MEMORANDUM

TO: BOT Finance, Business, and Audit Committee Members
FROM: John Carnaghi
DATE: November 1, 2011
SUBJECT: Finance, Business, and Audit Committee Meeting

The Board of Trustees Finance, Business and Audit Committee is scheduled to meet from 8:45 a.m. to 9:45 a.m. on November 1, 2011 in the Cottrell Conference Room at the Florida State University Alumni Association. The call-in number is 850-644-2255.

Items to be discussed at the meeting include:

1. 2011 Equal Opportunity Statement
   Renishia Gibbs
   Consent Agenda
   pp.2-3

2. OFCCP Audit Outcome Update
   Renishia Gibbs
   Information Item*
   pp.3-6

3. Office of Audit Services Annual Report and Introductions
   Martha Little
   Information Item*
   pp.7-24

4. Request for Approval to Secure New Bond Issue Authority for Athletics Facility Bonds and Refund of Series 2002 Bond
   John Carnaghi
   Full Board Action**
   pp.25-29

We look forward to seeing you on the 1st.

JRC/gg

* Finance, Business and Audit Committee only
** Presented under University Advancement at Full Board
THE FLORIDA STATE UNIVERSITY
OFFICE OF THE SENIOR VICE PRESIDENT
FOR FINANCE & ADMINISTRATION

MEMORANDUM

TO: President Eric J. Barron
FROM: John Carnaghi
DATE: November 1, 2011
SUBJECT: Updated Equal Opportunity Statement
Request for Approval

The Florida State University Equal Opportunity and Non-Discrimination Statement is submitted for approval pursuant to employer responsibilities under various state and federal non-discrimination laws.

The Statement has been updated to more clearly identify our Equal Opportunity Officer and University Title IX Coordinator.

We recommend your approval.

JRC/rig

Attachment
EQUAL OPPORTUNITY AND NON-DISCRIMINATION STATEMENT

The Florida State University (University) is an equal opportunity employer and educational provider committed to a policy of non-discrimination for any member of the University’s community on the basis of race, creed, color, sex, religion, national origin, age, disability, veterans’ or marital status, sexual orientation, gender identity, gender expression, or any other protected group status. This policy applies to faculty, staff, students, visitors, applicants, and contractors in a manner consistent with applicable federal and state laws, regulations, ordinances, orders and rules, and University’s policies, procedures, and processes.

In pursuing its mission of excellence as a comprehensive, graduate-research university with a liberal arts base, the University strives to create and maintain a harmonious, high performance work and educational environment.

It is my expectation that all members of our community are provided equitable opportunities to succeed and enrich the strength, skill, and character of the University. It is also expected that all members of our community will help create a work and educational environment that promotes fairness, respect, and trust, free from discrimination or harassment. Behavior that may be considered offensive, demeaning, or degrading to persons or groups will not be tolerated.

The University will continue to reinforce its commitment of non-discrimination to all groups protected by state and federal law. We will continue to monitor our methods of recruitment, retention, and advancement of qualified faculty, staff, and students and annually examine our affirmative action plan, as prescribed by federal guidelines, to measure whether our campus is reflective of the community we serve.

The University further recognizes that forms of discriminatory or harassing behavior may create an unwelcomed or hostile environment and lead to an uncomfortable situation. As a result, the University has established internal complaint procedures available to all who believe their experience on any of our campuses has been less than appropriate.

To facilitate or otherwise strive to ensure university-wide compliance, I have appointed Renisha Gibbs, Director, Human Resources/Office of Equal Opportunity and Compliance and University Title IX Coordinator, to develop, administer, and coordinate university-wide initiatives and complaint investigations. This will be accomplished through collaboration with the Dean of Students Department, the Athletics Department, the Office of the Dean of the Faculties; and all University divisions, colleges, and departments.

Questions regarding the above may be directed to your supervisor or Renisha Gibbs at (850) 644-8082 or rgibbs@admin.fsu.edu.

_____________________________
President Eric J. Barron

Revised 10/13/2011
MEMORANDUM

TO: Finance, Business and Audit Committee
FROM: John Carnagh
DATE: November 1, 2011
SUBJECT: OFCCP Audit Outcome Update

Information Item

Renisha Gibbs will give an update on the recently completed Office of Federal Contract Compliance Programs (OFCCP) Audit.

Attachment

JRC/gg
OFCCP Compliance Review Timeline

Desk Audit Stage

• June 15, 2009

• September 2009
  – OFCCP requested additional information (via multiple emails), including Update Plan of personnel movement data from 11/1/2008 to 6/15/2009 and additional compensation data items.

• October 14, 2009
  – EOC provided requested additional information to OFCCP.

Audit Notification


OFCCP will conduct the compliance review as described in the regulations at 41 CFR 60-1.2(a)(1) and 60-250.500(a)(1), 60-300.60, and 60-741.60, which outline the three possible phases of the process. These phases may include a desk audit, an onsite review, and an offsite analysis.

For the desk audit, please submit the following information: (1) a copy of your Executive Order Affirmative Action Program (AAP) prepared according to the requirements of 41 CFR 60-1.49 and 60-21.1 through 60-21.19; (2) a copy of your Section 503/35 U.S.C. 4212 AAP(s) prepared according to the requirements of 41 CFR Parts 60-741 and 41 CFR Parts 60-250 and/or 60-300, respectively; and (3) the support data specified in the enclosed Items Listing.

