



# **Annual Report**

**July 1, 2009 – June 30, 2010**

**Office of the Inspector General  
and Director of Compliance**

**STATE UNIVERSITY SYSTEM OF FLORIDA  
BOARD OF GOVERNORS**



September 30, 2010

Ava L. Parker, Chair  
Frank T. Brogan, Chancellor  
State University System of Florida  
Board of Governors  
325 West Gaines Street, Suite 1614  
Tallahassee, Florida 32399-0400

Dear Chair Parker and Chancellor Brogan:

Pursuant to the Inspector General Act, s. 20.055, Florida Statutes, and in furtherance of our mission to provide leadership in the promotion of accountability, integrity and efficiency in the State University System of Florida, we are pleased to submit the 2009-2010 Annual Report of the Office of the Inspector General and Director of Compliance (OIGC).

For this reporting period, a significant portion of our time was devoted to the development of an effective compliance program for the Board office. This included initiating a comprehensive analysis of all Board regulations and the creation of a new Access Database to manage the large amount of data and information generated during the project.

In addition, the OIGC acted as a liaison with the Florida Auditor General as it began its operational audit of the Board office on March 3, 2010, and included tracking over 125 requests for information to ensure responses were submitted to the audit team in a timely manner. We also engaged in a variety of investigative, audit and compliance related activities such as refining the process for handling complaints; implementing a written procedure for receipt and review of university internal audit reports and providing staff support to the Audit and Compliance Committee.

Chair Parker and Chancellor Brogan  
September 30, 2010  
Page 2 of 2

We deeply appreciate your support and leadership and look forward in the coming year to assisting the Board of Governors in achieving its mission to mobilize resources and diverse constituencies to govern and advance the State University System of Florida.

Sincerely,



Derry Harper  
Inspector General and  
Director of Compliance

DH/lc

Enclosure: *Annual Report, Office of the Inspector General  
And Director of Compliance, 2009-2010*

Cc: Governor Dean C. Colson, Vice Chair  
Governor Norman D. Tripp, Chair, Audit Committee  
Governor John W. Temple, Vice Chair, Audit Committee  
Members of the Board of Governors  
Florida Auditor General  
Chief Inspector General, Office of the Governor

## TABLE OF CONTENTS

<b>I. EXECUTIVE SUMMARY</b>	<b>- 2 -</b>
<b>II. INTRODUCTION</b>	<b>- 3 -</b>
<b>III. AUTHORITY, ROLE, AND FUNCTIONS</b>	<b>- 4 -</b>
<b>A. Duties and Responsibilities</b>	<b>- 4 -</b>
<b>B. Independence and Objectivity</b>	<b>- 4 -</b>
<b>C. Core Values</b>	<b>- 4 -</b>
<b>D. Legal Requirements</b>	<b>- 5 -</b>
<b>E. The Audit Committee and OIGC Charters</b>	<b>- 7 -</b>
1. Audit Activities	- 7 -
2. Investigative Activities	- 8 -
3. Compliance Activities	- 8 -
<b>IV. STAFF</b>	<b>- 9 -</b>
<b>A. Derry Harper, Inspector General and Director of Compliance</b>	<b>- 9 -</b>
<b>B. Lori Clark - Compliance Analyst</b>	<b>- 9 -</b>
<b>C. Karla Goodson - Executive Assistant</b>	<b>- 9 -</b>
<b>V. OFFICE ADMINISTRATION</b>	<b>- 10 -</b>
<b>A. Audit and Compliance Committee Charter and Office of the Inspector General and Director of Compliance Charter</b>	<b>- 10 -</b>
<b>B. Support for Audit and Compliance Committee</b>	<b>- 10 -</b>
<b>C. Outreach and Training</b>	<b>- 11 -</b>
<b>D. Policies and Procedures</b>	<b>- 11 -</b>
<b>E. Work Plans</b>	<b>- 12 -</b>
<b>VI. INVESTIGATIVE ACTIVITIES</b>	<b>- 13 -</b>
<b>VII. AUDIT ACTIVITIES</b>	<b>- 15 -</b>
<b>VIII. COMPLIANCE ACTIVITIES</b>	<b>- 16 -</b>
<b>IX. 2009-2010 INITIATIVES</b>	<b>- 17 -</b>
<b>X. CONTACT INFORMATION &amp; RESOURCES</b>	<b>- 18 -</b>
<b>A. OIGC Contact Information</b>	<b>- 18 -</b>
<b>B. Resources</b>	<b>- 18 -</b>

