

Office of Inspector General
and Director of Compliance

Annual Report
2014-2015



STATE
UNIVERSITY
SYSTEM
of FLORIDA

Board of Governors

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INTRODUCTION

In compliance with Florida's Inspector General Act, Section 20.055, Florida Statutes, the Office of Inspector General and Director of Compliance (OIGC) has prepared this Annual Report to summarize the office's activities for the Fiscal Year 2014-2015. This report is submitted to the Chancellor of the State University System of Florida (System) Board of Governors, members of the Board of Governors, and the Auditor General of Florida.



AUTHORITY, STANDARDS, AND FUNCTIONS

AUTHORITY

As authorized by Article IX, Section 7 of the Florida Constitution and Section 20.155(5), Florida Statutes, the Board of Governors established the OIGC in July 2007 to promote accountability, integrity and efficiency by providing quality audits, investigations, management reviews and technical assistance. Subsequently, the Board of Governors adopted the *Audit and Compliance Committee Charter* and the *Office of the Inspector General and Director of Compliance Charter* (charters). The OIGC charter identifies the authority under which the OIGC operates, and specifies its mission, organization, standards of work, code of ethics, access, independence, and objectivity as well as the OIGC responsibilities for the board office and the System.

To achieve and maintain independence and objectivity, the Inspector General and Director of Compliance (Inspector General) reports directly to the Board of Governors, through the Chair of the Audit and Compliance Committee (Committee), and administratively to the Chancellor. 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.

In accordance Section 20.155(5), Florida Statutes, the OIGC shall have access to all information and personnel necessary to perform its duties and responsibilities and shall have all of the powers, duties, and responsibilities authorized in Florida's Inspectors General Act [Section 20.055, Florida Statutes]. For example, as it relates to the board office, the Inspector General must review and evaluate internal controls to ensure fiscal accountability by conducting operational, financial, and compliance audits or reviews and develop an annual audit plan based upon a systematic risk assessment of board office operations. In addition, the Inspector General shall initiate and conduct investigations into fraud, waste, mismanagement, misconduct, or abuse and report results of investigative activities, including those complaints filed by a Board of Governors employee pursuant to the Florida Whistle-blower's Act [Sections 112.3187-112.31895, Florida Statutes].

If the Board of Governors, based upon the recommendation by the Committee, determines that a state university board of trustees is unwilling or unable to address credible allegations made by any person relating to waste, fraud, or financial mismanagement, the Inspector



General shall conduct, coordinate, or request investigations [Section 20.155 (5), Florida Statutes].

STANDARDS

All work in the OIGC is conducted in accordance with *the Principles and Standards for Offices of Inspector General*, published by the Association of Inspectors General.

Audit engagements are performed in accordance with the *International Professional Practices Framework (Standards for the Professional Practice of Internal Auditing)*, published by the Institute of Internal Auditors, Inc.; or, where appropriate, the *Government Auditing Standards*, published by the United States Government Accountability Office; or the *Information Systems Auditing Standards* published by ISACA.¹ These standards require that auditors plan and perform the audit to obtain sufficient and appropriate evidence that provides a reasonable basis for findings and conclusions.

Investigative assignments are performed in accordance with the Quality Standards for Investigations included in the *Principles and Standards for Offices of Inspector General*, published by the Association of Inspectors General.

FUNCTIONS

In accordance with the charters, the OIGC's three main areas of responsibility are audit, investigations and compliance.

1. Audit

As defined by the Institute of Internal Auditors,

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The OIGC promotes integrity, accountability and process improvement by providing objective, timely, sufficient and value-added audit services. The Inspector General conducts audits of the board office and prepares

¹ Previously known as the Information Systems Audit and Control Association, ISACA now goes by its acronym only, to reflect the broad range of Information Technology governance professionals it serves.



reports of his findings. The Inspector General determines the scope and assignment of audits; however, the Committee Chair and the Chancellor may at any time direct the Inspector General to perform an audit of a special program, function, or organizational unit.

Pursuant to Section 20.055, Florida Statutes, the internal audit activity of the OIGC includes developing audit plans; conducting audits; following-up of audits and related management corrective actions; developing a Quality Assurance and Improvement Program; and assisting in consulting engagements for initiatives, rules, and regulations.

The Inspector General represents the board office on the State University Audit Council (SUAC) that is composed of System universities chief audit executives. SUAC meets biannually to address common issues and share best practices.

2. Investigations

The goal of the OIGC's investigative responsibilities is to deter, detect and investigate internal and external fraud, waste, mismanagement, misconduct and other abuses in the board office.

As provided in its charter, the Committee can direct the Inspector General to conduct an inquiry or investigation if it has reasonable cause to believe a university board of trustees is unwilling or unable to provide for objective investigation of credible allegations of fraud or other substantial financial impropriety. In those instances where the Inspector General determines that no further action is warranted, the Board of Governors has delegated authority to the Committee Chair to make a final determination regarding a complaint.

3. Compliance

In the area of Compliance, the OIGC is responsible for promoting and supporting a culture of compliance, risk mitigation, and accountability. The office assists in the prevention and detection of conduct that is contrary to applicable laws, regulations, policies or procedures; and to promote a culture that encourages a commitment to compliance.

The Inspector General represents the board office on the State University System of Florida Compliance and Ethics Consortium (Consortium), which is composed of compliance directors and representatives from each of the System universities. The Consortium was established to provide an avenue for member institutions to discuss the development and implementation of compliance and ethics programs, new federal and state regulations, best practices, and common issues.



4. Support for the Audit and Compliance Committee

The OIGC provides staffing support for the Committee, which meets face-to-face or by conference call four times per year or as needed.

Activities in support of the Committee routinely include:

1. Holding one-on-one briefings with Board of Governors members prior to board meetings to discuss agenda topics.
2. Preparing meeting materials and making presentations to the Committee for face-to-face meetings or conference calls.
3. Communicating by phone and email with the Committee Chair for guidance in handling concerns under the Committee's purview.
4. Assisting Committee members in staying abreast of applicable regulations and statutes.

Later sections of this report describe additional OIGC activities in support of the Audit and Compliance Committee.



