Office of Inspector General

Report on Annual Activities

Fiscal Year Ended June 30, 2011
Our Mission and Standards

The mission of the Office of Inspector General (OIG) is to add value to the University through evaluation of its control environment, risk management and governance processes. OIG provides a number of diverse but related activities - audit, consulting, and investigative services - intended to promote accountability, integrity, and efficiency within the University. The Office operates under international standards promulgated by the Institute of Internal Auditors and follows an annual work plan, developed with input from senior management and members of the Board of Trustees’ Audit and Finance Committee.

2010-2011 Highlights

During fiscal year 2010-11, our office spent a total of 5,464 hours in support of direct services related to our mission.

AUDITS

During the fiscal year, we completed all five of our planned audits. Total time spent on these projects was 2,922 hours. Results of our completed audits are summarized on page 3 of this annual report.

AUDIT FOLLOW-UP

In total, 887 hours were spent on efforts to determine the implementation status of prior audit recommendations made by the Florida Auditor General’s Office and the Office of Inspector General. Of 29 items that were subject to follow-up, the following conclusions indicate the implementation status of the recommendations as of June 30, 2011:

- **Fully Implemented**: 17 (59%)
- **Partially Implemented**: 8 (28%)
- **Implementation no longer applicable**: 3 (10%)
- **Not Implemented**: 1 (3%)

CONSULTING SERVICES

OIG provides various levels of management with scheduled and ad hoc advice on operations and the system of internal controls on an on-going basis. During 2010/11, our consulting projects included on-going scrutiny of daily p-Card transactions, review of expenditures by University direct support organizations, and periodic surprise cash counts of the University’s petty cash/operating change funds. In addition to these scheduled projects, we assisted the FAU Foundation by reviewing documentation used to support requests for matching certain bundled gifts with state funds. The inspector general also serves on the Banner Approvals and Security Committee which is responsible for recommending improvements to the university’s integrated management and financial reporting system.

INVESTIGATIONS

Our office is responsible for conducting non-criminal investigations. During fiscal year 2010/11, we received several minor complaints, none of which were deemed significant enough for a formal investigation.
Revenue-Generating Contracts

Synopsis of Scope and Objectives:
Six major revenue-generating contracts managed by the Division of Financial Affairs were audited with a focus on the following control objectives:
1) Effective monitoring of key contract terms and provisions; and,
2) Determining the propriety of revenue recognition, including commission calculations.

Summary of Recommendations:
No reportable recommendations were made as a result of this audit.

Construction

Synopsis of Scope and Objectives:
Three major projects completed during the period January 1 through September 30, 2010 were reviewed for compliance with established construction management and fiscal policies and procedures applicable to the Facilities Planning Department.

Summary of Recommendations:
Three recommendations were made to address procedural and documentation issues.

Accounts Payable

Synopsis of Scope and Objectives:
Primary objectives were to determine:
1) Adequacy of internal controls to ensure accurate, timely, and authorized processing of university obligations on the Banner Finance system; and,
2) Compliance with applicable laws, rules and regulations, university policies and procedures, and sound business practices.

Summary of Recommendations:
Three recommendations were made to improve documentation and enhance management oversight for accounts payable.

Time and Effort Reporting

Synopsis of Scope and Objectives:
This was the initial audit of the university’s new (Banner) time and effort system used to report quarterly certifications of compensated time spent on federal, state, and private research grants.

Summary of Recommendations:
One recommendation was made to reinforce maintenance of adequate documentation in support of effort certifications.

Employee Benefits Deductions

Synopsis of Scope and Objectives:
Audit coverage was limited to employee benefits such as health, dental, and life insurance sponsored by the state’s Division of State Group Insurance (DSGI) and administered by People First.

Summary of Recommendations:
A recommendation was made to improve desktop procedures for resolving under and overpayments of benefit premiums.
Other Activities

In addition to its planned direct services, OIG spent approximately 1,000 hours on administrative and support activities. Examples of the most significant activities included the preparation of the annual risk analysis, related work plan, and the annual report, coordinating activities with external auditors, addressing personnel matters, and general internal administration of the office. The OIG staff also spent 224 hours, or 3% of total available time, fulfilling continuing professional education requirements prescribed by professional standards.

Goals and Challenges for 2011/12

# Timely completion of the 2011/12 work plan;
# Continue to add value to the University’s operations by identifying and addressing risks with management and the Board of Trustees, and encouraging all employees to guard against fraud, waste, and abuse; and
# Increase use of our data mining software to add to efficiencies of our audit activities.

Contact Information

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A word from our staff . . .

We wish to thank the various members of the FAU community who participated in our efforts to effectively carry out our mission. We appreciate the assistance of all employees who contributed to the successful completion of the internal audits, follow-up on prior audit recommendations, and consulting projects during the fiscal year.

The Office of Inspector General is pleased that management and the Board of Trustees have agreed with the implementation of an annual review of internal controls by various managers and directors for their respective areas of responsibility. Over the past several years our office had taken the lead with this project and during the latter part of the fiscal year, the Division of Financial Affairs co-authored a joint statement of stewardship responsibilities and basic operating controls. We believe that annual reaffirmation of the joint statement will prove to be an effective enhancement to the university’s control environment.

Morley Barnett  Mike Hewett  Ben Robbins  Allaire Vroman

For additional copies of this report or comments concerning our activities, please contact Morley Barnett, Inspector General.