## I. EXECUTIVE SUMMARY

In order to promote accountability, integrity, and efficiency within the State University System of Florida, and consistent with the Board of Governors ("Board") mandate and applicable law, the Office of the Inspector General and Director of Compliance ("OIGC" or "Inspector General") engaged in the following activities during the fiscal year 2009-2010:

- Acted as liaison with the Florida Auditor General during its audit of Board operations, including tracking numerous requests for documents and information and ensuring responses were submitted in a timely manner.
- Established the Board Compliance Steering Committee comprised of representatives from all operational units and charged with developing an effective compliance program for the office including, as a key component, a comprehensive analysis of all Board regulations called the Regulation Compliance Review Project.
- Created a new, customized Access Database designed to manage information gathered by staff "compliance analysts" charged with analyzing the provisions of all Board regulations.
- Worked with State University System Chief Internal Auditors to develop a written procedure for the submission of internal audit reports conducted at their respective universities.
- Developed a process for reviewing State University System financial and operational audits by the Auditor General's Office in order to identify adverse trends and inform Audit Committee members, Board staff, and other universities as appropriate.
- Provided staffing support for the Audit and Compliance Committee ("Audit Committee") by briefing members in advance of face-to-face or conference call meetings; preparing Audit Committee meeting agendas, presentations, and materials; communicating with the Audit Committee Chair to keep him abreast of OIGC activities and to seek guidance on matters under the Audit Committee's purview.

- Revised the *Audit and Compliance Committee Charter* and the *Office of the Inspector General and Director of Compliance Charter* for the Audit Committee's review and approval.
- Prepared an *Audit and Compliance Committee Handbook* for new and current Audit Committee members designed to function as a one-stop resource containing applicable laws, regulations, and Charters fundamental to their authority and scope of responsibility.
- Continued the development of OIGC policies and procedures with input from appropriate State University System staff.
- Monitored and revised the Audit Committee's and OIGC work plans as needed to respond to changes in priorities.
- Began the revision of the OIGC Web page by posting the Audit Committee Charter, the OIGC Charter, and OIGC Annual Reports in order to make it a more robust resource.
- Processed a variety of "matters" or constituent complaints by indexing, categorizing, and forwarding them to university staff or retaining them for further Inspector General inquiry.

## II. INTRODUCTION

In furtherance of the Board mandate and in compliance with the Inspector General Act of 1994, Section 20.055, Florida Statutes, the OIGC has prepared this Annual Report for the fiscal year 2009-2010. The Annual Report summarizes the activities during the prior fiscal year within the framework adopted by the Board, the Audit and Compliance Committee ("Audit Committee"), and the Chancellor.

To *enhance public trust* is the vision of the OIGC, which is consistent with our mission to *provide leadership in the promotion of accountability and integrity* in the State University System. "We are about making a difference" is the OIGC motto, epitomizing the way we approach every task large or small.



### III. AUTHORITY, ROLE, AND FUNCTIONS

The OIGC was established by the Board on July 1, 2007, pursuant to its constitutional authority and in compliance with the provisions of the Inspector General Act (Section 20.055, Florida Statutes) and other applicable law. The Board adopted charters for the Audit Committee and the OIGC that provide a clear articulation of the OIGC's authority, duties, and responsibilities. The following sub-sections of the Annual Report are a brief compilation of the OIGC's constitutional, statutory, and regulatory authority as affirmed by the Board.

#### **A. Duties and Responsibilities**

The responsibilities of the OIGC include providing leadership in the promotion of accountability, integrity, and efficiency in audit and compliance matters for the Board and throughout the State University System of Florida.

In addition, pursuant to Section 20.155, Florida Statutes, the Board may direct the Inspector General to conduct an investigation if it determines a university board of trustees is "unwilling or unable to address substantiated allegations . . . relating to waste, fraud, or financial mismanagement...."

