

Annual Report

Part 1

Section A

Unit Information

Unit: Internal Audit

Mission Statement:

To provide the University with constructive feedback of program controls that encourages continuous quality improvement of program administration. Our commitment is to support a responsive and organizationally healthy University that provides sound, high quality academic and student life programs. Internal Audit functions as an independent resource to provide timely and relevant audit, review and consulting services that will assist University programs to effectively discharge their administrative responsibilities. As part of the governance and accountability structure of the University, Internal Audit strives to promote accountability, integrity, efficiency, and compliance.

The constructive feedback provided by Internal Audit focuses on:

- Maintaining and strengthening internal controls over the finances, assets, and key records at the University.
- Enhancing the effectiveness and efficiency of the management processes of University programs.
- Compliance with applicable policies, rules, regulations and laws.

Section B

Unit goals set within last year's (2003-2004) Annual Report

Strategic Plan Goal

With which 1 or 2 goals from the 8 current strategic plan goals does your 2004-2005 goal best align?

Strategic Plan Goal 8 Ongoing Quality Improvement

Unit Goal

What were your unit level goals for 2004-2005 as contained in your [2003-2004 annual report](#)?

Help FGCU Athletic Department recruiters identify that they comply with fiscal and operational requirements of relevant accreditation and funding sources to help them receive NCAA Division II membership.

What action did you undertake to achieve this goal?

Reviewed NCAA compliance requirements and the NCAA Report detailing their findings at

FGCU, interviewed Athletic Dept staff to identify how they meet the NCAA requirements.

By what means did you assess goal achievement?

Two means -- First, interviews with Athletic Department staff and audit testing of the interview findings. Second, admission by NCAA as a full Division II member.

Describe the assessment results and the conclusions about goal attainment you inferred from them.

Discussions with Athletic Department's Compliance Director and Athletic Director indicated they both clearly understood the NCAA requirements. Audit testing verified that the Athletic Department follows NCAA requirements. Admission by NCAA as full Division II member also verified that the FGCU Athletic Department adheres to NCAA requirements.

What continuous improvement resulted from the use of the assessment data?

While this project was a test of compliance at a specific point in time, not a "continuous improvement" project, testing of compliance by parties outside of the department (Internal Audit testing of Athletic Department compliance) tends to enhance overall compliance at an institution. The results indicated the Athletic Department adheres to NCAA compliance requirements, and FGCU's subsequent full membership in NCAA Division II in Fall 2004 further verified continuing compliance with NCAA standards.

Strategic Plan Goal

Unit Goal

With which 1 or 2 goals from the 8 current strategic plan goals does your 2004-2005 goal best align?

What were your unit level goals for 2004-2005 as contained in your 2003-2004 annual report?

Strategic Plan Goal 8 - Ongoing Quality Improvement

Review selected key financial and operational policies and procedures to verify the university maintains its institutional integrity.

What action did you undertake to achieve this goal?

Audited Student Records operations for internal control safeguards over the records.

By what means did you assess goal achievement?

Audit inquiries and documentation reviews looked at levels of security over student records that are stored in computer data bases.

Describe the assessment results and the conclusions about goal attainment you inferred from them.

Internal Audit found that the student records stored in the computer data base were secure from unauthorized access, and the institutional integrity of student records is maintained.

What continuous improvement resulted from the use of the assessment data?

Staff access to Student Records data base was reviewed and access limits were strengthened.

Strategic Plan Goal

Unit Goal

With which 1 or 2 goals from the 8 current strategic plan goals does your 2004-2005 goal best align?

What were your unit level goals for 2004-2005 as contained in your 2003-2004 annual report?

Strategic Plan Goal 8 - Ongoing quality Improvement

Verify that research programs are monitored for compliance with funding requirements.

What action did you undertake to achieve this goal?

Perform a limited scope audit of controls over expenditures from Federal Grants. A "limited scope audit" is one with a predefined narrow focus/scope that is based on information/facts identified during the initial planning phase of the project. Internal Audit plans to implement computer assisted software during next fiscal year that will permit 100% testing of the expenditures related to this audit, rather than sample testing which is being performed during the current audit project.

By what means did you assess goal achievement?

Audit in process; assessment will take place after the audit is completed.

Describe the assessment results and the conclusions about goal attainment you inferred from them.