OFCCP will treat the information you submit in response to this letter as sensitive and confidential to the maximum extent permitted under the Freedom of Information Act.

The findings of OFCCP made during the desk audit generally will determine whether an onsite review will be necessary, and if so, whether the onsite review will focus on one, two, or several phases. If an onsite review is necessary, we will notify you.
On-Site Investigation

- April 2, 2010
  - FSU/EOC contacted by OFCCP to schedule date for on-site visit, initially set for June.
- April 5, 2010
  - FSU held discussions regarding obtaining services of external area-expert attorneys;
  - selected Jackson Lewis and complete contract for their services April 14, 2010.
- April 14 to June 7, 2010
  - EOC worked extensively with Jackson Lewis to prepare expanded set of updated data for OFCCP, ensuring seamless accuracy and completeness, with the expertise of Jackson Lewis and HR staff;
  - Jackson Lewis negotiated change of on-site visit date from June to later date, due to scheduling conflicts;
  - EOC with Jackson Lewis developed template for quickly retrieving required documentation from departments; Jackson Lewis conducted preliminary review of documentation to anticipate possible areas where OFCCP might focus;
  - Jackson Lewis’ statistician performed extensive and in-depth compensation and adverse impact statistical analyzes.
- June 7, 2010
  - Jackson Lewis sent refined data set to OFCCP on behalf of FSU.
- August 20, 2010
  - FSU/EOC received OFCCP letter informing of on-site visit for September.
- September 8-10, 2010
  - FSU, with Jackson Lewis supplying extensive direction, coaching and expertise, hosted three Compliance Officers from the Jacksonville OFCCP office, providing detailed support documentation for previously submitted summary HR data.
  - OFCCP interviewed select individuals, was taken on a tour of Florida State University, and collected documentation and information of FSU’s personnel policies, practices and procedures. These included but were not limited to entire compensation process; personnel activities, such as hiring/applicants and terminations; leave policies; Americans with Disabilities Act accommodations, and I-9 audit.

Off-Site Review

- September 13, 2010 to December 2010
  - Jackson Lewis with EOC provided on-going additional detailed narratives and documentation in response to various requests by the OFCCP in conjunction with and resulting from OFCCP’s on-site visit.
- February 10, 2011
  - Jackson Lewis received, on behalf of FSU, OFCCP letter requesting additional detailed information for other specifically targeted groups.
- February to April 2011
  - EOC and Jackson Lewis responded to February 10, 2011 letter, again with requested narratives and support personnel documentation.
- May 27, 2011
  - Jackson Lewis informed by Mims Rouse, lead compliance officer in our OFCCP audit, no longer with OFCCP.
- June to September 2011
  - EOC and Jackson Lewis discussed status of audit with no word from OFCCP.
• September 9, 2011
  – Jackson Lewis was contacted by Elgin Foreman, FSU’s OFCCP case compliance officer, who informed us of his recommendation of “No Findings” for our audit to OFCCP regional office.

Audit Outcome
THE FLORIDA STATE UNIVERSITY
OFFICE OF THE SENIOR VICE PRESIDENT
FOR FINANCE & ADMINISTRATION

MEMORANDUM

TO: President Eric J. Barron
FROM: John Carnaghi
DATE: November 1, 2011
SUBJECT: Office of Audit Services Annual Report and Introductions
       Information only

The following items will be presented by FSU’s Chief Audit Officer, Martha Little
for discussion at the Finance & Business Committee on November 1, 2011.

1. Introductions of the Office of Audit Services Staff (No Attachment)
2. 2010-11 Annual Report for the Office of Audit Services

JRC/gg

Attachments
Audits

Completed

- Construction: Jeffrey/Mary
- Information Technology Physical Security: Carolyn
- FACET (effort reporting system): Martha
- Athletics: Janice/Daniel
- Purchasing Card Charges to Contracts & Grants: Kitty
- Health Insurance Portability Accountability Act (HIPAA): Carolyn
- Academic & Professional Program Services (APPS): Jeffrey
- Centers & Institutes (COAPS): Daniel

In Progress at the End of the Year

- Seminole Golf Course: Janice
- Purchasing - Facilities: Mary
- Panama City Campus: Mary/Daniel

Audit Follow-up: All

Consulting Services

- Research and Assistance: All
- Library Fines: Janice
- Campus Solutions (People Soft Student System): Carolyn/Janice/Kitty
- ARRA: Linda/Jeffrey
- Purchasing Card Continuous Monitoring: Carolyn/Brad
- University Fundraising: Kitty/Martha/Mary
- College of Education Financial Control Review: Martha
- Centers & Institutes Reporting: Linda

Academic Business Operations
- College of Arts and Sciences: Mary
- Film School: Jeffrey

Investigations

- Principal Investigator: Jeffrey
- Falsification of Time: Martha
- Program Administrator (Travel, etc): Mary
- Employee Group Travel: Jeffrey

SH Investigations

- Three Investigations - all completed by year end: Linda/Martha
Office of Audit Services

