021  
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I commend you, your data administrators, and the many university staff responsible for ensuring reliable, accurate, and complete information is timely submitted to the Board of Governors. I would also like to thank your chief audit executives for focusing a portion of their office's resources to auditing your university's data-related controls, processes, and submissions. Collectively, these efforts allow you to confidently certify the accuracy of data submissions to the Board of Governors and enhance public trust and confidence in this process. We appreciate your cooperation and assistance in ensuring the integrity of the performance funding and preeminence processes.

If you have questions regarding these requirements, please do not hesitate to contact the Board of Governors Inspector General at [BOGInspectorGeneral@flbog.edu](mailto:BOGInspectorGeneral@flbog.edu) or 850-245-0466.

SK/jml

Attachment: Data Integrity Certification Form

C: Marshall Criser III, Chancellor  
Tim Jones, Vice Chancellor, Finance/Administration and CFO  
Vikki Shirley, General Counsel and Corporate Secretary  
Jason Jones, Chief Data Officer  
Julie Leftheris, Inspector General and Director of Compliance



# Data Integrity Certification

## March 2022

**University Name:** \_\_\_\_\_

**INSTRUCTIONS:** Please respond “Yes” or “No” for each representation below. Explain any “No” responses to ensure clarity of the representation you are making to the Board of Governors. Modify representations to reflect any noted **material or significant** audit findings.

<b>Data Integrity Certification Representations</b>			
<b>Representations</b>	<b>Yes</b>	<b>No</b>	<b>Comment / Reference</b>
1. I am responsible for establishing and maintaining, and have established and maintained, effective internal controls and monitoring over my university’s collection and reporting of data submitted to the Board of Governors Office which will be used by the Board of Governors in Performance-based Funding decision-making and Preeminence or Emerging-preeminence Status.	<input type="checkbox"/>	<input type="checkbox"/>	
2. These internal controls and monitoring activities include, but are not limited to, reliable processes, controls, and procedures designed to ensure that data required in reports filed with my Board of Trustees and the Board of Governors are recorded, processed, summarized, and reported in a manner which ensures its accuracy and completeness.	<input type="checkbox"/>	<input type="checkbox"/>	
3. In accordance with Board of Governors Regulation 1.001(3)(f), my Board of Trustees has required that I maintain an effective information system to provide accurate, timely, and cost-effective information about the university, and shall require that all data and reporting requirements of the Board of Governors are met.	<input type="checkbox"/>	<input type="checkbox"/>	
4. In accordance with Board of Governors Regulation 3.007, my university provided accurate data to the Board of Governors Office.	<input type="checkbox"/>	<input type="checkbox"/>	
5. In accordance with Board of Governors Regulation 3.007, I have appointed a Data Administrator to certify and manage the submission of data to the Board of Governors Office.	<input type="checkbox"/>	<input type="checkbox"/>	

## Data Integrity Certification

Data Integrity Certification Representations			
Representations	Yes	No	Comment / Reference
6. In accordance with Board of Governors Regulation 3.007, I have tasked my Data Administrator to ensure the data file (prior to submission) is consistent with the criteria established by the Board of Governors Data Committee. The due diligence includes performing tests on the file using applications, processes, and data definitions provided by the Board Office.	<input type="checkbox"/>	<input type="checkbox"/>	
7. When critical errors have been identified, through the processes identified in item #6, a written explanation of the critical errors was included with the file submission.	<input type="checkbox"/>	<input type="checkbox"/>	
8. In accordance with Board of Governors Regulation 3.007, my Data Administrator has submitted data files to the Board of Governors Office in accordance with the specified schedule.	<input type="checkbox"/>	<input type="checkbox"/>	
9. In accordance with Board of Governors Regulation 3.007, my Data Administrator electronically certifies data submissions in the State University Data System by acknowledging the following statement, "Ready to submit: Pressing <b>Submit for Approval</b> represents electronic certification of this data per Board of Governors Regulation 3.007."	<input type="checkbox"/>	<input type="checkbox"/>	
10. I am responsible for taking timely and appropriate preventive/ corrective actions for deficiencies noted through reviews, audits, and investigations.	<input type="checkbox"/>	<input type="checkbox"/>	
11. I recognize that Board of Governors' and statutory requirements for the use of data related to the Performance-based Funding initiative and Preeminence or Emerging-preeminence status consideration will drive university policy on a wide range of university operations – from admissions through graduation. I certify that university policy changes and decisions impacting data used for these purposes have been made to bring the university's operations and practices in line with State University System Strategic Plan goals and have not been made for the purposes of artificially inflating the related metrics.	<input type="checkbox"/>	<input type="checkbox"/>	

