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AUDITOR



INSIDE:

FACE TIME: Why It's Still Relevant, and How to Make the Most of It

Automated Techniques Enhance Grant Oversight

Reducing the Risk of Wage and Hour Litigation through Auditing

Monitoring the Effectiveness of Youth Protection Efforts

Purchase Card Pitfalls

Techniques for Securing Vendor Accounts



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ACUA members are invited to submit letters and original articles to the editor. Go to www.acua.org and click on the Resources – *College & University Auditor Journal* for further guidelines. The editor reserves the right to reject, abridge or modify any advertising, editorial or other material.

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Winter 2015 Issue – December 1, 2014
Summer 2015 Issue – June 1, 2015
Fall 2015 Issue – August 31, 2015

College & University Auditor is the official publication of the Association of College & University Auditors. It is published three times a year as a benefit of membership. Articles in *College & University Auditor* represent the opinions of the authors and do not necessarily represent the opinions of governance, members or the staff of the Association of College & University Auditors. Acceptance of advertising does not imply endorsement by ACUA. ©2014 Association of College & University Auditors.

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LETTER FROM

THE EDITOR

By Sam Khan
Editor



One of our overarching goals is to evaluate and improve the effectiveness of risk management, control, and governance processes at the institutions of higher education in which we serve.

One of our overarching goals is to evaluate and improve the effectiveness of risk management, control, and governance processes at the institutions of higher education in which we serve. This is no small task. And yet the work of an internal auditor is never done – there is always something new to learn. It is my hope that your time spent with this issue of *College and University Auditor* will not only contribute to your ongoing learning, but help you to achieve this overarching goal.

Author Kai Sommer asks the question: How can you ensure your audit is both more efficient and more robust? The answers can be found in the title of his article: “Face Time: Why It’s Still Relevant, and How to Make the Most of It.”

Dr. Brett Baker, Assistant Inspector General for Audit at the National Science Foundation Office of Inspector General, shares techniques used by his office for analyzing anomalies in costs and expenditure patterns in grants in “Automated Techniques Enhance Grant Oversight.” The same techniques can also be adopted by an institution’s internal audit department to identify potential issues.

In “Reducing the Risk of Wage and Hour Litigation through Auditing,” authors Elizabeth Arce and Brian Walter state that the only way a college or university can be fully assured of its compliance with the Fair Labor Standards Act is by conducting a comprehensive audit.

In Allison MacFarlan’s IT column, “Techniques for Securing Vendor Accounts,” she writes about how lessons learned from the Target department store hack can be applied to institutions of higher education. She says that even the most trivial access by a vendor can be the source of huge problems and that there should be enforced policies that identify and monitor the people who log into your infrastructure.

“Monitoring the Effectiveness of Youth Protection Efforts,” author Omar Andujar, writes that in the aftermath of serious cases of child abuse in higher education institutions, the emphasis of such measures have primarily focused on awareness and prevention of child abuse. He looks at actions colleges and universities have taken to strengthen youth protection efforts on campus while limiting associated risks.

“Purchase Card Pitfalls” by Kristie Newby, provides a great set of questions to consider when evaluating key internal controls for an institutions’ purchase card program.

I want to thank the authors who contributed their time and expertise to make this issue possible. If you have an article idea or know someone whose knowledge would benefit our members, please call or email me at 541-737-7336 or sam.khan@oregonstate.edu. The next deadline for article submissions is December 1 for the Winter 2015 Issue. ■

LETTER FROM



THE PRESIDENT

By Sandy Jansen
President

The 2014 ACUA Annual Conference was a huge success! I am honored to have the opportunity to serve as your president this year. As discussed during our Annual Business Meeting, the Board and committees will continue to focus on our strategic goals this year. Committee chairs will recruit volunteers to help pave the way for accomplishing those goals.

This year, we are focusing our efforts on two of our strategic goals:

- Collaboration with other organizations to advance internal auditing in higher education
- Ongoing mechanisms to enhance member engagement

To focus our efforts on collaboration, we have created a new committee on external relations. While this goal has been part of our strategic plan for a number of years, we are taking a slightly different approach. Rather than a shotgun approach, we are centering our time and energy on a couple of selected organizations. This committee, chaired by Patti Snopkowski of Oregon State University, will define our focus areas and we will begin to work closely with the chosen organizations. Patti is busy recruiting team members to assist her, and I expect great achievements this year. We know of organizations where collaborations make sense and already have agreements in place or will soon, including the Association of Healthcare Internal Auditors (AHIA) and the University Risk Management and Insurance Association (URMIA).