AUDIT ACTIVITIES

During Fiscal Year 2014-2015, the OIGC engaged in the following internal audit-related activities:

- Performance Based Funding Data Integrity Certification and Audits
- Audit Committees Workshop
- Survey of System Chief Audit Executives
- Regulation Development Update
- OIGC Risk Assessment and Work Plan
- Repeat Audit Findings Process
- University Corrective Action Plan Follow-up
- System Assistance
 - Internal Audit Guidance for FPU and NCF
 - Public Records Exemption Information
 - Shared Services
- Other OIGC Audit Activities
 - Legislative Budget Request – Schedule IX
 - CAERS Application Development and Implementation

Each of these topics will be discussed in detail below.

PERFORMANCE-BASED FUNDING DATA INTEGRITY CERTIFICATION AND AUDITS

Over the past few years, Florida has joined a number of states who are moving away from funding that is based on the number of full-time equivalent students. Florida has adopted a funding model aligned with state goals and priorities that provide incentives for system institutions to help students successfully complete degree programs. The model has four guiding principles:

1. Use metrics that align with State University System Strategic Plan goals;
2. Reward excellence or improvement;
3. Have a few clear, simple metrics; and
4. Acknowledge the unique mission of each institution.

Key components of the Performance-based Funding Model include:

- Institutions are evaluated on either excellence or improvement for each metric.



- Data is based on one-year data.
- The benchmarks for excellence are based on the Board of Governors 2025 System Strategic Plan goals and analysis of relevant data trends, whereas the benchmarks for improvement are determined after reviewing data trends for each metric.
- The Florida Legislature and Governor determine the amount of new state funding and a proportional amount of institutional funding that would come from each university's recurring state base appropriation.

This Performance-based Funding Model includes 10 metrics that evaluate institutions on a range of issues. Two of the 10 metrics are choice metrics: one picked by the Board of Governors and one by the university boards of trustees.

The success of the Performance-based Funding Model is tied to the integrity of the data submitted by each institution. To provide assurance that the data submitted for this process is reliable, accurate, and complete, the Board of Governors developed a Data Integrity Certification process.

In his June 27, 2014, letter and instructions to each university president and board of trustees chair, Board of Governors Chair, Mori Hosseini, announced that each university president shall execute a Data Integrity Certification affirmatively certifying the accuracy and completeness of information provided to the Board of Governors for Performance-based Funding decision-making.

Additionally, Chair Hosseini requested each university's board of trustees direct the university's chief audit executive to perform an audit of the university's processes that ensure the completeness, accuracy, and timeliness of data submissions to the Board of Governors. Universities were instructed to develop and submit, for Board of Governors approval, a corrective action plan designed to correct any audit findings.

At the March 2015 Board of Governors Audit and Compliance Committee meeting, members were provided an update on the results of the Performance-based Funding Data Integrity Certification process including the certifications submitted, audits conducted, and corrective action plans. These results are summarized by university in the following table.



Performance Based Funding Data Integrity Audits, Observations, and Certifications Summary

UNIV.	CONCLUSIONS	OBSERVED ISSUES	CERTIFICATION
FAMU	<ul style="list-style-type: none"> • Controls Adequate • Basis for Certification 	<ul style="list-style-type: none"> • Policies and Procedures • Documentation of Awarded Degrees in iRattler • Access Controls • Timeliness of Submissions 	Modified Representations: 8. Timely Sub. 9. Certification
FAU	<ul style="list-style-type: none"> • Controls Adequate • Basis for Certification 	N/A	Unmodified Certification
FGCU	<ul style="list-style-type: none"> • Controls Adequate • Basis for Certification 	<ul style="list-style-type: none"> • Timely Submissions • Access Controls 	Unmodified Certification
FIU	<ul style="list-style-type: none"> • Controls Adequate • Basis for Certification 	<ul style="list-style-type: none"> • Policies and Procedures • Timeliness of Submissions • Access Controls • Reporting - multiple admission dates 	Unmodified Certification
FPU	N/A	N/A	N/A
FSU	<ul style="list-style-type: none"> • Controls Adequate • Basis for Certification 	<ul style="list-style-type: none"> • Timeliness of Submissions • Policies and Procedures 	Modified Representation: 8. Timely Sub.
NCF	<ul style="list-style-type: none"> • Controls Adequate • Basis for Certification 	<ul style="list-style-type: none"> • Timeliness of Submissions • Access Controls 	Unmodified Certification
UCF	<ul style="list-style-type: none"> • Controls Adequate • Basis for Certification 	N/A	Unmodified Certification
UF	<ul style="list-style-type: none"> • Controls Adequate • Basis for Certification 	<ul style="list-style-type: none"> • Policies and Procedures • Access Controls • Legacy Systems Modernization Effort and Master Data Management 	Unmodified Certification
UNF	<ul style="list-style-type: none"> • Controls Adequate • Basis for Certification 	<ul style="list-style-type: none"> • Policies and Procedures • Access Controls 	Unmodified Certification
USF	<ul style="list-style-type: none"> • Controls Adequate • Basis for Certification 	<ul style="list-style-type: none"> • Data Administrator Position Description • Password Standards • Server Security • Data Submission Errors • Enhance Graduate Students and Postdoctorates in Science and Engineering (GSS) Survey 	Unmodified Certification
UWF	<ul style="list-style-type: none"> • Controls Adequate • Basis for Certification 	<ul style="list-style-type: none"> • Policies and Procedures 	Unmodified Certification



AUDIT COMMITTEES WORKSHOP

Board of Governors Audit and Compliance Committee Chair Alan Levine requested that the Committee host an Audit Committees Workshop with the chairs of each board of trustees audit committee and each university chief audit executive. This workshop was held in conjunction with the March 18-19, 2015, Board of Governors meeting at FAMU. In preparation for this workshop, the OIGC surveyed each university's chief audit executive to obtain information about their unique mission and operation to be summarized and shared with the Committee.

