



FLORIDA POLYTECHNIC  
UNIVERSITY

## Board of Trustees Audit & Compliance Committee Meeting

Wednesday, December 5, 2018  
9:00 am – 9:45 am

Florida Polytechnic University  
**IST 1046-1047**  
4700 Research Way, Lakeland, FL 33805

Dial In Number: 240-454-0887 | Access Code: 643543002

---

Gary Wendt, Chair  
Frank Martin  
Mark Bostick

Dr. Richard Hallion, Vice Chair  
Bob Stork

Dr. Adrienne Perry  
Travis Hills

---

### AGENDA

- |   |                   |
|---|-------------------|
| I. Call to Order  | Gary Wendt, Chair |
| II. Roll Call   | Kim Abels         |
| III. Public Comment   | Gary Wendt, Chair |
| IV. <a href="#">Approval of the September 5, 2018 Minutes</a><br>*Action Required*            | Gary Wendt, Chair |
| V. <a href="#">2018-20 Audit and Compliance Committee Work Plan Review</a>                    | David Blanton     |
| VI. <a href="#">Audit &amp; Compliance Update</a>   | David Blanton     |
| VII. <a href="#">SUS Compliance Program Checklist</a><br>*Action Required*                    | David Blanton     |
| VIII. <a href="#">UAC Report 2019-02 – Sponsored Research Activities</a><br>*Action Required* | Gary Wendt, Chair |
| IX. Closing Remarks and Adjournment   |                   |

Florida Polytechnic University  
Board of Trustees

**Audit and Compliance Committee Meeting**

**DRAFT MEETING MINUTES**

**Wednesday September 5, 2018  
8:30 AM-9:30 AM**

**Florida Polytechnic University  
Student Development Center  
4700 Research Way, Lakeland, FL 33805**

I. Call to Order

Committee Chair Gary Wendt requested Vice Chair Dick Hallion lead the meeting. Committee Vice Chair Hallion called the Audit & Compliance Committee meeting to order at 8:30 a.m.

II. Roll Call

Kim Abels called the roll: Committee Chair Gary Wendt, Committee Vice Chair Dick Hallion, Trustee Adrienne Perry, Trustee Frank Martin, Trustee Bob Stork, and Trustee Travis Hills were present (Quorum).

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

Staff present: President Randy Avent, Ms. Gina DeLulio, Mr. Mark Mroczkowski, Mr. Kevin Aspegren, Mr. Rick Maxey, Mrs. Kris Wharton, Mrs. Kim Abels and Mrs. Maggie Mariucci were present.

III. Public Comment

There were no requests received for public comment.

IV. Approval of Minutes

**Trustee Adrienne Perry made a motion to approve the Audit & Compliance Committee meeting minutes of May 22, 2018. Trustee Bob Stork seconded the motion; a vote was taken, and the motion passed unanimously.**

V. 2018-2020 Audit & Compliance Committee Work Plan Review

Mr. David Blanton presented the Work Plan for 2018-2020. The plan has been adjusted to reflect the projected work-flow for 2018-2020.

**Trustee Gary Wendt made a motion to approve the 2018-2020 Audit & Compliance Committee Work Plan. Trustee Adrienne Perry seconded the motion; a vote was taken and the motion passed unanimously.**

VI. Audit & Compliance Committee Charter Review

Mr. Blanton provided the Committee with an overview of the Board's Audit and Compliance Committee Charter. The Charter requires review and approval every three years and was just reviewed and amended March 15, 2017. Trustee Gary Wendt questioned if the Charter directives were assigned by the Board of Governors. Mr. Blanton explained that many of the items on the Charter are driven by internal auditing standards, and the Board of Governors does have a regulation that outlines responsibilities of the Audit and Compliance Committee function.

VII. Audit & Compliance Update

Mr. Blanton stated the Audit and Compliance Committee Charter provides for investigation of waste, fraud and financial mismanagement. Mr. Blanton proposed communicating via a newsletter any allegations brought forth to the Audit and Compliance Committee on a quarterly basis. According to BOG regulation 4.001 any allegations must be significant and credible. Trustee Bob Stork asked if the newsletter would contain all allegations or just those Mr. Blanton has deemed significant and credible. Mr. Blanton responded all allegations would be included. Trustee Wendt requested this information be presented to the committee on a monthly basis instead of quarterly. Mr. Blanton agreed to present the information monthly, allowing the committee to exercise their oversight responsibility.

Mr. Blanton reported the Board of Governors (BOG) has sent an invitation to President Avent and Board Chair Don Wilson to attend the September BOG meeting to present plans related to two areas of concern. The first area of concern is related to the findings in the Operational Audit report in regards to the administrative costs associated with the Anti-Hazing contract. President Avent mentioned the lowest overhead rate would be a 10% fee and the rest of the costs could be returned. The second area of concern is the Foundation's ability to make salary and scholarship payments in light of their financial position. The Foundation has made its commitments in regards to scholarships and has the resources going forward to continue to honor the commitment.

VIII. University Audit & Compliance (UAC) Annual Report (2017-18)

Board of Governors Regulation 4.002 and Internal Auditing Standards require that an annual report be prepared summarizing the activities of University Audit for the preceding year. In addition, the Board's Audit and Compliance Committee (AACC) Charter provides that the AACC is responsible for the oversight and direction of the auditing function. This annual report reflects the activity for University Audit and Compliance for the period July 1, 2017 to June 30, 2018 and assists the AACC with its oversight responsibilities.

Mr. Blanton presented summaries on both Audit and Compliance. Trustee Frank Martin asked if there were other state universities that combine the Audit and Compliance duties into one position. Mr. Blanton stated the only other one is New College but they also outsource some of the duties. Trustees Wendt and Hallion both commended Mr. Blanton on his extraordinary work.

**Trustee Frank Martin made a motion to recommend approval of the University Audit & Compliance (UAC) Annual Report (2017-18) to the Board of Trustees. Trustee Adrienne Perry seconded the motion; a vote was taken and the motion passed unanimously.**

IX. University Audit and Compliance(UAC) Risk Assessment/Activity Plan (2018-19)

Mr. Blanton presented the University Audit and Compliance Risk Assessment/Activity Plan for 2018-19. The plan is required by Internal Auditing Standards, Board of Governors Regulation and Internal Audit Charter. A risk assessment is performed to determine where Mr. Blanton should focus his resources. The committee considered whether the Audit and Compliance Work Plan is aligned with the University's strategic plan, objectives and applicable risk and whether this plan provides for the

effective use of audit and compliance resources for the 2018-19 fiscal year.

**Trustee Bob Stork made a motion to recommend approval of the UAC Risk Assessment/Activity Plan (2018-19) to the Board of Trustees. Trustee Adrienne Perry seconded the motion; a vote was taken and the motion passed unanimously.**

X. Auditor General Operational Audit Report

The Auditor General (AG) of the State of Florida is required by law to perform an audit of the university's operations at least once every three years. The AG's Operational Audit focused on selected University processes and administrative activities for the audit period 1/1/16 to 3/31/17 and included a follow-up on findings noted in the prior operational audit. As required by the Board's AACCC Charter, the Committee shall receive and review all external auditors' reports of the University and consider management's response to the audit.

Mr. Blanton presented a report showing 9 findings and management's response to each. A full report on the findings will be provided in a follow up audit. Only one of the findings (Anti-Hazing) is outstanding and will be addressed at the September Board of Governors meeting.

**Trustee Adrienne Perry made a motion to recommend approval of Auditor General Operational Audit report to the Board of Trustees. Trustee Dick Hallion seconded the motion; a vote was taken and the motion passed unanimously.**

XI. UAC Investigative Report Review (Report No. 2018-01)

The Committee reviewed significant findings from the University Audit & Compliance's Investigative Report 2018-01, which covered 11 different allegations from an anonymous letter sent to the Board. The Committee also considered whether management's response to those findings deemed significant were appropriate. Mr. Blanton reported allegations have to be deemed significant and credible to be investigated. Three of the allegations were deemed significant. Mr. Blanton presented his report with the allegations and management's responses to the allegations.

**Trustee Frank Martin made a motion to recommend approval of UAC Investigative Report Review (Report 2018-01) report to the Board of Trustees. Trustee Bob Stork seconded the motion; a vote was taken and the motion passed unanimously.**

XII. UAC Investigative Report Review (Report No. 2019-01)

Mr. Blanton presented Investigative Report 2019-01, which was issued in response to several allegations involving the University's actions with respect to the transition to outsourced counseling and behavioral health services. The four allegations investigated were not sustained.

The Committee reviewed the report and President Avent clarified the expanded services contracted through BayCare.

