



FLORIDA POLYTECHNIC
UNIVERSITY

Board of Trustees Audit & Compliance Committee Meeting

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

Florida Polytechnic University
STUDENT DEVELOPMENT CENTER
4700 Research Way
Lakeland, FL 33805-8531

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. Approval of the May 22, 2018 Minutes
Action Required | Gary Wendt, Chair |
| V. 2018-2020 Audit & Compliance Committee Work Plan Review
Action Required | Gary Wendt, Chair |
| VI. Audit & Compliance Committee Charter Review | David Blanton |
| VII. Audit & Compliance Update | David Blanton |
| VIII. University Audit & Compliance (UAC) Annual Report (2017-18)
Action Required | David Blanton |
| IX. UAC Risk Assessment/Activity Plan (2018-19)
Action Required | David Blanton |

- | | |
|-------------------------------------------------------------------------------------------------------|-------------------|
| X. Auditor General Operational Audit Report
<i>*Action Required*</i> | David Blanton |
| XI. UAC Investigative Report Review (Report No. 2018-01)
<i>*Action Required*</i> | David Blanton |
| XII. UAC Investigative Report Review (Report No. 2019-01)
<i>*Action Required*</i> | David Blanton |
| XIII. Anti-Hazing Report | Rick Maxey |
| XIV. Closing Remarks and Adjournment | Gary Wendt, Chair |

Florida Polytechnic University
Board of Trustees

Audit and Compliance Committee Meeting

DRAFT MEETING MINUTES

**Tuesday, May 22, 2018
3:15 PM-4:15 PM**

Joker Marchant Stadium, 2301 Lakeland Hills Blvd., Lakeland, FL 33805

I. Call to Order

Committee Chair Otto called the Audit & Compliance Committee meeting to order at 3:26 p.m.

II. Roll Call

Kris Wharton called the roll: Committee Chair Cliff Otto, Vice-Chair Don Wilson, Trustee Mark Bostick, Trustee Dick Hallion, Trustee Gary Wendt and Trustee Lou Saco were present (Quorum).

Other trustees present: Chair Frank Martin, Trustee Philip Dur, Trustee Jim Dewey, Trustee Travis Hills, Trustee Henry McCance, Trustee Adrienne Perry, and Trustee Robert Stork.

Staff present: President Randy Avent, Provost Terry Parker, 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 Dick Hallion made a motion to approve the Audit & Compliance Committee meeting minutes of February 28, 2018. Trustee Louis Saco seconded the motion; a vote was taken, and the motion passed unanimously.

V. 2016-18 Audit & Compliance Committee Work Plan Review

The 2016-2018 Work plan remains unchanged and no discussion occurred.

VI. Audit & Compliance Update

Mr. David Blanton, Chief Audit Executive/Chief Compliance Officer (CAE/CCO) provided the Committee with an update of all University and Foundation audit activity.

VII. University Financial Audit- FYE 6/30/17

Mr. Blanton reported the University Financial Audit was conducted in accordance with auditing standards generally accepted in the United States of America and applicable standards contained in *Government*

Auditing Standards, issued by the Comptroller General of the United States.

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2017. The auditors obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. The auditors also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements. An examination of Federal awards administered by the University is included within the scope of the Statewide audit of Federal awards administered by the State of Florida.

The audit disclosed that the basic financial statements of Florida Polytechnic University (a component unit of the State of Florida) were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

The audit did not identify any deficiencies in internal control over financial reporting that Mr. Blanton considers to be material weaknesses. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards issued by the Comptroller General of the United States.

Trustee Louis Saco made a motion to recommend approval of the University Financial Audit FYE 6/30/17 to the Board of Trustees. Trustee Dick Hallion seconded the motion, a vote was taken and the motion passed unanimously.

VIII. Foundation Financial Audit- FYE 6/30/17

Mr. Blanton reported the Foundation Financial Audit was conducted in accordance with auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

An unqualified clean opinion was received on the financial statements. There were no findings in the reports for internal control and compliance.

Trustee Louis Saco made a motion to recommend approval of the Foundation Financial Audit FYE 6/30/17 to the Board of Trustees. Trustee Dick Hallion seconded the motion; a vote was taken and the motion passed unanimously.

IX. University Compliance & Ethics Program Plan

Mr. Blanton presented the University Compliance and Ethics Program Plan. The program is based on Federal Sentencing Guidelines. The program needs to operate for a period of time before being evaluated. An external evaluation will be required in November of 2021.

Trustee Louis Saco made a motion to recommend approval of the University Compliance and Ethics Program Plan to the Board of Trustees. Trustee Dick Hallion seconded the motion; a vote was taken and the motion passed unanimously.

X. Enterprise Risk Management (ERM) Workshop

Mr. Blanton reported on the Enterprise Risk Management approach. ERM would assist the Board in their oversight responsibility for strategic risk. A risk committee would be charged with reporting to the Board. The Board may want to have future discussions on evaluating the benefits of such a committee.

XI. Closing Remarks and Adjournment

In closing, Chair Frank Martin requested the Audit & Compliance Committee review the report prepared by Mr. Blanton in regards to the anonymous letter sent to each board member. He asked this be added to the committee's work plan.

With no other comments, the meeting adjourned at 3:45 p.m.

DRAFT

**Florida Polytechnic University
Audit & Compliance Committee
Work Plan 2018-2020**

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

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

Subject: Audit and Compliance Committee Charter Review

Proposed Committee Action

No action required – information only.

Background Information

David Blanton, Chief Audit Executive/Chief Compliance Officer (CAE/CCO) will provide the Committee with an overview of the Audit & Compliance Committee Charter. The Charter requires review and approval every three (3) years and was just reviewed and amended March 15, 2017. Therefore, no Committee action necessary at this time.

Supporting Documentation: Florida Poly Audit & Compliance Committee Charter

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



FLORIDA POLYTECHNIC UNIVERSITY

Board of Trustees Charter Audit and Compliance Committee

Purpose

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

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

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

Composition

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

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

Quorum

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

Authority

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

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

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

Meetings

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

Confidential/Exempt Issues

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

Responsibilities and Duties

The AACC has the following responsibilities and duties:

General

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

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

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

Internal Control

Regarding internal controls, the AACC shall:

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

Financial Statements

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

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

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

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

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

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

External Audit

With regard to external audits, the AACC shall:

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

Internal Audit

With regard to internal audits, the AACC shall:

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

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

Compliance and Ethics Program

With regard to compliance, the AACC shall:

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

Investigative Responsibilities

With regard to investigations, the AACC shall:

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

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

Reporting Responsibilities

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

Other Responsibilities

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

Evaluating Performance

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

AACC Chair Responsibilities

The AACC Chair shall:

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

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

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

Adoption of Charter

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

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

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

Subject: Audit and Compliance Update

Proposed Committee Action

No action required – information only.

Background Information

David Blanton, Chief Audit Executive/Chief Compliance Officer (CAE/CCO) will provide the Committee with an update of all University and Foundation audit and compliance activities.

Supporting Documentation: PowerPoint Presentation, Board of Governors Invitation

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



FLORIDA POLYTECHNIC
UNIVERSITY

Audit & Compliance Update

David A. Blanton, CPA

05 September 2018

Responsibilities – Committee Charter

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



Board of Trustees
Charter
Audit and Compliance Committee

Purpose

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- Approval of the annual audit plan
- Monitoring and controlling risk exposure
- Monitoring compliance with laws, rules and regulations
- Oversight and direction of the University’s compliance and ethics program ensuring its independence
- Set standards for ethical conduct

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

Composition

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

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

Quorum

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



Investigations

- **AACC Charter**: Authority to request investigations when the Board determines that the university has not addressed credible allegations relating to waste, fraud, or financial mismanagement
- **BOG Regulation 4.001**: a responsibility to investigate “significant and credible” allegations of waste, fraud, or financial mismanagement
- **SUS Investigative Standards**: “Significant and credible” allegations of waste, fraud, financial mismanagement, or fiscal irregularities

Committee Investigative Responsibilities

- **Ensure a process exists for receiving complaints and review the nature and disposition of reported matters**
- **Oversee special investigations, as needed**
- **Direct UAC to conduct investigations, as needed**
- **Direct UAC to assist others in investigating**

BOG Concerns/Inquiry

- **BOG letter of inquiry and invitation to address BOG Audit & Compliance Committee**
- **Concerns:**
 - Unsupported Administrative costs from Anti-hazing contact
 - Foundation financial position and ability to cover commitments for remuneration and scholarships

Administrative Cost Options

- **Apply our indirect rate to program expenses**
- **Estimate university personnel costs with benefits**
- **For both options, return any unsupported costs**

Foundation Finance Concerns - Scholarships

- **Past scholarship commitment = \$613K/yr + annual commitments**
 - 5 year scholarship plan
- **Revenue for FY 2018 = \$607K**
- **No clear action by Foundation Board with regard to scholarship obligation/commitment**
- **Need to establish plan going forward**

Foundation Finance Concerns – Operating Fund

- **Operating Fund Expenses FY 18 = \$950 K**
- **Operating Fund Revenue for FY 18 = \$495K
(down from \$767K in FY 17)**
- **Undesignated/unreserved balance = \$1.4 M**

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)
 - Provide quarterly reports to the Audit and Compliance Committee



STATE
UNIVERSITY
SYSTEM
of FLORIDA
Board of Governors

Office of the Chancellor
325 West Gaines Street, Suite 1614
Tallahassee, FL 32399
Phone 850.245.0466
Fax 850.245.9685
www.flbog.edu

August 2, 2018

Donald H. Wilson, Chair, Board of Trustees
Randy Avent, President
Florida Polytechnic University

Via Email

Dear Chair Wilson and President Avent:

On behalf of Wendy Link, chair of the Board of Governors Audit and Compliance Committee, we invite you or your designee to the Committee's next meeting, tentatively scheduled for September 12, 2018, regarding the findings contained in the attached State of Florida Auditor General's Operational and Financial Audit reports of your University as well as the independent auditors' report on the Florida Polytechnic University Foundation, Incorporated (also attached).

Committee members would like to learn about the University's plans to address the anti-hazing course expenditures referenced in finding number seven of the June 2018 operational audit report. Please describe how the University will determine the amount of administrative costs withheld as well as its plans for calculating actual administrative costs incurred and for returning to the State Treasurer those costs not supported as recommended by the Florida Auditor General (refer to the recommendations on page 10 of the attached operational audit report).

Additionally, please describe how the University Foundation will cover the remuneration commitments and long-term debt obligations related to student scholarship commitments. Include what effect, if any, there might be on the University's financial position and its potential for recruiting future students.

Please identify who will present this information to the Committee and coordinate as soon as possible with my office (850-245-9247 or Julie.leftheris@flbog.edu) for meeting details and materials deadlines.

We appreciate your cooperation.

Sincerely,

A handwritten signature in blue ink that reads "Julie M. Leftheris".

Julie M. Leftheris
Inspector General and Director of Compliance

Wilson and Avent
August 2, 2018
Page 2 of 2

JML/lc

Attachments: State of Florida Auditor General Operational Audit
Of Florida Polytechnic University, Report No. 2018-214 (June 2018)
State of Florida Auditor General Financial Audit
Of Florida Polytechnic University, Report No. 2018-146
Independent Auditors' Report of the Florida Polytechnic University
Foundation, Inc.

C: Wendy Link, Chair
Audit and Compliance Committee, State University System of Florida
Board of Governors

Ned Lautenbach, Chair
State University System of Florida Board of Governors

Marshall Criser III, Chancellor
State University System of Florida Board of Governors

Vikki Shirley, General Counsel and Corporate Secretary
State University System of Florida Board of Governors

Gary C. Wendt, Chair
Audit and Compliance Committee, University Board of Trustees

David A. Blanton, Chief Audit Executive and Chief Compliance Officer,
Florida Polytechnic University

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

Subject: University Audit and Compliance Annual Report – 2017-18

Proposed Committee Action

Recommend approval of the UAC Annual Report for the 2017-18 fiscal year to the Board of Trustees.

Background Information

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 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.

The Committee should review the UAC Annual Report in order to evaluate the performance of compliance and audit activities against the AACC-approved plan.

Supporting Documentation: University Audit and Compliance Annual Report – 2017-18

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



FLORIDA POLYTECHNIC
UNIVERSITY

UAC Annual Report 2018

David A. Blanton, CPA

05 September 2018

UAC Annual Report

- **Fiscal year ended June 30, 2018**
- **Required by IIA Standards, BOG Regulation, and UAC Charter**
- **Summarizes the activity of UAC**
- **Audit & Compliance Committee Oversight**
 - Resource allocation
 - Sufficient resources committed
 - Risks adequately addressed

UAC - Annual Report

- **Highlights**

- One audit released by Sunera (FIPR Payroll Review)
- Written procedures developed (audit and compliance)
- Risk assessment completed and approved
- Compliance & ethics hotline placed into operation
- UAC website/intranet pages developed
- Board ethics training
- Successfully implemented 18 required components of the compliance program
- Performed various consulting activities
- Performed various investigative activities

2017-18 Planned Audits and Progress

- **Sponsored Research:**
 - Substantially complete – expected to be released by next BOT meeting
- **Americans with Disability (ADA) Services**
 - Not started; however, not as extensive as Sponsored Research
- **Factors contributing to not meeting plan**
 - Audit plan approved in December 2017
 - Standard audit forms created from scratch
 - Compliance & investigative effort consumed more resources than planned

UAC Resource Allocation

Activity	Plan Hours	Actual Hours	Difference	% Difference
Administrative	200	110	(90)	-45.0%
Investigative	120	395	275	229.2%
Compliance	700	570	(130)	-18.6%
Audit	564	373	(191)	-33.9%
Consulting	100	158	58	58.0%
Training	60	94	34	56.7%
Totals	1,744	1,700	(44) ¹	-2.5%

The following graph depicts actual hours by activity for the 2017-18 fiscal year:



Mandatory Disclosures

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

UAC Annual Report

- **This Annual Report assists the Committee with its oversight responsibility**
- **Annual Report used as the basis to evaluate performance relative to the approved plan**

ACTION: Recommend approval of the 2017-18 UAC Annual Report to the Board of Trustees



FLORIDA POLYTECHNIC
UNIVERSITY

UNIVERSITY AUDIT & COMPLIANCE
ANNUAL REPORT
2017-18

In accordance with Board of Governors Regulation 4.002 and Internal Auditing Standards, this report is presented to summarize the activities of University Audit and Compliance for the 2017-18 fiscal year.

**FLORIDA POLYTECHNIC UNIVERSITY
UNIVERSITY AUDIT & COMPLIANCE
ANNUAL REPORT 2017-18**

Message from the Chief Audit Executive and Chief Compliance Officer

Board of Governors Regulation 4.002 requires that an annual report be prepared summarizing the activities of University Audit for the preceding year. This report reflects activity for the period July 1, 2017 to June 30, 2018. I was hired as the University's first ever Chief Audit Executive and Compliance Officer (CAE/CCO) on July 31, 2017 and established the University Audit and Compliance (UAC) function at the university. Accordingly, I was the CAE/CCO for 11 months of the 2017-18 reporting period. Prior to my employment with the university, the University Audit function was outsourced to Sunera (a.k.a. Focal Point Data Risk), an independent Certified Public Accounting and risk management consulting firm and the university did not have a dedicated compliance function.