No results at this time, therefore no conclusions.

What continuous improvement resulted from the use of the assessment data?

The audit findings will identify what controls over Federal grant expenditures are working effectively and which controls should be strengthened.

Strategic Plan Goal

Unit Goal

With which 1 or 2 goals from the 8 current strategic plan goals does your 2004-2005 goal best align?

What were your unit level goals for 2004-2005 as contained in your 2003-2004 annual report?

Strategic Plan Goal 8 - Ongoing Quality Improvement

Review ancillary service functions that support on-campus student life to identify and verify controls that are in place to safeguard that the related revenues and assets are used to enhance student life programs.

What action did you undertake to achieve this goal?

Limited Scope Audit -- Cash Count at Fiscal Year End (6/30/04) and Analysis of Related Internal Controls at Aquatic Center.

By what means did you assess goal achievement?

Tested Year End Cash at 6/30/04, with another staff person from Cashier's Office. Counted cash and inquired about how cash is safeguarded at the facility.

Describe the assessment results and the conclusions about goal attainment you inferred from them.

Review was completed as evidenced by the following findings -- (1) Cash was fully accounted for. (2) Audit recommended some changes to strengthen internal controls and reduce risk of misappropriated cash.

What continuous improvement resulted from the use of the assessment data?

Audit recommendations were implemented and safeguards over cash at the Aquatic Center were strengthened.

Section C

Program or Service Specific Assessments

What program or service specific assessment occurred in the current academic year?

Internal Audit performs a campus-wide risk assessment once every 24 to 36 months, the results of which are used to prepare a 3 to 5 year Audit Plan. During the last risk assessment, Internal Audit held approximately 20 individual or small group meetings with university administrative and academic leaders, where the leaders answered open-ended questions and discussed and clarified critical risk areas. The risk assessment identified the following:

- Critical operational and academic areas within the university
- Which, if any, external organization and/or internal office provides leadership of and oversight over each critical area
- Whether the leadership and oversight in the critical areas are effective and/or adequate
- Which identified critical areas would (and would not) be appropriate for Internal Audit to analyze or audit
- Areas with inadequate monitoring for which Internal Audit should develop or expand its expertise

While the audit plan guided the work performed by Internal Audit, flexibility is built into the plan as it adapts to emerging risks and issues.

How were the results of the assessment used to improve programs or services?

The risk assessment discussed above was used to identify critical areas for full audits and determine which areas of the university to include in the audit plan for full audits, and it has guided the work performed by Internal Audit during this academic year. As a result, implemented audit recommendations have increased the integrity of university operations by enhancing controls over confidential student records, improving controls over the financial assets expended or controlled by student organizations, and improving cash handling controls in summer camps offered in the Athletic Department.

Section D

Unit Contribution to President's Performance Measures

Please review the President's Performance Measures for 2004-2005. Did your unit contribute to any specific performance goals for the President? (If so, please indicate whether the measure set was attained and to what degree.)

Contributed to President's Performance Measures Goal 6 Increase Non-State Funding Support, Goal 7 Increase/Improve Academic/Community Outreach, Goal 10 Intercollegiate Athletics, and Goal 21 Achieve successful on-site and off-site SACS review team visits.

Goal 6 - Increase Non-State Funding Support

A. Sponsored Research Funds

The Limited Scope Audit of controls over expenditures from Federal Grants that is in process at this time will identify controls over grant expenditures that are operating effectively and controls that should be strengthened or improved. Effective controls over grant expenditures will limit the university's risk that grant funds may be expended on disallowed items, which reduces the risk that the university might be required to repay disallowed items to the funding source.

B. Private Contributions and Gifts

The local Chapter of the Florida Institute of Certified Public Accountants (FICPA), a professional association, operates an annual golf outing to support FGCU, and the Chapter provides funds to the School of Business at the university for part-time and full-time scholarships, funding an endowment, and funds for special projects for Accounting faculty. The Chapter has contributed approximately \$10,000 a year to these special projects for the past five years. Five years ago, when I previously served as an Officer in the local chapter, I helped to establish both the golf outing and the endowment. I am again serving as a Chapter officer to help the Chapter continue to generously support the University.

Goal 7 Increase/Improve Academic/Community Outreach

Expand the Center for Civic Engagement through community partnerships.