#### **B. Independence and Objectivity**

The Inspector General reports directly to the Board, through the Chair of the Audit Committee, on matters related to audit and compliance, and reports administratively to the Chancellor on broader issues and concerns that fall within the scope of work. The dual reporting relationship is designed to promote effective communication and coordination of OIGC activities, while ensuring that the Inspector General is not impaired in any manner from performing his mandated duties and responsibilities.

Professional standards specify that the Inspector General and staff must refrain from assuming managerial responsibilities for, or participating in, any operational activities that they might be expected to review, appraise, or render an independent opinion upon except under specific situations defined by auditing standards. To ensure compliance with these standards, the Inspector General and staff are prohibited from engaging in activities that could be construed to compromise their independence and objectivity.

#### **C. Core Values**

The following core values contribute to the OIGC foundation:

- **Excellence:** We strive to be an efficient, objective and fact-finding office. We have high expectations for quality and timely work products. We stand committed to improve our performance to benefit our key constituencies.
- **Professionalism and Integrity:** We maintain the independence and impartiality necessary to objectively perform our mission. We accommodate differences of opinion without compromising principle. We practice good citizenship with emphasis on ethics and acceptance of social responsibility.
- **Communication:** We listen to, learn from, and collaborate with our key constituencies and each other. We believe that effective communication, upward, downward, and laterally, is of utmost importance to our individual and combined success.
- **Accountability:** We are committed to demonstrate by objective, quantitative, or qualitative means our office has fulfilled its purpose, mission, and goals.
- **Agility:** We are flexible and innovative. We readily accept changes that are intended to improve our operations.

#### **D. Legal Requirements**

As mandated by Section 20.055, Florida Statutes, the OIGC is statutorily directed to perform the following duties and responsibilities as they relate to the Board office:

- Review and evaluate internal controls to ensure the fiscal accountability of the organization. The Inspector General should conduct financial, compliance, electronic data processing, and performance audits and submit a final report of the findings to the agency head and Auditor General.
- Develop long-term and annual audit plans based on periodic risk assessments.
- Initiate, conduct, supervise, and coordinate investigations to detect and prevent fraud, waste, mismanagement, misconduct, and other such abuses in state government.
- Report investigations, except for Whistle-blower investigations, to the agency head.



- Submit a final, annual report of activities no later than September 30<sup>th</sup> to the Chancellor and Chair of the Board of Governors.

Regarding investigative activities, the Inspector General shall:

- Receive and review complaints of alleged violations of policies, regulations, or procedures, and when appropriate initiate, conduct, supervise, and coordinate investigations designed to detect, deter, prevent, and eradicate fraud, waste, mismanagement, misconduct, and other abuses.
- Report expeditiously to the Department of Law Enforcement or other law enforcement agencies, as appropriate, whenever the Inspector General has reasonable grounds to believe there has been a violation of criminal law.
- Conduct investigations and other inquiries free of actual or perceived impairment by any person to the independence of the Inspector General.
- Submit in a timely fashion to the Board, the Audit Committee, and the Chancellor final reports on investigations conducted by the Inspector General, except for investigations conducted pursuant to the Florida Whistle-blower's Act, which shall be conducted and reported pursuant to applicable law.
- Investigate complaints filed by a Board employee pursuant to Florida's "Whistle-blower's Act," which allege violation of federal, state, local law, rule, or regulation or which create and present a substantial and specific danger to the public's health, safety, or welfare or which allege a suspected act of gross mismanagement, malfeasance, or misfeasance.

In addition, the OIGC shall:

...be organized using existing resources and funds to promote accountability, efficiency, and effectiveness and to detect fraud and abuse within state universities. If the Board of Governors determines that a state university board of trustees is unwilling or unable to address substantiated allegations made by any person relating to waste, fraud, or financial mismanagement, the office shall conduct, coordinate, or request investigations into substantiated allegations made by any person relating to waste, fraud, or financial mismanagement within a state university. The office shall have access to all information and personnel necessary to perform its duties and shall have all of its current powers, duties, and

responsibilities authorized in s. 20.055. [Section 20.155 (5), Florida Statutes]

### **E. The Audit Committee and OIGC Charters**

The Audit Committee is required annually to review and assess the adequacy of *The Audit and Compliance Committee Charter* and the *Office of the Inspector General and Director of Compliance Charter* in achieving the goals and objectives of the Board. The former was initially approved by the Board on March 26, 2009, and the latter, on June 18, 2009. During the fiscal year 2009-2010, the OIGC prepared an update of these Charters for the Board's review and approval. The documents clarify the role of the Audit Committee and the OIGC; provide for a systematic and disciplined approach to the evaluation of the Board's operations; and reaffirm the Board's goal to foster a management environment within the State University System committed to integrity, accountability, efficiency and sound financial controls.