The following accomplishments highlight the activity of UAC during the reporting period:

- Written procedures were developed for UAC over the conduct of audits and investigations.
- A compliance and ethics hotline was placed into operation.
- The initial Compliance and Ethics program plan was developed and approved by the Board.
- The UAC website was developed as well as an intranet page.
- Successfully implemented 18 regulation components set forth by the Board of Governors for the university's Compliance Program.
- A risk assessment for University Audit was completed and presented to the Board for approval.
- Compliance and Ethics training was presented by UAC to the Board of Trustees at the Board's May meeting.
- The annual report for the preceding year was prepared and presented to the Board for approval.
- UAC assisted with various consulting activities to enhance university operations.
- One internal audit was released (performed by Sunera).
- Performed various investigative activities on reported allegations of fraud, waste, noncompliance, and abuse.
- Obtained relevant educational training for audit and compliance, as required.

As evidenced from the distribution of time for UAC on page 7 of this report, hours charged for investigations and for compliance and ethics related activity demanded more time than initially planned. As a result, audit effort during the reporting period was significantly less than planned. It is expected that with the Compliance and Ethics Program Plan in place, that time allocated between the audit and compliance functions will even out in the 2018-19 fiscal year.

I appreciate the opportunity to provide you with this information. If you have any questions or need further information, please feel free to call me at (863) 874-8441.

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

**FLORIDA POLYTECHNIC UNIVERSITY
UNIVERSITY AUDIT & COMPLIANCE
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Purpose and Mission

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

Definition and Role of Internal Auditing

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

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 following oversight responsibilities charged to the AACC:
 - Oversight of internal controls
 - Oversight and direction of the internal and external auditing functions ensuring its independence
 - Integrity of the University's annual financial statements
 - The performance of the University's independent audit functions
 - Approval of the annual audit plan
 - Monitoring and controlling risk exposure
 - Oversight and direction of the University's compliance and ethics program ensuring its independence
 - Set standards for ethical conduct

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

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

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

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

All three charters are required to be reviewed and approved for consistency with Board of Governors and university regulations, professional standards, and industry practices at least every three years. No amendments to the charters are deemed necessary at this time; however, the charters will need to be fully reviewed and approved by the AACC by March 2020.

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

The following summarizes the activity of the internal audit function for the period of July 1, 2017 to June 30, 2018:

- **Florida Industrial and Phosphate Research (FIPR) Payroll Review**. During the 2016-17 fiscal year, Sunera conducted a review of payroll processes and activities between the period of January 1, 2014 to June 30, 2016 and the report was released in the current reporting period. (Issued in October 2017).
- **Auditing Procedures**. Written procedures over the conduct and performance of internal audits were prepared in the current reporting period.
- **Risk Assessment and Audit Plan**. In December 2017, the CAE prepared a Risk Assessment and Audit Plan that was presented to and approved by the AACC. The plan identified 7 areas of risk and ranked them as noted in the table below:

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#	Risk Area	Area of Focus (i.e. processes/Controls)	2017/18 Planned Audits	Notes
1	Sponsored Research	To determine whether appropriate policies and procedures are in place to promote compliance with applicable laws, rules and regulations. To determine whether adequate controls over sponsored research have been designed and placed into operation to promote the proper administration of sponsored research.	X	A
2	Americans with Disability Act	To determine whether the administration of ADA compliance incorporates a defined mission, stated goals and objectives, and clear lines of organizational authority and responsibility. To determine compliance with other ADA provisions.	X	B
3	Performance Based Funding (PBF) Reporting Controls	To determine whether the University has established adequate controls in order to properly report on the various metrics related to PBF. [Note: PBF is not currently applicable to Florida Poly; however, it is anticipated that such reporting will be required in 2021.]		
4	Purchasing Card & Travel Expenses	To determine whether the Purchasing Card Program was administered in accordance with applicable University policies and procedures and whether related purchasing card and travel expenses were reasonable, adequately supported, and for valid University purposes.		
5	Anti-hazing	To determine compliance with the University's anti-hazing policy. To determine whether appropriate controls are in place to ensure that the University has properly communicated anti hazing procedures and has conducted an appropriate level of oversight for anti-hazing responsibilities.		
6	Joint ventures, MOU's, and Partnership or Affiliation Agreements	To determine if University and Foundation joint ventures, MOU's, and Partnership/Affiliation arrangements have been appropriately formulated; are consistent with the mission, goals, interests, and intellectual property rights of the University; and have been appropriately reviewed, approved, and executed.		
7	Operational Audit Follow-up	To determine whether appropriate corrective action has been taken by university management with regard to the findings reported in the most recent Auditor General (AG) Operational Audit.	X	C
Notes: (A) Audit in progress (B) Audit not started but will be carried into the 2018-19 audit plan (C) AG Report No. 2018-214 was not released until June 2018.				

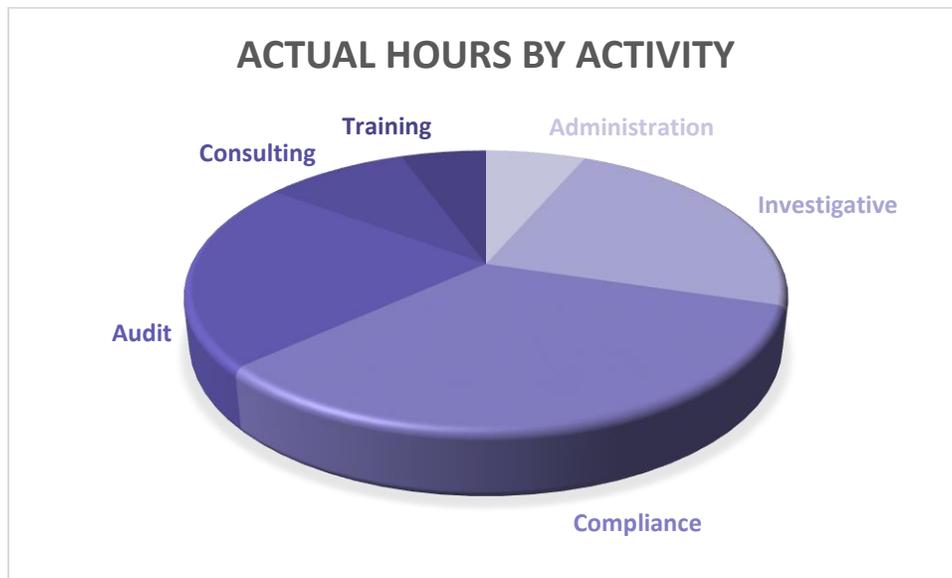
Given the limited resources of UAC, and the amount of time necessary to establish both the audit and compliance functions at the University, planned audits were limited to the two highest risks and follow-up review of the Florida Auditor General findings from their most recent operational audit. However, as

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noted from the table below, significantly more time was spent on compliance and investigative activities (965 hours) than on auditing activities (373 hours). In addition, the AG audit was not released until June 2018. As a result, planned audits from the 2017-18 fiscal year were not completed and will be carried forward into the 2018-19 audit work plan.

Activity	Plan Hours	Actual Hours	Difference	% Difference
Administrative	200	110	(90)	-45.0%
Investigative	120	395	275	229.2%
Compliance	700	570	(130)	-18.6%
Audit	564	373	(191)	-33.9%
Consulting	100	158	58	58.0%
Training	60	94	34	56.7%
Totals	1,744	1,700	(44) ¹	-2.5%

The following graph depicts actual hours by activity for the 2017-18 fiscal year:



In addition to the additional effort required to establish the compliance function at the university, the following factors further contributed to not completing audits as planned:

- The risk assessment and audit plan was not completed and approved until four months after my hiring (December 2017) and therefore afforded less than one year to conduct planned audits.
- Standard audit forms had to be created since this was the initial year for UAC.
- Investigative effort consumed more resources than initially planned, primarily as a result of investigative Report No. 2018-01.

¹ Differences in total planned versus total actual hours is primarily the result of the university's closure for one week after hurricane Irma.

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Other Mandatory Disclosures

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 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 review is planned for the 2018-19 fiscal year. In addition, UAC has been contacted to assist in validating a QAR at another university – which should provide insight and knowledge in establishing an acceptable QAR Program at Florida Poly.

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Compliance & Ethics Activity

In November 2016, BOG Regulation 4.003, *State University System Compliance and Ethics Programs*, was adopted. Regulation 4.003 requires each university to establish a compliance and ethics program within two years of regulation adoption. To monitor each institutions progress on implementing the requirements of the Regulation, the BOG requires each university to complete a “Compliance and Ethics Program Status Checklist” each year. The Checklist requires a response to 19 regulation components identified in Board of Governors Regulation 4.003 as the essential elements of an effective Compliance and Ethics Program. As noted in the table below, 18 of the 19 required regulation components were successfully implemented in the 2017-18 fiscal year. In May 2018, Florida Poly filed the Checklist with the BOG Inspector General and reported that 18 of the 19 required elements had been completed. The remaining element not completed, program evaluation, is afforded a five year period for implementation.

Area	Total Regulation Components	Regulation Components Completed 2016-17	Regulation Components Completed 2017-18
University-wide Compliance Program	5	1	4 ²
Program Plan	5	0	5
BOT Committee	4	0	4
Chief Compliance Officer	5	1	5
TOTALS	19	2	18

The following summarizes the activity of the Compliance function for the period of July 1, 2017 to June 30, 2018:

- **Investigative Procedures.** Written procedures over the conduct and performance of investigations were prepared in the current reporting period.
- **Compliance and Ethics Program Plan.** A Compliance and Ethics Program Plan was developed in the current reporting period and presented to the Board in May 2018. The initial Compliance and Ethics Plan is for the 2018-19 fiscal year.
- **Compliance and Ethics Hotline.** 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. The Hotline provides for various methods of reporting including an on-line form, telephone, fax, or direct mail for anonymous reporting. These reporting mechanisms are publicized on the university website and the university intranet. In September 2018, the CCO will be conducting training for university management to further publicize the Hotline and university

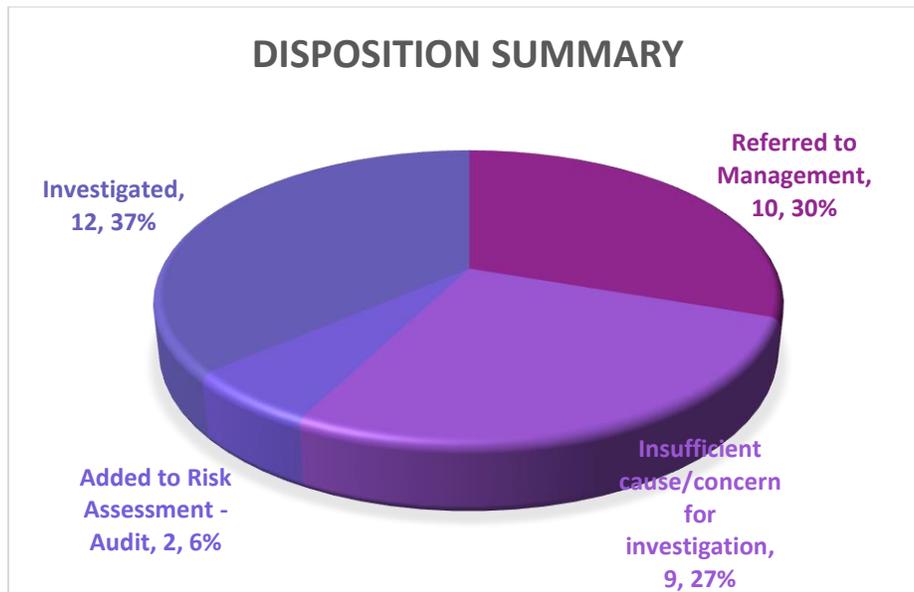
² Until the Compliance Program is developed and placed into operation for several years, it would not be possible to conduct an external effectiveness review. Therefore, one regulation component remains and BOG Regulation 4.003 requires compliance by November 3, 2021 for this particular regulation component.

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regulations and policies designed to effectively communicate management’s commitment to prevent and detect criminal conduct.

- **Website and Intranet Page.** Both the UAC web page and the UAC intranet page were developed during the current reporting period. Both web pages provide information on the newly developed Compliance and Ethics Hotline developed by UAC.
- **Board Training.** The CCO presented Compliance and Ethics training to the Board of Trustees at their May meeting. At the request of the Board, the CCO will continue to present such training at the Board retreat held in May of each year.
- **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, and other sources. During the reporting period, UAC received 33 allegations, complaints, or concerns from which one investigative report was issued covering 12³ allegations. Of the remaining allegations, 10 were referred to management for corrective action, 2 were added to the audit risk assessment, and 9 were deemed to have insufficient cause for investigation and thus closed.

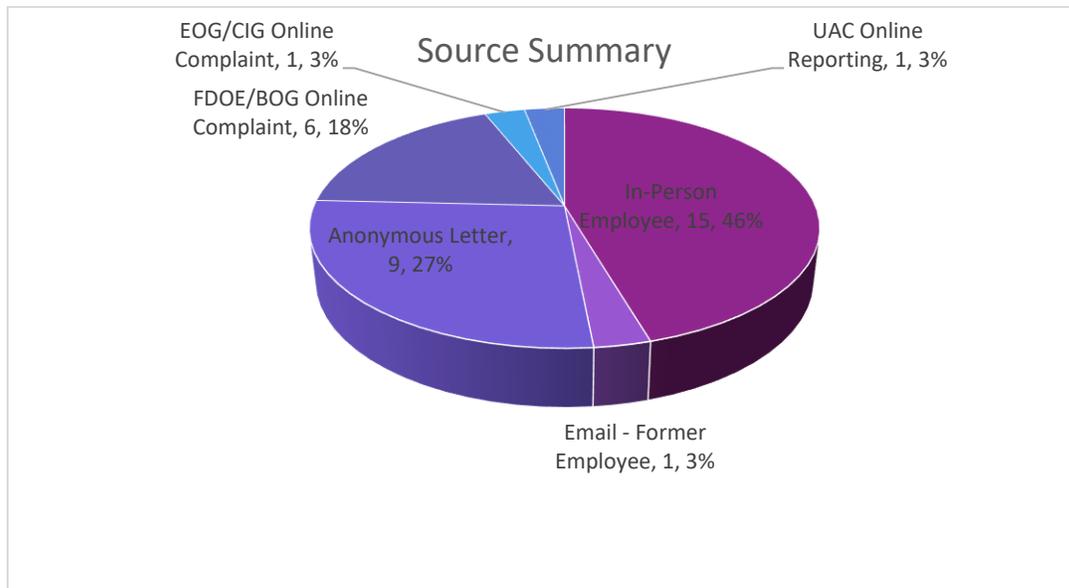
The following graph depicts the disposition of all allegations received during the 2017-18 fiscal year:



³ Only 11 allegations were covered in UAC Investigative Report 2018-01; however, one allegation was reported from two different sources.

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The following graph depicts the reporting source from which the various allegations were received during the 2017-18 fiscal:



Consulting Activity

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

- Review of policies and procedures
- Review of the Annual Financial Report
- Review of the finance travel manual
- Student Activity Fee Administration
- Interpretation of GASB/FASB applicability
- Foundation expenses and reporting
- Miscellaneous other advisory services on a variety of topics

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Professional Development

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 other SUS audit and compliance functions throughout the State. During the reporting period, UAC met twice with the State University Audit Council (SUAC) and once with the State University System of Florida Compliance and Ethics Consortium (Consortium). Both groups hold periodic conference calls or meet in person to discuss common issues, best practices, and trends in audit and compliance.