**Trustee Adrienne Perry made a motion to recommend approval of UAC Investigative Report Review (Report 2019-01) report to the Board of Trustees. Trustee Frank Martin seconded the motion; a vote was taken and the motion passed unanimously.**

XIII. Anti-Hazing Report

The Anti-Hazing report was discussed earlier in the Audit and Compliance committee meeting and no further discussion ensued.

XIV. Closing Remarks and Adjournment

With no further business to discuss, the meeting adjourned at 9:47 a.m.

DRAFT

**Florida Polytechnic University  
Audit & Compliance Committee  
Work Plan 2018-20**

February 28, 2018	May 22-23, 2018	September 12, 2018	December 5, 2018
<ul style="list-style-type: none"> <li>• Audit &amp; Compliance Update</li> </ul>	<ul style="list-style-type: none"> <li>• Audit &amp; Compliance Update</li> <li>• University Financial Audit – FYE 6/30/17</li> <li>• University Operational Audit</li> <li>• University Compliance &amp; Ethics Program Plan</li> <li>• Enterprise Risk Management (ERM) Workshop</li> <li>• Foundation Financial Audit – FYE 6/30/17</li> </ul>	<ul style="list-style-type: none"> <li>• Audit &amp; Compliance Update</li> <li>• UAC 2017-18 Annual Report</li> <li>• UAC 2018-19 Risk Assessment/Activity Plan</li> <li>• University Operational Audit</li> <li>• Investigative Report Review</li> </ul>	<ul style="list-style-type: none"> <li>• Audit &amp; Compliance Update</li> <li>• SUS Compliance Program Checklist</li> <li>• UAC Audit Report 2019-02 Sponsored Research Activities</li> </ul>
February 27, 2019	May 21-22, 2019	September 11, 2019	December 11, 2019
<ul style="list-style-type: none"> <li>• Audit &amp; Compliance Update</li> <li>• University Financial Audit FYE 6/30/18</li> <li>• Foundation Financial Audit FYE 6/30/18</li> </ul>	<ul style="list-style-type: none"> <li>• Audit &amp; Compliance Update</li> <li>• University Compliance &amp; Ethics Program Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Audit &amp; Compliance Update</li> <li>• UAC 2018-19 Annual Report</li> <li>• UAC 2019-20 Risk Assessment/Activity Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Audit &amp; Compliance Update</li> </ul>

**Florida Polytechnic University  
Audit and Compliance Committee  
Board of Trustees  
December 5, 2018**

**Subject: Audit and Compliance Update**

---

**Proposed Committee Action**

Information only – no action required.

**Background Information**

David Blanton, Chief Audit Executive/Chief Compliance Officer (CAE/CCO) will provide the Committee with an update of all University and Foundation audit activity including (1) the status of external audits (2) University Audit activities and plans (3) Foundation monitoring report and (4) University Compliance activities.

---

**Supporting Documentation:** PowerPoint presentation

**Prepared by:** David Blanton, Chief Audit Executive and Chief Compliance Officer



**FLORIDA POLYTECHNIC**  
UNIVERSITY

## **Audit & Compliance Update**

**David A. Blanton, CPA**

**05 December 2018**



- **External Audits**
  - Information Technology Audit
  - University Financial Audit (6/30/18)
  - Foundation Audit (6/30/18)
  
- **Internal Audit**
  
- **University Compliance**

# Information Technology (IT) Audit

---

- **Conducted by Auditor General**
- **Focused on IT controls over Workday operations**
- **Fieldwork complete, no report to date**

# Financial Audits

- **University – 6/30/18**
  - Conducted by the Auditor General
  - Fieldwork not started
  - Due by 3/31/19
  
- **Foundation – 6/30/18**
  - Conducted by independent CPA firm
  - Fieldwork near complete
  - Report not issued to date



- External Audits
- Internal Audit
  - Audit plan
  - Audit activities
- University Compliance

# Audit Plan

## Approved Plan

- **Sponsored Research**
- **Americans with Disabilities Act (ADA)**
- **Operational Follow-up\***
- **Institutional Scholarship Awards\***

## Revised Plan

- **Sponsored Research**
- **Operational Follow-up\***
- **Americans with Disabilities Act (ADA)**
- **Institutional Scholarship Awards\***

\* Limited scope review

# Why reprioritize the audit plan?

- **Staffing availability for ADA**
- **Ensure appropriate corrective action prior to next audit**
  - Limited scope (9 findings)
  - Will assist in follow-up for next operational audit

# Other Audit Activities

---

- **Completed audit of sponsored research**
- **Advisory services**
  - Assisted in the review of the University financial statements
  - Capital funding certification
- **Quality Assurance Review (QAR)**
  - Due by 2022

# Foundation Finance Concerns – Suggestions

---

- **Stabilize/set annual scholarship limit**
- **Limit operating expenses**
- **Increase operating revenues**
- **Establish an appropriate monitoring system**
  - Monitor at fund level (operating and scholarship funds)

# Foundation Operating & Scholarship Funds

- **Operating Fund**

- Cash receipts: \$158 thousand
- Revenues: \$25 thousand
- Expenses: \$52 thousand

- **Scholarship Fund**

- Cash receipts: \$94 thousand
- Revenues: \$19 thousand
- Expenses: none

Source: Trial Balance Report for Q1 through 11/14/18, 2018-19 FY



- External Audits
- Internal Audit
- **University Compliance**

# University Compliance

- **Monthly reporting of allegations/dispositions**
- **Compliance & ethics training conducted**
- **Compliance plan focus areas**
  - Federal compliance (Research & Financial Aid)
  - Environmental Health & Safety
  - Data privacy and cybersecurity
  - Operational follow-up
  - Compliance & ethics training
  - Investigations/ongoing compliance communications

**Florida Polytechnic University  
Audit and Compliance Committee  
Board of Trustees  
December 5, 2018**

**Subject: SUS Compliance Program Status Checklist**

---

**Proposed Committee Action**

Recommend approval of the SUS Compliance Program Status Checklist to the Board of Trustees.

**Background Information**

David Blanton, Chief Audit Executive/Chief Compliance Officer (CAE/CCO) will provide the Committee with an overview of the SUS Compliance Program Status Checklist (as of November 2018). The checklist was designed by the Board of Governors (BOG) to measure each institution's progress in implementing the 19 required regulation components outlined in BOG Regulation 4.003. As of November 2018, all regulation components have been successfully implemented by the University, except for one component that is not due until November 2021.

---

**Supporting Documentation:** SUS Compliance Program Status Checklist, November 2018

**Prepared by:** David Blanton, Chief Audit Executive and Chief Compliance Officer



## SUS Compliance Program Status Checklist, November 2018

University Name: Florida Poly

Prepared by: David Blanton

**Instructions:** For the four area tables below, please complete the Description and Progress Indicator columns for each Regulation Component, which align with Board of Governors Regulation 4.003 (effective November 3, 2016). Then complete the Program Status Summary table immediately below. Please use the “description” column to explain any elements not completed and provide the anticipated completion date. Regulation component A3 is not required until November 2021. If your university has begun or completed this component, please provide us with a description of the review process.

Return completed checklists by **Friday, November 30, 2018** to [BOGInspectorGeneral@flbog.edu](mailto:BOGInspectorGeneral@flbog.edu).

For assistance, please contact the Board of Governors Office of Inspector General and Director of Compliance at [julie.leftheris@flbog.edu](mailto:julie.leftheris@flbog.edu) or 850-245-9247.

Program Status Summary (November 2018)						
Area	Regulation Components	Completed	In Process			Not Begun
		✓	Good Progress ●	Slow Progress ●	Poor Progress ●	N/B
A – University-wide Compliance Program	5	4	0	0	0	1
B – Program Plan	5	5	0	0	0	0
C – BOT Committee	4	4	0	0	0	0
D – Chief Compliance Officer	5	5	0	0	0	0
<b>TOTAL</b>	<b>19</b>	<b>18</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>

### Legend:

- ✓ Indicates that the university president and board chair assert that the regulation components making up this area are fully implemented in accordance with Board of Governors Regulation 4.003.
- Indicates that the university president and board chair anticipate regulation components making up this area to be completed by November 3, 2017.
- Indicates that the university president and board chair anticipate regulation components making up this area to be completed by November 3, 2018 (completion of items beyond this date constitute non-compliance with Board of Governors Regulation 4.003).
- Indicates that the university president and board chair anticipate regulation components making up this area to be completed by May 3, 2019 (six months beyond the period established in Board of Governors Regulation 4.003).
- N/B Indicates that the university president and board chair acknowledge that the university has not begun implementing the regulation components making up this area. The “N/B” indicator should be used in conjunction with one of the green/amber/red light indicators to communicate anticipated completion periods for items not yet begun.