Our three main areas of focus are:

#### **1. Audit Activities**

The Audit Committee, relative to the operation and management of the Board of Governors, provides the following:

- Oversight of activities related to internal audit, financial controls, compliance and ethics;
- Review of significant accounting and reporting issues and confirmation of appropriate management responses;
- Review of risk assessment methodologies and risk management policies;
- Assessment of the effectiveness of the internal control system;
- Review and confirmation of appropriate management response to any report of significant audit- or compliance-related findings and recommendations.

The Audit Committee's duties relative to the State University System include:

1. Acting as a liaison with the Audit Committee of university boards of trustees;
2. Receiving and reviewing university audit reports;

3. Identifying trends in such reports and confirming that adverse trends are being addressed by the universities;
4. Initiating inquiries if the Audit Committee has reasonable cause to believe that a university is not providing for appropriate response to significant audit findings;
5. Working collaboratively with the universities to develop resources that will support sound audit and financial compliance practices.

## **2. Investigative Activities**

As provided in its charter, the Audit Committee can direct the Inspector General to conduct an inquiry or investigation if it has reasonable cause to believe that a university board of trustees is unwilling or unable to provide for objective investigation of credible allegations of fraud or other substantial financial impropriety.

Additionally, the OIGC charter states that the Inspector General and his staff will work collaboratively with universities to develop resources that will support sound audit and financial compliance practices.

## **3. Compliance Activities**

In the area of Compliance, relative to the operation and management of the Board of Governors, the OIGC shall:

- Prioritize implementation of a compliance program to focus on areas of higher regulatory risk which could impact health or safety, academic or fiscal integrity;
- Provide recommendations, education and training in connection with regulatory compliance gaps identified;
- Monitor new developments or requirements in regulatory compliance;
- Improve coordination, dissemination and communication of regulatory compliance issues;
- Develop a best practices model for regulatory compliance.

## IV. STAFF

### **A. Derry Harper, Inspector General and Director of Compliance**

Mr. Harper joined the Board of Governors senior staff in July 2007 as the first Inspector General and Director of Compliance. Immediately prior to joining the Board, he served as Chief of Internal Audit and Investigation for Citizens Property and Insurance Corporation. Before that, he served as the Chief Inspector General for over four years during the administration of former Florida Governor Jeb Bush. In that role, his responsibilities included oversight and management of the 17 executive agency Inspectors General.

Before his return to public service, Mr. Harper spent 12 years in the private sector as corporate counsel for BellSouth Corporation handling a variety of legal matters including litigation and employment cases. He is a former federal and state prosecutor, having served as an Assistant United States Attorney and an Assistant District Attorney General, all in Nashville, Tennessee.

A graduate of Vanderbilt University School of Law, Mr. Harper received his undergraduate degree from Davidson College, where he served on the College Board of Trustees for six years.

### **B. Lori Clark - Compliance Analyst**

Ms. Clark became a member of the OIGC staff in August 2008, after serving two years as an educational policy analyst in the Board's Academic and Student Affairs department. She is a graduate of Florida State University with bachelor's and master's degrees in French Language and Literature. Ms. Clark has over 20 years of experience in postsecondary education, including teaching, student services administration, and program implementation and is receiving professional development and intense on-the-job training in the area of compliance.

### **C. Karla Goodson - Executive Assistant**

Ms. Goodson joined the Board of Governors staff in March 2010. Her professional experience includes administrative/research roles in association and legal settings, with particular emphasis on public policy and governmental affairs. Her experience is a valuable component in the operations of the OIGC as well as the other units she assists.