**Florida Polytechnic University
Audit and Compliance Committee (AACC)
Board of Trustees
September 5, 2018**

Subject: University Audit and Compliance Risk Assessment and Activity Plan – 2018-19

Background Information

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

The AACC should consider 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.

Proposed Committee Action

Recommend approval of the University Audit and Compliance Risk Assessment and Annual Plan for the 2018-19 fiscal year to the Board of Trustees.

Supporting Documentation: University Audit and Compliance Risk Assessment and Activity Plan for the 2018-19 fiscal year

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



FLORIDA POLYTECHNIC
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UAC Risk Assessment & Activity Plan 2019

David A. Blanton, CPA

05 September 2018

UAC Risk Assessment and Activity Plan

- **Fiscal year ended June 30, 2019**
- **Required by IIA Standards, BOG Regulation, and UAC Charter**
- **Audit & Compliance Committee Oversight**
 - Resource allocation
 - Risks adequately addressed



Risk Assessment

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	Risk Area	Objectives/Purpose of Audit	Notes
1	Sponsored Research	To determine whether appropriate policies and procedures are in place to promote compliance with applicable laws, rules and regulations. To determine whether adequate controls over sponsored research have been designed and placed into operation to promote the proper administration of sponsored research.	A
2	Americans with Disability (ADA) Act	To determine whether the administration of ADA compliance incorporates a defined mission, stated goals and objectives, and clear lines of organizational authority and responsibility. To determine compliance with other ADA provisions.	A
3	Institutional Scholarship Awards	To determine whether institutional scholarships offered were administered without bias, on a consistent basis, and in accordance with University and Federal Regulations.	B
4	Environmental Health & Safety (EHS) Audit	To determine compliance with applicable safety regulatory requirements and with procedural requirements of the university's EHS program.	
5	Purchasing Card & Travel Expenses	To determine whether the Purchasing Card Program was administered in accordance with applicable University policies and procedures and whether related purchasing card and travel expenses were reasonable, adequately supported, and for valid University purposes.	
6	Performance Based Funding (PBF) Reporting Controls	To determine whether the University has established adequate controls in order to properly report on the various metrics related to PBF. [Note: PBF is not currently applicable to Florida Poly; however, it is anticipated that such reporting will be required in 2021.]	
Notes:			
A – Risk and audit carried forward from 2016-17 Audit Plan.			
B – Planned for 2018-19 fiscal year.			

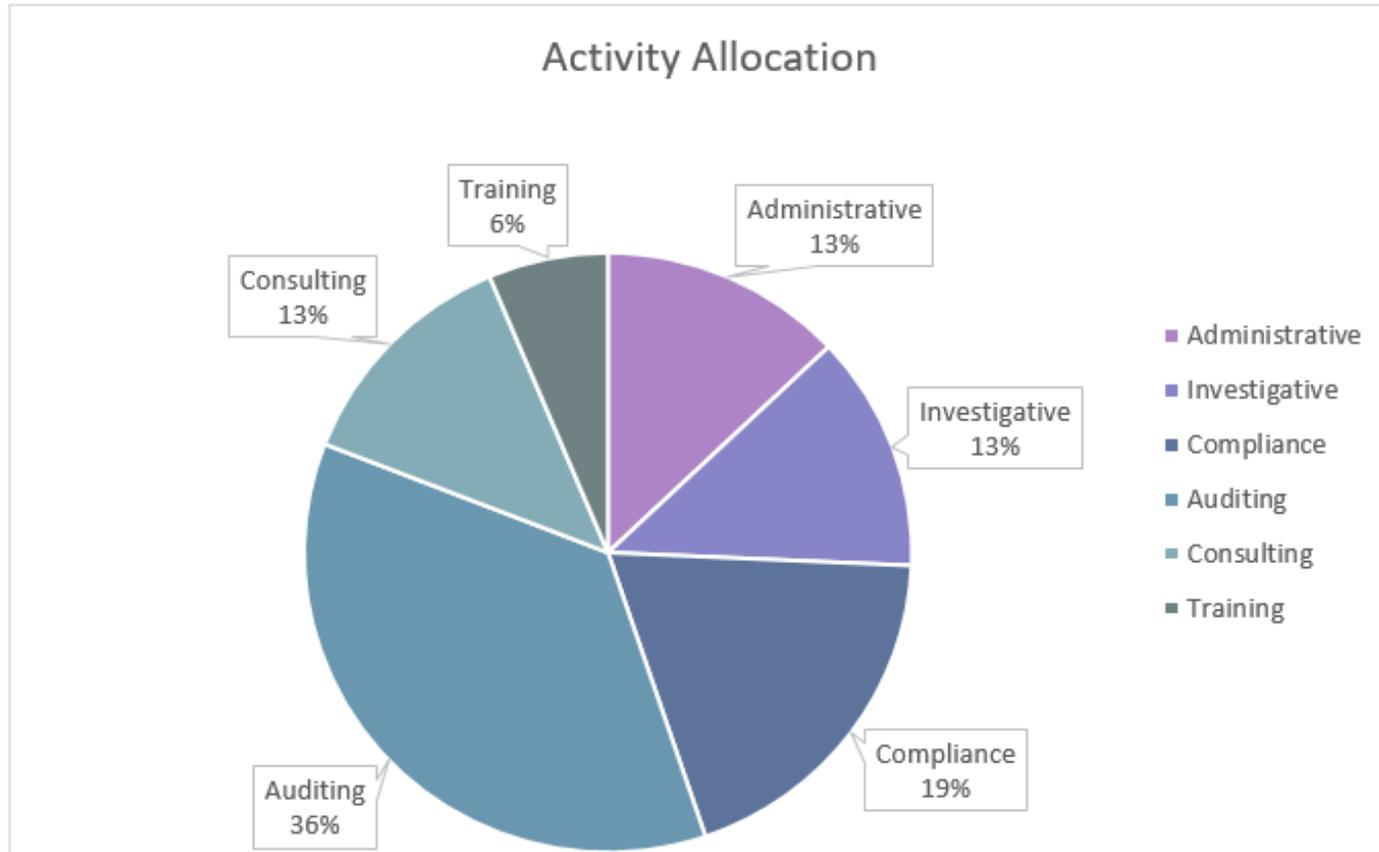
Given the limited resources of UAC, and the amount of time necessary to administer both the audit and compliance functions at the University, planned audits were limited to the first three risks and follow-up review of the Florida Auditor General findings from their most recent operational audit⁵. Additionally, time has been allocated to perform an internal quality assurance improvement review in accordance with IIA standards and the University Audit Charter. In the event that resources for the 2018-19 fiscal year are available beyond activities called for in the Plan on page 5, risks 4 through 6 above will be added to the Plan as audit topics.

Planned Resource Allocation

Florida Polytechnic University University Audit & Compliance Work Plan (A)		
Activity	Estimated Hours	Total Hours
ADMINISTRATIVE ACTIVITIES:		244
Periodic meetings with President/Board	40	
BOG Communications	20	
Prepare Audit & Compliance liaison materials and attend briefings	160	
Other	24	
INVESTIGATIVE ACTIVITIES:		240 ⁶
Complaint Intake, Preliminary Inquiries, Investigations (B)	240	
COMPLIANCE ACTIVITIES:		360 ⁷
Administration of the Compliance and Ethics Program	280	
Perform Compliance & Ethics Training	80	
AUDITING ACTIVITIES:		680
Auditor General Operational Audit Follow-up (C)	140	
Internal Quality Assurance Assessment	80	
Institutional Scholarship Awards Review	120	
UAC Risk Assessment and Audit Plan 2018-19	100	
UAC Annual Report	40	
Sponsored Research Audit	100	
Americans with Disabilities Audit	100	
MANAGEMENT ADVISORY/CONSULTING ACTIVITIES:		240
Various (2)	240	
TRAINING ACTIVITIES:		120
Webinars, SUS Committees, and Continuing Professional Education	120	
Total Estimated Hours	1,884	1,884
Notes:		
(A) This short-term work plan is subject to change based on requests made by the Board to evaluate particular programs or activities.		
(B) Estimated hours for investigations and management advisory services not readily quantifiable and could increase given additional allegations and/or consulting requests.		
(C) Auditor General Operational Report No. 2018-214 included 9 findings.		

Planned Resource Allocation

The graph below depicts the planned allocation of UAC resources, by activity, for the 2018-19 fiscal year:



UAC Risk Assessment and Activity Plan

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

ACTION: Recommend approval of the 2018-19 UAC Risk Assessment and Activity Plan to the Board of Trustees



FLORIDA POLYTECHNIC
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University Audit & Compliance

Work Plan

For the Fiscal Year Ended June 30, 2019

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Transmittal Letter

July 19, 2018

Mr. Gary Wendt, 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 and Compliance (UAC) office for the fiscal year ending June 30, 2019. The Plan provides for the planned activity of both University Audit and University Compliance. The Plan includes provision for audits based on an assessment of risk and provision for administering the Compliance Program at the University. One project (Federal Financial Assistance) is included as a required audit mandated by the U.S. Department of Education and was not derived from the risk assessment. The Plan also includes provision for assisting management with additional requests, special investigations, follow-up on any Auditor General findings, and other value-added work.

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

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

Sincerely,

David A. Blanton

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

Approved by:

Dr. Randy Avent, President/Date

Approved by:

Gary Wendt, Chair AACC/Date

Introduction

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

As required by the Internal Audit Charter, pursuant to Florida Board of Governors (BOG) Regulations¹ and Internal Auditing Standards², audits are to be scheduled and performed according to a risk-based annual plan which shall be submitted to the President, the AACC, and the Board of Governors. A risk assessment is an on-going systematic exercise performed to identify concerns and potential areas of risk that may benefit from audit assurance and is used to appropriately allocate audit resources. In performing the risk assessment, information on risk areas and concerns were gathered from the following:

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

A population of 80 risk areas were compiled in order to create the “audit risk universe”. This represents an increase of 12 new that were added from the risk assessment conducted in December of 2017. 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. The results of this risk assessment process led to the generation of selected audit topics as identified on pages 4 and 5.

How does a risk assessment prepared for audit purposes differ from Enterprise Risk Management?

The primary purpose of a risk assessment prepared for audit is to allocate auditing resources to those areas with the greatest perceived risk.

Enterprise Risk Management (ERM) is the culture, capabilities, and practices that organizations integrate with strategy-setting and apply when they carry out that strategy, with a purpose of managing risk in creating, preserving, and realizing value. ERM includes practices management has put in place to actively manage risk.³

¹ Florida Board of Governors Regulation 4.002(6)(d)

² *International Standards for the Professional Practice of Internal Auditing*

³ Committee on Sponsoring Organizations of the Treadway Commission (COSO) Executive Summary *Enterprise Risk Management – Integrating with Strategy and Performance*

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 Regulations⁴.

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

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

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

The Florida Auditor General recently performed an operational audit of the University for the period January 2016 through March 2017; however the final report was not released until June 2018. The Plan includes an allocation of resources to perform follow-up reviews on reported matters to ensure appropriate corrective action has been taken for each report finding. Audit areas included in the scope of that audit that did not have related findings were deemed to have lower risk.

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?

⁴ 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	Risk Area	Objectives/Purpose of Audit	Notes
1	Sponsored Research	To determine whether appropriate policies and procedures are in place to promote compliance with applicable laws, rules and regulations. To determine whether adequate controls over sponsored research have been designed and placed into operation to promote the proper administration of sponsored research.	A
2	Americans with Disability (ADA) Act	To determine whether the administration of ADA compliance incorporates a defined mission, stated goals and objectives, and clear lines of organizational authority and responsibility. To determine compliance with other ADA provisions.	A
3	Institutional Scholarship Awards	To determine whether institutional scholarships offered were administered without bias, on a consistent basis, and in accordance with University and Federal Regulations.	B
4	Environmental Health & Safety (EHS) Audit	To determine compliance with applicable safety regulatory requirements and with procedural requirements of the university's EHS program.	
5	Purchasing Card & Travel Expenses	To determine whether the Purchasing Card Program was administered in accordance with applicable University policies and procedures and whether related purchasing card and travel expenses were reasonable, adequately supported, and for valid University purposes.	
6	Performance Based Funding (PBF) Reporting Controls	To determine whether the University has established adequate controls in order to properly report on the various metrics related to PBF. [Note: PBF is not currently applicable to Florida Poly; however, it is anticipated that such reporting will be required in 2021.]	
Notes:			
A – Risk and audit carried forward from 2016-17 Audit Plan.			
B – Planned for 2018-19 fiscal year.			

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 the first three risks and follow-up review of the Florida Auditor General findings from their most recent operational audit⁵. Additionally, time has been allocated to perform an internal quality assurance improvement review in accordance with IIA standards and the University Audit Charter. In the event that resources for the 2018-19 fiscal year are available beyond activities called for in the Plan on page 5, risks 4 through 6 above will be added to the Plan as audit topics.

⁵ AG Report No. 2018-214, was released in June 2018 and included 9 findings.

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:

Florida Polytechnic University University Audit & Compliance Work Plan (A)		
Activity	Estimated Hours	Total Hours
ADMINISTRATIVE ACTIVITIES:		244
Periodic meetings with President/Board	40	
BOG Communications	20	
Prepare Audit & Compliance liaison materials and attend briefings	160	
Other	24	
INVESTIGATIVE ACTIVITIES:		240 ⁶
Complaint Intake, Preliminary Inquiries, Investigations (B)	240	
COMPLIANCE ACTIVITIES:		360 ⁷
Administration of the Compliance and Ethics Program	280	
Perform Compliance & Ethics Training	80	
AUDITING ACTIVITIES:		680
Auditor General Operational Audit Follow-up (C)	140	
Internal Quality Assurance Assessment	80	
Institutional Scholarship Awards Review	120	
UAC Risk Assessment and Audit Plan 2018-19	100	
UAC Annual Report	40	
Sponsored Research Audit	100	
Americans with Disabilities Audit	100	
MANAGEMENT ADVISORY/CONSULTING ACTIVITIES:		240
Various (2)	240	
TRAINING ACTIVITIES:		120
Webinars, SUS Committees, and Continuing Professional Education	120	
Total Estimated Hours	1,884	1,884
Notes:		
(A) This short-term work plan is subject to change based on requests made by the Board to evaluate particular programs or activities.		
(B) Estimated hours for investigations and management advisory services not readily quantifiable and could increase given additional allegations and/or consulting requests.		
(C) Auditor General Operational Report No. 2018-214 included 9 findings.		