The workshop provided the Committee an opportunity to evaluate the audit, compliance and investigative elements of the System's governance structure. The following topics were discussed in detail:

- Compliance and Ethics
- OIGC Roles, Powers and Duties
- Complaints against Chief Audit Executives and Staff
- Audit Coverage
- Risk Assessment
- Risk Management
- Offices of the Chief Audit Executive
- Fraud



Workshop participants also discussed the OIGC's development of new Board of Governors regulations governing:

- Compliance and Ethics
- Office of Inspector General and Director of Compliance
- Offices of Chief Audit Executives



- Board of Governors oversight and enforcement authority to address compliance issues and repeat audit findings

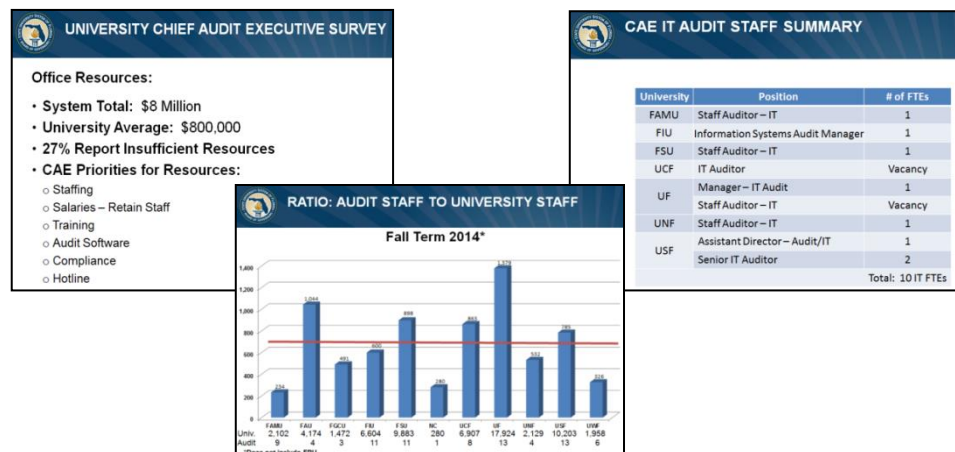
In addition to regulation development, the area of Information Technology Security stood out as a system-wide issue needing further study. The OIGC has included this as a project in the current year’s work plan.

Immediately following the workshop, the Inspector General was invited to participate in the June 2015 Board of Trustees Member Orientation. Presentation materials included emphasis of fiduciary duties and principles as well as the importance of state laws related to open meetings, public records and ethics. The Inspector General will also participate in the November 2015 Trustee Summit at FIU, which will include an audit breakout session.

SURVEY OF SYSTEM CHIEF AUDIT EXECUTIVES

This year, the Audit and Compliance Committee of the Board of Governors conducted a survey of system chief audit executives. This survey collected data about the mission, professional standards, staffing, budget and other relevant information about chief audit executive operations. In addition to completing the survey, we requested each chief audit executive to submit his or her mission statement, annual report, risk assessment, quality assessment review, charter documents, and organizational structure.

The responses provided valuable information about chief audit executives and their office functions. The resulting information was shared with all State University System chief audit executives and used to provide information to the Board of Governors regarding this important part of the State University System of Florida’s governance structure.





REGULATIONS DEVELOPMENT UPDATE

During this fiscal year, the OIGC drafted four regulations. These drafts, described below, have been discussed and provided for review and comment to university chief audit executives, chief compliance officers, and general counsels.

4.001 - University System Process for Complaints of Waste, Fraud, or Financial Mismanagement

This draft regulation addresses the creation and duties of the OIGC. It includes the responsibility to address allegations of waste, fraud, or financial mismanagement in instances where a university board of trustees is either unwilling or unable to do so.

4.002 - State University System Chief Audit Executives

This draft regulation recognizes that State University System of Florida chief audit executives are the central point for responsibility for activities that promote accountability, integrity, and efficiency. It addresses standards, audit and investigative practices, and other chief audit executive activities and protocols.

4.003 - State University System Compliance and Ethics Programs

This draft regulation was developed at the direction of the Board of Governors Audit and Compliance Committee and is designed to set minimum requirements for university compliance and ethics programs based upon the guidelines in the Federal Sentencing Guidelines Manual.

4.004 - Board of Governors Oversight Enforcement Authority

This draft regulation is modeled after section 1008.322, Florida Statutes. This statute relates to the Joint Legislative Auditing Committee and the Board of Governors' escalation procedures for repeat Auditor General audit findings and other university noncompliance.

We expect to formally notice these regulations and present them to the Board of Governors for approval in the 2015-2016 fiscal year.

OIGC RISK ASSESSMENT AND WORK PLAN

Section 20.055, Florida Statutes, specifies that the Inspector General develop long-term and annual audit plans based on the findings of periodic risk assessments and that the plan contain the individual audits to be conducted during each year and related resources to be devoted to the respective audits. By statute, the plan is submitted to the Committee,



the Board of Governors, and the Chancellor for approval, and a copy of the approved plan is submitted to the Auditor General.

This fiscal year, the OIGC initiated a risk assessment that included each of the organizational units that comprise the board office and a review of Board of Governors regulations, the Florida Constitution, applicable statutes, financial records, internal operational manuals, handbooks, organizational charts, and various reports including prior audit reports, and other available data.

The Committee approved and the Board of Governors ratified *The Office of the Inspector General and Director of Compliance Work Plan 2015-2016* at the Board of Governors meeting held in June 2015. The plan contains six audit projects and other projects designed to enhance OIGC operations.