## V. OFFICE ADMINISTRATION

The OIGC was established on July 1, 2007. Since that time, OIGC resources have been dedicated to focusing on the development of a governance and operational framework consistent with the Board's constitutional mandate and in compliance with all legal, regulatory, and professional standards. The following subsections describe the most significant accomplishments during fiscal year 2009-2010:

### ***A. Audit and Compliance Committee Charter and Office of the Inspector General and Director of Compliance Charter***

On March 26, 2009, the Board adopted the *Audit and Compliance Committee Charter*, which articulates the powers and duties of the Audit Committee, provides for a systematic and disciplined approach to the evaluation of the Board's operations and reaffirms the Board's goal to foster a management environment within the State University System committed to integrity, accountability, efficiency, and sound financial controls.

The *Office of the Inspector General and Director of Compliance Charter* was adopted by the Board on June 18, 2009. The OIGC Charter articulates the powers and duties of the Board's Inspector General, provides for a systematic and disciplined approach to the evaluation of the Board office's operations, and like the Audit Committee Charter, reaffirms the Board's goal to foster a management environment within the State University System committed to integrity, accountability, efficiency, and sound financial controls. In addition, the OIGC Charter prescribes the parameter within which the Inspector General functions in relation to the Board office and the State University System while respecting the role of each university board of trustees to be responsible for oversight and administration of their respective universities.

As is required, each Charter was submitted for an annual review by the Audit Committee to keep abreast of any changes in regulations, statute, or Board governance authority. The changes made this year to each document were minor and were approved by the Board June 18, 2010.

### **B. Support for Audit and Compliance Committee**

The Board of Governors Inspector General and Director of Compliance has a dual reporting responsibility to the Board and to the Chancellor. As a result of this dual reporting model, the Inspector General provides staffing support for the Audit Committee, which meets face-to-face or by conference call four times per year or as needed.

Activities in support of the Audit Committee during this reporting period include:

1. Holding briefings prior to Board meetings, one-on-one with Board members, to discuss agenda topics.
2. Preparing meeting materials and making presentations to the Audit Committee for face-to-face or conference call meetings.
3. Communicating by phone or email with the Audit Committee Chair for guidance in handling concerns under the Audit Committee's purview.
4. Assisting Audit Committee members in staying abreast of applicable regulations and statutes. For example, OIGC staff created an *Audit and Compliance Committee Handbook*, approved by the Audit Committee on June 18, 2010, as a resource for members to describe their duties and responsibilities as Audit Committee members, as well as to provide them with a compilation of documents fundamental to the Audit Committee's authority and scope of responsibility.

### **C. Outreach and Training**

During the reporting period, the OIGC provided the following training opportunities to Board staff:

1. Lunch and Learn Session, *The World of the IG: You're Going to Need a Bigger Boat*, describing the IG's role and the importance of compliance and auditing.
2. Series of training sessions for the Regulation Compliance Review Project, which is an Access 2003 database used by Board staff in reviewing or analyzing all Board regulations for compliance as well as effective and efficient implementation of Board regulations.
3. Presentation to the National Association of College and University Attorneys Regional CLE Seminar in Orlando, Florida, *State and Local Higher Education Compliance Issues: A View from the Trenches*.

### **D. Policies and Procedures**

OIGC policies and procedures are based upon the charters, applicable law, and professional standards. In developing its policies and procedures, the OIGC has sought input from state university audit and compliance officers as well as state agency inspectors general through participation in the State University Audit Council (SUAC) and the Florida Inspector General group chaired by the Governors Chief Inspector General.

During this reporting period, the OIGC has established policies and procedures in the following areas:

- Receipt, review, and handling university internal audit reports
- Receipt and processing of complaints or allegations of fraud, waste, or abuse in the State University System

## **E. Work Plans**

### **1. Audit and Compliance Committee Work Plan**

The Audit Committee's annual work plan was approved by the Audit Committee January 28, 2010. The chart below lists the goals and deliverables for the previous fiscal year.

#### **Audit Committee Goals and Deliverables (2009-2010):**

- I. Annual Review of Audit Committee Work Plan
- II. Develop and Approve SUS Compliance Program
- III. Approve OIGC Policies and Procedures
- IV. Annual Review of OIGC Work Plan
- V. Adopt Procedures for Monitoring University Audit and Compliance Activities
- VI. Approve Board Office Internal Audit Work Plan
- VII. Accept OIGC Annual Report
- VIII. Annual Review of Audit Committee and OIGC Charters

Each Audit Committee member has been assigned a role as the leader for a particular task, and a projected timetable for completion of each task was approved. At the same meeting, the Audit Committee approved the draft of an OIGC Summary Work Plan, similar to the CWP but designed to provide more detail on the steps necessary to achieve the goals and objectives.