## Area A - University-wide Compliance Program

Regulation Component	Description	Progress Indicator
<b>A1 - University-wide Compliance Program implemented consistent with Code of Ethics for Public Officers and Employees (Part III, Chapter 112, F.S.) and the Federal Sentencing Guidelines Manual, Chapter 8, Part B [4.003(1) &amp; (2)(b)]</b>	<b>November 2018:</b> Florida Poly has set forth a plan to provide for the required University-wide Compliance Program consistent with the Code of Ethics for Public Officers and Employees and pertinent parts of the Federal Sentencing Guidelines. The initial Compliance and Ethics Program Plan was approved by the Florida Poly BOT on May 22, 2018, and was previously provided to the BOG.	✓
<b>A2 - CCO reports to the BOT at least annually on Program effectiveness (copy to BOG) [4.003(7)(g) 8.]</b>	<b>November 2018:</b> An internal assessment of initial program effectiveness was made by the CCO and presented to the BOT at the May 22, 2018 meeting. The CCO also reported to the BOT in September 2018 on the Program. (See 2017-18 Annual Report for Audit and Compliance submitted through CAERS).	✓
<b>A3 - External Program design and effectiveness review every 5-years (copy to BOG) [4.003(7)(c)]</b>	<b>November 2018:</b> Until the Compliance Program has operated for a sufficient amount of time (initial Plan adopted 5/22/18), it would not be feasible to conduct an external effectiveness review. BOG Regulation 4.003 requires an external evaluation by November 3, 2021.  Additionally, the SUS Compliance & Ethics Consortium is currently considering criteria for evaluation of various Programs within the SUS. It is expected that an internal evaluation will be conducted once the Consortium finalizes such criteria.	N/B
<b>A4 - Process established for detecting and preventing non-compliance, unethical behavior, or criminal conduct [4.003(7)(h)]</b>	<b>November 2018:</b> The BOT-approved Compliance and Ethics Program Plan details various processes employed to detect and prevent noncompliance, unethical behavior, and criminal conduct. Specifically, such processes include specific target areas for compliance evaluation, training, coordination with other university compliance partners, and a hotline established for reporting alleged or known instances of improper conduct.	✓
<b>A5 - Due diligence steps for not including individuals who have engaged in conduct not consistent with an effective Program [4.003(8)]</b>	<b>November 2018:</b> Currently, the following University Regulations provide a framework for ensuring individuals that engage in inappropriate conduct are not included within university operations: <ul style="list-style-type: none"> <li>• FPU-6.011, Criminal Background Checks, requires background screenings of all prospective employees. Additionally, per the Regulation, the University may take negative employment action based solely on an individual's conviction record if</li> </ul>	✓

	<p>the specific offense demonstrates unfitness for performing in the position and relates to the job.</p> <ul style="list-style-type: none"> <li>FPU-6.002, Personnel Code of Conduct and Ethics, provides that University personnel who are determined by the University to have violated the Code 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 by the University President/designee; and/or as specified by law or regulation.</li> </ul>	
--	---	--

Area B - Program Plan		
Regulation Component	Description	Progress Indicator
<b>B1 - Compliance and Ethics Program Plan approved by BOT (copy to BOG) [4.003(7)(a)]</b>	<b>November 2018:</b> The initial Compliance and Ethics Program Plan was approved by the Florida Poly AACC and BOT on May 22, 2018 and was previously provided to the BOG.	✓
<b>B2 - Plan provides for compliance training for university employees and BOT members [4.003(7)(b)]</b>	<b>November 2018:</b> The initial Compliance and Ethics Program Plan, approved by the Florida Poly AACC and BOT on May 22, 2018, provides for compliance and ethics training for both university employees and BOT members. On May 22, 2018, the CCO conducted a training session for the BOT related to compliance/ethics and the BOT requested that such training be provided to the BOT annually at the May BOT retreat. In addition, Compliance & Ethics Training was provided by the CCO to University management recently in September and October 2018.	✓
<b>B3 - Designated compliance officers (e.g., Title IX, Athletics, Research, etc.) as either direct reports or dotted-line reports (specify which) [4.003(7)(d)]</b>	<b>November 2018:</b> The CCO maintains open lines of communication and meets periodically with both the Title IX Coordinator and the Director of Sponsored Programs and has enlisted their assistance in partnering with the CCO as compliance partners. (Although not formalized, a dotted line report is established for both). The University currently has no Athletics.	✓
<b>B4 - Reporting mechanism (e.g., Hotline) for potential/actual violations and provides protection for reporting individuals from retaliation [4.003(7)(e) &amp; (f)]</b>	<b>November 2018:</b> On December 18, 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: <ol style="list-style-type: none"> <li>An on-line reporting form.</li> <li>Telephone</li> <li>Fax</li> </ol>	✓

	<p>4. Direct mail to P.O. Box. (for anonymous reports)</p> <p>These mechanisms are publicized on the University website which also has direct links to all University Regulations and Policies that effectively communicate management's commitment to prevent and detect criminal conduct. In addition, the Compliance and Ethics Hotline information is posted on the intranet, which is accessible to all employees and was recently highlighted in training conducted by the CCO.</p>	
<p><b>B5 - Promoting and enforcing the Program through incentives and disciplinary measures [4.003(7)(g)9.]</b></p>	<p><b>November 2018: Incentives:</b> The current "Performance Review Form", used for evaluations and tied to merit/promotional increases, utilizes the following criterion for evaluation: (one of seven criteria applied)</p> <ul style="list-style-type: none"> <li>• <b>Has integrity and follows regulations and policies.</b></li> </ul> <p><u>Disciplinary measures:</u> As noted above for A5, Regulation FPU-6.002, Personnel Code of Conduct and Ethics, 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.</p>	✓

### Area C - BOT Committee

Regulation Component	Description	Progress Indicator
<p><b>C1 - BOT Committee provides oversight to Compliance and Ethics Program [4.003(3)]</b></p>	<p><b>November 2018:</b> BOT oversight responsibilities of the Compliance and Ethics Program are detailed within the Audit and Compliance Committee (AACC) Charter's purpose and responsibilities. On May 22, 2018, the CCO provided an update to the AACC on the status of the Program and the BOT approved the Compliance &amp; Ethics Program Plan. In September 2018, the CCO reported on the annual activities of the Program to the AACC. (See Annual Report in CAERS).</p> <p>Monthly, the CCO prepares a written summary of reported "Allegations and Related Dispositions" and provides it to AACC members for oversight in the fulfillment of their charged responsibilities over the Program.</p>	✓

<b>C2 - BOT Audit and Compliance Committee Charter [4.003(3)]</b>	<p><b>November 2018:</b> The AACC Charter was adopted March 15, 2017, and has been provided to the Board of Governors Office of Inspector General.</p> <p>The AACC Charter was reviewed and presented to AACC members by the CCO in September 2018 since BOT Committee assignments recently changed in August 2018.</p>	
<b>C3 - Routine CCO meetings with BOT Committee - please describe the nature and frequency of meetings (e.g., semi-annually, quarterly, monthly, etc.) [4.003(7)(a) &amp; 7(g)(3)]</b>	<p><b>November 2018:</b> The CCO routinely meets with the AACC (quarterly) and reports functionally to the AACC should they have any concerns in the interim.</p> <p>The CCO also meets with the Chair of the AACC periodically (in briefings prior to each regularly scheduled AACC meeting).</p>	
<b>C4 - Routine CCO meetings with President - please describe nature and frequency of meetings (e.g., semi-annually, quarterly, monthly, etc.) or whether the CCO participates in other regularly held direct reports or leadership meetings [4.003(7)(a) &amp; 7(g)(3)]</b>	<p><b>November 2018:</b> The CCO routinely meets with the President (monthly at minimum - but can schedule at meeting at any time if necessary).</p> <p>Additionally, the CCO is invited to attend all operations meetings with the President and senior University staff. (typically monthly - but currently more frequently given efforts at deploying a new strategic plan).</p>	

#### Area D - Chief Compliance Officer

Regulation Component	Description	Progress Indicator
<b>D1 - Appointed Chief Compliance Officer (CCO) [4.003(4)]</b>	<p><b>November 2018:</b> The University appointed it's first-ever CCO on July 31, 2017.</p>	
<b>D2 - CCO reports functionally to the Board and administratively to the President [4.003(5)]</b>	<p><b>November 2018:</b> As evidenced by the University Compliance Charter, the CCO reports functionally to the AACC (BOT) and administratively to the President. The President has recognized this reporting structure and does not attempt to influence the compliance function.</p> <p>The previously provided job description serves as documentation demonstrating the supervisor of record is the President (administratively) and the Board (functionally).</p>	

