AUDIT AND FINANCE COMMITTEE
Thursday, October 18, 2012


PROPOSED COMMITTEE ACTION

Information Only

BACKGROUND INFORMATION

In accordance with the Office of Inspector General’s Internal Audit Charter, an annual report is issued to communicate the office’s activities of the previous fiscal year. The report summarizes internal audits, follow-up on prior audit recommendations, investigations, and consulting activities, as well as goals and challenges for the upcoming fiscal year.

IMPLEMENTATION PLAN/DATE

Not Applicable

FISCAL IMPLICATIONS

Not Applicable


Presented by: Mr. Morley Barnett, Inspector General

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Office of Inspector General

Annual Report of Activities
For the Year Ended June 30, 2012
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.

2011-2012 Project Highlights

During fiscal year 2011-12, our office spent a total of 4,993 hours in support of direct services related to our mission.

Relative Effort for 2011-2012

<table>
<thead>
<tr>
<th>Category</th>
<th>Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Audits</td>
<td>51%</td>
</tr>
<tr>
<td>Consulting</td>
<td>40%</td>
</tr>
<tr>
<td>Follow-up</td>
<td>9%</td>
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AUDITS

During the fiscal year, we completed the five internal audits scheduled in our work plan. Total time spent on these projects was 2,517 hours. Results of our completed audits are summarized on page 3 of this annual report.

AUDIT FOLLOW-UP

In total, 455 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 26 items that were subject to follow-up, the following conclusions indicate the implementation status of the recommendations as of June 30, 2012:

- **Fully Implemented** 13 (50%)
- **Partially Implemented** 7 (27%)
- **AG follow-up in progress – Implementation indeterminate** 4 (15%)
- **Not Implemented** 1 (4%)
- **Not to be implemented (management’s discretion)** 1 (4%)

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 2011/12, our consulting projects included on-going scrutiny of daily p-Card transactions, review of select expenditures by the FAU Foundation - a direct support organization, and periodic surprise cash counts of the University’s petty cash/operating change funds. In addition to these scheduled projects, we provided management with advisory services related to employee leave benefits statistics, minor construction projects (costing less than $2 million), and the Student and Exchange Visitor Information System - SEVIS. The inspector general also serves on the Banner Approvals and Security Committee which is responsible for overseeing the control environment for the University’s information technology activities supported by multi-module application software.

INVESTIGATIONS

Our office is responsible for conducting non-criminal investigations. During fiscal year 2011/12, we received several minor complaints, none of which were deemed significant enough for a formal investigation.
Summary of Audits

**Animal and Human Subjects Research**

**Synopsis of Scope and Objectives:**
Primary objective was to determine whether FAU’s oversight of research involving human and animal subjects complied with federal requirements and established policies and procedures which govern its Institutional Review Board (IRB) and the Institutional Animal Care and Use Committee (IACUC).

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

**Central Cashier’s Office**

**Synopsis of Scope and Objectives:**
Controls at the cashier’s office on the Boca Raton campus were evaluated for adequacy of accountability for money collections and other financial transactions, as well as physical security of the facilities.

**Summary of Recommendations:**
One recommendation was made to address supervisory review of credit card payments made by students.

**NCAA Compliance - Financial Aid**

**Synopsis of Scope and Objectives:**
This audit covered the 2011 fall semester and was the second in recent years related to student-athlete financial aid. Primary focus was on monitoring qualifications of student-athletes to receive financial aid as administered by the Athletics Department and Student Financial Aid.

**Summary of Recommendations:**
To improve overall compliance with NCAA regulations, we recommended that greater automation be added to both the monitoring and disbursement processes.

**Office of International Programs (OIP)**

**Synopsis of Scope and Objectives:**
This was the initial audit of OIP which included the administration of the University’s study-abroad and student-exchange programs, as well collection of monies to support those programs.

**Summary of Recommendations:**
Several recommendations were made to improve controls over monies collected and one recommendation addressed the need to maintain fully-executed institutional exchange agreements.

**Student Fees**

**Synopsis of Scope and Objectives:**
Key objectives of this audit were to determine:
- Proper assessment of tuition and local fees for the 2011 fall semester, charged on a per credit hour basis, and revenue recognition in the Banner Finance system, including tuition and fees for first-year medical students.
- Timely and accurate remittance of building and capital improvement fees to the Board of Governors.

**Summary of Recommendations:**
Improve timeliness of remitting building and capital improvement fees to the BOG.
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 249 hours, or 4% of total available time, fulfilling continuing professional education requirements prescribed by professional standards.

Goals and Challenges for 2012/13

♦ Timely completion of the 2012/13 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,
♦ Oversight of a planned external information technology risk assessment and critical analysis of the evaluator’s conclusions and management’s response to any recommendations.

Contact Information

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.

We are pleased to report that for the five-year period ended June 30, 2011, an independent evaluation of our activities indicated that we had complied with professional internal auditing standards set by the Institute of Internal Auditors.