DAVID P. COURY, CPA
CHIEF AUDIT OFFICER

MARTHA D. LITTLE, CPA
DEPUTY CHIEF AUDIT OFFICER/DIRECTOR OF INVESTIGATIONS

KITTY J. AGGELIS, CIA, CGAP
DIRECTOR OF AUDITS

JEFFREY L. CAINES, CIA, CFE, CGAP
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JANICE L. FOLEY, CPA, CISA
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DANIEL LEGGETT, CGAP
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MARY M. MCCOLLOUGH, CIA, CGAP
SENIOR AUDITOR/INVESTIGATOR

CAROLYN WILLIAMS-LAWYER, CISA
INFORMATION TECHNOLOGY AUDITOR

LINDA E. STOUTAMIRE (RETIRED)
COORDINATOR SEXUAL HARASSMENT RESOLUTIONS

APRIL W. ULRICH
ADMINISTRATIVE ASSISTANT

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WORK PLAN 2011-2012
Message from the Chief Audit Officer

The Annual Report of the Office of Audit Services (OAS) highlights the major activities and accomplishments of the Office for 2010-2011.

Although the beginning of the year started off like many others, wrapping up loose ends on prior-year projects while at the same time initiating new ones, there came a whirlwind toward the end. Our involvement in the Campus Solutions (PeopleSoft Student System) implementation came with more intensity than anticipated. That created no problem, however, as staff of the OAS take pride in being able to quickly respond to changing priorities.

We appreciate project management bringing us into the mix and making sure we are involved in the system implementation from the outset. Our primary role in the implementation is to help ensure the system is designed and configured with adequate security and controls and we have committed significant personnel resources to do so. We view our involvement in major system implementations as one of the most important services we can provide the University. We look forward to working alongside the many talented people assigned to the project to help make this a successful implementation.

I remain most grateful to the staff of the OAS for their tireless efforts in meeting the many challenges placed before them. They care deeply about FSU and are constantly striving to help move this University forward and to make it even greater than it already is! It is a privilege and a pleasure to work with them all.

David P. Coury

Mission and Purpose

The OAS provides a systematic and disciplined approach to assist members of the University community with the effective discharge of their responsibilities. This facilitation is intended to reduce the risks to the University’s resources and reputation, as well as enhance the University’s efficiency and effectiveness. The OAS accomplishes these goals primarily by providing audits, consulting services, and investigations.

Audits

Internal audits are conducted in conformance with *The International Standards for the Professional Practice of Internal Auditing*. The audits are generally carried out in accordance with an annual Work Plan approved by the President and the Board of Trustees. The OAS takes a facilitative approach to our audits by actively engaging with our University colleagues in developing action plans in response to audit observations. The following audits were completed during 2010-2011.

Major Construction Projects

As requested by the Associate Vice President for Facilities and in accordance with our Work Plan, we audited two major construction projects: The Student Success Building and the Conference Center.

Student Success Building

- The agreement between the University and the Construction Manager (CM) was not clear regarding the limitation of wage rates or what constitutes “actual salary rate.” As a result, there appeared to be either an overpayment to the CM of $56,000 or an underpayment of $15,000;
- Most of the fringe benefits components of the multipliers applied to salary expenses and charged to the University were greater than the rates supported by the CM’s accounting records. Depending on the interpretation of the contract and whether bonuses are allowable, the University overpaid the CM by an amount ranging from $14,000 to $84,000;
- The CM billed and the University paid $60,000 of questionable salary expenses; and
• We identified other costs totaling $1,660 that appear to be unallowable.

**Conference Center**

• The agreement between the University and the CM was not clear regarding the limitation of wage rates or what constitutes “actual salary rate.” Depending on the interpretation of the contract, there is either an overpayment or underpayment to the CM ranging from an overpayment of $177,000 to an underpayment of $84,000;

• Most of the construction multipliers applied to salary expenses charged the University were greater than the rates supported by the CM’s accounting records. Depending on the interpretation of the contract and whether deferred salaries are allowable, the University overpaid the CM by an amount ranging from $12,000 to $59,000;

• As a result of an employee improperly recording time worked on holidays, the University overpaid the CM $537; and

• We identified other costs totaling $3,582 that appear to be unallowable.

**General Contract Administration**

We identified several opportunities for Facilities to strengthen general controls and procedures over the administration of CM Agreements, including:

• Self-Performed Work – Facilities may want to consider requiring an effort and cost breakdown of bids to better ensure fair pricing and delineation between charges on trade contracts versus other CM charges;

• Conflicts of Interest – Revising the CM agreement to require CMs to disclose, in writing, all related parties who plan to bid on the project and who share the same or related ownership, management, and/or administration, and having such related parties obtain prior written consent of the Owner (FSU) before bidding on trade contracts would help ensure that University decision makers have the information needed to evaluate the bidding process and better manage any potential conflicts;

• Salary Rates – Clarifying any limitation of wage rates and fringe benefits multipliers in FSU’s CM policy and boilerplate CM Agreement would help avoid any misunderstanding between the University and the CMs and potential litigation;

• Pre-Audit – Verifying the reasonableness of the proposed expenses prior to entering into the contract would be a proactive approach to help avoid overcharges by the CM;

• Right-to-Audit Clause – Strengthening the right-to-audit clause in FSU’s boilerplate agreements will better ensure the University has full access to all data and information of the CM that it needs to ensure contract costs are reasonable and legitimate; and

• Bid Threshold – Adding language to FSU’s boilerplate agreements that clarifies the dollar thresholds for requiring sealed bids and other forms of competitive pricing would help ensure compliance with the University’s purchasing policy and greater assurance the University is obtaining goods and services at the most effective prices by stimulating competition and helping to prevent preferential treatment.