<b>D3 - Compliance Office Charter [4.003(6)]</b>	<b>November 2018:</b> The University Compliance Charter has been provided to the Board of Governors Office of Inspector General and Director of Compliance via CAERS.	✓
<b>D4 - CCO independence, objectivity, and access, (provide details of resolution of barriers [4.003(7)(g)5 &amp; (7)(g)7]</b>	<b>November 2018:</b> As noted in D2 above, the CCO reports functionally to the Board. This reporting structure is outlined in the Charter for University Compliance in order to ensure the proper independence and objectivity of the CCO.  Currently, there are no impairments to the CCO's independence or barriers to the CCO's access. The CCO is committed to operating in an objective manner.	✓
<b>D5- CCO authority and resources (provide details of both staffing and budget) [4.003(7)(g)(2)]</b>	<b>November 2018:</b> Given the relative size of Florida Poly to other SUS institutions, the CAE also serves as the CCO at Florida Poly. (Total staff of one)  The CCO has been afforded sufficient budgetary authority to administer the Compliance Program. (Total budget for Audit & Compliance in 2018-19 is \$159,786, which includes \$10,000 for training and resources other than salary/benefits).	✓

I certify that all information provided is true and correct to the best of my knowledge.

Certification: \_\_\_\_\_ Date \_\_\_\_\_  
President

I certify that all information provided is true and correct to the best of my knowledge.

Certification: \_\_\_\_\_ Date \_\_\_\_\_  
Board of Trustees Chair

**AGENDA ITEM: VIII.**

**Florida Polytechnic University  
Audit and Compliance Committee  
Board of Trustees  
December 5, 2018**

**Subject: Audit of Sponsored Research Activities (UAC Report FPU 2019-02)**

---

**Proposed Committee Action**

Recommend approval of University Audit & Compliance (UAC) Report 2019-02 - Audit of Sponsored Research Activities to the Board of Trustees.

**Background Information**

In accordance with the approved audit plan for UAC, an audit of the University' Office of Research Services was conducted for the period July 2016 through June 2018. The objectives of the audit were to (1) determine whether appropriate policies and procedures are in place to promote compliance with applicable laws, rules and regulations (2) determine whether adequate controls over sponsored research have been designed and placed into operation to promote the proper administration of sponsored research activities and (3) identify any opportunities for making significant improvements to ORS's governance, risk management, and control processes. The scope of this audit focused on the administrative processes established by ORS in administering all grants and sponsored research from the period of July 2016 to June 2018, with an emphasis on Federally-funded projects and compliance with Federal grant requirements. The audit identified 7 observations that UAC deemed worthy of management's attention.

---

**Supporting Documentation:** PowerPoint and (UAC) Report 2019-02 - Audit of Sponsored Research Activities

**Prepared by:** David Blanton, Chief Audit Executive and Chief Compliance Officer



**FLORIDA POLYTECHNIC**  
UNIVERSITY

# **Audit of Sponsored Research Activities**

**David A. Blanton, CPA**

**05 December 2018**

# Audit Objectives

- Determine whether appropriate policies and procedures are in place to promote compliance with applicable laws, rules and regulations
- Determine whether adequate controls over sponsored research have been designed and placed into operation to promote the proper administration of sponsored research activities
- Identify any opportunities for making significant improvements to ORS's governance, risk management, and control processes

# Audit Scope

---

- **Focused on the administrative processes for administering grants**
- **Audit period of July 2016 to June 2018**
- **Emphasis on Federally-funded projects and compliance with Federal grant requirements**

# Audit Observation Risk Ratings

---

- **Based on probability of control process failure and impact to the University**
  - High (1 observation)
  - Moderate (4 observations)
  - Low (2 observations)

# Sponsored Research Audit

- Audit objectives and scope
- **High risk observation**
  - 1 audit observation
- **Moderate risk observations**
- **Low risk observations**

# Labor Effort Reporting

- **Federal requirement for records to “accurately reflect the work performed”**
  - Time is accurate, allowable, and properly allocated
  - Reflect employee’s total activity
- **Certification process designed, but not placed into operation during audit period**
- **No written procedures over certification process and related internal controls**

# Sponsored Research Audit

- Audit objectives and scope
- High risk observations
- **Moderate risk observations**
  - Grant proposal routing forms
  - Grant billings and accounting
  - Required training
  - Written policies and procedures
- **Low risk observations**

# Grant Proposal Routing Forms

- **Provides for the approval grants/projects**
  - Consideration of resource/space/coordination commitments
  - Certifies that representations are complete and accurate
  - Documents that the commitment was approved at the appropriate level
- **Required by FPU-12.9911AP**
- **Form not used during audit period**

# Grant Billings and Accounting

---

- **Controls did not provide for reconciliations between grant expenditures, billings, and revenues**

# Grant Billings and Accounting

		Grant A	Grant B	Grant C*
<b>Expenses</b>				
	2016-17	-	20,315.32	\$60,839.78
	2017-18	\$31,849.15	19,792.50	\$56,826.79
	2018-19	\$10,609.61	-	-
	<b>Totals</b>	<b>\$42,458.76</b>	<b>\$40,107.82</b>	<b>\$117,666.57</b>
<b>Revenues</b>				
	2016-17	-	-	\$81,907.87
	2017-18	\$33,280.46	\$22,346.87	\$139,773.33
	2018-19	\$11,670.56	\$17,760.95	-
	<b>Totals</b>	<b>\$44,951.32</b>	<b>\$40,107.82</b>	<b>\$221,681.20</b>
<b>Billed/Invoiced</b>				
	2016-17	-	-	\$31,864.23
	2017-18	\$20,387.38	\$16,689.61	\$86,680.22
	2018-19	-	\$23,418.21	\$14,888.16
	<b>Totals</b>	<b>\$20,387.38</b>	<b>\$40,107.82</b>	<b>\$133,432.61</b>
*Grant billed outside the University's accounting system on manual invoices at the direction of the grantor. In addition, some expenses predate the implementation of Workday.				
Note: Indirect costs excluded from amounts above.				

# Written Policies/Procedures

---

- **Allowable costs (2 CFR 200.403)**
- **Compensation – Personal Services**
- **Advance payments/reimbursements**
- **Procurement**
- **Compensation – Fringe benefits**

Note: See Sponsored Research Certification (Report 2019-02. pg. 18)

# RCR Training

- **Responsible Conduct of Research (RCR) training required by certain Federal awarding agencies**
- **Controls not established to ensure grant personnel met the training requirements**
  - 2 exceptions noted from a sample of 9 grant funded personnel

# Sponsored Research Audit

---

- Audit objectives and scope
- High risk observations
- Moderate risk observations
- **Low risk observations**
  - Performance metrics
  - Export controls

# Performance Metrics

- **Metrics should be developed and used to measure progress towards achievement of strategic objectives**
  - # of students engaged in research
  - # of faculty engaged in research
  - \$ grant proposals submitted
  - \$ grant proposals awarded

# Export Controls

---

- **No guidance to inform staff/evaluate potential export control determinations**

# Sponsored Research Audit Follow-up

---

- **Monitoring progress**
  - IIA Standards require monitoring of management's actions
  - Will be included in future audit working plans
- **Follow-up audit to be conducted and reported to the AACCC**

# Quality Assurance & Improvement Program

---

- **Required by Institute of Internal Auditors Standards & UAC Charter**
- **Must report scope and frequency to Board**
  - Ongoing monitoring
  - Periodic assessments

# Audit of Sponsored Research

- **Audit conducted pursuant to annual audit plan**
- **Audit identifies several areas for improvement that will be subject to follow up**

**ACTION: Recommend approval of the audit of Sponsored Research to the Board of Trustees.**



FLORIDA POLYTECHNIC  
UNIVERSITY

**Report No: FPU 2019-02**  
**November 2018**

**University Audit & Compliance**  
**Audit of Sponsored Research Activities**  
**For the Audit Period July 2016 to June 2018**

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

**Index:**

---

Executive Summary.....	1
Background, Objectives, and Scope.....	4
Audit Observations and Recommendations.....	7
Observation 1: Labor Effort Reporting.....	7
Observation 2: ORS Performance Metrics.....	8
Observation 3: Written Policies and Procedures.....	9
Observation 4: Sponsored Research Billings and Accounting .....	11
Observation 5: Export Controls.....	13
Observation 6: Grant Proposal Routing Forms .....	14
Observation 7: Responsible Conduct of Research Training.....	15
Exhibit A: Audit Observation Risk Ranking Matrix.....	17
Exhibit B: Florida Board of Governors Sponsored Research Certification (2018).....	18

## Executive Summary:

---

In accordance with approved Work Plans<sup>1</sup>, University Audit performed an audit of sponsored research activities and the Office of Research Services (ORS). The audit covered the period from July 1, 2016, to June 30, 2018. The objectives of this audit were to:

- Determine whether appropriate policies and procedures are in place to promote compliance with applicable laws, rules and regulations.
- Determine whether adequate controls over sponsored research have been designed and placed into operation to promote the proper administration of sponsored research.
- Identify any opportunities for making significant improvements to ORS's governance, risk management, and control processes in order to meet stated goals and objectives of the University.