### **2. OIGC Summary Work Plan**

The OIGC Summary Work Plan (SWP) outlines the goals and deliverables for the Inspector General and staff. It is consistent with the priorities established by the Audit Committee in the Committee Work Plan.

As reflected by the chart below, the SWP lists five Primary Activities and several activities identified as "Top Priorities." Those tasks not completed during this reporting period will remain on the SWP for the 2010-2011 fiscal year.



Primary Activities:	Top Priorities:	Completed Items:
1.0 Establishment of OIGC 2.0 Legal and Statutory Requirements 3.0 Liaison Activities 4.0 Special Projects 5.0 Investigations	<ul style="list-style-type: none"> <li>• 1.2 Develop Compliance Program</li> <li>• 1.4 Develop Procedures for Monitoring Audit and Compliance Activities</li> <li>• 2.1 Develop Board Office Audit Work Plan</li> <li>• 2.2 Prepare Board OIGC 2009 Annual Report</li> <li>• 5.1 Establish Procedures and Forms (for Investigations)</li> </ul>	<ul style="list-style-type: none"> <li>• 1.2 Develop Compliance Program</li> <li>• 1.4 Develop Procedures for Monitoring Audit and Compliance Activities</li> <li>• 2.2 Board OIGC 2009 Annual Report submitted 9/30/09.</li> </ul>

### F. OIGC Web Page Revision

The OIGC Web page revision began near the end of this reporting period and was completed at the end of July. Changes to the Web page include the posting of the current and previously released Annual Reports, the *Audit and Compliance Committee Charter*, the *Office of the Inspector General and Director of Compliance Charter*, applicable statutes, and a section for audit and compliance related links. OIGC staff will revise its Web page as appropriate to keep documents and links current.

## VI. INVESTIGATIVE ACTIVITIES

During the past year, the OIGC handled a variety of “matters” submitted by current or prospective students, parents, university faculty and staff, and the general public. All matters were categorized, indexed, and assigned a case number for tracking and follow-up. The categorization for this report is slightly different from last year’s report. The categories were refined to reflect the type of matters brought to the OIGC’s attention. The description of the new categories is as follows:

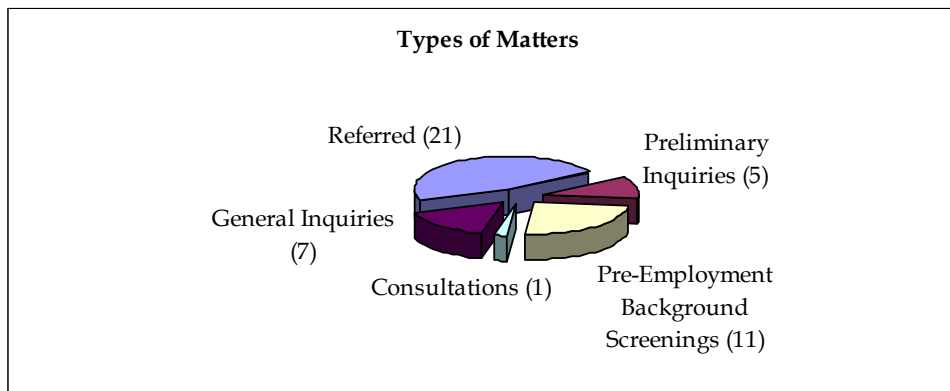
1. **Consultations:** OIGC advice is requested by Board staff or other university or agency staff. No additional action is required by OIGC staff, and follow-up is typically minimal. Consultations, however, often involve significant time to research the issue and discuss possible actions.
  
2. **General Inquiry:** Consumer questions requiring no OIGC action other than referral of inquiries (usually to the university in question). This category is also used in situations when OIGC staff follow-up on news articles regarding a university that may potentially require Board or staff review. A 30-, 60-, or 90-day follow-up period is scheduled.

