



Item: AC: I-2

**AUDIT AND COMPLIANCE COMMITTEE**  
**Tuesday, November 14, 2017**

**SUBJECT: OFFICE OF INSPECTOR GENERAL'S REPORT OF ANNUAL ACTIVITIES FOR  
FISCAL YEAR ENDED JUNE 30, 2017.**

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**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 primary activities of the previous fiscal year. The report summarizes internal audits, follow-up on prior audit recommendations, non-criminal investigations, and consulting activities, as well as goals and challenges for the upcoming fiscal year.

**IMPLEMENTATION PLAN/DATE**

Not Applicable

**FISCAL IMPLICATIONS**

Not Applicable

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**Supporting Documentation:** OIG Report of Annual Activities for FY Ended June 30, 2017

**Presented by:** Mr. Morley Barnett, Inspector General

**Phone:** 561-297-3682

# Florida Atlantic University Office of Inspector General



**Annual Report of Activities  
Fiscal Year Ended June 30, 2017**

## Our Mission and Standards

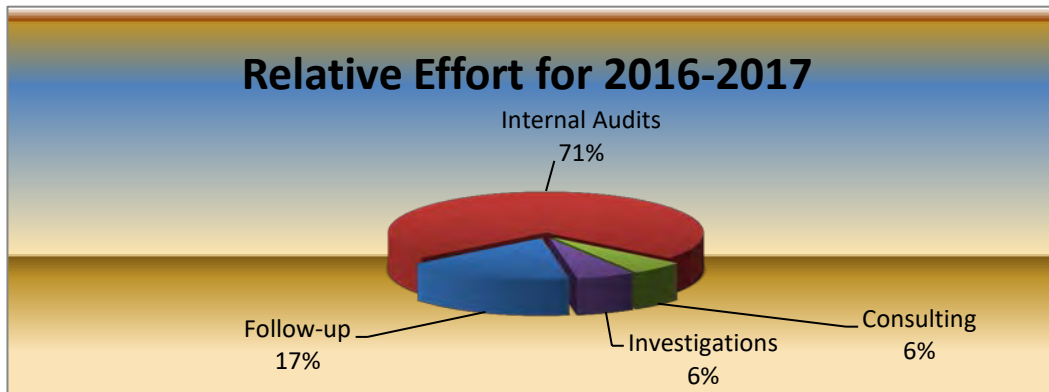
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The mission of the Office of Inspector General (OIG) is to add value to the University through evaluation of its control environment, risk management, and governance processes. OIG provides a number of diverse but related activities - audit, consulting, and non-criminal 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 Compliance Committee.

## 2016-2017 Highlights

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During fiscal year 2016/17, our office spent a total of 4,989 hours in support of direct services related to our mission.



### AUDITS

For the fiscal year ended June 30, 2017, we completed four internal audits, including an audit requested by the Florida Board of Governors of all public universities related to data integrity used to support system-wide performance based funding metrics. The audit of bank account reconciliations was in progress at the end of the fiscal year and completed in July 2017. Total time spent on these projects was 3,359 hours. Results of the 2016/17 audits are summarized on page 3 of this report.

### AUDIT FOLLOW-UP

In total, 855 hours were spent on efforts to determine the implementation status of prior internal audit recommendations. Of 25 items subject to follow-up, 23 were fully implemented, one was considered to be partial and another replaced by a similar recommendation in a recurring annual audit. Additional assurance work will be performed for the partial item as part of our on-going follow-up program.

### CONSULTING SERVICES

OIG provides various levels of management with scheduled and ad hoc advice on operations and internal controls on an on-going basis. During fiscal 2016/17, our most significant consulting project was a review of disbursement policies and select expenditure transactions of the FAU Foundation.

### INVESTIGATIONS

Our office is responsible for conducting non-criminal investigations that may impact the University's functions, programs, or activities. The OIG website has an anonymous complaint form which encourages the reporting of potential irregularities or known fraudulent activities. Requests for investigations may also result from complaints filed with the Board of Governors or the Chief Inspector General - Office of the Governor.

We began an investigation in accordance with the state's Whistle-blower's Act in April based on a written complaint that an academic unit of the Dorothy F. Schmidt College of Arts & Letters was not complying with the state's textbook affordability law and related Board of Governors' and University regulations. As a result of the investigation, university-wide guidelines on textbook affordability have been issued to help ensure compliance with the law and regulations. Our final investigative report was issued on August 22, 2017.

# Summary of Internal Audits

## Performance Based Funding Data Integrity

### Synopsis of Scope and Objectives:

Evaluate institutional controls and processes in place for proper data compilation and timely submission to the Board of Governors. This audit also served as support for a BOG-required certification of the University's data integrity by the president and board of trustees chair.

### Summary of Recommendation:

Recommended additional controls be put in place to ensure consistency in timely submission of data required by the BOG for performance metrics.

Florida Board of Governors Performance-Based Funding Allocation, 2017-18 June 22, 2017				
	Points	Allocation of State Investment	Allocation of Institutional Investment	Total Performance-Based Funding Allocation
FAMU	65	\$0	\$13,905,021	\$13,905,021
FAU	72	\$19,395,004	\$21,769,903	\$41,164,907
FGCU	66	\$0	\$9,704,854	\$9,704,854
FIU	68	\$27,468,290	\$30,831,754	\$58,300,044
FSU	81	\$38,547,492	\$43,267,593	\$81,815,085
NCT	75	\$2,469,535	\$2,771,928	\$5,241,463
UCT	78	\$35,692,230	\$40,062,707	\$75,754,937
UF	95	\$55,061,011	\$48,516,241	\$103,577,252
UNF	58	\$0	\$12,894,229	\$12,894,229
USF	84	\$45,396,585	\$39,206,903	\$84,603,488
UWF	82	\$20,969,853	\$12,068,867	\$33,038,720
<b>Total</b>		<b>\$245,000,000</b>	<b>\$275,000,000</b>	<b>\$520,000,000</b>

## 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 Recommendation:

Two recommendations were made to address documenting accountability for money collections and access to cashier facilities.