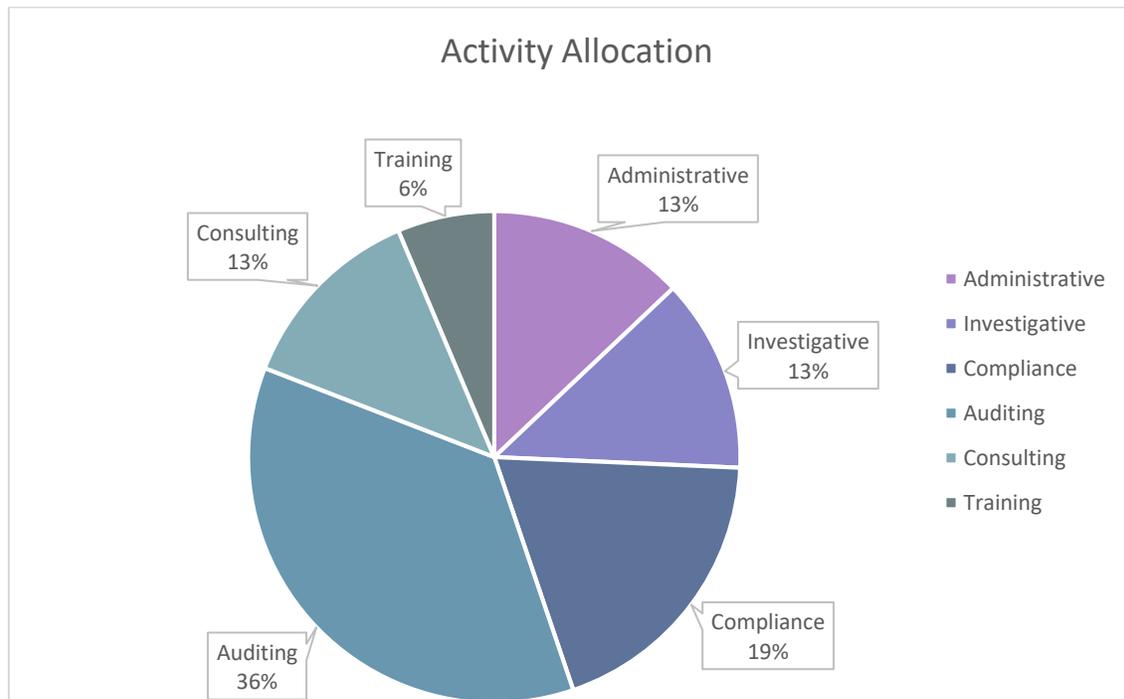
⁶ Hours for investigative activities approved in the 2018-19 Compliance Program Plan by the AACC on 5/22/18.

⁷ Hours for compliance activities approved in 2018-19 Compliance Program Plan by the AACC on 5/22/18.

The table below identifies current resources available for University Audit and University Compliance during the 2018-19 Plan year: (1 staff FTE)

Available Staffing Hours	
Month	Hours
July	168
August	184
September	152
October	184
November	160
December	128
January	168
February	160
March	168
April	176
May	176
June	160
Sub Total	1,984
Vacation/sick	(100)
Annual hours available	1,884

The graph below depicts the planned allocation of UAC resources, by activity, for the 2018-19 fiscal year:



**Florida Polytechnic University
Audit and Compliance Committee (AACC)
Board of Trustees
September 5, 2018**

Subject: Operational Audit Report for the period 1/1/16 to 3/31/17

Executive Summary

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 AACC Charter, the Committee shall receive and review all external auditors' reports of the University and consider management's response to the audit.

The Committee should consider whether management's response to audit findings provide for sufficient corrective action and consider whether further assurance by Audit and Compliance is necessary to ensure that appropriate corrective action has been taken by management.

Proposed Committee Action

Recommend approval of the AG Operational Audit Report and management's response to the findings that was released in June 2018 to the Board of Trustees.

Supporting Documentation: AG Report No. 2018-214

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



FLORIDA POLYTECHNIC
UNIVERSITY

Operational Audit Review

David A. Blanton, CPA

05 September 2018

Auditor General Operational Audit

- **Audit period: 1/1/16 – 3/31/17**
- **Focus: University processes and administrative activities**
- **Findings: 9**

Textbook Affordability

- **Finding 1: Textbooks not posted timely**
 - 45 days prior to start of class, 95% should be posted
 - Fall 2016 Term, only 68% posted
 - Repeat finding

- **Management's Response:**
 - Corrected

Bank Account Reconciliations

- **Finding 2: Bank reconciliations not prepared timely**
 - 12 of 30 not prepared/approved timely
 - Period: January 2016 – March 2017
- **Management's Response:**
 - Corrected

Auxiliary Contracts

- **Finding 3: Food service commission revenue not verified**
- **Management's Response:**
 - Procedures enhanced to provide for independent verification
 - No revenue shortages

Payroll Processing

- **Finding 4: Supervisory review of time records**
 - No documented approval for 9/15
 - 3 of 9 related to inappropriate level of approval
 - Repeat finding
- **Management's Response:**
 - Procedures enhanced to provide for independent verification
 - Consider certain delegations of authority acceptable

Expense Cards

- **Finding 5: Documented approval**
 - No signed expense receipts – 6 exceptions (UF procedures)
 - One instance noted for inappropriate level of approval
 - Repeat finding
- **Management's Response:**
 - Corrected with Workday
 - Consider certain delegations of authority acceptable

Subcontractor Licenses

- **Finding 6: Verification of licensure**
 - 7 exceptions noted
 - Subsequently provided all 7 licenses
- **Management's Response:**
 - Contractor is required by law to only contract with licensed subs/municipal ordinance requires prior to permitting
 - Will consider adding additional assurance/verification

Anti-Hazing Program

- **Finding 7: Administration of program**
 - Efforts at participation with other SUS institutions (only served 184 students)
 - Documented consideration of costs vs. benefits
 - Contract deliverables
 - Questioned \$500K in administrative costs
- **Management's Response:**
 - Specified deliverables in future contracts
 - Evaluate administrative costs/return unsupported amount

Direct-Support Organization (DSO)

- **Finding 8: Foundation Oversight Controls**
 - Revise Rule for use of resources provided to DSO
 - Document anticipated use of resources provided to DSO
 - Document actual use of resources provided to DSO
- **Management's Response:**
 - University has/will enhance DSO oversight controls

Security Awareness

- **Finding 8: Acknowledgement forms not completed or retained for IT security training**
 - 9 exceptions (8 prior to Policy adoption)
- **Management's Response:**
 - Enhanced controls provide for online training that documents participation

Operational Audit

- The Committee is responsible for receiving and reviewing all external audits of the university
- The Committee should consider management's response and their plans to take timely and appropriate corrective action

ACTION: Recommend approval of the Auditor General Operational Report and management's responses to the Board of Trustees

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2018-214
June 2018

FLORIDA POLYTECHNIC UNIVERSITY



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the period January 2016 through March 2017, Dr. Randy K. Avent served as President of Florida Polytechnic University and the following individuals served as Members of the Board of Trustees:

Frank T. Martin, Vice Chair through 6-1-16, Chair from 6-2-16	Dr. Sandra Featherman Dr. Richard P. Hallion
Donald H. Wilson, Vice Chair from 6-2-16	Henry McCance from 3-24-16 ^b
R. Mark Bostick, Chair through 6-1-16	Tom O'Malley through 1-8-16 ^c
William M. Brown	Clifford "Cliff" K. Otto from 3-24-16 ^b
Dr. Christina Drake ^a	Veronica Perez Herrera ^d
Rear Admiral Philip A. Dur, USN (Ret), from 3-24-16 ^b	Robert W. Stork

^a Faculty Senate Chair.

^b Trustee positions vacant 1-1-16 through 3-23-16.

^c Trustee position vacant through 3-31-17.

^d Student Body President.

The audit was supervised by Brenda C. Racis, CPA.

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

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FLORIDA POLYTECHNIC UNIVERSITY

SUMMARY

This operational audit of Florida Polytechnic University (University) focused on selected University processes and administrative activities and included a follow-up on findings noted in our report No. 2016-067. Our operational audit disclosed the following:

Finding 1: University textbook affordability procedures need enhancement to promote compliance with State law. A similar finding was noted in our report No. 2016-067.

Finding 2: University personnel did not always document timely preparation and supervisory approval of bank account reconciliations.

Finding 3: University personnel did not verify the accuracy of auxiliary operation commission revenue totaling \$370,000 for food service sales.

Finding 4: The University needs to enhance procedures to ensure supervisory review and approval of employee time worked is documented.

Finding 5: University records did not always evidence cardholder and supervisory approval of expense card charges.

Finding 6: University personnel did not document their verification that subcontractors were appropriately licensed before they commenced work on the University Wellness Center Expansion and Recreation Building Projects.

Finding 7: The University was appropriated and allocated \$3 million to provide an anti-hazing course for all State University System incoming freshmen for the 2015-16 and 2016-17 school years. The University contracted with a service provider for the course; however, University records did not demonstrate that the University made substantive efforts to obtain the necessary institution and freshmen participation in the course or that the course provider services were received at the lowest cost consistent with desired quality. In addition, the University contract for these services did not specify a minimum number of participating institutions or anticipated freshmen participants or provide for legal remedies should the services not extend to a sufficient number of institutions and students, and University records did not document the reasonableness of the contracted amount or the \$500,000 retained by the University for administrative costs related to the course.

Finding 8: University policies and records supporting University personal services provided to the University's direct-support organization could be improved.

Finding 9: University records did not always evidence that employees were informed of their responsibilities regarding access to University information technology resources.

BACKGROUND

The Florida Polytechnic University (University) is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors (BOG). The University

is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints 6 citizen members and the BOG appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered 5-year terms. The Faculty Senate Chair and Student Body President also are members.

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

This operational audit focused on selected University processes and administrative activities and included a follow-up on findings noted in our report No. 2016-067. The results of our financial audit of the University for the fiscal year ended June 30, 2017, will be presented in a separate report. In addition, the Federal awards administered by the University are included within the scope of our Statewide audit of Federal awards administered by the State of Florida and the results of that audit, for the fiscal year ended June 30, 2017, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding 1: Textbook Affordability

State law¹ requires each university to post prominently in the course registration system and on its Web site, as early as feasible, but at least 45 days before the first day of class for each term, a hyperlink to lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections offered at the university during the upcoming term. The University contracted with a vendor to manage and operate the University Bookstore, as well as to compile and post lists of adopted textbooks on the University Web site. According to University personnel, textbook and instructional material information was simultaneously updated in the course registration system and on the Bookstore Web site.

As part of our audit, we reviewed the dates the vendor posted textbook information for the 311 course sections offered during the Fall 2016 Term. We identified 100 course sections that had textbook information posting dates that were not at least 45 days before the first day of class. Specifically, the posting dates for the 100 course sections ranged from 33 days before the first day of classes to 37 days after the first day of classes. As the University only timely posted the textbook information for 211 (68 percent) of the course sections, the University did not comply with the State law requiring such information be timely posted for at least 95 percent of the course sections.

In response to our inquiries, University personnel indicated that textbook information was not always posted timely because the University was new and the faculty was unfamiliar with State law applicable to textbook and instructional materials affordability. University personnel also indicated that University management was working with the faculty to help determine the textbooks that would be used each term

¹ Section 1004.085(6), Florida Statutes, effective July 1, 2016.

and provide for timelier postings. Without textbook information timely posted in the course registration system and on the Bookstore Web site, the University cannot demonstrate compliance with State law and students may misunderstand course textbook requirements and not have sufficient time to consider textbook purchase options to limit their textbook costs. A similar finding was noted in our report No. 2016-067.

Recommendation: The University should ensure compliance with State law by prominently posting in the course registration system and on its Web site, as early as feasible, but at least 45 days before the first day of class for each term, a hyperlink to lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections offered at the University during the upcoming term.

Finding 2: Bank Account Reconciliations

Effective internal controls require that reconciliations of bank account balances to general ledger control accounts be performed on a timely, routine basis and reviewed by supervisory personnel. Such reconciliations are necessary to provide reasonable assurance that cash assets agree with recorded amounts, permit prompt detection and correction of unrecorded and improperly recorded cash transactions or bank errors, and provide for the efficient and economic management of cash resources.

At June 30, 2017, the University's general ledger cash balance totaled \$199,887. During the 2016-17 fiscal year, the University maintained four bank accounts for accounts payable disbursements, incoming cash, Federal Pell Grant Program funds,² and a clearing account. Business Office personnel were responsible for preparing monthly bank account reconciliations, which supervisory personnel were to review and approve. According to University personnel, bank account reconciliations are typically prepared within 7 to 10 days after the bank statement dates.

As part of our audit, we examined the bank account reconciliations for the accounts payable disbursements and the incoming cash bank accounts for the period January 2016 through March 2017 and noted that the 18 reconciliations for the January 2016 through September 2016 bank statements were timely prepared and approved. However, the 12 reconciliations for the October 2016 through March 2017 bank statements were not prepared and approved until 110 to 261 or an average of 185 days after the bank statement dates. In response to our inquiries, University personnel indicated that the bank account reconciliations and related approvals during that 6-month period were delayed because University personnel were learning a newly implemented accounting system.

Although the reconciliations did not identify any significant unreconciled items, untimely bank account reconciliations increase the risk that any cash transaction errors or misappropriations that may occur will not be timely detected and resolved.

Recommendation: University personnel should document timely preparation of reconciliations of bank account balances to general ledger control accounts and supervisory review and approval of the reconciliations.

² The Federal Pell Grant Program (Catalog of Federal Domestic Assistance Number 84.063) provides need-based grants to low-income undergraduate and certain postbaccalaureate students to promote access to postsecondary education.

Finding 3: Auxiliary Enterprise Contracts

Auxiliary enterprises are established primarily to provide non-instructional services for sale to students, faculty, and staff, and are intended to be self-supporting. The University contracted for auxiliary enterprise services with a food service vendor and a bookstore vendor and commission revenue from these vendors for the 2016-17 fiscal year totaled \$400,000, including \$370,000 from food services and \$30,000 from bookstore sales.

The University contracts required the vendors to timely submit commission revenue and related reports for University personnel to review and verify the accuracy of the revenue. University records evidenced that the bookstore commission revenue agreed to the terms of the bookstore vendor contract. However, neither the monthly sales reports and the manually prepared spreadsheets used by the Auxiliary Services Department to monitor food service sales, nor other University records, identified commission revenue based on different meal categories to demonstrate that the food service commission revenue agreed to the terms of the food service vendor contract.

According to University personnel, in July 2017 the Budget and Finance Office began documenting verifications that food service commission revenue was properly received based on food service collections and the related vendor contract. Without documented commission revenue verifications, University records do not demonstrate that food service commission revenue earned is properly received.

Recommendation: The University should continue efforts to verify that food service commission revenue earned is received in accordance with the food service vendor contract.

Finding 4: Payroll Processing – Time Records

Effective internal controls require that time records document the time worked and leave used by employees and also require supervisory approval of such time to ensure that compensation payments are appropriate and leave balances are accurate. The University pays exempt employees (e.g., full-time faculty and administrative personnel) on a payroll-by-exception basis whereby employees are paid a fixed authorized amount for each payroll cycle unless the amount is altered. A payroll-by-exception methodology assumes, absent any payroll action to the contrary, that an employee worked or used available accumulated leave for the required number of hours in the pay period. In addition, the University pays non-exempt employees (e.g., lab technicians, clerks, and student workers) on an hourly basis.

Prior to the implementation of the University information technology (IT) system in October 2016, supervisory personnel were required to approve leave request forms for exempt employees but were not required to review and approve exempt employee time worked. According to University personnel, in October 2016 the supervisors began certifying on time reports the review and approval of time recorded as worked by all employees.

During the 2016 calendar year, the University reported salary costs of \$15 million for 396 non-exempt and exempt employees (excluding the President). As part of our audit, we requested for examination certain 2-week time reports for 15 (5 non-exempt and 10 exempt) selected employees during the period October 2016 through March 2017. We found that supervisory approval was not documented on the time reports for 9 employees and that the administrative assistants for supervisory personnel documented

approval of the time worked for 3 of the 9 employees. In response to our inquiry, University personnel indicated that, because of oversights, supervisors did not always certify time reports, requiring the Payroll Department to override the approval function to process the payroll. According to University personnel, another reason supervisors did not certify the reports was because University management authorized administrative assistants to approve time reports. Notwithstanding these responses, supervisory personnel with direct responsibility for subordinate work activities would be in the best position to approve subordinate time reports and hold subordinates accountable for the time recorded as worked.