3. **Preliminary Inquiry:** OIGC staff conducts a detailed review and analysis of allegations in a complaint to determine whether there is “reasonable cause to believe that the university’s board of trustees is unwilling or unable to provide for objective investigation of credible allegations of fraud or substantial financial impropriety.” At the conclusion of the Preliminary Inquiry, the Inspector General makes a recommendation whether further Board action is warranted.
4. **Referred:** Matters requiring brief review of the complaint and occasionally additional contact with the complainant. The matter is referred to the Internal Audit Office at the appropriate university for handling and follow-up with the OIGC. A 30-, 60-, or 90-day follow-up is scheduled.
5. **Investigations:** A systematic review and assessment of allegations contained in a complaint to determine whether a violation of statute, regulation, policy, or procedure has been committed or misconduct has occurred. This category will also be used for Whistle-blower complaints in accordance with Sections 112.3187 – 112.31895, Florida Statutes.

This reporting period, OIGC staff reviewed a total of 34 matters. Of these, one was a consultation with Board staff to provide guidance for appropriate handling; seven were general inquiries that were either resolved by the OIGC or redirected to appropriate university or other agency staff; five were preliminary inquiries; and 21 were referred to appropriate university staff for resolution.

In addition, Board policy requires the Inspector General to review and approve all Pre-Employment Background Screenings of Board staff. This past year 11 new staff submitted to a background screening.

The following chart depicts this activity:



## VII. AUDIT ACTIVITIES

### **A. Audit Plan**

Applicable law and professional standards require the development of an Annual Audit Plan based upon a systematic risk assessment of Board office operations. In the previous Annual Report, the process of developing and administering a Risk Assessment Questionnaire to Board senior staff and key managers was described. Responses to the Questionnaire will be utilized for the development of the Board Office's Audit Plan. In addition, a comprehensive review of Board office policy, procedures, and regulations was undertaken in conjunction with the establishment of a Board office compliance plan. The Regulation Compliance Review project includes an assessment of policies and procedures implemented to carry out the provisions of approximately 89 Board regulations. This analysis by Board staff is designed to ensure compliance with the regulations and identify those areas where existing procedures should be enhanced or improved.

The Risk Assessment Questionnaire, the basis of the Board Office Audit Plan, will be administered by the end of the 2010 calendar year. Details and results will be included in next year's Annual Report.

### **B. The 2009-2010 Board of Governors Operational Audit**

As requested by the Chancellor, and in accordance with applicable law, the OIGC acted as liaison with Florida Auditor General staff during its audit of the Board operations for the fiscal year 2008 through 2009 and selected management actions up to April 2010. The operational audit began March 2, 2010. The Auditor General's Office agreed to conduct their review of documents off-site until the end of the Legislative Session in early May. On May 3, 2010, auditors began active fieldwork on-site to continue their review of the Board office's operations.

The OIGC, among other things, coordinated communications and responses for the Board's operational audit. As of June 30, 2010, there were 129 requests for information from Board staff by the auditors. OIGC staff tracked each one to ensure a timely response was provided. Board staff were encouraged to communicate directly with the auditors and to copy OIGC staff as well as the Board's Chief of Staff on all communications. Face-to-face meetings and requests between the auditors and Board staff were captured in a follow-up email to provide better tracking and archiving. As of June 30, 2010, the operation audit was still underway.

## VIII. COMPLIANCE ACTIVITIES

In fulfilling its compliance responsibilities for this reporting period, the OIGC:

- A. Convened the first meeting of the Board Compliance Steering Committee (CSC) and launched the Regulation Compliance Review (RCR) Project in November 2009. With the support and approval of the Chancellor and the Audit Committee Chair, the Compliance Steering Committee was charged with developing a Compliance Program for the Board office, designed to detect, deter, and prevent violations of law, regulations, policies, or procedures. A series of meetings and planning sessions was held that included training staff on the fundamentals of establishing an effective compliance program, leading to the development of the RCR Project.

The RCR Project was designed by the Inspector General to serve as a key component in the overall risk assessment/audit plan process and the establishment of a compliance program for the Board office. The primary objective of the RCR Project is to analyze each existing Board regulation to determine what action or conduct it requires be taken by the Board or by the universities in the state system. OIGC staff held training sessions on the basic approach and methodology for conducting the analysis of the regulation and specific instructions on how to use the database to manage the information. OIGC staff reviews each report, determines if follow up questions or clarifications are needed, and in the final step will make recommendations to management for enhancing existing processes or procedures.