Overall, we concluded the costs contained in the audited project pay requests for the Student Success Building and the Conference Center were legitimate, accurate, properly supported, and in compliance with the applicable construction contracts, which is indicative of Facilities staff’s general due diligence in reviewing them. We also concluded that promptly resolving the costs questioned in the audit would help ensure
successful recovery of overpayments to the CM. Furthermore, we believe that conducting pre-audits and strengthening and clarifying contract and policy language will further strengthen Facilities’ control and administration over construction contracts.

**Information Technology Physical Security**

In accordance with our Work Plan, we audited the security and controls over physical access to the University’s central network and building specific communication rooms.

We determined that:

- The central network communication rooms were adequately secured; however, there are opportunities to strengthen security to building specific communication rooms;

- For rooms without swipe card access, there were no procedures in place to record or monitor entry into the rooms. For rooms with swipe card access, access was not periodically monitored;

- A central record of all communication rooms and personnel with access to those rooms is not maintained; and

- Procedures are either not in place or have not been effectively implemented to ensure that personnel access to communication rooms is appropriate.

We concluded that physical security controls over the communication rooms are in place to help minimize the risk of unauthorized access; however, there are opportunities to strengthen the security and controls over the University’s central network and building specific communication rooms by expanding the swipe card access system and more effectively monitoring access to those rooms.

**FACET System**

As requested by the Associate Vice President for Budget, Planning and Financial Services and in accordance with our Work Plan, we audited the University’s Faculty Assignments, Commitments, and Effort Certification Tracking (FACET) System.

We determined that:

- The Office of Institutional Research (IR) and the Office of Sponsored Research Accounting Services (SRAS) are effectively working together to coordinate and monitor effort reporting within the FACET system;

- Requiring all users, including faculty, to complete training on effort reporting and the FACET system will likely enhance the efficiency of the effort certification process;

- Due to limited time and staffing for the system implementation, planned committed effort per the award agreements was not entered into FACET for projects that were active when the system went into production;

- The FACET system process for stopping and reporting all employees on sponsored projects whose pay exceeds the salary caps for their sponsoring agencies was not functioning properly;

- The FACET system process for monitoring and reporting the NSF salary limitation for faculty was not functioning;

- The process to allocate actual effort to A-21 cost sharing categories was not working properly; and

- The compliance system for Non-Exempt employees is operating outside of the FACET system.

Sponsored Research and Institutional Research are tracking system problems and are meeting monthly and working with the University’s ERP Support Organization on resolution and enhancements. Although the rules and guidelines
in these areas are vast and complicated, the University staff appears committed to making a concerted effort to be in compliance.

The Athletics Department

In accordance with our Work Plan, we audited the Athletics Department.

We identified significant opportunities to strengthen the operations, management, and oversight of the private athletic summer camps, specifically related to:

- Operating Authority;
- Contractual Agreements;
- NCAA Compliance;
- Background Screening of Camp Personnel;
- Employment of University Staff;
- Liability Insurance; and
- Workers’ Compensation.

During the audit, the Athletics Department began working with the University’s Office of the General Counsel to develop a template contractual agreement to address all of the above observations related to athletic summer camps. The Athletics Department Business Office also began determining how to facilitate an adequate level of oversight over the camps through organizational restructuring.

In other areas of the Athletics Department, we also observed that there were opportunities to strengthen controls over:

- Cash handling in the Athletics Department Business Office;
- Physical security over the Ticket Office’s vault and safe;
- The Ticket Office’s handling of credit card transactions;
- The athletic event ticketing system and physical access to the local barcode server; and
- The issuance of complimentary tickets.

We concluded that more effective oversight of the summer camps by the Athletics Department would significantly reduce the financial, legal, and reputational risks to both the University and the coach-owners and will better ensure compliance with state and federal laws, rules, and regulations; NCAA rules; University policies and procedures; and good business practices. We further concluded that more effective management by the Ticket Office over its logical and physical security controls over the ticket systems should significantly reduce the risk of having data compromised.

Contract and Grant Purchasing Card Purchases $1,000 or More

At the requests of the Assistant Vice President for Research and the Director of Sponsored Research Accounting Services (SRAS) and in accordance with our Work Plan, we audited federal and non-federal Contract and Grant (C&G) Purchasing Card (P-Card) purchases of $1,000 or more.

We determined that:

- P-Card transactions were timely approved by proxies; and
- All P-Card purchases reviewed were allowable under federal/state rules and regulations, sponsored research project agreements, and University policies and procedures, and where appropriate had Cost Accounting Standards (CAS) exemption forms.

We also identified opportunities to strengthen the management and oversight of C&G P-Card purchases related to:

- Monitoring by SRAS of P-Card Purchases over $1,000;
- Accounting for Operating Capital Outlay (OCO) purchases made with P-Cards;
• Identifying and resolving the inappropriate sharing of P-Cards;
• Detecting and correcting splitting of P-Card purchases, which may be done to avoid P-Card transaction limits;
• Ensuring that documentation submitted to support P-Card transactions is adequate;
• Reconciling P-Card purchases; and
• Ensuring correct account codes for P-Card purchases.