Without documented supervisory approval of subordinate time reports, there is an increased risk that employees may be incorrectly compensated, employee leave balances may not be accurate, and there is limited assurance that employee services were provided consistent with the Trustees' expectations. In addition, without such records, there is an increased risk that employee disputes regarding compensation payments or leave balances may not be timely resolved. A similar finding was noted in our report No. 2016-067.

Recommendation: The University should ensure that, prior to processing payroll payments, documented supervisory approval of subordinate time reports is obtained. If extenuating circumstances prevent documented supervisory approval prior to payroll processing, supervisory approval should be obtained as soon as practical thereafter.

Finding 5: Expense Cards

The University administers an expense card (E-card) program, which gives employees the convenience of purchasing items without using the standard purchase order process. E-cards are designed to provide a cost-effective, convenient, and decentralized method for individuals to make certain purchases on behalf of the University, and are subject to the same rules and regulations that apply to regular University purchases.

In October 2016, the University implemented the *Expense Card Manual (E-Card Manual)* that established responsibilities of the E-card administrator, supervisors or managers, and cardholders for the issuance, use, and cancellation of E-cards. For example, the *E-Card Manual* requires cardholders to create an expense report in the University IT system, approve their E-card charges in the system, and submit E-card expense receipts to designated employees for approval. Within 10 working days of posting to the IT system, the designated employees must review and approve the E-card charges to ensure the propriety of the charges. The *E-Card Manual* also suggests that the cardholder's supervisor review the expense reports periodically to consider the appropriateness of purchases, especially when said supervisor is not acting as the cost center manager who approves the expense in the IT system. Before October 2016, the University followed guidance provided in the University of Florida (UF) *P-Card Manual*³ that required, for example, cardholders to sign P-card receipts to accept responsibility for their purchases.

During the period January 2016 through March 2017, the University had E-card expenses totaling \$508,747 and, as of March 31, 2017, 53 E-cards were in use. To evaluate the effectiveness of controls over E-card purchases and to determine whether University personnel complied with the *E-Card Manual*

³ After the Florida Polytechnic University was created in 2012, the Board entered into an agreement for UF to provide various administrative services and the University decided to implement the UF *P-Card Manual*.

or the UF *P-Card Manual*, as applicable, we examined University records for 40 selected expenses totaling \$75,568 and found that University records did not evidence:

- Cardholder approval for 6 expenses totaling \$13,056, which included airfare, lodging, and participation in a payroll certification program. According to University personnel, 5 expenses totaling \$8,670 were for purchases made by University research employees who were not required to approve purchases until the University IT system was implemented in October 2016. However, contrary to the applicable UF *P-Card Manual* requirements, the research employees did not sign the expense receipts. Absent documented cardholder approval, responsibility for the expense is not established and the risk for unauthorized purchases without timely detection is increased.
- Supervisory review and approval for an expense of \$2,495 for a recruiting trip. An administrative assistant documented approval of the expense and, according to University personnel, the assistant was officially authorized to approve expenses on behalf of her supervisor. However, supervisory personnel with direct responsibility for and knowledge of subordinate work activities would be in the best position to approve expenses and hold subordinates accountable for such expenses.

A similar finding was noted in our report No. 2016-067.

Recommendation: University procedures should be enhanced to ensure that cardholders and supervisors document approval of E-card expenses. Additionally, the *E-Card Manual* should be revised to require both cardholders and their immediate supervisors to approve all E-card expenses.

Finding 6: Subcontractor Licenses

State law⁴ provides that a CME must consist of, or contract with, licensed or registered professionals for the specific fields or areas of construction to be performed. State law⁵ also establishes certain certification requirements for persons engaged in construction contracting, including licensing requirements for specialty contractors such as electrical, air conditioning, plumbing, and roofing contractors.

University personnel indicated that they verified the licenses of the subcontractors before the subcontractors commenced work on University facilities; however, University personnel did not always maintain documentation of that verification. From the population of 34 subcontractors who provided services for the Wellness Center Expansion Project totaling \$1.55 million and the Recreation Building Project totaling \$2.4 million, we requested for examination University records supporting verification of the licensure of 7 subcontractors. Subsequent to our inquiry, and because University records did not evidence that the licenses had been verified, University personnel contacted the CMEs and obtained copies of the 7 subcontractors' licenses.

Timely documented verification that subcontractors are appropriately licensed provides the University additional assurance that the subcontractors who will be working on University facilities meet the qualifications to perform the work for which they are engaged.

⁴ Section 1013.45(1)(c), Florida Statutes.

⁵ Chapter 489, Florida Statutes.

Recommendation: The University should enhance procedures to verify and document that subcontractors are appropriately licensed before the subcontractors commence work on University facilities. Such procedures could include documented verification through online licensing searches or appropriate evidence of the CME's confirmation of licensure.

Finding 7: Anti-Hazing Course

In 2014, the Legislature appropriated funds⁶ to the University of Central Florida (UCF) to procure access to an online, expertly developed and evidence-based, anti-hazing course on behalf of State University System (SUS) students. Such course was to be made available in advance of the 2014 Fall semester. In August 2014, UCF contracted with a service provider for the anti-hazing course for a total of \$970,600 for the period August 2014 through July 2017.⁷ According to UCF records for the period January 2015 through April 2018, the vendor provided the online anti-hazing course to all 12 SUS universities, a total of 68,671 SUS students enrolled in the course, and 65,527 students completed the course.

In 2015, the Legislature appropriated⁸ \$1.5 million to Florida Polytechnic University (University) to procure access to a developed, online, academically researched and evidence-based, anti-hazing course for all SUS incoming freshman students for the 2015 Fall Semester. For the period July 2016 through August 2017, the BOG allocation summary⁹ showed another \$1.5 million allocated to the University for the anti-hazing course. In total, the University was appropriated and allocated \$3 million to procure the anti-hazing course.

Since the University was provided \$3 million for procurement of the course, University records should evidence the University's due diligence in accomplishing the Legislative intents for this funding. For example, University records for successful administration of the course could have included documentation of substantive efforts to obtain necessary SUS institution and incoming freshmen participation in the course and to select the most qualified service provider based on the anticipated participation level. An effective contracting process, including appropriate documented consideration of the expected service benefits in relation to the service costs, reduces the appearance and opportunity for favoritism and inspires public confidence that contracts are awarded equitably and economically. Documentation of the procurement process and effective monitoring mechanisms are important means of curbing any improprieties and establishing public confidence in the process by which contracted services are procured.

The contract with the selected provider should embody all the applicable provisions and conditions of the procurement of the services, including quantifiable, measurable, and verifiable units of deliverables that must be received and accepted in writing before payment. Each deliverable should be directly related to the scope of work and specify a performance measure, such as the required minimum acceptable level of service to be performed, and criteria for evaluating the successful completion of each deliverable. For

⁶ Chapter 2014-51, Laws of Florida, Specific Appropriation 143.

⁷ The \$970,600 included \$463,500 for the period August 2014 through July 2015; \$253,550 for the period August 2015 through July 2016; and \$253,550 for the period August 2016 through July 2017.

⁸ Chapter 2015-232, Laws of Florida, Specific Appropriation 138.

⁹ The 2016-17 fiscal year BOG allocation summary provided budgetary detail for each State university.

example, a contract for SUS student services should specify the minimum number of participating institutions and anticipated number of incoming freshmen participants, provide criteria for evaluating the attainment of those numbers, specify a final date by which all criteria must be met, and provide for legal remedies should the specified number of participating institutions and freshmen participants not be met.

Our examination of University records and discussions with University personnel regarding University anti-hazing policies and the procurement and administration of the anti-hazing course disclosed that:

- In April 2015, the University adopted policies¹⁰ requiring students to complete any anti-hazing training or courses required by the University; however, at that time, no anti-hazing training or courses were required by the University.
- In August 2015, the University entered into a \$1 million contract with a service provider for an online 1.5-hour anti-hazing course for SUS freshmen during the period of September 2015 through May 2016. According to University personnel, three service providers were considered before the University contracted with the selected provider and the provider selected had the best customer support for SUS universities and student participants. University personnel also indicated that, because BOG regulations¹¹ exempted training and education service procurements from the competitive solicitation process, the contract was not subjected to that process.

Absent the University's use of a competitive solicitation process, we requested University records to evidence other considerations when selecting the service provider, including evidence that the selection and purchase of the contracted services were based on documented considerations of the service costs in relation to the anticipated service benefits. However, such records were not provided and, therefore, the University did not demonstrate that the services were received at the lowest cost consistent with desired quality. In addition, the service provider contract did not specify a minimum number of participating institutions or the anticipated number of incoming freshmen participants or provide for legal remedies should the services not extend to a sufficient number of participating institutions and freshmen participants.

- According to correspondence from the service provider,¹² 13 University freshmen and 14 other SUS freshmen participated in the course during the 2015-16 academic year. Although we requested, University records did not evidence substantive efforts to help obtain the necessary institution and incoming freshmen participation in the course. Such efforts could have been supplemented through financial incentives to other university and freshmen participants; appropriate documented discussions with other university administrators and involvement with the BOG; or other endeavors to ensure the successful administration of, and participation in, the course. For example, to secure BOG involvement and help obtain the necessary institution and freshmen participation in such courses, efforts could include identification of the courses in University-prepared work plans¹³ submitted to the BOG and documented consideration of whether

¹⁰ FPU-3.0062P - *Anti-Hazing*.

¹¹ BOG Regulation 18.001(6)(d)(10) - *Procurement*.

¹² The service provider listed the number of participating students in a letter dated January 2017 to the University.

¹³ BOG Regulation 2.002 – *University Work Plans and Annual Reports* requires each board of trustees to prepare a work plan. The work plan is to outline the university's top priorities, strategic directions, and specific actions and financial plans for achieving those priorities, as well as performance expectations and outcomes on institutional and System-wide goals. The work plan is to include, for example, unique opportunities that have presented themselves to the university but that have not been included in prior plans.

to establish an academic infrastructure and support (AIS) organization¹⁴ for this course. In response to our inquiries, University personnel indicated that the anti-hazing course was not included in University work plans nor did the University make efforts to establish an AIS organization to help administer the course. Notwithstanding, University personnel indicated that the anti-hazing course was discussed during meetings of the BOG Academic and Student Affairs Committee; however, although we requested, documentation of these discussions was not provided.

- In August 2016, the University entered into another \$1 million contract with the same service provider to deliver a 1-hour anti-hazing course for the period September 2016 through May 2017. Similar to the previous contract, neither a minimum number of participating institutions nor the anticipated number of freshmen participants were specified in the contract and the contract did not provide for legal remedies should the services not extend to a sufficient number of participating institutions and freshmen participants. In addition, like the previous course, University records did not evidence substantive efforts by the University to obtain the necessary institution and freshmen participation in the course.
- In a report provided to the University in March 2017, the service provider indicated that 157 students participated in the course during the 2016-17 academic year. According to University personnel, all 157 participating freshmen were University students and no other SUS freshmen participated. Although the service provider submitted quarterly reports to the University notating communications with all the SUS institutions, the reports indicated that only 5 of the other 11 universities had made the course available to students.
- In April 2017, University personnel deemed the course unsuccessful and canceled the service provider contract. As of that date, the University had paid the service provider a total of \$1.7 million and had retained \$500,000 for administrative costs. According to University personnel, the \$500,000 was retained for administrative costs including compensation for University personnel to evaluate the course's first year and develop suggestions for improving the course, prepare the contract document, promote the course to and collaborate with other SUS universities, and encourage students to enroll in the course. University personnel also provided documentation of correspondence evidencing the University's attempts to monitor the service provider, including requests to the service provider for performance data such as data supporting the number of students served, effectiveness and quality of services, benefit to the students and the State, and outcomes learned from pre- and post-testing. In response, the service provider indicated that, due to the limited number of student participants, there was not enough data to determine outcomes and the provider recommended that the SUS universities either encourage students to take the course or make the course mandatory.

Notwithstanding University assertions of how the administrative costs were used and documentation of correspondence evidencing the University's efforts to monitor the course provider services, University records were not provided to support course-related administrative costs totaling \$500,000 or to demonstrate the reasonableness of those costs, which represented a third of the amount provided for the 2015-16 fiscal year. Absent such records, University records did not demonstrate the public purpose served for the \$500,000 retained by the University for administrative costs related to the anti-hazing course.

In August 2017, the University returned to the State Treasurer the \$800,000 remaining from the \$3 million appropriated and allocated to the University for the course. However, University records were not readily

¹⁴ BOG Regulation 10.014 – *Academic Infrastructure and Support Organizations* authorizes a host university to initiate the establishment of an academic infrastructure and support organization to provide underlying resources for academic programs. If the organization is recommended for establishment by the SUS Council of Academic Vice Presidents, the Chancellor shall transmit the Memorandum of Understanding to all participating institutions for ratification by the presidents and the chairs of the boards of trustees.

available to demonstrate the reasonableness of the costs totaling \$2.2 million for the anti-hazing course provided to a total of 184 participating freshmen at an average cost of \$11,957 per student. The lack of the course's success was largely attributable to the SUS institutions' satisfaction with the similar anti-hazing course first offered by UCF in 2014.

Without documentation to evidence that the University exercised due diligence in obtaining the necessary institution and incoming freshmen participation in the anti-hazing course, selecting the most qualified service provider for the course, and ensuring that the provider contracts contained essential elements to hold the provider accountable for providing services to all SUS incoming freshmen, it is not apparent that the University's process achieved the Legislative intents for the funding and the University may have overpaid for these services.

Recommendation: The University should:

- **Ensure that, for future contracts for student services, University records evidence substantive efforts to obtain the necessary SUS institution and student participation. Such efforts may include appropriate financial incentives to applicable university and student participants; appropriate documented discussions with other university administrators and involvement with the BOG; or other endeavors to ensure the success administration of, and participation in, such services.**
- **Ensure that, for future contracts for student services, considerations of the service costs in relation to the anticipated service benefits are documented to demonstrate that the services will be received at the lowest cost consistent with desired quality.**
- **Ensure that future contracts for student services contain all applicable provisions and conditions of the procurement of student services, including quantifiable, measurable, and verifiable units of deliverables directly related to the scope of work with specified performance measures and legal remedies should the deliverables not meet the performance measures.**
- **Provide documentation to the BOG supporting the reasonableness of course-related administrative costs totaling \$500,000. The University should return to the State Treasurer any portion of the \$500,000 that is not supported as reasonable course-related administrative costs.**

Finding 8: Direct-Support Organization

To promote accountability over University property, facility, and personal services use, it is important that public records document the conditions for such use, document appropriate approval before the use occurs, and demonstrate appropriate use. Such records help document authorization for the use, demonstrate the reasonableness of the value associated with that use, and enhance government transparency.

State law¹⁵ provides that a direct-support organization (DSO) is organized and operated exclusively to receive, hold, invest, and administer property and to make expenditures to, or for the benefit of the University. State law¹⁶ also requires the Board of Trustees (Trustees) to prescribe by rule conditions with which a university DSO must comply in order to use property, facilities, or personal services and such

¹⁵ Section 1004.28(1)(a)(2), Florida Statutes.

¹⁶ Section 1004.28(2)(b), Florida Statutes (2017).

rules must provide for budget and audit review and oversight by the Trustees. The Trustees approved the Florida Polytechnic University Foundation, Inc. (Foundation) as a DSO, and the Foundation routinely receives and uses charitable contributions for the benefit of the University.