- B. Reviewed financial and operational audits of state university members conducted by the Auditor General. Operational audit reports are forwarded to the Board's senior staff, and any findings common amongst the various university reports are tracked and followed-up on with university staff.

During this reporting period, five universities received audit findings regarding Purchasing Card procedures. In follow-up, OIGC staff requested all universities provide details of any fraudulent transactions or internal control weaknesses with their university's Purchasing Card program and describe the university's corrective actions. OIGC staff submitted a summary report to the Board's Chief of Staff and the Chair of the Audit and Compliance Committee.

Additionally, working with university internal audit executives, OIGC staff developed a Purchasing Card Questionnaire to be disseminated before the

end of the calendar year. The Questionnaire asks for procedural and statistical information. After analyzing the results, OIGC staff will submit a report to the Chancellor and Audit Committee Chair. Also, in coordination with selected university internal audit executives, OIGC staff will consider drafting a Purchasing Card Best Practices document for the State University System.

- C. Worked with the State University Audit Council to establish procedures for the submission of their final internal audit reports to the OIGC. Board Regulation 1.001(6)(g) requires that universities submit their internal audit reports to this office. As with Auditor General audit reports, OIGC staff review them to identify adverse trends and shares reports as appropriate with Board staff.
- D. Continued work on the SUS Compliance Program with representatives from five members from State University System institutions, participating in a Compliance Work Group (CWG) charged with recommending to the Board the adoption of a system wide Compliance Program consistent with the current governance structure. The CWG's work is still underway.

## IX. 2009-2010 INITIATIVES

OIGC top priorities for this year include:

1. Recommend the adoption of a compliance program:
  - a. For the State University System - The Compliance Work Group, comprised of audit and compliance executives and general counsels from the State University System, will be instrumental in the collaborative project of creating an appropriate and effective compliance program for the university system. The objective is to develop a compliance program for review and approval by the Board of Governors by March 2011.
  - b. For the Board Office - OIGC staff convened a Compliance Steering Committee, composed of Board staff from each department, to begin the first step of establishing its Compliance Program. The Regulation Compliance Review Project is the means by which all Board regulations are reviewed to identify Board or university tasks or activities as required in our regulations. Once tasks are identified, staff will determine if current policies and procedures are adequate to implement the regulation. This phase of the Board's Compliance Plan

will be completed by November 2010. The next phase of the project will be to establish a process for assessing universities' compliance with Board regulations.

2. Prepare for the Audit Committee's approval a written procedure, for conducting a Preliminary Inquiry of allegations that a university has been unable or unwilling to investigate in order to determine if Board action is warranted. OIGC staff currently follows a standard operating process for gathering sufficient information to make a recommendation. The procedure will now be formally adopted by the Audit Committee.

## X. CONTACT INFORMATION & RESOURCES

### A. OIGC Contact Information

Office of the Inspector General  
and Director of Compliance  
State University System of Florida  
Board of Governors  
325 W. Gaines Street, Suite 1614  
Tallahassee, FL 32399-0400  
Phone: (850) 245-0466, Fax: (850) 245-9192

### B. Resources

**American Recovery and Reinvestment Act** <http://www.recovery.gov/>

**Association of Colleges and Universities Auditors**  
<http://www.acua.org/>

**Association of Inspectors General** [www.inspectorsgeneral.org](http://www.inspectorsgeneral.org)

**BOG Regulations** <http://www.flbog.edu/about/regulations/>

**Florida Inspectors General** <http://www.floridaoig.com/>

**Florida Inspectors General Expertise System (FIGES)**  
<http://figes.dcf.state.fl.us/>

**Florida Office of Economic Recovery** <http://flarecovery.com/>

**Institute of Internal Auditors** <http://www.theiia.org/>



Office of the Inspector General and Director of Compliance  
State University System of Florida  
Board of Governors  
325 West Gaines Street, Suite 1614  
Tallahassee, Florida 32399-0400  
Phone: (850) 245-0466; Fax: (850) 245-9192  
<http://www.flbog.edu>