We concluded that controls over C&G expenditures can be significantly strengthened by SRAS establishing a process for monitoring P-Card purchases over $1,000. The review by SRAS will also reduce the risk of noncompliance with federal laws, rules, and regulations.

Furthermore, we concluded a stepped-up emphasis on the University community’s awareness and compliance with the University’s P-Card Manual may be warranted, as many of the observations in this audit have been made in previous OAS audits and reviews.

Our audit also led to an investigation by the FSU Police and our office. The investigation resulted in an employee being charged with a second degree misdemeanor for fraudulent claims of travel reimbursement.

Health Insurance Portability & Accountability Act (HIPAA)

At the request of management and in accordance with our Work Plan, we audited the University’s management of information covered under the provisions of the HIPAA. University entities determined to be governed by HIPAA were the Thagard Student Health Center, Psychology Clinic, and the L. L. Schendel Speech and Hearing Clinic.

The results of the audit indicate that:

• There is no central oversight, policy, procedure, or resource to manage or assist departments in managing the HIPAA regulations;
• The Thagard Student Health Center has implemented effective policies and procedures that reasonably ensure compliance with the HIPAA; and
• There are significant opportunities for the L.L. Schendel Speech and Hearing Clinic and the Psychology Clinic to strengthen compliance with HIPAA.

We concluded that designating a central office or individual to be responsible for managing HIPAA regulations will significantly increase compliance with the HIPAA and thereby reduce the risk that protected health information will be compromised, which in turn will reduce the risk of associated fines/penalties that can result from noncompliance.

Academic & Professional Program Services Auxiliary (APPS)

In accordance with our Work Plan, we audited two auxiliaries within APPS: Assessment Services Auxiliary (ASA) and Auxiliary Administration Auxiliary (AAA). We determined that:

• There are opportunities for the ASA to strengthen its internal controls over cash-handling;
• The process of reconciling Purchasing Card purchases for both Auxiliaries can be strengthened;
• There were opportunities to strengthen ASA’s expenditure reconciliation process;
• The development of customer billing rates for the ASA and AAA was not sufficiently documented; and
• For both auxiliaries, individuals were identified with system access to OMNI that was not needed.
Overall, we concluded the Auxiliaries have established effective systems of internal control; however, significant strengthening is needed in their procedures to document the development and periodic review of their rate methodologies.

**Center for Ocean-Atmospheric Prediction Studies (COAPS)**

In accordance with our Work Plan, we audited COAPS. We concluded that, overall, COAPS has established effective systems of internal control; however, revenues, expenditures, and P-Card purchases were not reconciled in accordance with University guidelines.

**In Progress**

Audits in progress at fiscal year-end were:

- Seminole Golf Course;
- Facilities Purchasing; and
- Panama City Campus.

**Follow-up Activity**

In conformance with the *International Standards for the Professional Practice of Internal Auditing*, the OAS follows up on audit observations and other significant issues to determine if reported planned actions have been taken in response to our observations. Follow-up is performed every six months and all observations are followed up on until final resolution.

**Consulting Engagements**

Consulting services are a more informal way for the Office to perform evaluations and share collective knowledge, expertise, and insight into a myriad of University services and functions.

Often, consulting services are requested in advance by University administrators and are included as part of the OAS annual Work Plan; however, requests for these services are also made during the year. The OAS remains committed to providing the University community with proactive assistance on virtually any matter of interest or concern whereby such assistance can help management meet its goals and objectives.

The following major consulting engagements were completed during 2010-2011.

**Library Fines**

At the request of management and in accordance with our Work Plan, we reviewed fines assessed by the University Libraries.

We concluded that increasing fines in general, or beginning to assess fines against faculty for overdue general circulation items would not have a significant impact on increasing the timely return of these materials. Revising other practices related to non-returned items for all users, including charging faculty for the cost of replacing these items, appears to have a greater potential to motivate timely returns and mitigate losses.

We also did not identify any restrictions that would preclude making fine revenue available for the Library’s use.

**Campus Solutions**

The Campus Solutions implementation project is a multi-year, multi-million dollar initiative to implement the PeopleSoft student system. The project team comprises numerous individuals from many different departments and units across campus.

The OAS assigned four individuals to the project, three of which were assigned virtually full-time. We serve in an advisory capacity only, with our primary objective to help ensure the system is implemented with adequate security and controls. One of the four individuals also serves on the project’s Steering Committee in a non-voting capacity.

**American Recovery and Reinvestment Act (ARRA)**

In accordance with our Work Plan, we reviewed the University’s administration of the ARRA.
funds during fiscal year 2010-2011.

We reviewed Requests to Spend ARRA Stimulus Funds Forms to help ensure requests met ARRA eligibility criteria.

Through our review of federal laws and guidelines and discussions with staff in the Office of Budget and Analysis (OBA), we determined the OBA had adequate processes in place to accurately track, document, and report ARRA expenditures. We also monitored quarterly reporting to ensure timeliness. The required quarterly reporting has been timely.

In 2011-2012, we will test selected ARRA expenditures to determine if funds were spent as intended.

**P-Card Continuous Review**

Throughout the year, we continuously review Purchasing Card transactions. We obtain the data from central Accounts Payable, and through data mining techniques we search for fraud, waste, and abuse.

Our review led to an investigation by the FSU Police and our office. The investigation resulted in an employee being charged with Grand Theft for misappropriating several thousand dollars.