University rules¹⁷ require that, upon approval by the Trustees, a DSO shall be certified and authorized to use University property, facilities, and personal services to the extent permissible by applicable law and the conditions prescribed by University regulations and internal management memoranda. The conditions require each DSO to submit annual DSO:

- Governing Board-approved operating budgets that the President presents to the Trustees for review and approval.
- Financial audit, along with DSO Federal Internal Revenue Service Return of Organization Exempt from Income Tax Form (IRS Form) 990s to the University President and Trustees for review and approval.

Our examination of University records disclosed that the Trustees annually receive the DSO financial statement audit reports for approval and the IRS Form 990 of University personal service cost contributions. While the University identified certain conditions, such as approval of the audit reports and IRS Form 990s, DSOs are already obligated by State law to comply with these requirements. As such, the conditions did not identify additional measures that a University DSO must meet for such use. Such conditions could restrict the DSO use of University property, facilities, and personal services to Trustee-approved public purposes consistent with the mission, vision, and values of the University and require DSO certifications that University resources will only be used for such purposes and certifications after the resource use to validate that the resources were only used for those purposes.

As part of our audit, we interviewed University personnel and requested for examination University records related to the Foundation. According to University personnel, the Foundation did not use any University facilities during the 2016-17 fiscal year. University records indicated that, during the 2016-17 fiscal year, University employees provided certain personal services totaling \$199,350 to the Foundation. University personnel indicated that these costs were based on the services of 14 University employees who provided 25 percent of their time and effort on Foundation activities. However, although we requested, University records were not provided to document the employees' actual time and effort spent on Foundation activities. As such, University records did not demonstrate that personal services were appropriately distributed among the specific University and Foundation activities.

University records could be enhanced by obtaining the Trustees' approval of anticipated Foundation use of University resources and the value of such use before the use occurs; documenting when the Foundation used University resources and the purpose for and value of such use; and documenting University employee actual time and effort provided to the Foundation to support the purpose for and value of those services. Such records would document authorization, demonstrate the reasonableness of the value, and enhance transparency for the University resources provided for Foundation use.

¹⁷ University Rule 6C13-10.002, Florida Administrative Code, *University Direct Support Organizations*.

Recommendation: We recommend that:

- The Trustees prescribe by rule any condition with which a DSO must comply in order to use University property, facilities, and personal services and the University monitor and document DSO compliance with such conditions.
- The University document the Trustees' consideration and approval of DSO anticipated use of University resources, at least on an annual basis, before the use occurs. To enhance government transparency, the Trustees' approval documentation should identify the positions of the employees who will provide the personal services that will be used by the DSO and the value of such use.
- The University document University employee actual time and effort provided to the DSO to support the purpose for and value of those services and the distribution of applicable personal service costs among specific University and DSO activities for employees who work on more than one activity.

Finding 9: Information Technology Security Awareness

University policies¹⁸ require all employees to undertake online information security awareness training annually and to comply with all University policies regarding information technology (IT). Employees are required to certify an online IT policy acknowledgement form to document the employee's agreement with these policies.

We requested for examination the IT policy acknowledgement forms for 19 of the 397 University employees; however, the forms were not provided for 7 employees and the forms for 9 other employees¹⁹ were not timely signed. In response to our inquiries, University personnel indicated that, because the University was new and had recently hired many employees, the University did not always document compliance with the IT security awareness policy. Written acknowledgement of University policies and security awareness training help ensure that employees are properly informed of IT policies and protect the confidentiality, integrity, and availability of University data and IT resources.

Recommendation: University management should strengthen procedures to obtain signed IT policy acknowledgement forms before employees are provided access to the University IT resources.

PRIOR AUDIT FOLLOW-UP

Except as noted in Findings 1, 4, and 5, the University had taken corrective actions for the findings included in our report No. 2016-067.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant

¹⁸ FPU Policy No. FPU-11.0011P, *Mandatory Information Security Training – Employees*, approved on March 18, 2016.

¹⁹ The 9 employees included 8 employees hired before the IT security awareness policy implementation date (March 18, 2016) who signed the forms 73 to 206 days after that date and 1 employee hired after that date who signed the form 83 days after hire.

information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from February 2017 through September 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2016-067.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

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

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

Our audit included transactions, as well as events and conditions, occurring during the audit period of January 2016 through March 2017, and selected University actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable,

information concerning relevant population value or size and quantifications relative to the items selected for examination.

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

In conducting our audit, we:

- Determined whether a comprehensive IT security awareness and training program was in place for the audit period.
- Evaluated University procedures for protecting student social security numbers (SSNs). Specifically, we examined University records supporting the access privileges of all 18 employees who had access to SSNs during the audit period to determine the appropriateness and necessity of the access privileges based on the employees' assigned job responsibilities.
- Examined Board of Trustees and related committee board meeting minutes to determine whether the Trustees' approval was obtained for the policies and procedures in effect during the audit period and for evidence of compliance with Sunshine Law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).
- Examined University records to determine whether the Board had prescribed by rule the conditions with which the Foundation must comply in order to use University property, facilities, and personal services and the Board documented consideration and approval of anticipated property, facilities, and personal services provided to the Foundation and the related costs.
- Reviewed the 30 bank account reconciliations for the January 2016 through March 2017 bank statements to determine whether the reconciliations were accurate, timely, and evidenced supervisory approval.
- Evaluated the banking services agreement in effect for the audit period to determine whether recorded check signer and account administrator information was up-to-date.
- Examined University records for the audit period to determine whether the University informed students and employees at orientation and on its Web site of the existence of the Florida Department of Law Enforcement sexual predator and sexual offender registry Web site and the toll-free telephone number that gives access to sexual predator and sexual offender public information as required by Section 1006.695, Florida Statutes.
- Examined University records to determine whether the University had developed an anti-fraud policy to provide guidance to employees for communicating known or suspected fraud to appropriate individuals. Also, we examined University records to determine whether the University had implemented appropriate and sufficient procedures to comply with the anti-fraud policy.
- Examined Board of Trustees' meeting minutes and payment schedules for pledges of scholarship funds made by the University Foundation to determine the reasonableness of the pledges and likelihood that the University would receive the pledged amounts.
- From the population of 1,436 students enrolled as Florida residents during the Spring 2016, Summer 2016, Fall 2016, and Spring 2017 Semesters, examined University records for 30 selected students to determine whether the University documented Florida residency and correctly assessed tuition in compliance with Sections 1009.21 and 1009.22, Florida Statutes, and State Board of Education Rule 6A-10.044, Florida Administrative Code.

- Examined University records supporting auxiliary operations to determine whether the University properly monitored compliance with contract terms for commission revenues and insurance provisions.
- Examined documentation to determine whether University policies and procedures for textbook affordability complied with Section 1004.085, Florida Statutes.
- From the population of payroll transactions totaling \$20.3 million and made to 397 employees during the audit period, selected 30 payroll transactions totaling \$53,163 and examined the related payroll and personnel records to determine the accuracy of the rate of pay, validity of employment contracts, completion of performance evaluations, and accuracy of leave records. In addition, we examined certain 2-week time reports for 15 (5 non-exempt and 10 exempt) selected employees during the period October 2016 through March 2017 to determine whether supervisory personnel reviewed and approved employee reports of time worked.
- Selected 26 of the 165 individuals hired during the audit period and reviewed the applicable personnel records to determine whether the records evidenced that the employees met the minimum education and experience requirements for the positions based on the University position description.
- Examined University records to evaluate the authority for hiring 8 employees who were related to other University employees to determine compliance with University policies.
- From the population of 33 employees who received overtime payments totaling \$58,919 during the audit period, examined overtime payments totaling \$26,683 made to 3 employees to determine whether University policies and procedures were adequate and supporting documentation evidenced the approval of, and necessity for, overtime payments.
- Evaluated University policies and procedures for payments of accumulated annual and sick leave (terminal leave pay) to determine whether the procedures promoted compliance with State law. Specifically, from the population of 69 employees who separated from University employment during the audit period and were paid \$79,529 for terminal leave, we selected 7 employees who received terminal payments totaling \$67,314 and determined whether the payments complied with Section 110.122, Florida Statutes, and University policies.
- Examined severance pay provisions in the one employee contract that contained such provisions during the audit period to determine whether the provisions complied with Section 215.425(4), Florida Statutes.
- Examined University records for 3 administrative employees (including the President) who received compensation totaling \$934,452 during the audit period to determine whether the amounts paid did not exceed the limits established in Sections 1012.975(3) and 1012.976(2), Florida Statutes.
- Examined University records supporting the background screenings for 31 employees selected from the population of 165 employees hired during the period January 2016 through March 2017 to determine whether appropriate background screenings were conducted.
- Examined University expense documentation to determine whether the expenses were reasonable, correctly recorded, adequately documented, for a valid University purpose, properly authorized and approved, and in compliance with applicable laws, rules, contract terms, and University policies. We also determined whether the applicable vendors were properly selected and carried adequate insurance. From the population of expense transactions totaling \$32.4 million for the audit period, we examined University documentation supporting:
 - 34 selected payments totaling \$263,465 for general expenses.
 - 30 selected payments totaling \$586,837 for contractual services.

- Examined University records supporting 40 selected purchasing card (P-card) transactions made during the audit period to determine whether the P-card program was administered in accordance with University policies and procedures and transactions were not of a personal nature. We also determined whether the University promptly canceled the P-card of the 1 cardholder who separated from University employment during the audit period.
- Examined University records supporting selected travel expenses made during the audit period, to determine whether the travel expenses were reasonable, adequately supported, for valid University purposes, and limited to amounts allowed by Section 112.061, Florida Statutes.
- Examined University records supporting selected payments made during the audit period to employees for other than travel and compensation to determine whether the payments were reasonable, adequately supported, for valid University purposes and whether such payments were related to employees doing business with the University, contrary to Section 112.313, Florida Statutes.
- From the population of 9 construction projects with contract amounts totaling \$10.4 million and in progress during the audit period:
 - Evaluated University documentation to determine whether the University adequately monitored the process for selecting design professionals and construction managers for compliance with State law, the University adequately monitored the process for selecting subcontractors, the Trustees had adopted a policy establishing minimum insurance coverage requirements for design professionals, and design professionals provided evidence of required insurance.
 - Selected 30 payments totaling \$1.6 million related to 3 major construction projects with contract amounts totaling \$6.4 million and examined University records to determine whether the payments were made in accordance with contract terms and conditions, University policies and procedures, and provisions of applicable State laws and rules.
- Examined University motor vehicle usage and maintenance logs to evaluate compliance with University procedures.
- Evaluated University procedures for performing the annual physical tangible personal property inventory counts and disposing of surplus property.
- Evaluated whether the University exercised good business practices in selecting and contracting with a service provider for an anti-hazing course. In addition, we evaluated the adequacy of University records supporting the reasonableness of the costs associated with the anti-hazing course.
- Reviewed University records to determine if University procedures regarding the transition of administrative services responsibilities from another SUS university to the University were adequate.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

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



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



FLORIDA POLYTECHNIC
UNIVERSITY

June 15, 2018

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

Dear Ms. Norman:

Pursuant to Section 11.45(4)(d), Florida Statutes, the university is required to submit a written statement of explanation concerning all findings. Please find the attached responses to the Preliminary and Tentative Findings for Florida Polytechnic University's operational audit for the period January 2016 through March 2017. Should you have any questions, please contact David Blanton at (863) 874-8441.

Sincerely,

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

Randy K. Avent, President
Florida Polytechnic University

4700 RESEARCH WAY
LAKELAND, FL 33805 - 8531

FLORIDAPOLY.EDU

Florida Polytechnic University
Response to Operational Audit Findings

Finding 1: Textbook Affordability

Recommendation: The University should ensure compliance with State law by prominently posting in the course registration system and on its Web site, as early as feasible, but at least 45 days before the first day of class for each term, a hyperlink to lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections offered at the University during the upcoming term.

Response: The University has enhanced controls to ensure compliance with applicable law over the timely posting of textbook information. Following the date of this finding, the University has been in full compliance with the law.

Finding 2: Bank Account Reconciliations

Recommendation: University personnel should document timely preparation of reconciliations of bank account balances to general ledger control accounts and supervisory review and approval of the reconciliations.

Response: As noted in the finding, this deficiency occurred during a short period of time in which the University was implementing a new accounting system that includes an automated bank reconciliation feature. Some delays occurred during the implementation, but bank accounts have always been properly reconciled. The system and related controls have been properly implemented to ensure that reconciliations and approvals are now made timely.

Finding 3: Auxiliary Enterprise Contracts

Recommendation: The University should continue efforts to verify that food service commission revenue earned is received in accordance with the food service vendor contract.

Response: Verification controls have been enhanced to better document verifications that food service commission revenue is accurate and properly received. No revenue shortages occurred.

Finding 4: Payroll Processing – Time Records

Recommendation: The University should ensure that, prior to processing payroll payments, documented supervisory approval of subordinate time reports is obtained. If extenuating circumstances prevent documented supervisory approval prior to payroll processing, supervisory approval should be obtained as soon as practical thereafter.

Response: The University has enhanced controls to provide full compliance for an appropriate level of supervisory review prior to payroll processing.

Finding 5: Expense Cards

Recommendation: University procedures should be enhanced to ensure that cardholders and supervisors document approval of E-card expenses. Additionally, the *E-Card Manual* should be revised to require both cardholders and their immediate supervisors to approve all E-card expenses.

Florida Polytechnic University
Response to Operational Audit Findings

Response: As noted in the finding, for the majority of the audit testing (January 2016 through September 2016), the University was under a shared services agreement with another University and operated under completely different control processes over expense card processing. The University's new ERP system currently provides for defined business processes to ensure an appropriate level of approval for expense card transactions. In certain circumstances, administrative assistants have access to calendars and are aware of the daily activities for certain delegations of authority. In this situation, the assistant would have an appropriate knowledge of work activities for University staff and therefore would be in an authorized position to approve expenses. This rarely occurs and typically occurs only at a very high level. In approving any expense, our defined business processes require adequate support and justification for any charge for both the initial authorization and the final approval.

Finding 6: Subcontractor Licenses

Recommendation: The University should enhance procedures to verify and document that subcontractors are appropriately licensed before the subcontractors commence work on University facilities. Such procedures could include documented verification through online licensing searches or appropriate evidence of the CME's confirmation of licensure.

Response: As noted in the finding, State law requires any contractor to contract with licensed or registered professionals. In addition, local ordinances require that contractor identify each subcontractor and the license number prior to issuance of a building permit. Such laws and local ordinances place the onus and related responsibility for verification on the contractor; however, the University will consider independently verifying subcontractor licenses in order to provide an additional level of assurance above that already established.

Finding 7: Anti-Hazing Course

Recommendation: The University should:

- Ensure that, for future contracts for student services, University records evidence substantive efforts to obtain the necessary SUS institution and student participation. Such efforts may include appropriate financial incentives to applicable university and student participants; appropriate documented discussions with other university administrators and involvement with the BOG; or other endeavors to ensure the success administration of, and participation in, such services.
- Ensure that, for future contracts for student services, considerations of the service costs in relation to the anticipated service benefits are documented to demonstrate that the services will be received at the lowest cost consistent with desired quality.
- Ensure that future contracts for student services contain all applicable provisions and conditions of the procurement of student services, including quantifiable, measurable, and verifiable units of deliverables directly related to the scope of work with specified performance measures and legal remedies should the deliverables not meet the performance measures.
- Provide documentation to the BOG supporting the reasonableness of course-related administrative costs totaling \$500,000. The University should return to the State Treasurer any portion of the \$500,000 that is not supported as reasonable course-related administrative costs.