Annual OIGC Work Plan - FY 2015-2016	
Project Title	Status
AUDIT ACTIVITIES - ASSURANCE AND CONSULTING	
Information Resource Management - Information Technology Governance	Not Begun
Board Office Telecommuting	Not Begun
Performance Based Funding Model - University Data Integrity	Initiated
Target Educational Attainment (TEAm) Grant Program	Not Begun
Florida Polytechnic University and New College - Internal Audit Functions	Initiated
FAMU Corrective Action Plan Follow-up	Ongoing
INVESTIGATIVE ACTIVITIES	
Complaint Intake and Triage	Ongoing
Preliminary Inquiries	Ongoing
Investigations	None Initiated
COMPLIANCE ACTIVITIES	
Board Office Compliance Program Development	Initiated
OIGC ACTIVITIES	
Risk Assessment and Audit Plan - 2016-2017	Not Begun
OIGC Annual Report - 2014-2015	Initiated
Regulation Development - Fraud	In Progress
Board Office - Auditor General Operational Audit Liaison	Not Begun
Chief Audit Executives Reporting System (CAERS) Development & Implementation	Completed
Data Request System for Collection of SUS External Audit Reports	Initiated
Information Technology System-wide Risk Assessment	Not Begun
Performing Information Technology Audits - Shared Services	Not Begun
Committee and Board Meeting Preparations	Ongoing

REPEAT AUDIT FINDINGS PROCESS

Section 11.45(7)(j), Florida Statutes, requires the Auditor General to notify the Joint Legislative Auditing Committee (JLAC) when a state university has failed to correct an audit finding that has been reported in three successive financial or operational audit reports. If JLAC's efforts do not



demonstrate satisfactory corrective actions, then the matter may be turned over to the Board of Governors for handling in accordance with Section 1008.322, Florida Statutes.

As a result, the OIGC closely monitors repeat university audit findings. On March 20, 2015, JLAC sent a letter to four universities (FAU, FIU, UF, and UNF) that had repeat findings from three successive financial or operational audit reports. All universities provided their responses directly to JLAC by the May 4, 2015, deadline with a copy to the OIGC. All responses were appropriate to the findings.

UNIVERSITY CORRECTIVE ACTION PLAN FOLLOW-UP

The OIGC is continuing to monitor one of the System institution's corrective actions resulting from the findings contained in various audit and investigative reports.

Collectively, these reports raised issues of operational control and governance at the university. To monitor the university's progress in addressing the findings and recommendations in each report, board office staff developed a high-level corrective action plan.

In total, the board office's high-level corrective action plan tracks 30 corrective actions grouped into five areas:

1. Audit and Compliance,
2. Finance,
3. Academics and Accreditation,
4. Facilities and Construction, and
5. Hazing and Student Code of Conduct.

At the end of this reporting period, the university had 29 corrective actions marked as "Completed," with one remaining in process. The following table summarizes these results.



Corrective Action Plan Status Summary			
Area	Issues	Completed ✓	Incomplete
Audit & Compliance	10	10	0
Finance	9	8	1
Academics & Accreditation	5	5	0
Facilities & Construction	2	2	0
Hazing & Student Code of Conduct	4	4	0
TOTAL	30	29	1

The one remaining item of corrective action relates to Intercollegiate Athletics Cash Deficits. In October 2014, the Audit and Compliance Committee directed follow-up on this remaining item as well as two additional items:

- Interim Appointments – focusing on the university president’s efforts to establish a permanent and stable leadership team; and
- Facilities Construction – focused on two ongoing investigations.

At the June 2015 Audit and Compliance Committee meeting, the OIGC provided an update on each of these items and the Committee approved additional follow-up in these areas.

SYSTEM ASSISTANCE

Internal Audit Guidance for FPU and NCF

This year, the Office of Inspector General provided Internal Audit Guidance for Florida Polytechnic University (FPU) and New College of Florida (NCF). Mr. Maleszewski engaged Bertha Alexander, Associate Vice President, Financial Services at FPU, to inquire about the university’s status and activities in establishing the internal audit function as required in section 1004.345(1)(f). During the fiscal year, Mark Mroczkowski was appointed to the FPU Vice President and Chief Financial Officer position and has been our contact.

In follow-up to this inquiry, the OIGC provided FPU with resources to assist in developing the required areas for the internal audit function. The Office of Inspector General will continue to hold periodic conference



calls with FPU and to provide guidance and resources, as necessary, during the development of the university's audit infrastructure.

As of February 2015, this project included providing guidance and assistance to NCF's John Martin, Vice President for Finance and Administration. As a result of completing the chief audit executive survey, Mr. Martin requested assistance in assuring NCF is using an appropriate internal auditing model. In May 2015, Mr. Martin hired a new Assistant Vice President for Finance and Administration, Barbara Stier.

Public Records Exemption Information

To assist university chief audit executives when handling sensitive and potentially confidential matters, the OIGC prepared a document listing common public records exemptions applicable to state universities. The document does not provide all relevant information for chief audit executives to comply with Florida's many public records-related requirements. Chief audit executives were encouraged to work with their general counsels as well as seek guidance from the following:

- Office of Attorney General,
- Executive Office of Governor's Office of Open Government, and
- *Government in the Sunshine Manual*.

Shared Services

Based on information gathered in the 2015 chief audit executive survey, the OIGC compiled a list of shared services suggestions. These suggestions were shared with Karen Armstrong, Board of Governors Director of Shared Initiatives, for further consideration. The potential areas for shared services fall into four information technology (IT) areas:

1. IT Analysis and Design

This area of potential shared services encompasses information technology planning, studies, and assessments.

2. IT Systems Development and Integration

This area encompasses project management for systems development and includes systems integrations, software development, system modernization, software procurement, web development, and information technology security, infrastructure and networking.



3. IT Operational and Support Services

The services offered under this area include a broad range of IT related to Operations and Support Services such as networking, system administration, data entry, desktop support, and disaster recovery.

4. Staff Augmentation

Staff augmentation to staff a project and respond to business objectives such as those areas identified in areas 1, 2, and 3 above.

OTHER OIGC AUDIT ACTIVITIES

Legislative Budget Request - Schedule IX

The OIGC prepares Schedule IX of the board office's Legislative Budget Request entitled *Major Audit Findings and Recommendations*. Schedule IX is designed to inform decision makers on recent major findings and recommendations found in Auditor General and OIGC audit reports and summarizes major findings and recommendations from audit reports issued during the current and previous fiscal years.

CAERS Application Development and Implementation

The OIGC partnered with the board office's Office of Information Resources to develop the Chief Audit Executives Reports System (CAERS). The system was implemented effective July 1, 2015.

The purpose of this system is to provide an easy-to-use and flexible tool for university chief audit executives to upload and submit internal audit reports (and other documents) to the OIGC, in accordance with Board of Governors Regulation 1.001(6)(g). Additionally, CAERS serves as a means for collegial sharing of reports and documents among the state's 12 public universities via staff authorized to view and access this information in CAERS.