## Data Integrity Certification

Data Integrity Certification Representations			
Representations	Yes	No	Comment / Reference
12. I certify that I agreed to the scope of work for the Performance-based Funding Data Integrity Audit and the Preeminence or Emerging-preeminence Data Integrity Audit (if applicable) conducted by my chief audit executive.	<input type="checkbox"/>	<input type="checkbox"/>	
13. In accordance with section 1001.706, Florida Statutes, I certify that the audit conducted verified that the data submitted pursuant to sections 1001.7065 and 1001.92, Florida Statutes [regarding Preeminence and Performance-based Funding, respectively], complies with the data definitions established by the Board of Governors.	<input type="checkbox"/>	<input type="checkbox"/>	

Data Integrity Certification Representations, Signatures	
<p>I certify that all information provided as part of the Board of Governors Data Integrity Certification for Performance-based Funding and Preeminence or Emerging-preeminence status (if applicable) is true and correct to the best of my knowledge; and I understand that any unsubstantiated, false, misleading, or withheld information relating to these statements render this certification void. My signature below acknowledges that I have read and understand these statements. I certify that this information will be reported to the board of trustees and the Board of Governors.</p>	
Certification: _____ President	Date _____
<p>I certify that this Board of Governors Data Integrity Certification for Performance-based Funding and Preeminence or Emerging-preeminence status (if applicable) has been approved by the university board of trustees and is true and correct to the best of my knowledge.</p>	
Certification: _____ Board of Trustees Chair	Date _____

**Overall Objectives:**

- To determine whether the University has established appropriate controls to ensure the completeness, accuracy, and timeliness of data submissions to the Board of Governors (BOG) which support the Performance Based Funding (PBF) Metrics of the University as of September 30, 2021.
- To provide assurance that the various data files which support the PBF metrics, as of September 30, 2021, have been subjected to audit and tested for accuracy and completeness.
- To provide reasonable assurance to the President and the Chair of the Board of Trustees that the representations included in the Performance Based Funding – Data Integrity Certification form are fairly presented.
- To follow up on audit observations reported in the prior audit (UAC Report 2021-06) to determine whether appropriate corrective action has been taken by the University.

**Audit Scope and Methodology:**

	<b>Audit Scope</b>	<b>Methodology</b>
1.	Evaluate the validity of representations outlined in the Performance Based Funding – Data Integrity Certification form.	Inquiry and observation of records supporting representations.
2.	Evaluate controls established to ensure the completeness, accuracy, and timely submission of the various data files that are submitted periodically by Institutional Research (IR) to the BOG. (e.g. admissions file, degrees awarded file, hours to degree file, retention file, student financial aid file, student instruction file).	Inquiry and observation of evidence supporting IR submissions to the BOG. Review of written procedures developed to support data integrity over IR submissions.
3.	Evaluation of access controls.	Review of system access controls and user privileges over those systems generating data for the various metrics.
4.	Testing of data accuracy and completeness.	For the various systems of record used to produce data submissions (as listed in 2 above) select samples and perform detailed tests to ensure that the underlying data for various BOG submissions is accurate and complete.  For any other data reported by IR and used for PBF metrics, select a sample and perform detailed tests to ensure the

		accuracy and completeness of such data. (e.g. workforce experience used in BOT choice metric 10).
5.	Determine that the various data files that are submitted periodically by Institutional Research (IR) to the BOG are consistent with data definitions and guidance provided by the BOG.	Accomplished in conjunction with the methodology from 4 above.
6.	Review of data resubmissions and data reclassifications to ensure that they are appropriate and conform to BOG guidance.	100% review of any cohort classification changes since the BOG does not verify appropriateness of such changes.  Inquiry and detailed testing of other metric reclassifications noted or identified. Review of resubmissions applicable to PBF data files.