

UWF INTERNAL AUDITING & COMPLIANCE ANNUAL REPORT 2015/16



Message from the Chief Audit Executive

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Once again, it is my pleasure to present the Annual Report for 2015/16. This fiscal year was filled with interesting events. The compliance burden has grown substantially in higher education within the past few years, and it has certainly impacted the way universities approach ensuring compliance. To fill UWF's need, in March 2016, the name of the department formally changed from Internal Auditing & Management Consulting to **Internal Auditing & Compliance**, which accurately reflects our true mission at UWF. This report demonstrates our accountability to you and shows the internal auditing and compliance functions are operating as intended. This report describes the utilization of resources, internal performance metrics and benchmarks, and adherence to professional standards and our Internal Auditing & Compliance Charter.

Our strategic intent is to operate in a manner that adds value to UWF, focuses on the differing primary stakeholders' expectations and priorities, and adapts to changes in technology, legislation, and organizational strategic priorities. Accordingly, a robust program of work was delivered to assist management, the Board and University leadership in efficiently and effectively achieving goals and objectives while contributing to mitigation of various risks. Highlights within our report include:

- 40 hours of service performed;
- 42 audits (35 PCard and seven internal audits) were completed and resulted in more than 115 recommendations for improvement that were accepted by management;
- 23 audit recommendations were implemented and validated by our office; and
- 53% of time devoted to audits.

Our team is committed to providing independent, objective assurance services. Within this report, we intend to demonstrate that the internal auditing function is operating as intended. Additionally, we tied our activities to the UWF Strategic Plan 2012-2017. Based on the program of work completed during fiscal year 2015/16, we have the following representations:

- All audits were performed in accordance with The Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing*.
- The work plan and each individual audit were risk-driven.
- There is transparency in all reports issued; all significant findings were reported.
- We received cooperation from management in audits, compliance tasks, investigations, and consulting projects conducted.

The dedication and professionalism of the employees in IAC led to the successes our department experienced this year. I thank them for their efforts. I also would like to thank the UWF management for their cooperation and responsiveness. Finally, I thank **you** for your continued support of IAC.

Betsy Bowers, CIA, CFE, CGFM, CIG, CRMA, CICA
Associate Vice President

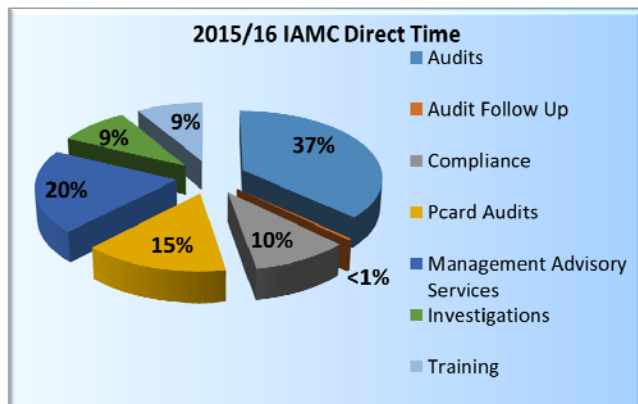


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AUDITS

UWF Strategic Priority 4.1 “Support and sustain the high-quality services and infrastructure needed to achieve identified UWF priorities.”



Audits comprise the largest portion of our direct time, about **53%** including PCard audits. We **completed seven audits** during the year. A summary of the audits completed follows:

Performance Metrics: At the request of Board of Governors (BOG), we conducted an audit to evaluate the completeness, accuracy and timeliness of data file submissions to BOG. The audit resulted in two findings. One was an application error of a BOG definition/rule for calculating GPA. The other finding was a result of misinterpretation and miscommunication in how some expenses were categorized in the Operating Budget file.

Banner Student – General IT Controls: UWF IAC contracted with an external firm to perform this audit and glean from their expertise. The audit resulted in numerous recommendations that were specifically developed to further strengthen the security and controls already established by the UWF ITS staff.

Grade Integrity: The audit evaluated internal controls over grade processing, grade changes, withdrawals, incompletes, appeals, transcripts/grade reporting and security over data systems. It resulted in two findings related to training for

faculty and periodic review of those with ability to modify grades.

Housing Safety & Security: The physical safety of students living in the residence halls and the security of the residence facilities were the focus of this audit. A notable strength was the thoroughness of procedures, checklists, presentations, and websites by the UWF Housing department for the Residence Life Staff. Five recommendations were made related to accompanying contractors when they are in residence halls, making some needed repairs to apartments, tightening methodology used to update electronic door access, documenting more thorough safety equipment testing, and identifying various modalities to provide safety and security information/training to all residents in the residence halls.

