

Tuesday, January 27, 2015

**SUBJECT: APPROVE AUDIT REPORT FAU 14/15-2, PERFORMANCE BASED FUNDING
DATA INTEGRITY AS OF SEPTEMBER 30, 2014**

PROPOSED BOARD ACTION

Approval of the audit as a basis of support for certification representations requested of the president and BOT chair by the Florida Board of Governors and fulfillment of the BOG request for an audit of the completeness, accuracy and timeliness of data submissions.

BACKGROUND INFORMATION

The integrity of data provided to the Board of Governors is critical to the performance based funding decision-making process. The BOG has requested that an audit be conducted to evaluate the controls and processes established by state universities as part its Strategic Plan and governance responsibilities. In addition, the BOG has requested that a data integrity certification form be signed by the president and BOT chair and submitted by March 1, 2015.

IMPLEMENTATION PLAN/DATE

Not Applicable

FISCAL IMPLICATIONS

University data integrity is foundational to fiscal accountability and critical to future BOG performance based funding of Florida's public universities.

Supporting Documentation: OIG Report FAU 14/15-2, Performance Based Funding Data
Integrity as of September 30, 2014

Presented by: Mr. Morley Barnett, Inspector General

Phone: 561-297-3682

Report No. FAU 14/15-2
Report Issue Date: January 15, 2015

FLORIDA ATLANTIC
UNIVERSITY™

Office of Inspector General

Audit Report: Performance Based Funding Data Integrity
As of September 30, 2014

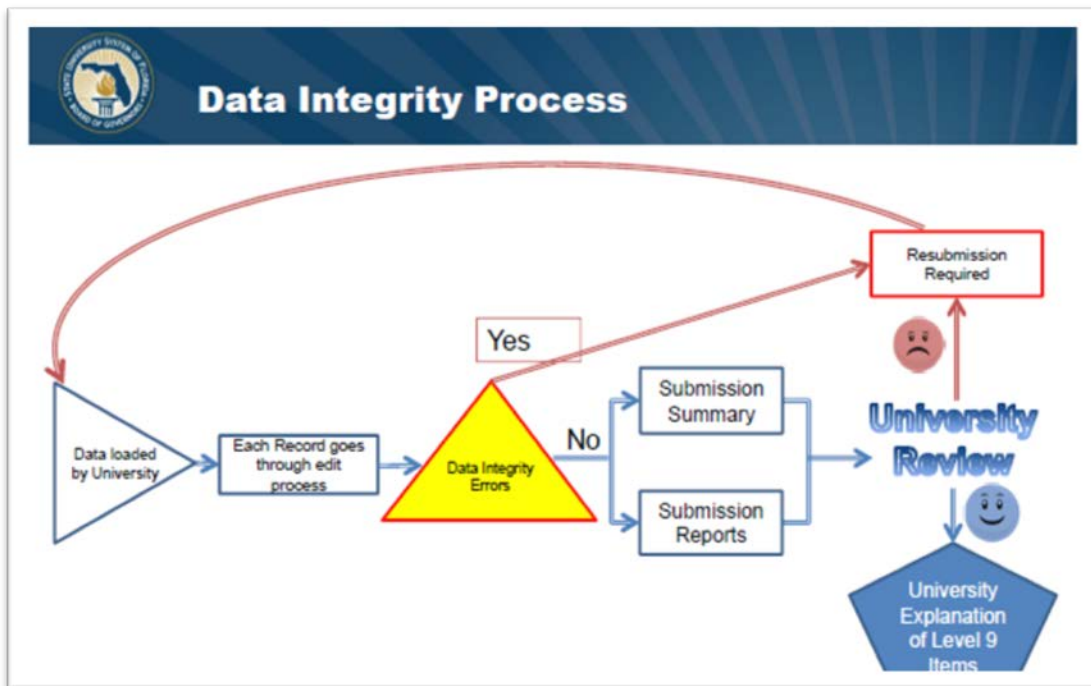
Use of Report

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**REPORT ON THE AUDIT OF
PERFORMANCE BASED FUNDING DATA INTEGRITY**

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MEMORANDUM

TO: Dr. John Kelly
President

FROM: Morley Barnett 
Inspector General

DATE: January 15, 2015

SUBJ: PERFORMANCE BASED FUNDING DATA INTEGRITY AUDIT

In accordance with the University's Internal Audit Plan for fiscal year 2014-15, and at the request of the Florida Board of Governors, we have conducted an audit of the processes and controls that Florida Atlantic University has in place related to data submissions in support of the BOG performance based funding metrics as of September 30, 2014. The report contained herein presents our scope and objectives and provides comments and conclusions resulting from procedures performed.