As an active member of my community, I frequently am a voice of the University when I attend public and private community events. Additionally, as the Treasurer of the local FICPA chapter, I am a visible and audible presence as I receive reservations and register participants for our monthly meetings; and, as a participating member of the local chapter of the Institute of

Internal Auditors, I often become an informal representative of the university at those events. I volunteer approximately 300 to 350 hours in the community each year in my chapters and other community programs. I am present at various community events, I complete volunteer tasks reliably, and I openly share my appreciation for my employer the university. As a result, members and other leaders of this Southwest Florida community regularly approach me with questions and comments.

Goal 10 Intercollegiate Athletics

Earn entrance as full member of NCAA Division II.

Internal Audit verified that the Athletic Department recruiters comply with fiscal and operational NCAA requirements. Compliance with these requirements was part of the groundwork that earned full membership of NCAA Division II.

Goal 21 SACS Reaffirmation

Achieve successful on-site and off-site SACS review team visits.

Internal Audit actively participated in the Strategic Plan Workshop that the University held in Fall 2004, and we also have revised our annual planning and annual reporting so that our reports are part of the process being developed for the entire university.

Part 2

Section A

Unit Goals for Coming Year (2005-2006)

Strategic Plan Goal

With which 1 or 2 goals from the 8 current strategic plan goals does your 2005-2006 goal best align?

Unit Goal

Goal for 2005-2006

Strategic Plan Goal 8- Ongoing Quality Improvement Prepare 3-5 year Audit Plan based on a risk assessment performed Summer 2005.

What action(s) will you undertake to achieve the goal?

Work with University Senior Administrative and other key university staff to identify areas of highest risk/areas with University information and assets that potentially are at risk of loss, corruption or theft. Develop a 3 to 5 Year Audit Plan based on the risk assessment.

By what means will you assess goal achievement?

An audit plan approved by FGCU's President will be in place.

How will you know if you have successfully attained each goal?

Completion of process of identifying areas of risk and developing 3 to 5 year audit plan. With a second Internal Audit professional position and computer assisted audit technique software, it will be possible to develop an audit plan that provides for 100% testing of key computer data for legal and policy compliance, and the audit plan will be able to include critical re-occurring

projects including year-end cash counts, and regular surveys of university staff and area banks to identify both authorized and unauthorized cash and bank accounts.

How will the results of the above assessments be used to improve student learning or services?

Identifying areas of greatest risk will direct audit priorities to areas of high priority and result in improvements to the integrity of university business functions.

Strategic Plan Goal

With which 1 or 2 goals from the 8 current strategic plan goals does your 2005-2006 goal best align?

Unit Goal

Goal for 2005-2006

Strategic Plan Goal 7- Community Leadership; Strategic Plan Goal 8 - Ongoing Quality Improvement
Maintain relationships with State Auditor General's Office and Chief Inspector General's Office.

What action(s) will you undertake to achieve the goal?

Be part of University staff at opening and closing management meetings for each audit performed by the Auditor General. Attend State University Systems Auditor meetings at least once a year. Review Internal Audit Plan with Auditor General's staff annually to avoid duplication of audit work. Provide FGCU Representation Letters and audit responses within timelines suggested by Auditor General's staff.

By what means will you assess goal achievement?

By the number of identified meetings attended and providing timely Representation Letters and audit responses.

How will you know if you have successfully attained each goal?

Attending meetings and providing management representation letters and audit responses within the timelines required by the Auditor General.

How will the results of the above assessments be used to improve student learning or services?

Results will allow for greater coverage of audits through division of labor and complementary actions with the State Auditor General expediting audits and resolution of findings to increase integrity of university operations.

Strategic Plan Goal

With which 1 or 2 goals from the 8 current strategic plan goals does your 2005-2006 goal best align?

Unit Goal

Goal for 2005-2006

Strategic Plan Goal 7- Community Leadership Represent FGCU in the community by being active and visible in community organizations.

What action(s) will you undertake to achieve the goal?

Complete term as Treasurer and serve as President Elect for local professional CPA association. Attend some of the local chapter Institute of Internal Auditors (IIA) meetings.

By what means will you assess goal achievement?

My term as Treasurer and President Elect will be documented by the Florida Institute of CPAs. My attendance at local chapter IIA meetings will be documented by the Chapter.

How will you know if you have successfully attained each goal?