CAERS provides secure submission of confidential reports to the OIGC. The system serves as the official repository for State University System institutions' internal audit reports, work plans, and other documents (as requested by ad hoc or routine information requests).



INVESTIGATIVE ACTIVITIES

The goal of the OIGC's investigative responsibilities is to deter, detect and investigate internal and external fraud, waste, mismanagement, misconduct and other abuses.

The OIGC serves as the focal point for Whistle-blower allegations and State Comptroller "Get Lean" hotline reports concerning board office personnel and programs.

Pursuant to Section 20.055, Florida Statutes, the OIGC shall be responsible for initiating, conducting, supervising and coordinating investigations designed to detect, deter, prevent, and eradicate fraud, waste, mismanagement, misconduct, and other abuses in the board office. Specifically, the OIGC is responsible for:

- Receiving complaints and coordinating all activities of the board office as required by the Whistle-blower's Act, pursuant to Sections 112.3187 - 112.31895, Florida Statutes;
- Receiving and considering the complaints that do not meet the criteria for an investigation under the Whistle-blower's Act and conducting, supervising, or coordinating such inquiries, investigations, or reviews as the Inspector General deems appropriate;
- Reporting expeditiously to the Florida 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; and
- Publishing reports of the final investigation when applicable.

The OIGC receives complaints from various sources. In accordance with Section 20.155, Florida Statutes, if the Board of Governors determines that a state university board of trustees is unwilling or unable to address allegations made by any person relating to waste, fraud, or financial mismanagement, the OIGC shall conduct, coordinate, or request an investigation.

PRELIMINARY INQUIRIES

The purpose of a preliminary inquiry is to determine whether, in the opinion of the Inspector General, the allegations are credible and, if so,



whether they warrant further investigation by the Board of Governors. The preliminary inquiry may include:

1. Identifying and obtaining statements from all relevant and material witnesses to the extent practicable; and
2. Identifying, gathering, and preserving all other relevant and material evidence.

The Inspector General reports the results of the preliminary inquiry to the Committee Chair and Chancellor (as appropriate), and the Inspector General is to recommend appropriate action in cases of credible allegations.

The Committee Chair considers the results of the preliminary inquiry along with the Inspector General's recommendation. If the Inspector General's recommendation is for no further action, the Board of Governors has delegated the authority to the Committee Chair to make a final determination regarding a Report of Preliminary Inquiry in those instances where the Inspector General recommends no further Board of Governors action is warranted. In all other situations, the Committee will consider the matter at its next meeting.

The following section summarizes the most significant investigative activities the OIGC handled during this reporting period.

MATTERS RECEIVED

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.

This reporting period, OIGC staff reviewed a total of 21 matters. Of these, our office:

- Referred 16 matters to the appropriate university for handling;
- Conducted three (3) consultations;
- Conducted one (1) preliminary inquiry; and
- Referred one (1) to the Florida Department of Education, Office of Inspector General.



The following table depicts the above activity:

Category of Activity	Total
Referred to university (CAE, BOT, General Counsel or Police Department) the following matters: <ol style="list-style-type: none"> 1. Personnel (8) 2. Student - tuition, fees and financial aid (3) 3. Student - PhD program dispute (1) 4. Student - online vendor dispute(1) 5. Student (anonymous)- racial discrimination (1) 6. Student (former Florida College System) (1) 7. Vendor - payment dispute (1) 	16
Consultations on the following matters: <ol style="list-style-type: none"> 1. Student - financial aid 2. Student - residency status 3. Student - termination of graduate assistant 	3
Preliminary inquiries conducted on the following matter: <ol style="list-style-type: none"> 1. Personnel Matter - review of governance concerns 	1
Referred to Florida Department of Education, Office of Inspector General the following matter: <ol style="list-style-type: none"> 1. Student - suspension from Florida College System program 	1
TOTAL	21

In addition to complaints tracking, the OIGC maintains a correspondence log of more routine requests. For this period the OIGC recorded 12 items including two (2) letters, five (5) calls, four (4) e-mails and one (1) *Florida Get Lean* submission. Each of these requests for assistance were addressed and referred as needed.

COMPLAINTS DISPOSITION

With the addition of an investigative staff member, an internal quality assessment review was performed of the 221 complaint files from 2009 to August 2014. We selected 75 files for review, including all open complaint files. Sixty-one of the complaint files reviewed are closed and 14 remain open, pending review and resolution at the OIGC or university level.

In addition, board office policy requires the Inspector General to review and approve Pre-Employment Background Screenings of board staff. This past fiscal year, the OIGC reviewed and approved the background screenings for 15 new board office staff members.



HOTLINE WEBPAGE DEVELOPMENT

One of the duties of the Audit and Compliance Committee and the OIGC is to ensure a process exists for receiving anonymous complaints and review the nature and disposition of reported matters.² Also, in accordance with statute,³ the OIGC receives, considers and coordinates the disposition of complaints. In the past, the OIGC has primarily fulfilled this duty by accepting correspondence, phone calls or in-person meetings.

To enhance this process, the OIGC has launched a new web page. This web page provides information and forms for individuals to file complaints on a variety of matters to appropriate jurisdictions depending on the nature of the complaint, the matters involved and the individual making the complaint.

The web page can be accessed from the Board of Governors website either by selecting the “Contact Us” link or through the OIGC web page.

<http://flbog.edu/contact/complaint/>

² Audit and Compliance Committee Charter, Section 8.1.7.

³ Section 20.055(6), Florida Statutes



INVESTIGATIVE PROCEDURES

This year, the OIGC provided guidance on investigative procedures to a number of universities including Florida A&M University, New College of Florida, University of Central Florida, Florida Gulf Coast University, and Florida International University. Additionally, we provided the OIGC Investigative policies and procedures that were developed in compliance with the *Commission for Florida Law Enforcement Accreditation, Inc., The Florida Inspectors General Standards Manual Edition 1.0.09* (revised October 2014). These procedures also help ensure compliance with the *Principles and Standards for Offices of Inspectors General, Quality Standards for Investigations* published by the Association of Inspectors General.