**University Fundraising**

At the request of the Board of Trustee’s Finance, Business and Audit Committee, we reviewed the University’s report of pledges and gifts received from January 15, through December 6, 2010.

The primary objective of our review was to determine if the pledges and gifts were recorded and counted in accordance with the University's policies and procedures, thereby making the University President eligible for his bonus. We concluded that, overall, gifts and pledges were properly recorded and counted.

**Financial Controls Review**

**College of Education**

As requested by the Senior Vice President for Finance and Administration and in accordance with our Work Plan, we reviewed the controls in the College of Education’s Office of the Dean. We determined that operations could be strengthened over the reconciliation of internal records and over P-Card expenditures and reconciliations; however, we concluded that, overall, the Office of the Dean maintains an effective system of internal controls.

**Business Practices Enhancement Program**

The Business Practices Enhancement Program is a program established within the OAS that is intended to provide academic administrators with an independent “high level” assessment of their business operations. The program encompasses a review of key business processes, practices, and internal controls.

We completed reviews of the College of Motion Picture Arts and the College of Arts and Sciences.

**College of Motion Picture Arts** – We reviewed the College’s business practices in 12 areas and determined the College met expectations in five areas and had opportunities for strengthening in seven. The Dean exhibited a keen interest in internal controls and compliance with laws, rules, and University policies and procedures, and expressed a commitment to addressing the areas identified in need of strengthening.

**College of Arts and Sciences** – We reviewed the College’s business practices in three separate organizational units: the Psychology Department, Biological Sciences Department, and the Religion Department. For each of these departments we reviewed business practices for up to 13 procedural areas to determine if the departments met expectations or had opportunities for strengthening.

We concluded there are opportunities to significantly strengthen business operations in key
areas of both Psychology and Biology. We noted the Dean’s Office is working diligently to address those business areas that need attention. While they do so, we suggested they may want to consider if participating in the University Business Administrators Program will further strengthen their operations.

Investigations

The OAS receives complaints and allegations from internal and external sources via telephone, written correspondence, and direct referrals from University offices and state agencies.

During 2010-2011, approximately 11 percent of our direct effort was expended on general investigations, including managing copyright complaints. Four investigations, excluding sexual harassment complaints, were completed during the year and none were open at fiscal year end.

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Sexual Harassment Investigations

The OAS is responsible for investigating allegations of sexual harassment within the University community. On September 1, 2011, however, this responsibility is being shifted to the Office of Human Resources.

During 2010-2011, we completed three sexual harassment investigations and none were open at fiscal year end.

Copyright Complaints

The OAS has served as the University’s central repository for complaints alleging unauthorized distribution of copyrighted material. The OAS worked closely with the Office of Information Technology Services (ITS) and the Division of Student Affairs to ensure the complaints are investigated and resolved. Primarily, these complaints are received from organizations representing the music recording and motion picture industries alleging that students, faculty, or staff are illegally downloading and sharing copyrighted files from the Internet.

During 2010-2011, the Office received and closed 1,437 and 1,359 complaints, respectively. There was a 190 percent increase in the number of complaints received compared to the prior year.

Beginning July 1, 2011, ITS became the central repository for copyright complaints.
Direct Services

Each year, the OAS conducts a risk assessment of University activities and services. The risk assessment process includes interviews with the University President, Vice Presidents, and other key administrators. Feedback received through these interviews contributes significantly to the successful development of our annual Work Plan.

The annual Work Plan contains a detailed schedule of projects planned for the year. Estimated hours are allocated to each project in an effort to optimize utilization of OAS staff.

Our direct service level of effort for 2010-2011 was 69 percent, higher than the prior year, but just short of our goal of 70 percent. The two graphs that follow show the planned versus actual direct effort for fiscal year 2010-2011 and an eight-year trend of direct effort for fiscal years 2003-2004 through 2010-2011.
Activity Charts

PLANNED VS. ACTUAL DIRECT EFFORT 2010-11

HISTORY OF DIRECT EFFORT 2003-04 THROUGH 2010-11
Sexual Harassment Policy Training

The OAS presented the University’s policies on sexual harassment and sexual battery to first-time Teaching Assistants who attended the Fall and Spring College Teaching Conference offered by the Program for Instructional Excellence. The training was also provided to academic departments and administrative units at their request.

During 2011-12, along with shifting the responsibilities of investigating sexual harassment complaints to the Office of Human Resources, the Office of Human Resources will also be responsible for providing related training to the University community.

Professional Activities and Certifications

The OAS is proud of the experience and professionalism of its staff. During 2010-2011, we continued our commitment to external organizations that support higher education and internal auditing activities. OAS staff members belong to a number of professional organizations including the:

- Association of College and University Auditors;
- Institute of Internal Auditors;
- Association of Inspectors General;
- Association of Certified Fraud Examiners; and
- Information Systems Audit and Control Association.

Certifications

Our staff maintains various professional certifications demonstrating their continued commitment to the internal audit profession.

During the year, two staff earned the Certified Information Systems Auditor certification, a highly prestigious certification in the field of information systems auditing. Current certifications held by staff include:

- Certified Internal Auditor;
- Certified Public Accountant;
- Certified Fraud Examiner;
- Certified Information Systems Auditor;
- Certified Inspector General; and
- Certified Government Auditing Professional.

In addition to professional certifications, advanced degrees held by staff include:

- Master of Business Administration;
- Master of Science – Library Science;
- Master of Arts – Spanish; and
- Master of Social Work.