Lab Safety & Security: The audit evaluated lab safety training, lab inspections, physical security of labs, as well as compliance with federal regulations. There were five recommendations made: formalization of policies and procedures in some labs, ready accessibility of those policies and procedures, adequate training for lab personnel prior to working in the labs, easy access to lab safety materials and equipment, and periodic inspections of the labs by Environmental Health and Safety.

Surplus Property: The audit focused on internal controls over the disposition of surplus assets for UWF. Three findings were made relating to the ongoing contractual relationship with the auction house, potential for electronic forms to be used on campus, and final inspection of surplus assets prior to the auction occurring.

Sustainable Economic Development Initiative: The audit evaluated controls over compliance and internal controls over compliance with the terms of the agreement with the State Department of Economic Opportunity (DEO). DEO executed a grant agreement with the UWF Office of Economic Development and Engagement (OEDE) to provide \$30 million in funding over a three year period to the eight counties disproportionately affected by the 2010 Deepwater Horizon oil spill. Two recommendations were made relating to future reporting requirements to DEO and additional administrative costs in the future.

COMPLIANCE

UWF's Compliance operation was formally designated at the March 2016 BOT meeting. We are responsible for promoting and supporting a culture of compliance, risk mitigation, and accountability. We assist the University in the prevention and detection of conduct that is contrary to applicable laws, rules, regulations, policies, and procedures. Our mission is to promote a culture that encourages a commitment to compliance. UWF is part of the State University System Florida Compliance and Ethics Consortium, which is comprised of representatives from each university as well as representatives from the Board of Governors. This Consortium was established to provide an avenue to discuss the development and implementation of compliance and ethics programs, and to discuss new state and federal laws and their impact on our institutions.

We have been developing a UWF Higher Education Compliance Database for use at the University and started deploying it across campus. Currently, the database houses more than 700 individual compliance responsibilities that are delegated among 70+ individuals. As a result, the Compliance operation can effectively coordinate the oversight of all University compliance and ethics efforts using these established communication lines.

Some intended benefits of the UWF Compliance operation include a reduction in the University's exposure to both financial and reputational damages, fostering a culture that encourages and rewards employees to report potential problems without fear of retribution, prevention and detection of unethical conduct, and demonstrates to employees and the community at large our steadfast commitment to honest and responsible conduct.

MANAGEMENT ADVISORY SERVICES

Management advisory services are consulting projects that require our office to collaborate with management. UWF's staff, students and customers are excellent resources for us to expand our consulting activities. We believe this shows the UWF community that IAC is considered a constructive resource rather than "fault finders." Because of the expertise we can provide in topics such as good business practices, effective internal controls, inter-workings of the University environment, and a well-rounded knowledge of compliance issues, senior management sought our expertise on **19** projects. These engagements help build effective and trusting relationships with the areas we audit. These activities included serving on interdivisional task forces, researching policies and regulations, workflow evaluations, and quality assurance reviews for other institutions. Accordingly we identified these efforts to align with **UWF Strategic Priority 4.3** “Maximize the acquisition and deployment of resources, and strategically align and integrate planning, budgeting, assessment, and continuous improvement efforts.”

PCARD AUDITS

During FY 15/16 we completed **34** PCard audits and tested **\$2,072,977** in PCard expenses. Presently UWF has **432** cardholders in **141** departments. PCard expenditures for FY 15/16 totaled **\$14,223,834** to **3,532** vendors. Our two internal auditors and two part-time employees (one CPA and one graduate student) performed the audits. Our use of a graduate student as a PCard auditor aligns with these strategic priorities:

4.3: Maximize the acquisition and deployment of resources and strategically align and integrate planning, budget, assessment, and continuous improvement efforts.

1.1: Foster student learning and development to include the knowledge, skills and dispositions that optimize students' prospects for personal and professional success.

Number of Departments Reviewed	Number of Cardholders	Number of Transactions Occurring	Number of Transactions Tested	Total PCard expenses for these Depts.	Total PCard transactions Tested
34	135	5,543	1,387	\$2,916,515	\$2,072,977

Audit Opinion for the PCard Audit

Excellent	Good	Fair	Poor	Total
9	10	14	1	34

IAC STAFF



Betsy Bowers Cindy Talbert Dan Bevil Elizabeth Mrachek Dolores Gardner Lauren Alidor Matt Packard

KEY PERFORMANCE INDICATORS

During 2012/13, key performance indicators were established based on the 2011/2012 peer review. We found alignment with **UWF Strategic Priority 4.3**, "Maximize the acquisition and deployment of resources and strategically align and integrate planning, budget, assessment, and continuous improvement efforts."