Response: It is not expected that the University will enter into another contract for anti-hazing. However, for any future contracts, the University will take appropriate measures to ensure that the services are properly administered to achieve the most benefit from the contract; the services are received at the

Florida Polytechnic University
Response to Operational Audit Findings

lowest cost consistent with desired quality; and that contract deliverables are defined and met prior to payment. Additionally, the University will evaluate the reasonableness of the administrative costs associated with the anti-hazing contract and return to the State Treasurer any portion thereof that is not adequately supported.

Finding 8: Direct-Support Organization

Recommendation: We recommend that:

- The Trustees prescribe by rule any condition with which a DSO must comply in order to use University property, facilities, and personal services and the University monitor and document DSO compliance with such conditions.
- The University document the Trustees' consideration and approval of DSO anticipated use of University resources, at least on an annual basis, before the use occurs. To enhance government transparency, the Trustees' approval documentation should identify the positions of the employees who will provide the personal services that will be used by the DSO and the value of such use.
- The University document University employee actual time and effort provided to the DSO to support the purpose for and value of those services and the distribution of applicable personal service costs among specific University and DSO activities for employees who work on more than one activity.

Response: On May 22, 2018, the University obtained Trustee approval for the anticipated use of University resources by our Foundation. The University will revise current rules to require the Foundation to annually certify resource use was consistent with the mission, vision, and values of the University. In addition, the University will annually obtain Trustee approval of actual resources provided to the Foundation.

Finding 9: Information Technology Security Awareness

Recommendation: University management should strengthen procedures to obtain signed IT policy acknowledgement forms before employees are provided access to the University IT resources.

Response: The University has enhanced controls over its annual security awareness training. Rather than relying on an acknowledgement form, the University now utilizes an on-line training program that tracks participation and completion of the course for all university staff required to undergo training.

**Florida Polytechnic University
Audit and Compliance Committee (AACC)
Board of Trustees
September 5, 2018**

Subject: Investigative Report 2018-01 – Review of Management’s Response and Corrective Action

Executive Summary

The AACC Charter requires that the Committee shall ensure that significant findings and recommendations made by the Chief Compliance Officer (CCO) are received, discussed, and appropriately resolved. The CCO will present a summary worksheet detailing each specific allegation in the investigative report, including management’s response and further response by the CCO, as deemed necessary. The Committee should consider whether management’s response to those findings deemed significant are sufficiently addressed. In addition, the Committee should consider whether further assurance on the part of Audit and Compliance is necessary with respect to any residual concerns.

Proposed Committee Action

Recommend approval of management’s response and planned corrective action with respect to Investigative Report 2018-01 to the Board of Trustees.

Supporting Documentation: Detailed Allegations and Related Responses for Disposition Worksheet

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



FLORIDA POLYTECHNIC
UNIVERSITY

UAC Investigations

David A. Blanton, CPA

05 September 2018



Investigations

- **AACC Charter: Authority to request investigations when the Board determines that the university has not addressed credible allegations relating to waste, fraud, or financial mismanagement**
- **BOG Regulation 4.001: “Significant and credible” allegations of waste, fraud, or financial mismanagement**

Investigative Report 2018-1

- **11 allegations investigated**
- **3 deemed significant**
 - Institutional scholarships (Allegations #7 and #10)
 - Remuneration/Foundation obligations (Allegation #6)
 - SGA/Student Activity Fees (Allegation #8)

Institutional Scholarships

- **Condition: Scholarships initially leveraged but were subsequently corrected (trued up) without bias to gender/race/ethnicity**
- **Management's Response:**
 - Clear admissions standards will be utilized to ensure that admissions and institutional awards are not discriminatory
- **UAC Response:**
 - Perform limited scope review in 2019

Remuneration/ Foundation obligation

- **Condition: Salaries in excess of statutory limits paid by the Foundation/concern for Foundation's financial position**
- **Management's Response:**
 - Salary increases for direct reports of the President will be discussed with the Board Chair as provided for in BOT Resolution 2017-003
- **Board Response:**
 - Resolution 2017-003 "Powers and Duties of the President" now requires consultation with Board Chair on compensation of executive direct reports (effective 10/31/17)
- **UAC Response:**
 - Monitor management's plan for Foundation finances

SGA/Student Activity Fees

- **Condition: Student Development should ensure SGA fees are better utilized to benefit students**
- **Management's Response:**
 - Procedures have been enhanced to timely utilize the SGA fees and ensure more activities for students
- **UAC Response:**
 - Continue working with SGA to resolve concerns

Investigative Report 2018-01

- This Committee is responsible for receiving and reviewing significant findings and recommendations from investigations
- The Committee should consider management's response and their plans to take timely and appropriate corrective action

ACTION: Recommend approval of management's responses and corrective action with regard to significant findings in Investigative Report 2018-01 to the Board of Trustees

Investigative Report 2019-01

- **Scope: Transition to outsourced mental health services**
- **4 allegations investigated**
 - No authority to contract (not sustained)
 - Negligent in handling records (not sustained)
 - Insufficient notice provided in expanding services (not sustained)
 - Negligent in transition of services/continuity of care (not sustained)

Investigative Report 2019-1

- This Committee is responsible for receiving and reviewing significant findings and recommendations from investigations

ACTION: Recommend approval of Investigative Report 2019-1 to the Board of Trustees

Allegation	Detailed Allegation	UAC Finding	Responsible Party	Management's Response	UAC Recommendation	Board Action
1	With regard to the recent Client Survey administered in January 2018, (a) the full report was not shared with the entire campus, (b) the perception of various university departments is abysmal, (c) some information was shared between departments in order to make improvements but not by all departments, and (d) one member of the cabinet used the information from the survey to make disparaging remarks towards another department.	Allegations 1(a) and 1(c) sustained. Allegations 1(b) and 1(d) were not sustained.	President	Since the allegation, no additional Client Surveys have been sent to employees. If any similar surveys are sent in the future, administration will take steps to ensure that Division Heads and Department Heads conduct proper follow up with their stakeholders.	University administration should continue its efforts to improve culture within the university.	No further Board action deemed necessary.
2	Hiring practices within the Student Development Office are not subjected to fair and impartial processes resulting in the filing of a lawsuit based on a hostile working environment by one of the job applicants.	Sustained. This specific allegation was externally investigated in November 2017 and hiring practices were not deemed to violate University policies with regard to the applicant nor did the investigation conclude that job applicant was subjected to a hostile working environment. The investigative report also indicated that there was a "lack of candid communication from management" and "the transitions associated with filling the position may not have followed best practices".	Scott Rhodes, Vice Provost Enrollment Services	A "Management Training Series" has been implemented at the University for Department Heads, Department Chairs, and all employees who have a supervisory role. Trainings that have been held, are scheduled to be held, or that are in development stage include: -Recruiting for Hiring Managers -Effective Performance Appraisals - Performance Management -Interviewing Skills for Supervisors -Employment Law for Supervisors: What You Should & Shouldn't Do -Workplace Harassment: What Supervisors Need to Know -Preventing Discrimination on Campus -Compliance & Audit -Title-IX Sexual Misconduct, ADA Accommodations -Budgeting: Purpose, Process, Principles	The University's Human Resources Department is planning to offer training to University administration that will address hiring practices. In addition, risk associated with this area will be elevated by UAC in the next risk assessment and audit plan formulation.	No further Board action deemed necessary.
3	With regard to the new student recreation center (Student Development Center), (a) students were misled regarding the scheduled completion of the building and the old recreation center was closed and unavailable for use for an entire semester. Additionally, (b) the Student Development Center's opening was delayed, in part, due to university staff.	3(a) Sustained; 3(b) not sustained	President	Since spring 2018, vigilance has increased in communicating with students across multiple channels including social media, emails and printed materials. The University Relations department has developed several new communications tools for both employees and students that include a Florida Poly app and a weekly "Phoenix Update" that will highlight news and activities on campus to all stakeholders.	It is recommended that university administration enhance future communications for any events impacting students and campus operations.	No further Board action deemed necessary.
4	The University is cutting vital services such as "recreation, health services, and counseling" which could jeopardize the safety of students.	Not sustained.	President	N/A	N/A	No further Board action deemed necessary.
5	Student Satisfaction Inventories support that dysfunction exists at the University.	Not sustained.	President	N/A	N/A	Given that many of the allegations are subsequent to the 2017 SSI, the Board might want to pay special attention to the 2018 SSI to provide a more relevant measure of the merits of Allegation 5.

Allegation	Detailed Allegation	UAC Finding	Responsible Party	Management's Response	UAC Recommendation	Board Action
6	The cabinet/Executive staff made the decision to "award themselves absurd raises when compared to everyone else".	Partially sustained	President	Salary increases for direct reports of the President will be discussed with the Board Chair as provided for in BOT Resolution 2017-003.	For any salary increase above statutory remuneration limits, careful consideration should be applied to determine whether such increases should be funded from auxiliary or Foundation sources.	BOT Resolution 2017-003, Powers and Duties of the President, now requires the President to consult with the Board Chair (or designee) for direct reports of the President. This resolution was approved by the BOT on 10/31/17, which was subsequent to the adjustments investigated in UAC Report 2018-1.
7	An admissions model was "presented and considered" which (a) awards financial aid based on gender and race, which violates Federal Title IV laws and Foundation policies and (b) a student worker was blamed for this oversight and intimidated into making statements that were not true when questioned on the model.	Allegation 7(a) sustained and 7(b) was not sustained.	Scott Rhodes, Vice Provost Enrollment Services	Clear admissions standards will be utilized to ensure that admissions and institutional awards are not discriminatory.	The University needs to set forth clear admission and institutional award standards that are consistently applied in order to mitigate the risk of discrimination. Controls should be enhanced to ensure that such admissions standards and institutional award offerings are consistently applied to all applicants in order to avoid even the slightest appearance of discrimination. • It is further recommended to the Board that UAC perform a review of admissions practices and scholarship offerings each spring and provide assurance to the Board that no discriminatory practices are present in admissions or scholarship offerings.	No further Board action deemed necessary.
8	Student Development does not provide sufficient opportunities for students to engage in activities and there is a lack of campus events for commuter students.	Sustained.	Scott Rhodes, Vice Provost Enrollment Services	University Student Development (USD) has enhanced procedures and worked with SGA to better ensure that A&S fees generated each year are expended in the same fiscal year. For the 2018 fiscal year, approximately 90 percent of SGA were expended by June 30, 2018. USD is currently establishing plans and specific calendar events for the 2018-19 fiscal year to ensure that students are afforded opportunities to participate in activities for the entire student body. Such activities include events, activities, and workshops related to student well-being (mental health awareness, tips and trainings, drug and alcohol sessions, etc.) as well as those that are entertaining (robot building competition, sports leagues, etc.).	The following is recommended: <ul style="list-style-type: none"> University administration should consider establishing separate budget authority specifically dedicated to USD activities in support of the student body in order to better demonstrate their commitment to USD activities. In addition, specific plans outlining the uses (events, activities, and workshops) should be formulated each year, in advance, to effectively deploy resources committed. Procedures should be enhanced to ensure that A&S fees are expended timely to match benefits (student activities) with costs (A&S fees) each year. Although State law provides for the carryover of A&S fees into the subsequent year, USD should work together with SGA representatives to ensure that funds levied and collected from current year students are sufficiently expended in the period benefiting those same students from which the fees were derived. 	No further Board action deemed necessary.

Allegation	Detailed Allegation	UAC Finding	Responsible Party	Management's Response	UAC Recommendation	Board Action
9	(a) Enrollment numbers have been changed at recent Board of Trustees meetings and (b) "blame is quickly passed, and blamed on others".	Not sustained; however, there was some confusion with regard to how applicants was defined. Information presented to the Board at the February meeting was determined to accurately represent enrollment numbers for the upcoming freshman class (using applicants rather	Terry Parker, Provost	N/A	The Board may want to consider which parameter (applicants vs. completed applications) provides the most relevant information and such information should be consistently reflected in the Provost's report and clearly defined to eliminate future inconsistencies.	No further Board action deemed necessary.
10	With regard to the scholarships for the incoming freshman class (Fall 2018): (a) scholarships were awarded by the Vice Provost of Enrollment based on race and gender (b) the scholarship model "provided more funds than previously agreed upon with the Florida Polytechnic University Foundation" (Foundation) (c) the awarding of excess scholarship funds effectively bankrupted the scholarship fund that was meant to provide scholarships to 400 students and was spent on the first 75-90 awards (d) a request for public information was made, concerning scholarships awarded, which led to a change in the model (to correct for leveraging of scholarships) (e) University administration denied that an outside contractor was used to develop scholarship models and this contractor was paid an "absurd amount of money to develop these models and (f) the Board requested that University Audit & Compliance (UAC) investigate certain allegations set forth in the anonymous complaint sent to the Board; however, the report was not made public.	Sustained: 10(a); Partially sustained 10(d) and 10(e); not sustained 10(b) 10(c) and 10(f).	Scott Rhodes, Vice Provost Enrollment Services	See Allegation 7 above.	See allegation 7 above.	No further Board action deemed necessary.
11	The Provost (a) refused to endorse membership in the Society of Women's Engineers (SWE) organization until confronted by a SWE national representative and (b) regularly treats females different than males.	Allegation 11(a) Sustained that endorsement was initially denied; however, such denial was determined to be based on valid reasons. Allegation 11(b) was not sustained.	Terry Parker, Provost	N/A	N/A	No further Board action deemed necessary.

**Florida Polytechnic University
Audit and Compliance Committee (AACC)
Board of Trustees
September 5, 2018**

**Subject: Investigative Report 2019-01 –
Report on Counseling and Behavioral Health Services**

Executive Summary

The AACC Charter requires that the Committee shall ensure that significant findings and recommendations made by the Chief Compliance Officer (CCO) are received, discussed, and appropriately resolved. The CCO will present 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.

Proposed Committee Action

Recommend approval of Investigative Report 2019-01 to the Board of Trustees.

Supporting Documentation: Investigative Report 2019-01

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



University Audit & Compliance

Report on Counseling and Behavioral Health Services

**UAC Report No: FPU 2019-01
August 16, 2018**

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

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Executive Summary:

University Audit and Compliance (UAC) initiated an investigation on August 6, 2018 in response to several allegations received by the Chief Audit Executive and Chief Compliance Officer (CAE/CCO) and by Florida Poly Board members relative to concerns expressed in the recent transition of University counseling and behavioral health services. Investigative fieldwork was conducted from August 8, 2018 through August 16, 2018. This investigation was conducted in accordance with the *Standards for Complaint Handling and Investigations for the State University System of Florida*.

This investigation's scope was limited to the following allegations that were deemed significant by the CAE/CCO:

Allegation 1: Executive management of the University did not have authority to outsource counseling and behavioral health services at the University. **Conclusion: Not sustained.**

Allegation 2: The University was negligent in handling student clinical records during the transition of counseling and behavioral health services. **Conclusion: Not sustained.**

Allegation 3: The University did not provide sufficient notice to students regarding the change in services related to counseling and behavioral health services. **Conclusion: Not sustained.**

Allegation 4: The University was negligent in transitioning from an on-campus clinical practitioner to outsourcing counseling and behavioral health services and they did not ensure a plan for continuity of care. **Conclusion: Not sustained.**

Background, Objective, Scope, and Methodology:

Background:

Until June 2018, the University maintained an on-campus counseling center and employed one licensed¹ staff member on a full-time basis as a Wellness Counselor. The Wellness Counselor maintained office hours weekdays from 8:30 am to 4:30 pm. During the employ of the Wellness Counselor, the University also contracted with BayCare Behavioral Health (BCBH) to provide assistance to students on an as needed basis and when the Wellness Counselor was not available. BCBH is one of the leading non-profit providers in the Central Florida area and offers an extensive network of licensed providers for counseling and behavioral health services.