## FAU Pharmacy

### Synopsis of Scope and Objectives:

Evaluation of pharmacy administration and operations related to accountability for revenues, periodic inventories, and controlled substances.

### Summary of Recommendation:

Three recommendations were made to improve accountability for periodic inventories, reconciliation of revenues, and enhance controls over payments to supply vendors.



## Purchasing - Bidding

### Synopsis of Scope and Objectives:

Evaluation of the University's formal bidding processes for compliance with laws, rules and regulations on purchases equal to or exceeding \$75,000 and competitive quotes for lesser amounts.

### Summary of Recommendations:

No recommendations were made for this audit.



## Bank Account Reconciliations

### Synopsis of Scope and Objectives:

Timely reconciliations and other administrative processes overseen by Cash Management (Controller's Office) related to the University's bank accounts.

### Summary of Recommendations:

Three recommendations, including timely preparation of reconciliations, were made.

UNIVERSITY OF FLORIDA									
GROUP TOTAL									
OUTSTANDING - CONFIRMED									
TO BE CORRECTED OR REVIEWED									
CORRECTION DATE									
CREDIT OR DEBIT DEPOSITS TO BE REVERSED									
PRIOR YEAR BALANCE FORWARD									
FROM TRIAL BALANCE					FROM BANK OF AMERICA				
DUPLICATE	DATE	DEPOSIT	AMOUNT	DESCRIPTION	PRIOR YEAR	DATE	DEPOSIT	AMOUNT	
INTEREST & ANALYSIS									
09/01/2016	ANALYSIS		-21.98	Bank Account: Main Depository	0	09/01/2016	ANALYSIS		-21.98
09/01/2016	ANALYSIS		4,542.07	Bank Account: Main Depository	0	09/01/2016	ANALYSIS		4,542.07
09/01/2016	RT0716		41.24	Bank Account: Main Depository	0	09/01/2016	RT0716		41.24
09/01/2016	ANALYSIS		-71.22	Bank Account: Main Depository	0	09/01/2016	ANALYSIS		-71.22
09/01/2016	ANALYSIS		-31.04	Bank Account: Main Depository	0	09/01/2016	ANALYSIS		-31.04
09/01/2016	ANALYSIS		-18.70	Bank Account: Main Depository	0	09/01/2016	ANALYSIS		-18.70
09/01/2016	ANALYSIS		4,259.95	Bank Account: Main Depository	0	09/01/2016	ANALYSIS		4,259.95
09/01/2016	RT 0716		-13,896.12	Bank Account: Main Depository	0	09/01/2016	RT 0716		-13,896.12
09/01/2016	RT 0716		-13,896.12	Bank Account: Main Depository	0	09/01/2016	RT 0716		-13,896.12
09/01/2016	RT0716		74.78	Bank Account: Main Depository	0	09/01/2016	RT0716		74.78
10/17/2016	ANALYSIS		-81.59	Bank Account: Main Depository	0	10/17/2016	ANALYSIS		-81.59
10/17/2016	ANALYSIS		-6,554.78	Bank Account: Main Depository	0	10/17/2016	ANALYSIS		-6,554.78
10/17/2016	ANALYSIS		-33.24	Bank Account: Main Depository	0	10/17/2016	ANALYSIS		-33.24

## Administrative and Other Activities

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In addition to its planned direct services, OIG spent approximately 20% of total available hours on administrative and service delivery support activities. Examples of the most significant other activities included the preparation of the annual risk analysis, related work plan, and our annual report, coordinating activities with external auditors, addressing personnel matters, and general internal administration of the office. The OIG staff also spent 170 hours, or 3% of total available time, fulfilling continuing professional education requirements prescribed by professional standards.

In early May, our office was privileged to host a meeting of the SUS internal auditors and the BOG inspector general to discuss a range of issues impacting the internal audit function. The group typically meets biannually, rotating among the state's public universities

## Compliance with professional audit standards and BOG regulations

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Consistent with professional standards established by the Institute of Internal Auditors (IIA), we are organizationally independent of the activities, programs and functions we review, and we consistently strive to ensure that all services provided to the university are carried out with objectivity, professionalism and ethical standards set by the IIA. In keeping with requirements of the Institute, our office underwent its five-year quality assessment review (QAR). The assessment was comprised of an internal evaluation, followed by an independent validation by a qualified internal audit professional. Overall, results of the QAR concluded that our office was operating in general conformance with IIA professional internal auditing standards.

In November 2016 the Florida Board of Governors approved regulations affecting the governance and operations of the SUS internal audit functions. Our internal audit charter, as well as departmental audit and investigations manuals, was appropriately revised to reflect the regulations.

## Goals and Challenges for 2017/18

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- ◇ Timely completion of the 2017/18 work plan, including a BOG-required audit of existing controls and processes related to integrity of data submitted in support of its performance funding model.
- ◇ Add value to the University's operations by identifying and addressing institutional risks, and encouraging all employees to guard against fraud, waste, and abuse.

## Contact Information

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