I noted that when I think of the success of ACUA, I see the images of those who have helped to write ACUA's story.

We will also continue to focus on member engagement. As you recall, Doug Horr encouraged all of us to become engaged last year. At our board meetings, he successfully kept the Board focused on member engagement and member service. To build upon last year's success, we plan to not only encourage you to become engaged, but to also recognize our volunteers for all the contributions they make. With over 200 volunteers making this organization run smoothly, we want to be sure that we retain those volunteers and help them feel appreciated for their service. We are organizing our recognition efforts through a new committee on volunteer appreciation. Toni Messer Stephens of the University of Texas-Dallas has agreed to chair this committee. She brings passion to this work. I am excited to see all of you recognized for your efforts in the coming year.

Finally, at the Annual Business Meeting, I noted that when I think of the success of ACUA, I see the images of those who have helped to write ACUA's story. I associate all of our past and present accomplishments with the faces who brought the accomplishments to reality. As I consider our future success, I encourage everyone to become a face in ACUA's future story. Check the website and monthly emails for calls for volunteers. I want you to take up a chapter in the story and add your face to ACUA's story.

Speaking of recognizing our volunteers, I was so excited that Kim Turner of Texas Tech University System and Dick Dawson of University of Texas San Antonio were recognized at our Annual Conference for their professional contributions. Their work on ACUA's *Risk Dictionary* has had a tremendous impact on our members. Be sure to congratulate and thank them for their contributions to the industry. Because of his incredible service, Dick also received the Member Excellence in Service Award, the first time someone received both awards at once. Kim received this award in 2011. Both Kim and Dick are well deserving of these honors, and I am thrilled they are part of the ACUA story.

Thank you in advance for your service and for adding your face to ACUA's story! ■

Sandy

FACE TIME: Why It's Still Relevant, and How to Make the Most of It

By Kai Sommer, CPA

“Financial auditors deal mainly with figures ... internal auditors deal mainly with people.”

– Sawyer’s Internal Auditing¹

College and university auditors today are faced with an increasingly complex regulatory and operating environment. Every day seems to bring new risks that must be considered and addressed.

To meet these demands, many institutions have turned to new technologies – Audit Management Software, Data Analytics, Process and Content Management Solutions and more. Never before has so much information and processing power been so readily available to the auditor. These powerful tools benefit internal audit departments by allowing them to leverage available resources to maximum capacity – often from the comfort of the auditor’s office.

However, therein also lies the risk associated with these technologies: they allow auditors to increasingly withdraw to their own quarters and spend less and less time in the field. It’s important for internal auditors to remember that they are in the business of building relationships, guiding their colleagues through the risk thicket and inspiring needed change. To be effective, the internal auditor relies heavily on *trust and credibility*. And these can’t be developed through email alone.

Face Time with colleagues and auditees is as important as ever.

Face Time with colleagues and auditees is as important as ever. It provides not only a channel for informing and being informed, but it is a dynamic means of building confidence and fostering a more robust audit presence across the institution. Used properly, it also enhances audit efficiency.

EFFECTIVE FACE TIME STARTS WITH EFFECTIVE PREPARATION

Prior to meeting with an auditee, review your audit plan and ensure that you are very clear on the purpose of your audit testing, your audience, key risks and scope (you may be surprised at some of the details that have slipped your mind). Ensure that you’re up to speed on any recent changes in the relevant accounting guidance. Tap into the ACUA ListServ and Resource Library² for insights from others who have gone down a path similar to the one you are about to embark down.

Review relevant policies and procedures, organizational charts, work papers and audit reports from prior years, etc. Your review of these documents should be much more of a “close reading” than a skim. As you review this documentation, think about the inherent controls and jot down questions. If you find an answer later in your review, go back and write it down. For key controls, you may want to sketch a basic flow chart to see the “flow” of the control.

MAKE IT A LITTLE PERSONAL

If the procedures say that the accounts payable clerk does this and the controller does that, pencil in the names of the people currently holding the AP clerk and controller positions to help make this procedure and relationship more vivid in your mind. If there is a key vacancy, take note of it, and give consideration to the potential risks or control issues caused by this situation.



ABOUT THE AUTHOR

Kai Sommer, CPA, is an internal auditor at the University of Richmond. Prior to his current role, he worked in public accounting, recruiting, and management.