Please call me if you have any questions.

cc: University Provost
Vice Presidents
Auditee
FAU Board of Trustees
Inspector General, Florida Board of Governors
Florida Auditor General

EXECUTIVE SUMMARY

In accordance with the University's Internal Audit Plan for fiscal year 2014-15, and at the request of the Florida Board of Governors (BOG), we have conducted an audit of the University's processes and controls which support data submitted to the BOG for its performance based funding metrics. This audit was part of a system-wide examination based on data submitted as of September 30, 2014.

The primary objectives of this audit were to:

- Evaluate controls and processes established by the Office of Institutional Effectiveness and Analysis and primary data custodians to ensure completeness, accuracy and timeliness of data submitted to the BOG; and,
- Provide a reasonable basis of support for the Performance Based Funding Data Integrity Certification statement, which is required to be signed by the University president and Board of Trustees chair.

Audit procedures included, but were not limited to, the evaluation of internal controls as those controls relate to the accomplishment of the foregoing audit objectives, as well as compliance testing for a sample of data elements included in files submitted for various BOG performance based funding metrics.

Based on our observations and tests performed, we are of the opinion that the University's processes and internal controls for data compilation and reporting to the BOG are adequate. We consider the improvements identified in the Observation and Comments section of this report to be significant in helping to ensure the completeness and accuracy of data submitted for performance based metrics in future periods.



January 15, 2015

Dr. John Kelly
President
Florida Atlantic University
Boca Raton, Florida

Dear President Kelly:

SCOPE AND OBJECTIVE

At the request of the Florida Board of Governors, we have conducted an audit of the University's processes in place to ensure the completeness, accuracy, and timeliness of data submissions to the BOG. Data submitted to the BOG, upon which performance funding is based, and the methods and controls applied by management to ensure data integrity were subject to several key audit procedures. Specifically, detailed management narratives, as well as BOG publications related to data compilation were reviewed, and various samples of data reported to the BOG were verified to University source documents.

Our audit was conducted in accordance with current International Standards for the Professional Practice of Internal Auditing as published by the Institute of Internal Auditors.

BACKGROUND

The Florida Board of Governors has broad governance responsibilities affecting administrative and budgetary matters for Florida's 12 public universities. Beginning in fiscal year 2013-14, the BOG instituted a performance funding program based on 10 performance metrics used to evaluate the institutions on a range of issues including graduation rates, job placement, cost per degree and retention rates, among other outcomes. According to information published by the BOG in May 2014, the following are key components of the funding model:

- *Institutions will be evaluated on either Excellence or Improvement for each metric.*
- *Data is based on one-year data.*
- *The benchmarks for Excellence were based on the Board of Governors 2025 System Strategic Plan goals and analysis of relevant data trends, whereas the benchmarks for Improvement were determined after reviewing data trends for each metric.*
- *The Florida Legislature has approved \$100 million in new funding for performance funding and a proportional amount to total \$65 million would come from each university's recurring state base appropriation and another \$35 million from other system initiatives.*

Office of Inspector General • 777 Glades Road • Boca Raton, FL 33431

Tel: 561.297.3682 • Fax: 561.297.2479 • www.fau.edu/admin/oig

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OBSERVATIONS AND COMMENTS

Given the voluminous quantity and complexity of some of the data provided to the BOG in support of the performance based metrics, we worked very closely with the University data administrator and primary data custodians. This was our first comprehensive audit focused on evaluating the integrity of FAU's data, and based on our interactions with management we noted that the Office of Institutional Effectiveness and Analysis has taken the initiative to analyze relevant controls and processes, improve internal communications, and address the overall quality of data impacting performance metrics.

During this audit, the University data administrator and other managers responsible for data compilation provided detailed narratives and other documentation describing processes meant to ensure the completeness and accuracy of data submitted to the BOG. Although responsible university personnel have had a history of internal and external coordination necessary for BOG data submissions, the formality of our audit, coupled with involvement of the University data administrator and various BOG data managers has resulted in positive developments which are expected to improve the overall integrity of the University's data for future reporting periods.

Specific suggestions for improving data integrity were reported by the University data administrator and can be broadly categorized as technical and non-technical internal enhancements in data compilation and possible system-wide improvements in data integrity through increased involvement by the BOG in comparative analytics.