In addition, the OIGC provided external assistance to the chief audit executives by providing information on the following:

- Cooperation with investigations;
- Criminal v. Administrative Investigations (“Garrity” issues and Workplace Searches);
- Interaction with university and local police during investigations of suspected criminal activity; and
- Legislative updates and bill analyses on legislation that could affect the universities.

WHISTLE-BLOWER PROTOCOL

The “Whistle-blower’s Act,” Sections 112.3187-112.31895, F.S., plays a critical role in ensuring accountability. The statute prohibits adverse personnel action for certain individuals reporting information.

On October 1, 2014, Governor’s Chief Inspector General provided a revised Whistle-blower Determination Protocol and form to the agency inspectors general and university chief audit executives.



Whistle Blower complaints at state universities are rare, but due to the specific provisions of statutes, they must be handled very specifically and carefully. In accordance with Section 112.3189(1), F.S., a university’s board of trustees is responsible for designating an individual, whom for purposes of Sections 112.3139 and 112.3187(5), Florida Statutes, shall be deemed an agency inspector general.



COMPLIANCE ACTIVITIES

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

SYSTEM FINANCIAL AND OPERATIONAL AUDIT REPORTS

As required by law, the Auditor General conducts annual financial audits for each system university, and operational audits at least every three years [Section 11.45(2)f., Florida Statutes]. The OIGC receives final reports of all Auditor General audits of the System. Any findings common across the university reports are tracked and discussed with the appropriate interested parties for follow-up or to request additional information.

In accordance with Section 1008.322, Florida Statutes, the Board of Governors shall oversee the performance of state university boards of trustees in the enforcement of laws, rules, and regulations. This includes OIGC follow-up and liaison responsibilities regarding audit follow-up for findings repeated for three years without a satisfactory corrective action plan. The OIGC has a draft corresponding regulation and expects to formally notice it in the 2015-2016 fiscal year.

SYSTEM INTERNAL AUDIT REPORTS

In September 2010, Board of Governors Regulation 1.001, University Board of Trustees Powers and Duties, was amended to require that all state universities submit to the OIGC their final internal audit reports [Board Regulation 1.001(6)(g)].

The OIGC logs and tracks the number and name of the audit reports received and audit topics covered by each university on a quarterly basis. OIGC staff monitors reports to identify any trends and confirm with a given university that it is addressing any adverse trends.

For this reporting period, the OIGC received approximately 110 internal audit reports, management reviews or agreed-upon-procedures from system institutions. Collectively, these reports had over 385 findings requiring university management attention.



STATE UNIVERSITY SYSTEM OF FLORIDA COMPLIANCE AND ETHICS CONSORTIUM

The State University System of Florida Compliance and Ethics Consortium (Consortium) was formed in June 2013. The Inspector General represents the board office on the Consortium, which is composed of compliance directors and representatives from each of the System universities. Its mission is to provide an avenue for System institutions to discuss the development and implementation of compliance and ethics programs, new federal and state regulations, best practices, and issues they may be facing. Additionally, the Consortium provides an opportunity for System institutions without a formal compliance and ethics program to appoint a representative to participate in these activities. The Consortium met three times this year:

September 29-30, 2014

The Consortium, chaired by Rhonda Bishop, UCF's chief compliance and ethics officer, met at UCF for its first face-to-face meeting. Six of the twelve system universities were represented.

The breadth of the role of a centralized compliance function at a state university is vast: Ms. Bishop reported that according to the Society for Corporate Compliance and Ethics, higher education is the most regulated industry. She further emphasized that regulatory compliance issues at state universities continue to grow in both breadth and depth, touching on almost all aspects of university life. As a chief compliance officer, university partners commonly include staff in the following areas of responsibility:

- Environmental Health and Safety
- Title IX, Civil Rights Act of 1964
- Human Resources
- Medical Schools
- Health Care
- Academics (SACS)
- Athletics (NCAA)
- Procurement
- International Export Controls
- Research
- Tax
- IT Security

This meeting highlighted some new compliance and reporting issues universities face due, in part, to the Violence Against Women Reauthorization Act (VAWA) and amendments to the Jeanne Clery Act, requiring disclosures including the annual reporting of statistics for various criminal offenses.

December 16, 2014

During this conference call, Chair Bishop reported that Inspector General Maleszewski had invited her to present at the January 22, 2015, Board of



Governors Audit and Compliance Committee meeting. A brief discussion followed on what topics should be covered during the Consortium Chair's presentation.

Consortium members also discussed the November 2014 Board of Governors meeting covering Title IX and that the invitees focused on the definition of consent and responsible employee. The consortium discussed VAWA and the final regulations issued in November 2014 by the U.S. Department of Education. A brief open discussion of current Title IX reviews and export controls followed.

June 12, 2015

Consortium members discussed the draft of Board of Governors regulation entitled State University System Compliance and Ethics Program. As a result, the draft was revised and disseminated for further review.



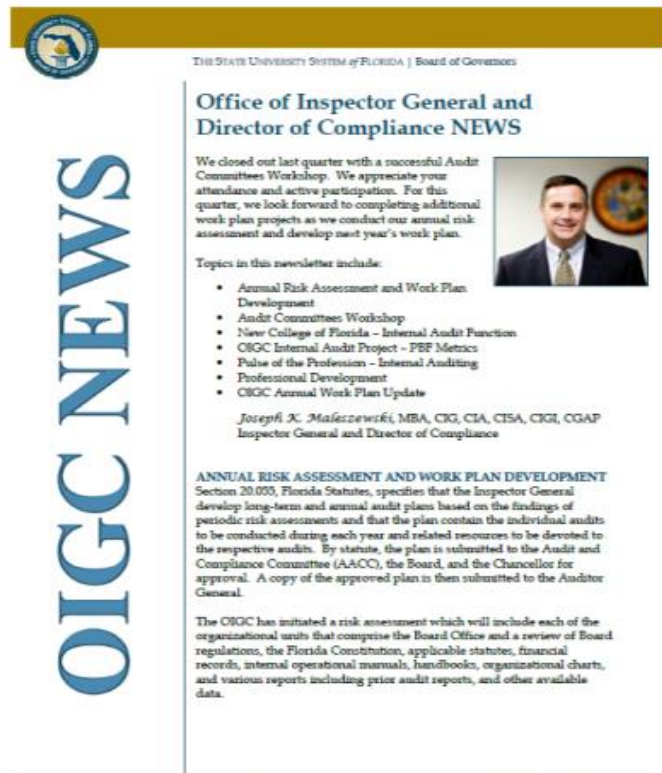
OFFICE ACTIVITIES

BOARD OF TRUSTEES ORIENTATION AND SUMMIT

One of the outcomes of the March 2015 Audit Committees Workshop was greater involvement of the OIGC in the board office’s Board of Trustees Orientation and Summit preparations. The OIGC assisted other board office staff in enhancing the orientation materials to address Florida’s higher education governance structure and emphasize trustees’ obligation to abide by Florida laws, Board of Governors regulations and the Association of Governing Board’s fiduciary principles and duties.