Audit fieldwork was conducted from February 2018 through October 2018. The governing Charter<sup>2</sup> requires that internal audits be conducted in accordance with the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* (Standards). However, such Standards require that the internal audit activity be subjected to periodic quality assurance reviews. Given that this is the first audit for Florida Poly's University Audit function, no previous activity is available to comply with the Standards for this this requirement. To the extent possible, University Audit has complied with all other requirements outlined by the Standards in conducting this audit.

During the course of the audit, all audit observations were ranked as **High**, **Moderate**, or **Low** risk based on an analysis of the impact over the probability of a control process failure and/or the impact to the University if the observation is not corrected, as further described in **Exhibit A**. Audit results and rankings are included in the Summary below and within each of the detailed audit observations in the **Audit Observations and Recommendations** section of this report.

The following audit observations, summarized below, are discussed further in the **Audit Observations and Recommendations** section of this report:

**Observation 1: Labor Effort Reporting.** ORS needs to continue their efforts to strengthen its internal controls to ensure labor charges over grants and projects are adequately supported. **High**

**Observation 2: Performance Metrics.** Performance metrics are not being utilized to ensure that ORS's performance is consistent with management's expectations and strategic plan objectives. **Low**

**Observation 3: Policies and Procedures.** Policies and procedures over ORS operations for timekeeping, allowable costs, property management, property procurement, and cash management for Federal projects need to be updated. **Moderate**

**Observation 4: Sponsored Research Billings.** Procedures over billings and accounting for grants and sponsored research projects needs to be amended. **Moderate**

---

<sup>1</sup> University Audit and Compliance Work Plan approved by the Audit and Compliance Committee (AACC) of the Board of Trustees on December 6, 2017, and on September 5, 2018.

<sup>2</sup> Florida Polytechnic University Internal Audit Charter adopted by the AACC on March 15, 2017.

**Observation 5: Export Controls.** Controls had not been established to guide University staff or document determinations of compliance with export control regulations when confronted with potential compliance concerns. **Low**

**Observation 6: Proposal Routing Forms.** University personnel are not utilizing the Proposal Routing Form to document the grant/program approvals as required by University Regulation. **Moderate**

**Observation 7: Responsible Conduct of Research Training.** ORS controls should be enhanced to ensure that training required by certain Federal awarding agencies and University policy is completed for all staff working in sponsored research. **Moderate**

## **Background, Objectives, and Scope:**

---

### **Background:**

State law<sup>3</sup>, provides that each university is authorized to create, in accordance with guidelines of the Board of Governors, divisions of sponsored research which will serve the function of administration and promotion of the programs of research, including sponsored training programs, of the university at which they are located. The Office of Research Services (ORS) at Florida Polytechnic University was officially established in February 2015 under the Office of the Provost in accordance with State law.<sup>3</sup> The mission of ORS is to encourage and assist the University community in obtaining and administering external support for research, instruction, and community service projects. ORS supports Florida Polytechnic University in fulfilling its mission as an innovative, interdisciplinary high-tech institution. By ensuring that these programs are administered using good management practices and in compliance with the regulations governing externally-funded programs, ORS serves a vital role in protecting the integrity of the University. In addition, research and sponsored programs are an integral and essential part of the Florida Polytechnic teaching mission and plays a major role in the educational process at the University.

ORS keeps faculty members informed about the types of funds available, new agency requirements, changes in contractual and grant provisions/regulations, budgetary processes, fiscal procedures, proposal writing tips, and University policies and procedures. The ORS staff assists faculty members in applying for research and sponsored program proposals. Throughout the audit period, the ORS was staffed by one full-time Director of Sponsored Programs until November 2017 (2017-18 fiscal year) when a Grants Post Award Manager was added to the ORS staff. Subsequent to the audit period, the Grants Post Award Manager was vacant from August 2018 up to the release of this report.

---

<sup>3</sup> Section 1004.22, Florida Statutes.

The following table, compiled by University Audit and Compliance (UAC), outlines research and sponsored activity of the ORS since its inception:

**Annual Awards Relative to Proposals by Fiscal Year**

Fiscal Year	Proposals		Awards		Percent Awarded (a)/(b)
	Number of Proposals Submitted (a)	\$ Amount	Number of Proposals Awarded (b)	\$ Amount	
2017-18 <sup>4</sup>	32	\$4,489,321	5	\$ 74,087	15.6%
2016-17	28	\$4,315,412	12	\$ 636,000	42.9%
2015-16	18	\$4,239,340	4	\$ 271,797	22.2%
2014-15 <sup>5</sup>	25	\$8,776,202	11	\$ 603,700	44.0%
2013-14	3	\$5,316,412	2	\$1,923,614	66.7%

As shown from the table above, only a portion of grants/sponsored research proposals that are applied for ultimately approved and result in actual awards to the University.

The following table, compiled by UAC, outlines funding by sponsor category for ORS awards secured since inception:

**Annual Awards by Sponsor and Fiscal Year**

Sponsor Category	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18 <sup>4</sup>	Totals	Percent
Federal Direct	\$1,923,614	\$ 81,200	\$ 12,100	\$519,022	\$8,930	<b>\$2,544,866</b>	<b>72.5%</b>
State <sup>6</sup>					\$54,857	<b>\$ 54,857</b>	<b>1.6%</b>
Other Government		\$337,500	\$ 50,000	\$110,930	\$10,300	<b>\$ 508,730</b>	<b>14.5%</b>
Corporate				\$6,048		<b>\$ 6,048</b>	<b>0.2%</b>
Non-profit		\$185,000	\$ 30,800			<b>\$ 215,800</b>	<b>6.1%</b>
International			\$178,897			<b>\$ 178,897</b>	<b>5.1%</b>
<b>Totals</b>	<b>\$1,923,614</b>	<b>\$603,700</b>	<b>\$271,797</b>	<b>\$636,000</b>	<b>\$74,087</b>	<b>\$3,509,198</b>	<b>100.0%</b>

<sup>4</sup> As of June 30, 2018, 13 grant proposals totaling \$2,172,685 were classified as “submitted and pending approval” and thus actual awards and the related percentage awarded may increase.

<sup>5</sup> The ORS was created in February 2015.

<sup>6</sup> Does not include the State grant from the Florida Department of Transportation for “Real Time Monitoring and Prediction of Reduced Visibility Events on Florida Highways” totaling \$1,499,995 since this State grant was not entered into pursuant to an ORS proposal and since it was terminated by the University prior to grant end.

The following table, outlines sponsored research expenses by fiscal year as recorded in Fund 203 (Sponsored Programs):

**Annual Expenses – Sponsored Programs by Fiscal Year**

<b>Expenses</b>	<b>FY 15-16</b>	<b>FY 16-17</b>	<b>FY 17-18</b>
Amount <sup>7</sup>	\$ 247,042	\$508,448	\$931,351
% Change	--	105.8%	83.2%

Florida Polytechnic University just adopted a new strategic plan; however, the current strategic plan in effect during the audit period<sup>8</sup> provides for a goal to build an environment that encourages problem-driven applied research for near-term impact. (Goal 2) This strategic goal identified the following objective and specific directives, which are relevant to the scope of this audit:

- Objective 2.1 – Build infrastructures to support hands-on integrated creative learning opportunities and faculty research.
  - Directive 2.1.1 – Provide an academic environment for faculty to engage in applied research and respond to fast paced changes in technology conducive to student achievement, experimental learning, and preparation for careers in high-tech industries.
  - Directive 2.1.2 – Ensure faculty development and participation in global partnership models, theory, research, and scholarly cross-disciplinary activities and knowledge-building in science, technology, engineering and mathematics.

The University’s new strategic plan for the period 2018 through 2023, adopted subsequent to the audit period, provides for similar objectives and directives relative to ORS.

**Objectives:**

The objectives of this audit were to:

- Determine whether appropriate policies and procedures are in place to promote compliance with applicable laws, rules and regulations.
- Determine adequate controls over sponsored research have been designed and placed into operation to promote the proper administration of sponsored research.
- Identify any opportunities for making significant improvements to ORS’s governance, risk management, and control processes.