Strozier Library
Post-Project Surveys

Upon completing our audits and major consulting engagements, the OAS provides the individuals with whom we worked most closely on our projects the opportunity to evaluate our services through post-project surveys. These survey results provide the OAS with valuable feedback and are intended to help us improve our operations.

Our University colleagues evaluate us on a scale from 1 to 5 (with 5 being the most favorable) in several categories, and provide an overall rating as to the value provided by the engagement. The compiled results of the surveys received for projects completed during 2010-2011 are indicated in the following chart:

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>AVERAGE RATING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professionalism</td>
<td>4.84</td>
</tr>
<tr>
<td>Relations of Staff</td>
<td>4.89</td>
</tr>
<tr>
<td>Communications</td>
<td>4.63</td>
</tr>
<tr>
<td>Technical Knowledge</td>
<td>4.21</td>
</tr>
<tr>
<td>Helpfulness</td>
<td>4.50</td>
</tr>
<tr>
<td>Report was Unbiased</td>
<td>4.68</td>
</tr>
<tr>
<td>Report Issued Timely</td>
<td>4.68</td>
</tr>
<tr>
<td>Clear and Accurate Report</td>
<td>4.56</td>
</tr>
<tr>
<td>Overall Provided Value</td>
<td>4.79</td>
</tr>
</tbody>
</table>

We recognize there is always room to improve our services as we continually strive for excellence.

Upcoming Year

For 2011-2012, we have committed considerable resources to the Campus Solutions implementation. In addition, we have allocated time to perform a self assessment of our operations, which is part of a Quality Assurance Review that will be performed by a team of our peers. Our professional standards require we have a QAR at least every five years.

We look forward to working with our colleagues as we implement our 2011-12 Work Plan and to the many challenges the new fiscal year will likely bring!

The chart below reflects our expected allocation of personnel resources during 2011-2012.
<table>
<thead>
<tr>
<th>Service Description</th>
<th>Hours Allocated</th>
<th>Percentage of Effort</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. DIRECT SERVICES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll</td>
<td>450</td>
<td></td>
</tr>
<tr>
<td>Group Travel</td>
<td>660</td>
<td></td>
</tr>
<tr>
<td>Research Computer Security</td>
<td>410</td>
<td></td>
</tr>
<tr>
<td>Auxiliary Rate Review</td>
<td>580</td>
<td></td>
</tr>
<tr>
<td>Dissertation Deposits - Auxiliary</td>
<td>400</td>
<td></td>
</tr>
<tr>
<td>Seminole Golf Course*</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Panama City Campus*</td>
<td>600</td>
<td></td>
</tr>
<tr>
<td>Purchasing - Facilities*</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Audit Follow-up</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td><strong>Total Audit Hours</strong></td>
<td>3750</td>
<td>21%</td>
</tr>
<tr>
<td><strong>Consulting Services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Campus Solutions Implementation</td>
<td>4000</td>
<td></td>
</tr>
<tr>
<td>Federal Audit (DHHS) Follow-up</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td>Courtesy Appointments</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Construction Bid/Purchasing Procedures</td>
<td>300</td>
<td></td>
</tr>
<tr>
<td>Central Office OMN Roles</td>
<td>200</td>
<td></td>
</tr>
<tr>
<td>FSI Foundation Bank Reconciliations</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>American Recovery &amp; Reinvestment Act *</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>P-card Continuous Monitoring</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Academic Business Operations</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td>College of Law</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Consulting Services</strong></td>
<td>6030</td>
<td>34%</td>
</tr>
<tr>
<td><strong>Investigations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General</td>
<td>1000</td>
<td></td>
</tr>
<tr>
<td><strong>Total Investigations</strong></td>
<td>1100</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Contingency</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Direct Service Hours</strong></td>
<td>11,930</td>
<td>67%</td>
</tr>
<tr>
<td><strong>B. INDIRECT SUPPORT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Self Assessment/Peer Review Administration</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td><strong>Total Indirect Support Hours</strong></td>
<td>1750</td>
<td></td>
</tr>
<tr>
<td><strong>C. OTHER</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff Development Training</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td>Holidays and Leave</td>
<td>3000</td>
<td></td>
</tr>
<tr>
<td><strong>Total Other</strong></td>
<td>3500</td>
<td>20%</td>
</tr>
<tr>
<td><strong>Total Hours Allocated</strong></td>
<td>17,430</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Total Anticipated Available Hours</strong></td>
<td>17,680</td>
<td></td>
</tr>
<tr>
<td><strong>Difference</strong></td>
<td>250</td>
<td></td>
</tr>
</tbody>
</table>

* Prior-year Carryover
MEMORANDUM

TO: President Eric J. Barron
FROM: John Carnaghi
DATE: October 13, 2011
SUBJECT: Secure New Bond Issue Authority for Athletic Facility Bonds and Refund of Series 2002 Bond
Request for Approval

Seminole Boosters, Inc. and FSU Financial Assistance is requesting approval to issue Educational, Including Athletic, Facilities Improvement Subordinated Revenue Bonds to construct a Indoor Football Practice Facility, Student-Athletic Dormitory, Campbell Stadium Improvements, and Civic Center Improvements. The bonds would be issued through the State Division of Bond Finance.