Completed terms as Treasurer and President Elect at local CPA chapter. Completed the education attendance requirements for renewing my CPA license and CIA certificate.

How will the results of the above assessments be used to improve student learning or services?

Representing FGCU in the community enhances the University's visibility, encourages parents to send their children to FGCU, and encourages members of the community to financially support the University. All of these contribute to an environment that encourages student learning.

Strategic Plan Goal

With which 1 or 2 goals from the 8 current strategic plan goals does your 2005-2006 goal best align?

Unit Goal

Goal for 2005-2006

Strategic Plan Goal 8 - Ongoing Quality Improvement Perform 1 audit on a segment of the information system/technology.

What action(s) will you undertake to achieve the goal?

Use the Risk Assessment and Audit Plan to identify an area of the university's information system that would benefit from an audit. A second internal audit staff professional and Computer Assisted Audit Techniques (CAAT) audit software would provide the resources to perform a 100% test of the related financial or other records in less time than it will take to manually test a small sample of the records, and the second position in internal audit will provide staff time for two audits in this area rather than one.

By what means will you assess goal achievement?

Written and distributed audit report(s) that includes management responses.

How will you know if you have successfully attained each goal?

Audit report(s) will be written and distributed that includes management responses to audit findings and recommendations.

How will the results of the above assessments be used to improve student learning or services?

Ensuring the security and integrity of the University's Network operations is critical to protecting student records and to ensuring access to the network for academic pursuits.

Strategic Plan Goal

With which 1 or 2 goals from the 8 current strategic plan goals does your 2005-2006 goal best align?

Unit Goal

Goal for 2005-2006

Strategic Plan Goal 8 - Ongoing quality Improvement
In addition to the Information System audit identified above, perform 1 to 3 major audits each year.

What action(s) will you undertake to achieve the goal?

Use the Risk Assessment and Audit Plan to identify an area of the university that would benefit from a major audit. A second internal audit staff professional and Computer Assisted Audit Techniques (CAAT) audit software would provide the resources to perform a 100% test of the related financial or other records in less time than it will take to manually test a small sample of the records, and the second position in internal audit will provide staff time for additional audits in this area.

By what means will you assess goal achievement?

Written and distributed audit report(s) that includes management responses.

How will you know if you have successfully attained each goal?

Audit report(s) will be written and distributed that includes management responses to audit findings and recommendations.

How will the results of the above assessments be used to improve student learning or services?

Addressing findings from audits will strengthen operations of the units chosen for review.

Strategic Plan Goal

With which 1 or 2 goals from the 8 current strategic plan goals does your 2005-2006 goal best align?

Unit Goal

Goal for 2005-2006

Strategic Plan Goal 8 - Ongoing Quality Improvement
Perform 1 to 5 Limited Scope Audits annually as required/identified. A Limited Scope Audit is an audit with a narrow predefined

focus/scope that is based on information/facts identified during an initial planning phase of the audit.

What action(s) will you undertake to achieve the goal?

Areas within the university that require limited scope audits are brought to the attention of internal audit during the normal course of operations as investigative issues rather than part of the risk assessment and audit plan. During the past fiscal year, Internal Audit has expended 60% of the time spent performing audits and 30% of its total available time on Limited Scope Audits arising from investigative complaints. A second internal audit staff professional and Computer Assisted Audit Techniques (CAAT) audit software would provide resources to better balance investigative issues with planned audits.

By what means will you assess goal achievement?

Written and distributed audit report(s) that includes management responses.

How will you know if you have successfully attained each goal?

Audit report(s) will be written and distributed that includes management responses to audit findings and recommendations.

How will the results of the above assessments be used to improve student learning or services?

Limited scope audits can uncover problems that can be addressed more rapidly and reduce risk where found. It maximizes the productivity of the auditor's office as well by allowing more audits to be conducted in a given time frame.

Section B

Resources

What additional resources have you requested and received a commitment for during 2005-2006 from your area VP or the President that is based on your analysis of assessment data for 2004-2005?

At this time, Internal Audit has not requested additional resources.

What additional resource needs do you have for fulfillment of your goals that you wish for consideration from your area VP or the President that is based on your analysis of assessment data for 2004-2005?

Internal Audit requires and plans to request training in CAAT Software that was recently purchased and one new internal audit professional position.