Audit fieldwork was conducted from February 2018 through October 2018. The governing Charter<sup>9</sup> requires that internal audits be conducted in accordance with the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* (Standards). However, such Standards require

<sup>7</sup> Includes program expenditures for the State grant from the Florida Department of Transportation for “Real Time Monitoring and Prediction of Reduced Visibility Events on Florida Highways” totaling \$124,760 and \$538,568, respectively, for the 2016-17 and 2017-18 fiscal years. Expenditures for this grant (not reflected in the table above) totaled \$40,612 for the 2018-19 fiscal year as of 10/31/18.

<sup>8</sup> Florida Polytechnic Strategic Plan 2014/15 – 2017/18, approved by the Board of Trustees on December 10, 2014.

<sup>9</sup> Florida Polytechnic University Internal Audit Charter adopted by the AACC on March 15, 2017.

that the internal audit activity be subjected to periodic quality assurance reviews. Given that this is the first audit for Florida Poly's University Audit function, no previous activity is available to comply with the Standards for this requirement. To the extent possible, University Audit has complied with all other requirements outlined by the Standards in conducting this audit.

### **Scope:**

The scope of this audit focused on the administrative processes established by ORS in administering all grants and sponsored research from the period of July 2016 to June 2018, with an emphasis on Federally-funded projects and compliance with Federal grant requirements<sup>10</sup>.

UAC would like to acknowledge that ORS and Finance staff who took part in the audit were knowledgeable of their respective areas, responded quickly to questions, and showed patience throughout the audit engagement. Their cooperation was greatly appreciated.

## **Audit Observations and Recommendations:**

### **Observation 1: Labor Effort Reporting**

The OMB's uniform guidance, effective December 2014, provides a framework required for the administration of Federal programs. Specifically, §200.430 of the Federal Uniform Guidance outlines certain requirements related to all remuneration, paid or currently accrued, for services of employees rendered during the period of performance under Federal awards. Prior to the adoption of the Uniform Guidance, non-Federal entities were required to provide for "time and effort reporting" or personnel activity reports. However, the Uniform Guidance provides that non-Federal entities with strong internal controls do not need to provide personnel activity reports. Nevertheless, 2 CFR 200.430(i) still requires non-Federal entities to maintain records that "accurately reflect the work performed". Further, these records must:

- Be supported by a system of internal control which provides reasonable assurance that the time being charged is accurate, allowable, and properly allocated
- Are incorporated into the official records, such as payroll records
- Reasonably reflect the employee's total activity
- Provide a time or percentage breakdown on all activities, both Federally funded and non-Federally funded for the employee
- Comply with the non-Federally entity's pre-established accounting practices and procedures

2 CFR 200.430(i)(8) provides that non-Federal entities that cannot meet the aforementioned conditions may be required to submit personnel activity reports.

The University's Human Resource (HR) system does not support the distribution of an employee's salary or wages among specific activities or cost objectives when an employee works on more than one Federal award or a Federal award and non-Federal award. (i.e. the HR system used to record time worked was not configured to separately account for employee's time, by project or cost objective, should the employee's

<sup>10</sup> The Office of Management and Budget's (OMB) Uniform Guidance, effective December 2014.

responsibilities include various activities). Therefore, ORS uses a faculty member's projected workload<sup>11</sup>, prior to each term, as the basis for the costing allocation in the system to distribute payroll between multiple activities or cost objectives and as the basis for allocating fringe costs. The Uniform Guidance specifically provides that estimates determined before the services are rendered alone do not qualify as support for charges to Federal awards. Consequently, approximately \$289,000 in personnel costs (remuneration and fringe benefits costs) charged to Federal awards during the audit period were inadequately supported and thus represent questioned costs.

In May 2018, ORS has developed a "Certification" process that was modeled after a successful pilot program at another university. This certification provides for the approval of the labor charges to the grant or project (by the Principal Investigator) after the services have been provided. However, such controls were not fully placed into operation as of November 2018. ORS expects to have the enhanced controls fully implemented after the conclusion of the Fall 2018 semester. The failure to adequately comply with the Uniform Guidance, as it relates to remuneration for services compensated under Federal awards, could expose the University to significant questioned costs and/or suspension from participating in Federally-funded programs.

**Risk Rating:** High

**Recommendation:** ORS should continue their efforts to implement the enhanced controls providing for periodic payroll certification reports. Such enhanced controls, if properly implemented, should satisfy Uniform Guidance requirements for supporting labor effort reporting. In addition, ORS should develop written policies over the processes used to ensure that proper internal controls have been designed to ensure compliance with the Uniform Guidance.

**Management Response:** ORS has developed a certification process to provide for compliance with Federal regulations over allocated salary charges in the spring, summer, and fall. This process will be used starting in the Fall 2018 term. Implementation date: December 2018.

#### **Observation 2: ORS Performance Metrics**

As noted in the Background Section of this report, the university's strategic plan outlines various objectives to support hands-on integrated creative learning opportunities and faculty research. However, performance metrics specific to ORS are not currently being utilized to measure whether this strategic objective is adequately being achieved. For instance, ORS could consider using the following performance metrics to determine whether progress is being met with respect to the stated objectives from the strategic plan:

- Number of faculty engaged in research and the change from year to year
- Number of students engaged in research and the change from year to year
- Number and amount of grant proposals submitted and the change from year to year
- Number and amount of proposals awarded and the change from year to year

---

<sup>11</sup> This is derived from the FARE form which is developed by the Provost and Department Chair.

In May 2018, a report<sup>12</sup> to the Board of Trustees (BOT) identified target operational performance metrics for economic development such as: number of proposals generated (20); number of proposals won (5); and research expenditures (\$300,000); however, as of November 2018 such metrics had not been finalized or integrated into actual measurements of performance relative to the targeted goals presented to the BOT.

The failure to properly establish relevant performance metrics for ORS limits University management's ability to ensure that the stated objectives from the strategic plan are effectively being accomplished.

**Risk Rating:** Low

**Recommendation:** ORS should develop performance metrics, consistent with the university's new strategic plan, and establish appropriate controls to ensure that such data is accurately summarized and reported to management to ensure ORS's performance is consistent with management's expectations and focused on accomplishing strategic plan objectives.

**Management Response:** The University is currently in the process of developing its new strategic plan. In connection with those efforts, it is expected that such metrics will be defined and used to measure the performance of ORS. Implementation date: February 2019.

### **Observation 3: Written Policies and Procedures**

The OMB's uniform guidance, effective December 2014, requires recipients of Federal funding to have certain written policies and procedures relating to the proper administration of their Federal awards. These requirements are codified under Title 2, Subtitle A, Chapter 2 of the Code of Federal Regulations (2 CFR 200 or the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*). Such policies and procedures provide a foundation for the University's internal controls and reduce the likelihood of noncompliance and the risk of fraud, waste, and abuse of Federal funds. Although the University currently has certain policies and procedures in place, as noted below they have not been updated to reflect certain requirements set forth in the Uniform Guidance:

- Allowable Costs – 2 CFR 200.403 of the uniform guidance requires written procedures for determining whether a cost is allowable in accordance with Subpart E. Currently, ORS written procedures do not provide for the following specific criteria outlined in the uniform guidance:
  - Costs must be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
  - Costs must conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
  - Costs must be consistent with the policies and procedures that apply uniformly to both federally-financed and other activities of the university.
  - Costs must be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
  - Costs must be determined in accordance with generally accepted accounting principles.

---

<sup>12</sup> Florida Polytechnic University Operational Plan 2018-19

- Costs must not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.
- Costs must be adequately documented.
- Compensation – Personal Services – As noted in Finding 1, 2 CFR 200.430, requires written policies and procedures over the processing of compensation for personal services. Such written policies and procedures should incorporate extra service pay, and the payroll confirmation processes.
- Advance Payments and Reimbursements – 2 CFR 200.302(b)(6) and 2 CFR 200.305 requires that the procedures for collecting payments of Federal funds and procedures relating to cash management of Federal funds be outlined.
  - Reimbursements: Written procedures should describe the internal controls designed to ensure that only allowable charges are claimed and outline controls over the reimbursement process and grant closeout.
  - Advance Payments: Such procedures must minimize the time elapsing between the transfer of Federal funds and the disbursement made by the University. The University currently does not have such a policy or procedure; however, all Federally-sponsored research projects are on a reimbursement basis. Nevertheless, current ORS procedures should be amended to provide for proper compliance with regard to this requirement should a grant be awarded with cash advance funding.
- Procurement – The *Uniform Guidance* requires all organizations to have a fair and well-documented procurement policy to ensure that “all procurement transactions must be conducted in a manner providing full and open competition.” This means that the University may not make the qualifications for a successful bid unnecessarily burdensome, nor may you give geographical preference in the award of a contract, except as required by Federal law. Current procurement policies and procedures should be reviewed and amended as necessary to ensure current procedures conform to Federal Procurement Standards. In addition, the Uniform Guidance provides for certain limited justifications for sole source purchases which should be incorporated into University policies and procedures for Federal procurement decisions.
- Compensation - Fringe Benefits – 2 CFR 200.430 indicates that costs are allowable, provided that such benefits are granted under established written policies. The University currently is in the process of negotiating a fringe rate through their cognizant agency (Department of Health & Human Services). Currently, written procedures over fringe benefits charged to various sponsored research projects have not been formalized.