KPI	2015/16	2014/15	2013/14	2012/13	Comments
Percentage of audit plan completed	100%	67%	100%	80%	
Number of audits completed	7	5	9	8	
Average Score –Post Audit Client Satisfaction Survey (out of 5)	4.9	4.9	4.9	4.9	
Average number of days for an audit	62	79	80	80	Calculated in business days for each audit, then averaged.
Average report turnaround time (days)	10	11	12	11	Calculated as # days between Exit conference and final report
Percentage of effort spent on audits	53%	72%	69%	54%	Internal Audits and PCard audits compared to the total Direct Time of IAC auditors
Number of Management Advisory Services	19	11	20	15	
Number of PCard audits	34	32	34	35	
Number of follow-ups on audit findings	33	21	38	48	
Number of certifications held by staff	10	7	6	6	2-CPA, 1-CIA, 1-CFE, 1-CIG, 1-CGFM, 1 CCEP, 1-CRMA and 2-CICA
Average number of years of audit experience per auditor	18	17.5	17	16	31 yrs. (AVP) + 11 yrs. (Auditor III) + 5 yrs. (Auditor II)+20 yrs. (PCard Auditor)

UWF BOARD OF TRUSTEES AUDIT & COMPLIANCE COMMITTEE

Effective July 1, 2001, in accordance with the provisions of Chapter 2001-170, Laws of Florida (2001), the Board of Regents of the State University System of Florida was abolished. The University of West Florida is now governed by the University of West Florida Board of Trustees. According to BOG/REG 1.001(2)(c), "The president of the university shall serve as the chief executive officer and corporate secretary of the board of trustees and shall be responsible to the board of trustees for all operations of the university and for setting the agenda for meetings of the board of trustees in consultation with the chair." The bylaws of the UWF BOT created the Finance, Administration, and Audit Committee. In December 2011, BOT Committees were restructured to create the Audit & Operations Committee (A&O) and then in March 2016, this committee was again restructured to create the Audit & Compliance Committee to which our office functionally reports. The new A&O Committee Charter and the new Internal Auditing Charter were approved in March 2012 by the UWF BOT. Our audit committee is presently composed of three Trustees:



Dick Baker, chair, is Human Resources Director for the Pensacola Blue Wahoos.



Greg Britton is Chief Executive Officer of Fort Walton Machining.



Bob Jones is President of Jones-Phillips & Associates, an economic development consulting firm.

IAC Vision Statement

Achieving institutional excellence by facilitating continuous improvement in organizational activities and compliance oversight.

PROFESSIONAL ACTIVITIES

UWF Strategic Priority 3.1. "Develop, cultivate, assess, and sustain a network of mutually beneficial community partnerships." IAC staff participate as members and leaders in myriad of professional activities in our efforts to make others aware of UWF.

- Association for College and University Auditors (ACUA)*
- Association of Certified Fraud Examiners (ACFE)*
- American Institute of Certified Public Accountants (AICPA)
- Institute of Internal Auditors (IIA)*
- Institute for Internal Controls
- IT Gulf Coast
- National Association of College and University Business Officers (NACUBO)
- Society for Corporate Compliance and Ethics (SCCE)
- Southern Association of College and University Business Officers (SACUBO)
- State University Auditors Council (SUAC)*
- State University System Florida Compliance and Ethics Consortium
- Toastmasters International, Ellyson Park*

* IAC staff held a leadership position.



Notable and Newsworthy



(Left to Right: Cindy Talbert, Dan Bevil, Elizabeth Mrachek, Lauren Alidor, Matt Packard, and Betsy Bowers)

UWF Strategic Priority 4.2 "Recruit, develop, retain and recognize dedicated, high-quality staff members who advance the mission, vision, and values of the University."

In December 2015, **Matt Packard** successfully achieved the **Corporate Compliance and Ethics Professional (CCEP)** certification given via comprehensive exam sponsored by the Society for Corporate Compliance and Ethics.

In April 2016, UWF recognized **Cindy Talbert** for outstanding job performance as well as service to UWF and the community by awarding her the **UWF Nautilus Excellence Award**. The award recognizes superior performance and accomplishments.

In May 2016, **Lauren Alidor** completed her bachelor's degree in Career and Technical Studies from UWF.

In May 2016, **Dan Bevil** and **Betsy Bowers** were awarded the Certified Internal Controls Auditor (CICA) credential.