TRAINING ON NEW COMPUTER ASSISTED AUDIT TECHNIQUES (CAAT) SOFTWARE -- When the university's finances were part of the State of Florida, the Auditor General's Office was able to perform 100% testing on FGCU's expenditures. Since the university devolved, no software has been available to test 100% of selected expenditures. The existing audit process requires

that we select a sample of documents to test, which creates the risk that errors or irregularities are occurring in the data that are not selected for the tested sample.

Internal Audit recently purchased CAAT Software to perform 100% computer assisted audit testing, which has the potential of providing highly valuable monitoring that would help safeguard the university's cash and expenditures. However, training in the software and a second internal audit professional will be required to effectively utilize the CAAT software without compromising the effectiveness of current internal audit responsibilities.

SECOND INTERNAL AUDIT PROFESSIONAL -- An analysis of both the internal audit risk assessment and investigative issues that were brought to the attention of internal audit after the risk assessment was performed found that Internal Audit was unable to complete 11 of 24 identified projects. Seven of these projects were postponed or cancelled, and four were started but set aside as four new and serious complaints/concerns were brought to our attention that required Limited Scope Audits, one of which was partially outsourced. While the audits that were based on the new complaints/concerns were highly beneficial the university, these projects substantially hindered our ability to complete projects identified in the original risk assessment. A continuing challenge for Internal Audit is to balance our staff time between planned projects and new investigative complaints received during the year. Internal Audit requests a second internal audit professional staff position so that we will have sufficient staffing to plan our work and work our plan.

With a second audit professional, internal audit will be able to more effectively meet the following Internal Audit Unit Goals:

1. Verify that research programs that are funded with Federal Grants are monitored for compliance with funding and accreditation requirements.
2. Perform 1 audit on a segment of the information system/technology. A second internal audit staff professional and CAAT audit software would provide the resources to perform a 100% test of the related financial or other records in less time than it will take to manually test a small sample of the records, and the second position in internal audit will provide staff time for two audits in this area rather than one.
3. Perform 1 to 3 major audits each year based on the audit assessment. A second internal audit staff professional who is familiar with Computer Assisted Audit Techniques (CAAT) audit software would provide the resources to perform a 100% test of the related records in less time than it will take to manually test a small sample of the records. The second internal audit professional in internal audit also will provide staff time for additional audits in this area.

Section C Assessment Plans

What assessments are you planning to conduct during 2005-2006?

Perform a risk assessment during Summer 2005 and prepare 3-5 year Audit Plan based on the risk assessment.

Section D

Coming Year - Strategic Plan Contributions

GOAL 7: COMMUNITY LEADERSHIP

Strategy 1. Create internal structures that encourage and reward staff and faculty service to external constituencies and build community leadership expectations into staff and faculty evaluation processes.

Benchmark/Goal 1.1 Directory of staff and faculty participation in external organizations. Active member of local chapter of the Institute of Internal Auditors, local chapter of the Florida Institute of CPAs, State University System Auditors, the national Association of College and University Auditors, and serve on the Mission Committee of both my local church and Peace River Presbytery.

Benchmark/Goal 1.2 Officer of the local chapter of the FICPA.

Strategy 6. Leverage the strength of the Foundation and the Division of University Advancement to further the University's contribution to the community.

Benchmark/Goal 6.1.a Raise \$25 million in Foundation in 05-06. The local chapter of the FICPA provides approximately \$10,000 annually to the Foundation for support for the Accounting Department of the College of Business and related scholarships. The local chapter of the IIA also provides an annual scholarship. Internal Audit staff also participate in employee contributions to the Foundation.

GOAL 8 ONGOING QUALITY IMPROVEMENT

Strategy 1. Assess current state of the University as it relates to assessment, institutional effectiveness (IE), and continuous quality improvement (CQI) processes.

Benchmark/Goal 1.1 and 1.2 SACS accreditation. Rather than using a separate document, Internal Audit is adopting the university-wide assessment and quality improvement format for our department's annual planning and reporting processes.

Strategy 2. Create an organizational structure that integrates assessment and accountability with planning and budgeting that leads to continuous improvement.

Benchmark/Goal 2.1 and 2.2 Annual assessments of student learning, program and administration. Internal Audit has adopted the annual university-wide planning, budgeting, and assessment processes to as its primary annual planning and reporting documents.