Internal enhancements in University data integrity

As previously noted, the University data administrator and others completed a critical review of internal procedures necessary to ensure integrity of data used for performance funding metrics. A primary consideration of management was to focus on possible ways to address any perceived data inaccuracies or programming deficiencies at the primary data custodian level. As a result of this analysis, the most significant issue noted was that coding errors found in the Hours-to-Degree (HTD) file would require resubmission of data to the BOG. These errors related to calculation adjustments needed for consistent treatment of some military courses, internships, and language courses, among others, for several past academic reporting periods. During November 2014, the BOG accepted the University's resubmissions of the Hours-to-Degree files for all six terms comprising the 2012-13 and 2013-14 reporting years. The HTD file is required for University performance metric 9, *Percent of Bachelor's Degrees Without Excess Hours*, and the University data administrator has calculated that the 2012-13 resubmitted data would have improved the metric score for FAU by two additional points.

External assistance from BOG for improving data integrity

Through analysis of FAU's Hours-to-Degree submissions to the BOG, the University data administrator has identified what is believed to be one significant way for the BOG Information Resource Management staff to provide SUS institutions with further assurance as to the completeness and accuracy of data. The data administrator explained that although each university is responsible for compilation of its data, statistical

information such as what was originally submitted by FAU in its 2012-13 HTD file for high school dual enrollment, internship hours, and other reported exemption hours (as shown in the BOG-prepared chart below) could have prompted the BOG early on to question FAU's 2012-13 data accuracy. That information was subsequently noted by the university to be significantly different from what other SUS institutions had reported and has prompted FAU to resubmit the Hours-To-Degree file during this audit. The concept of comparative analysis for improved reporting could potentially be expanded to include data used in any metric which the BOG might reasonably suspect as being out of the norm for a given institution.

FAU EXCESS HOURS DATA
SUM OF HOURS EXEMPT BY CATEGORY

| exemption hours | 2012-13 | 2012-13 REVISED 11-25 | 2013-14 |
|-------------------|--------------|-----------------------------|---------------|
| DUAL_ENROLL | 1,447 | 12,785 | 12,833 |
| FOREIGN_LANG | 76 | 165 | 248 |
| INTERNSHIP_HRS | — | 7,395 | 6,949 |
| COLLEGE_PREP | 130 | 238 | 95 |
| EXAM_CRED | 356 | 12,590 | 13,099 |
| LIFE_EXP | — | - | - |
| MILITARY | 57 | 888 | 1,058 |
| GRD_ROLLOVR | 2,058 | 2,018 | 1,992 |
| ACTIVDUTYMILITARY | — | - | 252 |
| PERSONHARDSHIP | — | - | 325 |
| TOTAL | 4,124 | 36,079 | 36,850 |
| HEADCOUNT | 4,375 | 4,376 | 4,408 |

Online data certification for files submitted to BOG

Board of Governors' Regulation 3.007(5)b requires all SUS data administrators to certify their institutions' data file submissions with the following statement - "*I certify that this file/data represents the position of this University for the term being reported.*" As of 9/30/14 we noted that provision had not been made by the BOG for formal electronic certifications as part of file submissions transmitted through its State University Data System (SUDS). Prior to completion of our audit we were informed by BOG personnel that SUDS has been modified to include an online certification as part of the data submission process, consistent with the regulation.

CONCLUSION

Based on our audit, we have concluded that the controls and processes which Florida Atlantic University has in place to ensure the accuracy and completeness of data submitted to the Board of Governors in support of performance based funding is adequate. In our opinion, we consider management's approach and suggestions to improve the integrity of FAU's data, as cited in this report, to be reasonable and cost effective to implement. Further, we believe our audit can be relied upon by the University Board of Trustees and president as a basis for certifying the representations made to the Board of Governors related to integrity of data required for its performance based funding model.

We wish to thank the staffs of the Office of Institutional Effectiveness and Analysis, Office of the Registrar, and other primary data custodians for their cooperation and assistance which contributed to the successful completion of this audit. We encourage continued cooperation and interaction amongst the various areas responsible for ensuring integrity in the university's data as required by internal constituents and external entities.



Morley Barnett, CPA, CPE
Inspector General

Audit performed by: Mike Hewett, CIA, CGAP, CBA, CFSA
Morley Barnett, CPA, CFE



Performance Based Funding Data Integrity Audit
9/30/2014

LIST OF REPORT APPENDICES

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| • BOG DATA PERFORMANCE FUNDING METRICS LINKED WITH DATA FILE SUBMISSIONS AND DATA ELEMENTS | A |
| • BOG NARRATIVES FOR DERIVATION OF FUNDING METRICS. | B |
| • MANAGEMENT’S EVALUATION OF PROCESSES AND CONTROLS FOR UNIVERSITY DATA INTEGRITY. | C |
| • DATA INTEGRITY CERTIFICATION STATEMENT REQUIRED BY BOG. . . | D |