Board of Governors (BOG) Regulations<sup>13</sup> require that each Florida university certify by October 1 of each year that it has policies in place to negotiate, enter into, and execute research contracts including, but not limited to, policies for solicitation and acceptance of research grants and research donations, policies for the collection of fees and research donations in the context of university sponsored research, and policies relating to the appropriate use of research funds. Each certification will further provide that reasonable control and monitoring systems are in place for research activities to comply with applicable laws and the mission and long term plans of the university. In October 2018, ORS completed the certification and

---

<sup>13</sup> Board of Governors Regulation 10.002, Sponsored Research

submitted it to the BOG, as required. In completing the certification, ORS accurately disclosed that certain written procedures were in need of revision, as similarly noted by this audit. This certification is included as **Exhibit B**.

In February of 2018, the University was cautioned by a Federal awarding agency that certain written policies are required and that they should address these issues prior to submitting future proposals. The failure to maintain written policies and procedures as required by the Uniform Guidance increases the risk that noncompliance, fraud, waste, or abuse may occur and could jeopardize the awarding of Federal grants if proposals are subjected to a pre-award audit for compliance with the Uniform Guidance.

**Risk Rating:** Moderate

**Recommendation:** ORS should enhance written policies and procedures relating to the proper administration of their Federal awards.

**Management Response:** ORS will update the Principal Investigator's/Project Director's Handbook relating to the proper administration of Federal awards. In addition, ORS will continue working with the General Counsel's Office to provide for required University policies required by Federal regulations. Implementation date: June 2019.

#### **Observation 4: Sponsored Research Billings and Accounting**

In accordance with Florida Poly Policy<sup>14</sup>, the University Controller is responsible for contract and grant invoicing, record keeping, and accounting for all sponsored research funds in the Sponsored Research Development Fund. The Policy also provides that the Controller maintains, in accordance with acceptable accounting practices, such records and makes such reports as required by Florida Board of Governors policy, by applicable laws, by the granting agency, by the Contracts and Grants Manager and by the Vice President and Chief Financial Officer. The Policy further provides that the Contracts and Grants Manager and the Principal Investigator are responsible for contract and grant budget control and for determining that expenditures are made in accordance with the terms of the grant or contract.

Generally Accepted Accounting Principles (GAAP) provide that revenue should be recognized when earned, and expenses should be recognized when incurred. Revenue is considered earned when the University has substantially met its obligation to be entitled to the benefits represented by the revenue. For cost reimbursement grants, revenue recognition should therefore occur at the time eligible expenses are incurred. Additionally, University controls should provide for periodic reconciliations between eligible expenses incurred, amounts billed and received, and the related amounts recognized as revenues.

The table below identifies three cost reimbursement grants selected by UAC for review and summarizes expenses, revenues, and amounts invoiced (billed), as recorded in the University's accounting system, throughout the audit period and subsequent thereto through October 2018:

---

<sup>14</sup> Florida Poly Academic Policy FPU-12.0011AP, Section D7, approved by the Board on 9/9/15

		<b>Grant A</b>	<b>Grant B</b>	<b>Grant C*</b>
<b>Expenses</b>				
	2016-17	-	20,315.32	\$60,839.78
	2017-18	\$31,849.15	19,792.50	\$56,826.79
	2018-19	\$10,609.61	-	-
	<b>Totals</b>	<b>\$42,458.76</b>	<b>\$40,107.82</b>	<b>\$117,666.57</b>
<b>Revenues</b>				
	2016-17	-	-	\$81,907.87
	2017-18	\$33,280.46	\$22,346.87	\$139,773.33
	2018-19	\$11,670.56	\$17,760.95	-
	<b>Totals</b>	<b>\$44,951.32</b>	<b>\$40,107.82</b>	<b>\$221,681.20</b>
<b>Billed/Invoiced</b>				
	2016-17	-	-	\$31,864.23
	2017-18	\$20,387.38	\$16,689.61	\$86,680.22
	2018-19	-	\$23,418.21	\$14,888.16
	<b>Totals</b>	<b>\$20,387.38</b>	<b>\$40,107.82</b>	<b>\$133,432.61</b>
*Grant billed outside the University's accounting system on manual invoices at the direction of the grantor. In addition, some expenses predate the implementation of Workday.				
Note: Indirect costs excluded from amounts above.				

As evidenced by the table above, University controls could be enhanced to provide for better matching of revenues and expenses (in accordance with GAAP) and to provide for timely and complete invoicing for eligible expenses incurred. Specifically, the following was noted from this analysis:

- **Grant A** – Grant revenues exceeded expense recorded in the accounting system by \$2,493 and amounts billed, per the University's accounting system, were \$22,071 less than expenses recorded in the general ledger. It was also noted that there were only two billings for this grant, one in February 2018 (\$19,671) and another in April 2018 (\$716). As of November 15, 2018, the residual balance of \$22,071 had not been billed or received; however, University staff indicated they would bill by the end of the month.
- **Grant B** – Although revenues and expenses agreed in total, and all amounts appeared to be billed, revenues were not properly recognized (to the extent that eligible expenses were incurred) within each respective fiscal year.
- **Grant C** – As noted from the table, the grantor required the University to submit manual billings on a predetermined format rather than generating automated invoices from Workday. In addition, some expenses dated back to when the University utilized accounting services from another State University under the shared services agreement and thus were not reflected in Workday or the table above and contributed to some of the timing differences. Nevertheless, revenues and expenses should match for both the 2017-18 and 2018-19 fiscal years as these periods only used Workday<sup>15</sup>. It was noted that some charges incurred by the University were invoiced as much as nine months later, contributing to this timing difference between expenses and revenues. UAC requested a reconciliation of grant expenses to amounts invoiced and received; however, University personnel were unable to provide such a reconciliation. Since this grant closed in June of 2018, UAC independently confirmed expenses reimbursed from the grantor during the audit period and determined that the University had recovered \$151,231; however, it was not possible for UAC to

<sup>15</sup> Workday was implemented in October 2016 and thus initially used for the 2016-17 fiscal year.

reconcile activity for this grant based on the information available in Workday. Additionally, as of November 2018, the University had not completed a reconciliation of grant activity since the grant closed in June 2018.

The failure to establish appropriate controls to ensure that sponsored research billings are both timely and complete increases the risk that the University will not recover funding associated with grants or projects and that grant revenues may not be recognized in the proper accounting period. As noted in Finding 3, the University did not have written procedures over claiming of grant reimbursements, which may have contributed to this deficiency. In addition, University personnel advised that the transition to a new accounting system has contributed to deficiencies in grant billings.

**Risk Rating:** Moderate

**Recommendation:** The University should enhance controls to provide for routine reconciliations of grant billings to grant expenses and the related revenues recognized. At minimum, such reconciliations should be performed at fiscal year-end and at grant closing. In addition, controls should be enhanced to ensure that grant billings are both timely and complete. Further, as noted in Finding 3, written procedures over sponsored research billings should be developed to ensure that grant reimbursements are properly invoiced and accounted for in the University's accounting system.

**Management Response:** The University has engaged a consultant in order to enhance accounting functionality as it relates to grant accounting and billing. Training will be provided to the person responsible for performing reconciliations. Implementation date: June 2019.

#### **Observation 5: Export Controls**

United States (U.S.) export controls restrict the transfer of goods and technology outside the U.S. when there are potential national security or trade protection concerns. There is not a single rule or regulation governing export controls, rather, several federal agencies and various inter-related regulations constitute what is referred to as "export controls". The two primary sets of export control guidance are set forth by the International Traffic in Arms Regulations (ITAR) and the Export Administration Regulations (EAR) trade protections, which combined govern both defense-related and commercial items subject to export controls. ITAR-protected goods, services, and technical data are listed on the U.S. Munitions List while EAR-protected regulated items are identified on the Commerce Control List (CCL). The CCL regulates a broad range of commodities, software, and technologies which include "dual-use" items that have both commercial and military applications.