At the end of June, 2018, the University decided to completely outsource University counseling and behavioral health services and negotiated a contract that was executed with BCBH on June 18, 2018. The expanded BCBH contract provided for a 24/7 telephone line; face to face counseling sessions; an on-site licensed mental health counselor; faculty training related to student issues; and online resources for the period July 1, 2018 through June 30, 2019. The University notified their Wellness Counselor of layoff, effective June 26, 2018, and her last day of employment with the University was July 25, 2018. The notice of layoff to the Wellness Counselor provided that she was not required to report to work for duty between the layoff date and the termination date; however, she was expected to follow applicable policies and procedures and cooperate with the University during this time. On June 26, 2018, the University took physical possession of clinical files generated during the Wellness Counselor's employment with the University immediately after she was notified of the layoff.

Objective:

The objective of this investigation was to assess allegations related to the recent transition of counseling and behavioral health services and violations of governing directives, laws, regulations, and university policies based on testimonial and documentary evidence. The conclusions used in this report are categorized and defined as follows:

- **Sustained:** A conclusion of fact indicating that evidence has been established which is more probable to be true than not true that a violation of governing directives has occurred.
- **Not Sustained:** A conclusion of fact indicating that evidence has been established which is more probable to be true than not true that a violation of governing directives has *not* occurred.

¹ Licensed as a Licensed Mental Health Counselor (LMHC), a Licensed Marriage Family Therapist (LMFT), Rehabilitation Counseling (CRC), National Certified Counselor (NCC) and a Certified Clinical Trauma Professional (CCTP)

Scope:

Due to the nature and dates of allegations included within the scope of this investigation, the investigative period covered primarily relates to activities occurring on June 26, 2018, and thereafter, up to the release of this report.

Methodology:

To achieve the investigative objective, UAC performed the following activities:

- Researched and compiled relevant governing directives which served as criteria against which to evaluate the allegations;
- Gathered documentation and conducted interviews;
- Prepared information requests to applicable University staff;
- Reviewed information provided; (including emails and other notices) and
- Formulated conclusions based on evidence obtained

UAC conducted this investigation in accordance with the *Standards for Complaint Handling and Investigations for the State University System of Florida*.

Allegations, Conclusions, and Recommendations:

Allegation 1: Authority to Contract: Executive management of the University did not have authority to outsource counseling and behavioral health services at the University.

The Powers and Duties of the President, as authorized by Resolution², provides that the President has authority to approve and execute contracts for contractual services up to and including \$500,000. Contracts in excess of this amount must be approved by the Board of Trustees (BOT). In addition, contracts in excess of \$200,000 must be disclosed to the BOT as an informational item. The contract with BCBH provided for a fixed cost of approximately \$42 thousand and additional costs for services needed outside of the scope of agreed upon contract deliverables.

Section (6)(q) of the Resolution also specified that “any additional contract or other matter of the University, a direct support organization, or other University affiliated entity, beyond ordinary standards and not covered by specific standards, would be considered material to the University and/or a direct support organization or University affiliated entity, including its resources or reputation, or would generate significant media attention, the President or designee is expected to confer with the chair of the Board and to notify the vice chair of the Board. Also, if any matter is expected to generate significant media attention outside of the ordinary course, the President is expected to notify the full Board of Trustees. The chair of the Board and the President shall

² Resolution 2017-003, approved by the Board of Trustees on October 31, 2017

collaborate over time to support their mutual understanding of this expectation, recognizing that there are judgments involved for both of them”.

Conclusion: Not Sustained. The BCBH contract provides for fixed costs of \$42 thousand with additional variable costs for services performed on an as-needed basis. It is highly unlikely that aggregate contractual costs would exceed \$500,000 and require BOT approval. Therefore, executive management operated within their authority to approve and execute the contract with BCBH. In light of the admitted judgments and uncertainty in the Resolution with regard to Section (6)(q), it was not clear if this matter should have been reported to the BOT Chair as an informational item. In the opinion of UAC, this contract would not be considered material to the University.

Recommendations: No related recommendations for this allegation.

Allegation 2: Clinical Record Handling: The University was negligent in handling student clinical records during the transition of counseling and behavioral health services.

State Law³ provides for the ownership and control of patient records. The law defines the “records owner” as the health care practitioner, unless an employment agreement between the employer and the practitioner designates the employer as the records owner. The University did not execute an employment agreement with the former Wellness Counselor that designated the University as the records owner. As a result, the former Wellness Counselor is the records owner of the clinical records generated during her employment with the University. In addition, State⁴ and Federal⁵ Laws protect patient records information and limit access of such records to certain specified parties.

Although the University took physical possession of the locked file cabinet that contained the former Wellness Counselor’s clinical files on the date of her layoff (6/26/18), the University has taken the following actions in an attempt to resolve control of the patient records and to properly secure the protected information:

- The University contacted the former Wellness Counselor on July 6, and July 11, 2018 in an attempt to resolve ownership of the records. Although the Wellness Coordinator was not terminated, of record, and was being paid through July 25, 2018, she failed to cooperate with the University or provide an answer resolving ownership and on July 11, 2018 referred all correspondence to her attorney. The University further attempted to resolve this matter through the attorney of the former employee on several occasions prior to the Wellness Counselors termination date (7/25/18); however, such efforts were also unsuccessful. Therefore, ownership of the clinical records still resides with the former

³ Section 456.057 (1), Florida Statutes

⁴ Section 456057 (7), Florida Statutes

⁵ Health Insurance Portability and Accountability Act (HIPPA)

employee, as defined by law, and possession of the former employees' records is with the University.

On August 14, 2018, the University's Office of General Counsel sent written notice and an "Agreement for Transfer of Counseling Records" to the former employee's attorney attempting to resolve the ownership of client files and concerns related to transition of services. As of the release of this report, that request is still outstanding.

- Upon the layoff of the former Wellness Counselor on June 26, 2018, the keys to the cabinet were obtained by the University. Inquiry of personnel with any access to the files subsequent to the layoff indicated that no one viewed the files. Currently, access to the files are restricted by key possession and an access code to where the files are stored, properly restricting access to the clinical records. The files have also been moved to a remote site, off campus, to further restrict access to the files.

Conclusion: Not Sustained. Given that the University was not (and is still currently not) the records owner of the former employee's clinical records, the University has no authority to view such records. Although the University has attempted to either return the clinical records to the record owner or obtain a release of the records, such efforts have been unsuccessful. Consequently, the University has acted in a fiduciary role over the clinical records. In this fiduciary role, the University has exercised due diligence in securing the records. Based on testimony heard and observation by UAC, the University has properly restricted access to such records, secured such records, and is awaiting either (1) a release/transfer of ownership from the former employee to the University or (2) an approval from the Board of Clinical Social Work, Marriage and Family Therapy, and Mental Health Counseling to appoint the University as custodian if such records are deemed abandoned.

Recommendations: The University should:

- Continue their efforts to resolve the ownership of the former employee's client records.
- Consider executing an employment agreement with any future health care practitioners employed by the University. Such employment agreements should designate the University as the records owner in the event of termination.

Allegation 3: Proper Notices: The University did not provide sufficient notice to students regarding the change in services related to counseling and behavioral health services.

State Law⁶ provides records owners shall notify patients when they are terminating practice, retiring, or relocating, and no longer available to patients, and offer patients the opportunity to obtain a copy of their medical record. As noted in Allegation 2, the University is not the records owner, as defined by law and therefore would not be subject to this notice requirement.

As noted in the Background Section of this report, the University provided notice of layoff to their Wellness Counselor on June 26, 2018. On this same date, an email was distributed by the University to all Florida Poly students and faculty providing notice of the expanded services available. This notice to students and faculty is included in this report as *Exhibit A*.

Conclusion: Not Sustained. The University was not the records owner and therefore not subject to notice requirements set forth by State Law regarding patient records. Nevertheless, the University did provide timely notice of the expanded BCBH services to all Florida Poly students. Although this notice did not explicitly mention that the Wellness Counselor had terminated employment with the University, UAC considered the notice above to be sufficient to direct students in need to the expanded arrangement for counseling and behavioral services.

Recommendation: As of the date of this investigative report, the University had not filled the Associate Director of Campus Wellness Management position that was referenced in the June 26, 2018 email. (See *Exhibit A*) UAC recommends that the University continue its efforts to fill this position.

Allegation 4: Transition of Services and Continuity of Care: The University was negligent in transitioning from an on-campus clinical practitioner to outsourcing counseling and behavioral health services and they did not ensure a plan for continuity of care.

As noted in Allegation 2, the former Wellness Counselor is the records owner of the clinical records generated during her employment with the University. Further, as noted in Allegation 3, State Law⁷ provides records owners shall notify patients when they are terminating practice, retiring, or relocating, and no longer available to patients, and offer patients the opportunity to obtain a copy of their medical record. This notification prescribed by law essentially represents one element necessary for transition of services; however, since the University was not the records owner it had no responsibility (or authority) to notify the former employee's patients.

As outlined in the Background Section of this report, the University had been using the services of BCBH prior to completely outsourcing all counseling and behavioral health services to BCBH.

⁶ Section 456.057 (12), Florida Statutes

⁷ Section 456.057 (12), Florida Statutes

For instance, the University frequently communicated with students, notifying them of services offered by BCBH, when the former Wellness Counselor would not be on campus.

Transition of Services:

The responsibility for providing transition of services rests squarely and solely on the party who has sufficient knowledge to make the appropriate patient decisions. In the absence of release or transfer of the records by the records owner (former Wellness Counselor) the University, or anyone acting on their behalf, is unable to access such records for evaluation and use in transitioning services. As noted in Allegation 2, the University attempted on several occasions to obtain ownership of the records, from both the former employee and her attorney. Although the former employee was laid off on June 26 and continued to be paid through July 25 with an expectation of cooperation with University requests, such efforts were unsuccessful. Consequently, the University currently does not have authority to access information necessary for the transition of services.

As noted in Allegation 3, notice to all Florida Poly students was deemed sufficient to direct students in need to the expanded arrangement with BCBH for counseling and behavioral health services. In the absence of cooperation from the former employee, with regard to record ownership, this notice to students was the only option available to the University in transitioning students to the expanded services.

Continuity of Care:

Continuity of care⁸ is concerned with the quality of care over time. There are two important perspectives on this. Traditionally, continuity of care is idealized in the patient's experience of a 'continuous caring relationship' with an identified health care professional. For providers in vertically integrated systems of care, the contrasting ideal is the delivery of a 'seamless service' through integration, coordination and the sharing of information between different providers. As patients' health care needs can now only rarely be met by a single professional, multidimensional models of continuity have had to be developed to accommodate the possibility of achieving both ideals simultaneously. Continuity of care may, therefore, be viewed from the perspective of either patient or provider. *Continuity in the experience of care* relates conceptually to patients' satisfaction with both the interpersonal aspects of care and the coordination of that care. Experienced continuity may be valued in its own right. In contrast, *continuity in the delivery of care* cannot be evaluated solely through patients' experiences, and is related to important aspects of services such as 'case-management' and 'multidisciplinary team working'. From a provider perspective, the focus is on new models of service delivery and improved patient outcomes. A full consideration of continuity of care should therefore cover both of these distinct perspectives, exploring how these come together to enhance the patient-centeredness of care.

⁸ As defined by US National Library of Medicine, National Institutes of Health

It is University management's opinion that the expanded contract and related services package negotiated with BCBH provides for greater levels of continuity of care than that previously offered.

Conclusion: Not Sustained. In the absence of a release or transfer of patient records by the former Wellness Counselor, the University was limited in its ability to transition records to BCBH. Notice of the options available with regard to expanded counseling and behavioral health services was therefore deemed the only action available, on the part of the University, to transition services.

In light of the definition above for continuity of care, it was not practical for UAC to determine whether the University's plan for continuity of care was successful until after the expanded services with BCBH were further utilized and thereby measurable.

Recommendation: University management should periodically survey students to determine their satisfaction with both the interpersonal aspects of service and continuity of care in delivery experienced in the expanded BCBH model.

Exhibit A – University Notice of Expanded Counseling and Behavioral Health Services

From: Kathryn Miller
Sent: Tuesday, June 26, 2018 11:02:47 AM
Subject: FW: Academic Support Services--Summer Update

Faculty,
Please see the following message that has been sent to all students.
Thank you,
Kathryn Miller

From: Kathryn Miller
Sent: Tuesday, June 26, 2018 11:00 AM
Subject: Academic Support Services--Summer Update

Florida Poly Students,
Student success is a key goal at Florida Polytechnic University. Student success begins in the classroom, and continues through the full student experience. To be a successful student, you need to be physically and mentally healthy.

Academic Support Services is implementing several changes this summer that will help better support the health of all students:

1. An Associate Director of Campus Wellness Management will be hired to serve the university. This position will be a first point of contact when a student health issue is identified and will connect students with appropriate resources, in a timely manner.
2. We are expanding our counseling reach and developing priority access for Florida Poly students with local service providers. We will continue to have an on-campus mental health counselor available at Florida Poly. Students who were previously seen by the Counseling Office at Florida Poly will be able to continue meeting with on-campus mental health professionals who will further support your counseling needs. Appointments can be made by calling 863-874-8652.
3. The BayCare Student Assistance Program is available for all students. Call 800-878-5470 for a confidential conversation. BayCare can also be reached at baycaresap@baycare.org.

Exhibit A (cont.)

4. TAO Connect Online Cognitive Behavioral Therapy (CBT) tools will be available for 24/7 self-directed therapy focused on stress, anxiety, depression and relationship issues.
5. Care@Floridapoly.edu. This email address is a way that the campus community can communicate a student concern to one single email address. Send us your concerns and we will mobilize to address the situation.
6. Additional new educational opportunities focused on healthy living are being developed to help assist students, including mental health first aid.

Our goal is to provide easy-to-navigate avenues that connect students with the services they need to succeed at Florida Poly, and graduate.

As you begin to see new services, new faces, and new opportunities on campus, I encourage you to utilize the resources and reach out for help when you feel stressed, twist an ankle, or generally do not feel like yourself. We can help!

Dr. Kathryn Miller
Vice Provost, Academic Support Services
Florida Polytechnic University

**Florida Polytechnic University
Audit and Compliance Committee (AACC)
Board of Trustees
September 5, 2018**

Subject: AG Report No. 2018-214 Anti-Hazing Recommendation

Proposed Committee Action

Information only – no action required.

Background Information

In its most recent operational audit by Florida’s Auditor General, the university was asked to calculate administrative costs associated with the \$1.5 million appropriation to provide access to an online anti-hazing course for state university freshmen. The university contracted with a vendor for \$1 million to make the course available and provide support to the 12 public universities and students related to the course. The remaining \$500,000 was retained by the university and the Auditor General asked that any funds over administrative costs from the \$500,000 be returned to the state. Various options for calculating the administrative costs have been considered and will be discussed.

Supporting Documentation: None

Prepared by: Rick Maxey, AVP Economic Development & Board Liaison