OIGC NEWSLETTER – DEVELOPMENT

The inaugural edition of the OIGC News was issued in October 2014. This quarterly newsletter is designed to supplement Board of Governors meetings and briefings to keep the Audit and Compliance Committee informed regarding OIGC activities and updates.





SUAC MEETINGS

The Inspector General represents the board office on the State University System of Florida, State University Audit Council (SUAC) which is composed of the chief audit executive from each of the System universities. This fiscal year, SUAC met twice in-person:

October 27-28, 2014, Tampa

Topics included:

- Audit Software – poll on what software universities use to include any promising new product from ACUA conference
- Board Office PBF Data Integrity Audit – progress of projects
- Risk Management/ Assessment – Enterprise Risk Management and Fraud Risk Assessment
- Board Office Role and Information Requests – Section 20.155(5), Florida Statutes
- CAE Survey – reviewed draft survey document and discussed merits of keeping or removing each item
- Audit and Operational Issues – OIGC complaint referrals and related requests
- Public Records Exemptions – Identifying which exemptions apply to universities
- Whistle Blower Protocol

May 27-28, 2015, Tallahassee

The main topics of discussion related to draft OIGC Regulations but included the additional topics listed below:

- Public Records Exemptions - audit work papers
- Performance Based Funding audits and certifications
- Chief Audit Executive Reports System for submitting audit reports
- Use of management staff to assist in audit testing
- CAE attendance at regularly scheduled senior management meetings
- Continuing education, training and development
- Distance learning fees
- Legislative updates
- Florida Research Administration Conference hosted by UCF





LEGISLATIVE BILL ANALYSIS

The OIGC provided staff analysis on bills potentially affecting offices of inspectors general and university chief audit executives. The topics of various bill analyses included:

- Agency Inspectors General;
- Expunging and Sealing Criminal History Records;
- Government Accountability; and
- Use of Confidential Informants.

One of the Inspector General-related bills passed the 2015 regular legislative session (CS/CS/CS/HB371). This bill does not impact state universities. It does, however, impact agency inspectors general. The language provides additional hiring requirements, employment qualifications, and terms of employment for inspectors general and staff; establishes duty of specified persons and entities with respect to the inspector general's duties; requires contracts and other specified documents to contain certain statements regarding the inspector general's duties; authorizes the Chief Inspector General to retain legal counsel and issue and enforce subpoenas. The effective date is July 1, 2015.

The only OIGC actionable item from this bill was the development of contract and solicitation document language. The OIGC advised board office management on potential language to include in contracts and solicitation documents.



STAFF

Joseph K. (Joe) Maleszewski, MBA, CIG, CIGI, CIA, CGAP, CISA, CCEP

Inspector General, State University System of Florida Board of Governors



Mr. Maleszewski joined the Board of Governors' Senior Staff in September 2013. He received an MBA degree from the Florida State University School of Business and holds the following professional certifications:

- Certified Inspector General (CIG),
- Certified Inspector General Investigator (CIGI),
- Certified Internal Auditor (CIA)
- Certified Government Auditing Professional (CGAP),
- Certified Information Systems Auditor (CISA), and
- Certified Compliance and Ethics Professional (CCEP).

Mr. Maleszewski has over 24 years of service in state government, serving primarily in Offices of Inspector General at four State agencies.⁴ He also served as State-wide Computer Security Administrator for the Florida Department of Transportation. He previously served as Inspector General for the Department of Economic Opportunity after serving as the Department of Transportation's Director of Audit for over seven years.

Lori Clark, CIGA, CCEP **Compliance and Audit Specialist**



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 holds the following professional certifications:

- Certified Inspector General Auditor (CIGA), and
- Certified Compliance and Ethics Professional (CCEP).

⁴ Department of Agriculture and Consumer Services, Department of Transportation, Department of State and Department of Economic Opportunity



Ms. Clark has over 20 years of experience in postsecondary education, including teaching, student services administration, and program implementation.

In addition to receiving professional development and on-the-job training in the area of compliance, Ms. Clark continues to obtain audit and investigative training with an emphasis on the former.

Melanie Yopp, CFE, CIGI **Investigations and Audit Specialist**



Ms. Melanie Yopp joined the OIGC in August 2014 as an Investigations and Audit Specialist.

Ms. Yopp's impressive background in state government includes working as an Investigator for the Department of Economic Opportunity. She has over 10 years of investigative experience in the areas of fraud, employee misconduct, Title VII and background investigations.

Ms. Yopp earned her B.A. in psychology from the University of South Florida. She is a Certified Fraud Examiner; Certified Inspector General Investigator; EEOC Investigator; Former Criminal Justice Standards and Training Commission Instructor, and Notary Public.

Kristina Marasia **Student Intern**



Ms. Marasia began working with the OIGC in January 2014. From the small town of Cooper City in Ft. Lauderdale, Florida, Ms. Marasia graduated from Cooper City High School in 2012. She is now a senior at Florida State University, pursuing a double major in Finance and Economics. Making academics a high priority, Ms. Marasia has achieved placement on Florida State's President's List each semester of her college career thus far. She is also active in her sorority, Kappa Alpha Theta, and enjoys volunteering with FSU's Dance Marathon Charity supporting the Children's Miracle Network.



PROFESSIONAL DEVELOPMENT AND ASSOCIATIONS

OIGC staff develop and maintain their professional knowledge, skills and abilities through a number of methods. The following section summarizes OIGC's professional certifications and affiliations, training accomplishments and service to the profession.