Although the University does not typically physically export goods or services, export controls are applicable to technical data which is "deemed" an export by its mere disclosure or release to any foreign national in the U.S. The University may encounter such situations, which result in deemed exports, from students, faculty, or visitors. In addition, the electronic storage and transfer of software and technical data pose certain risks of noncompliance with export controls since transfers over the internet and travel to foreign countries by University staff may occur. Accordingly, these applications of export controls represent the most significant risk exposure to the University.

ORS has developed detailed written procedures over many compliance-related matters and publishes this information for the University community; however, such procedures did not include any information or

guidance relative to export control compliance. Additionally, ORS had not established a mechanism, such as decision trees for ITAR and EAR, red flags, or questions of concern with guidance for further clarification when potential situations should be subjected to export control consideration. Given the University's potential for future involvement in autonomous vehicles, and the likelihood that such technology could be potentially be subject to export control law, specific written guidance and a mechanism providing for compliance determinations should be implemented.

The failure to comply with U.S. export control laws could result in both criminal and civil penalties and the Federal government could apply sanctions to the University, including the loss of all Federal funding. In addition, potential funds awarded to the University as a either a direct recipient or a subrecipient could be jeopardized in the event the University was required to provide assurances with regard to proper processes over export controls.

**Risk Rating:** Low

**Recommendation:** ORS should establish guidance for all University staff that identifies when potential export controls may apply. Additionally, controls should be established to document determinations of compliance with export control regulations when University staff are confronted with potential compliance concerns.

**Management Response:** ORS will update the Principal Investigator's/Project Director's Handbook relating to export controls. Implementation date: June 2019.

#### **Observation 6: Grant Proposal Routing Forms**

In accordance with Florida Poly Policy<sup>16</sup>, a Principal Investigator (PI) is required to submit grant proposals, accompanied by a "Proposal Routing Form" to the appropriate ORS staff for review and signature approval of the PI and Provost (or designee). The policy outlines that the Proposal Routing Form should provide:

1. that complete coordination has been effected to ensure that any other University department or unit affected or interested in the proposal is formally advised of the proposal and that formal acknowledgement or concurrence has been received from the affected department/unit;
2. that full consideration has been given to both the physical and financial aspects of space requirements;
3. that full costs of computer support required by the proposed effort have been included in the proposal budget;
4. the anticipated duration of the project, with any possible extensions or ramifications;
5. that the use of University funds, when included in the proposal, has been approved at all appropriate levels (as indicated in routing form), and whether such funding relates to a division or sharing of salaries, the purchase of equipment, or other expenditures requiring University funds; and
6. the proposed total budget.

UAC's review disclosed that the University had developed a Proposal Routing Form (Form) to document the considerations outlined above by University Policy and to provide for documentation of appropriate approvals. The Form also provided for a certification that "statements in the application (proposal) are true,

<sup>16</sup> Florida Poly Academic Policy FPU-12.0011AP, Section D1, approved by the Board on 9/9/15

complete and accurate to the best of their knowledge. That they are aware that any false, fictitious, or fraudulent statements or claims may subject them to criminal, civil or administrative penalties, and they agree to accept responsibility for the scientific conduct of the project and that they agree to provide the required progress reports if a grant is awarded as a result of this application (proposal)". The Form also provided for the completion of the Form with all proposal documents within 7 business days prior to the proposal submission deadline.

Although the University developed the Proposal Routing Form to document the considerations outlined above and the appropriate approvals, the Form was not used for any of the grants tested during audit. Accordingly, it was not possible for UAC to determine that the proposal underwent the appropriate considerations and approvals or if the proposal was submitted within the 7 day window imposed by ORS. In response to UAC inquiry, ORS indicated that the Proposal Routing Form was no longer being utilized and many proposals were received past the 7 day submission deadline, leaving inadequate time for proper review and approval.

**Risk Rating:** Moderate

**Recommendation:** University procedures should be enhanced to comply with Board Policy or the Policy should be amended to provide for other acceptable means to document (1) the considerations outlined above in existing Policy and the existing Proposal Routing Form and (2) the appropriate approvals of grant proposals. Further, if the authority for grant approval is delegated, as permitted by current policy, such delegations should be clearly outlined and documented.

**Management Response:** ORS will evaluate the process used and document the appropriate approval of grants/projects, as required. Implementation date: June 2019.

#### **Observation 7: Responsible Conduct of Research Training**

All members of the University community share responsibility for maintaining standards to assure ethical conduct of research and detection of abuse of those standards. It is expected, therefore, that all researchers maintain adequate education in the core areas that comprise a comprehensive responsible conduct of research (RCR) curriculum. Recipients of awards from the National Science Foundation (NSF), the National Institutes of Health (NIH), and the USDA National Institute of Food and Agriculture (NIFA) are required to comply with specific requirements to ensure appropriate RCR training. In accordance with Florida Poly Policy<sup>17</sup>, all personnel charged to these grants are required to complete RCR training at least once every three years and to provide documentation to ORS supporting that the appropriate training was completed. To comply with the RCR training requirements, ORS adopted the use of national program that provides up to date compliance information and an online delivery format. UAC's test of RCR training disclosed that two of nine personnel charged to various grants had not completed the required RCR training. The failure to properly establish controls to ensure that RCR training is completed could jeopardize awards requiring such training.

**Risk Rating:** Moderate

---

<sup>17</sup> Florida Poly Academic Policy FPU-12.0012AP, Sections E1 and F1

**Recommendation:** ORS should enhance procedures to ensure that all personnel charged to grants or sponsored research projects have undergone the appropriate RCR training and that documentation of successful completion is retained.

**Management Response:** ORS will enhance controls to ensure the required training is completed by verifying that hiring faculty members have obtained such training for student hires. Implementation date: November 2018.

## Exhibit A: UAC Audit Observation Risk Ranking Matrix

Risk Rating	Criteria	Examples
<b>High:</b>	This is a high priority observation; immediate attention from University personnel is required. This is a serious internal control or risk management issue that if not corrected or mitigated could lead to serious consequences.	
	<ul style="list-style-type: none"> <li>• Substantial risk of loss</li> <li>• Serious risk of violation of University strategies, policy or values</li> <li>• Serious risk of reputational damage</li> <li>• Significant risk of adverse impact</li> </ul>	<ul style="list-style-type: none"> <li>• No policy exists</li> <li>• Controls do not exist or not placed into operation</li> <li>• Significant fraud detected</li> <li>• Significant amount of questioned transactions</li> <li>• Significant noncompliance observed</li> </ul>
<b>Moderate:</b>	This is a medium priority observation; timely attention from University personnel is warranted.	
	<ul style="list-style-type: none"> <li>• Moderate risk of financial losses</li> <li>• Moderate risk of loss of controls within the program or area audited</li> <li>• Adverse impact resulting in moderate sanctions or penalties</li> </ul>	<ul style="list-style-type: none"> <li>• Inconsistent application of policy</li> <li>• Only mitigating controls exist</li> <li>• Requires additional evaluation or review</li> </ul>
<b>Low:</b>	This is a low priority observation; routine attention from University personnel may be warranted. Recommendation may lead to improvement in the quality and/or efficiency of the process or area audited. Risks are limited.	
	<ul style="list-style-type: none"> <li>• Remote risk of inappropriate activity</li> <li>• Insignificant adverse impact</li> <li>• Immaterial amounts involved</li> </ul>	<ul style="list-style-type: none"> <li>• Control exists but only nominal exceptions noted</li> <li>• Compensating controls exist but internal controls could be enhanced</li> </ul>

**Exhibit B: Sponsored Research Certification (2018)**

**Sponsored Research Certification**



Name of University: Florida Polytechnic University

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.

Sponsored Research Certification Representations		
Representations	Yes	No
1. I am responsible for establishing and maintaining, and have established and maintained, reasonable effective internal controls and monitoring over my university's division of sponsored research.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. The internal controls and monitoring activities include policies for negotiating, entering into, and executing research contracts; policies for soliciting and accepting research grants and research donations; policies over the collection of fees and research donations; and policies related to the appropriate use of research funds.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3. The research activities of the university comply materially with applicable laws and the mission and long term plans of the university, and reasonable controls are in place to identify any material noncompliance so that it may be remedied.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4. The internal controls and monitoring activities are consistent with the requirements of applicable funding entities.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
I certify the foregoing information is true and correct to the best of my knowledge. My signature below acknowledges I have read and understand these statements. I certify this information will be reported to the board of trustees.		
Certification: _____	Date: <u>10/8/2018</u>	
Title: <u>Director, Sponsored Research</u>		

*Johnnie Williams*