Additionally, the Boosters are seeking authority to refund the Series 2002 Bond, with anticipated annual savings of approximately $150,000.

There is a preliminary cost estimates for the individual projects as follow:

- Football Indoor Practice Facility - Not to exceed $15.0 million
- Student-Athletic Dormitory - Not to exceed $15.0 million
- Campbell Stadium Improvements - Not to exceed $10.0 million
- Civic Center Improvements - Not to exceed $5.0 million

Construction is estimated to begin in December 2012 and be completed by April 2014. Bond issuance will be sought for an amount not to exceed $53,000,000 (net proceeds of $45.0 million) and bonds may be issued in more than one series.

Seminole Boosters, Inc. and FSU Financial Assistance, Inc. will bring any and all projects back to the University Board of Trustees in Spring 2012 to make a final presentation once all the details are known and in order to seek final approval before any projects commence construction or debt issuance. This is a preliminary approval necessary in order to put these projects on the University's Project List for Legislative Approval.

I recommend your approval.

JRC/mb/gg
Project #1 – Indoor Football Practice Facility

Projected Cost – Not to exceed $17.4 million (net $15.0 million of bond proceeds)
Location – Existing Football Practice Fields
Revenue Generated – No operating revenue is expected. Seminole Boosters, Inc. has launched a fundraising campaign, “The Winning Edge”, which aims to raise a minimum of $15.0 million for the project.
Annual Debt Service Estimate – Approximately $1.017 million per year
Remaining Steps – We are working with the Department of Athletics and FSU Facility Management to determine actual scope, cost, placement, and timetable. Planning costs will be funded by SBI in order to determine these factors before final approval is requested from the SBI and FSUFA Board of Directors, University BOT, and the Board of Governors.
Other Relevant Information – This project is the top priority for Seminole Boosters, Inc., the Department of Athletics and has been endorsed by President Eric Barron. The project is needed to maintain a competitive advantage on other peer institutions that we compete with.
**Project #2 – Student-Athletic Dormitory**

*Projected Cost* – Not to exceed $17.4 million (net $15.0 million of bond proceeds)

*Location* – Existing SBI Property located off of Hayden Road (near current Burt Reynolds Hall site)

*Revenue Generated* – Net operating cash flow of $1.1 million is expected annually. This project is expected to be self-sufficient in terms of debt service and will generate excess cash that can be used to cover partial debt service from other projects.

*Annual Debt Service Estimate* – Approximately $1.017 million per year

*Remaining Steps* – We have engaged Elliot Marshall & Innes and they have prepared a feasibility report on this project along with estimated costs. That report gave a favorable outlook to the feasibility and cost effectiveness of this project. We are working with the contractors & engineers to determine actual scope, cost, and timetable. Planning costs will be funded by SBI in order to determine these factors before final approval is requested from the SBI and FSUFA Board of Directors, University BOT, and the Board of Governors.

*Other Relevant Information* – This project is a priority for Seminole Boosters, Inc., the Department of Athletics and specifically, Football Coach Jimbo Fisher. The project is needed to maintain a competitive advantage on other peer institutions that we compete with.
**Project #3 – Doak S. Campbell Stadium Improvements**

*Projected Cost* – Not to exceed $11.6 million (net $10.0 million of bond proceeds)  

*Location* – Doak S. Campbell Stadium  

*Revenue Generated* – Uncertain at this time. SBI has engaged HKS to determine the scope of the infrastructure improvements needed and to identify any potential revenue that could be generated.  

*Annual Debt Service Estimate* – Approximately $671k per year  

*Remaining Steps* – We have engaged HKS and they are preparing a report on this project along with potential scopes and costs. Planning costs have been funded by SBI in order to determine these factors before final approval is requested from the SBI and FSUFA Board of Directors, University BOT, and the Board of Governors.  

*Other Relevant Information* – This project has been acknowledged as being needed for safety reasons over the past five years. Currently, SBI has a Stadium Reserve of $1.5 million, which is insufficient to cover the cost of the safety portion of the project. This project is needed to insure that there will be no structure failures to the stadium.

**Project #4 – Civic Center Improvements**

*Projected Cost* – Not to exceed $5.8 million (net $5.0 million of bond proceeds)  

*Location* – Tallahassee-Leon County Civic Center  

*Actual Improvements* – Locker Room Renovation – $1.5 million; Seating Replacements - $3.5 million  

*Revenue Generated* – Uncertain at this time. SBI and the Department of Athletics are reviewing this project to identify potential revenue generators.  

*Annual Debt Service Estimate* – Approximately $346k per year  

*Remaining Steps* – Planning costs will be funded by SBI in order to determine these factors before final approval is requested from the SBI and FSUFA Board of Directors, University BOT, and the Board of Governors.  

*Other Relevant Information* – This project has been requested by the Department of Athletics in order to make our basketball facilities competitive and up-to-date with other peer institution’s facilities.
Project #5 – Series 2002 Refunding

Summary – The Series 2002 Bond (principal balance of $34.885 million) are able to be refunded by a refunding bond series, that will lock in refunding savings ($1.7 million) and annual debt service savings of $150k.

Remaining Steps – This refunding will be done in conjunction with this bond issue in order to maximize savings and minimize issuance costs and underwriting fees.

Other Relevant Information – SBI/FSUFA has refunded bond series in the past which have generated savings that have benefited the athletic program.