PROFESSIONAL CERTIFICATIONS

Expertise within the OIGC covers a variety of disciplines. Employees are technically qualified in auditing, financial matters, investigations, fraud, compliance, and information technology. Staff members continually seek to augment their credentials, further enhancing their abilities and contributions to the OIGC, the board office, and the System. The accomplishments of staff members obtaining certifications represent significant time and effort, reflecting positively on the individual as well as the board office.



Within the Board of Governors Office of Inspector General, Joseph Maleszewski is a Certified Inspector General (CIG), Certified Inspector General Investigator (CIGI), Certified Information Systems Auditor (CISA), Certified Internal Auditor (CIA), Certified Government Auditing Professional (CGAP), Certified Compliance and Ethics Professional (CCEP), and Notary Public. Mr. Maleszewski is active in his profession serving on the board for the Tallahassee Chapter of the Institute of Internal Auditors and the Florida Chapter of the Association of Inspectors General.

PROFESSIONAL DEVELOPMENT



During this fiscal year, Joe Maleszewski, Inspector General and Director of Compliance, obtained the professional designation of Certified Inspector General Investigator (CIGI) from the Association of Inspectors General. Mr. Maleszewski also obtained professional certification as a Certified Government Auditing Professional (CGAP) from the Institute of internal auditors and attained certification with the Society for Corporate Compliance and Ethics (SCCE) as a Certified Compliance and Ethics Professional (CCEP).



During this fiscal year Lori Clark, Compliance and Audit Specialist, obtained professional certification from the Association of Inspectors General as a Certified Inspector General Auditor (CIGA). Ms. Clark also attained certification with the Society for Corporate Compliance and Ethics (SCCE) as a Certified Compliance and Ethics Professional (CCEP). In the next fiscal year, Ms. Clark will continue to pursue the Certified Government Auditing Professional designation offered by the Institute of Internal Auditors.



To further her professional development, Melanie Yopp is pursuing the Certified Government Auditing Professionals designation offered by the Institute of Internal Auditors.



PROFESSIONAL AFFILIATIONS

OIGC staff members participate in a number of professional organizations to maintain proficiency in their areas of expertise and certification. These associations allow us to maintain currency, establish and advance professional networks and participate in professional community activities. The Inspector General serves in active leadership roles in a number of these associations. The OIGC staff professional affiliations include:

- Association of Inspectors General (National and State Chapter)
- Institute of Internal Auditors (National and Tallahassee Chapter)
- ISACA (National and Tallahassee Chapter)
- Association of Government Accountants
- Association of Certified Fraud Examiners
- Florida Audit Forum
- Society for Corporate Compliance and Ethics
- Association of College and University Auditors
- Florida Government Finance Officers Association





TRAINING ACCOMPLISHMENTS

Section 20.055, Florida Statutes, requires offices of inspector general to conduct audits and investigations in accordance with professional standards. These standards have specific training requirements:

- The Association of Inspectors General specifies that each staff person who performs investigations, audits, evaluations, or reviews should receive at least 40 hours of continuing professional education every two years that directly enhances the person's professional proficiency.
- The International Standards for the Professional Practice of Internal Auditing and Government Auditing Standards require internal audit staff to maintain their professional proficiency through continuing education and training.
- The Government Auditing Standards require each auditor to receive at least 80 hours of continuing education every two years.

Additionally, the Society for Corporate Compliance and Ethics requires Certified Compliance and Ethics Professionals to maintain professional proficiency. Certificate holders must earn 40 Compliance Certification Board approved continuing education units (CEUs) in order to renew the certification.

To ensure staff members are prepared to meet the OIGC mission, we utilize training resources from various professional organizations and associations, agencies and individuals to fulfill training needs. Training opportunities include luncheons, webinars, and conferences.

This past fiscal year, our three professional staff members averaged over 130 hours of continuing professional development and obtained five (5) professional certifications.



TRAINING

The Basics of Internal Auditing (October 9-10, 2014) - The OIGC led the preparation and presentation of this 2-day beginning internal auditor training for the Tallahassee Chapter of the Institute of Internal Auditors.

Writing and Editing Workshop for IG Offices (January 23, 2015) - The Florida Chapter of the Association of Inspectors General 2015 Writing and Editing Workshop provided tips for writing and editing for offices of Inspectors General.

AGA Annual Government Accounting Conference - (February 22-23, 2015) - This event provided government financial managers, accountants, auditors and others an opportunity to share knowledge and obtain cost-effective training in a variety of areas.

Florida Government Finance Officers Association - Budgeting and Fiscal Transparency (February 27, 2015) - This half-day seminar focused on the public's ever-increasing demand for government operations to be transparent especially with regard to budgeting and fiscal matters.

Fraud, Detection and Investigation for Government Auditors (March 2-3, 2015) - This seminar provided practical approaches government auditors can use to increase their own effectiveness in detecting and responding to fraud as well as help management fight dishonest and fraudulent activities.

Equal Employment Opportunity Investigator Training (May 20-22, 2015) - This training covered Equal Employment Opportunity issues such as theories of discrimination, investigating complaints, and investigative tools and techniques.

Higher Education Compliance Conference (June 1-3, 2015) - This conference covered a wide range of Higher Education compliance issues. Inspector General Maleszewski participated as a panel expert in a session entitled "Crossing the Morass: Solving the Compliance Role Puzzle in Higher Education Organizations."



CONTACT INFORMATION AND RESOURCES

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BOGInspectorGeneral@flbog.edu

RESOURCES

OIGC Web Page, which includes links to the *Audit and Compliance Committee Charter* and *Office of the Inspector General and Director of Compliance Charter*

<http://www.flbog.edu/about/cod/igoffice.php>

OIGC Complaints Page

<http://www.flbog.edu/contact/complaint/>

Association of Colleges and Universities Auditors

www.acua.org

Association of Inspectors General

<http://inspectorsgeneral.org/>

Florida Inspectors General

<http://www.floridaoig.com/>

Institute of Internal Auditors

<http://www.theiia.org/>

Board of Governors Regulations

<http://www.flbog.edu/about/regulations/>



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