Just about anything that you can do to help you gain a better up-front understanding of what you'll be auditing has value.

Make an outline of things you'd like to discuss and questions you have. This will not only help you to organize your thoughts, but will help solidify your understanding of the process or department being audited.

Just about anything that you can do to help you gain a better up-front understanding of what you'll be auditing has value. If staff bios exist for individuals relevant to your interview, read them. This provides not only a sense of the skill set and experience within a given function, but also can provide some nice details for “ice breakers” when you do meet face-to-face.

You want to arrive to the interview already equipped with a decent understanding of the function you'll be discussing – and you should have a bulleted list of very specific, well-defined questions that will allow you to target the key information you need to fill any gaps in your comprehension. (You will likely also want to ask some open-ended questions, as discussed below).

Being prepared is also vitally important in other ways. When your interviewee sees that you care enough to have done your homework, you gain instant credibility with that individual. This will help you develop the trust and rapport (within the appropriate bounds of objectivity) necessary to foster a more open and productive interview – and possibly a long term professional relationship.

When you schedule a meeting or interview, make the extra effort to observe customary professional courtesies. Schedule the interview far enough in advance to allow the interviewee time to prepare. Send a reminder the day before your meeting. You may also want to avoid scheduling an interview on, for example, the day that the interviewee is returning from vacation.

It may be helpful to send at least some of your questions to the interviewee in advance so that she will already have a well-researched and documented answer prepared when you meet with her. This will allow you to get exactly what you need when you meet – rather than having to follow-up for support after the interview. This also can be a way to reduce the anxiety that auditees often feel when meeting with an auditor.

BE PROFESSIONAL. BE AUTHENTIC. BE ON TIME.

For the meeting itself, again, don't forget the basics: be professional (which includes dressing sharp). Be authentic. Be on time. Joe Ben Hoyle, an Accounting Professor here at the University of Richmond, advises students that they are “much better off being 5-10 minutes early than being 5-10 seconds late.” Good advice for students – and for auditors.

Sometimes it's helpful to bring a specific document to the interview to review with the auditee. This can be a great way to quickly clarify a point you're interested in. However, be sure that any documentation you bring is well organized and necessary to the interview. If there's extra stuff in your portfolio or bag, get it out of there before the meeting. Use paper clips or sticky tabs or whatever you need to provide quick access to the item you need. Don't waste your interviewee's time while you shuffle through reams of paper to find what you're looking for. Avoid clutter.

In addition to the narrowly focused questions mentioned above, it usually makes sense for the auditor to ask some open ended questions. Instead of asking an auditee if he does this or that, say “Tell me about your work process.” There can also be some value in gauging an auditee's reaction to an occasional surprise question.

The ACUA Resource Library² includes a good interview template for financial aid audits. Some of the interview questions in this guide are well suited to just about any audit. For example:

- Explain your processes for promoting and ensuring compliance with various requirements.
- In your opinion, are there any specific policies, procedures, rules or regulations that are not consistently observed? Explain.

It may be helpful to send at least some of your questions to the interviewee in advance so that she will already have a well-researched and documented answer prepared when you meet with her.

GET COMFORTABLE WITH UNCOMFORTABLE SILENCES

It's natural to feel a bit awkward when one person finishes speaking and silence ensues. The tendency can be to immediately fill that silence with your next question. But oftentimes auditors can glean a great deal of valuable information by simply pausing before speaking. In such instances, the interviewee (also aware of the silence) may resume talking – and potentially reveal risks or issues that might otherwise have gone undetected.

LISTEN

The word “audit” has its roots in the Latin word *auditus*, which means “to hear.”¹ In other words, *listen*. It sounds simple, but it's easy for the auditor to become so focused on getting through the interview that the interviewee gets tuned out. Face Time provides a wonderful opportunity to truly listen (and observe) – to pick up on nuance and gestures that can't be fully conveyed through any other medium. That advantage is lost on the auditor who doesn't listen.

Whether you're having a difficult discussion with a peer, a direct report, or a client, dealing with difficult people is a dynamic fact of organizational life.

If you haven't already done so by the time of the interview, discuss with the auditee their preferred method for future communications. Some managers prefer email. Others prefer phone. Occasionally there may be someone who prefers face to face interaction especially if their office is located in physical close proximity to the auditor's. As a general rule, making little accommodations such as using the method of communication that your auditee prefers (rather than the one you prefer) will likely translate to increased responsiveness from those you rely on for the information you need to complete your audit.

If Personally Identifiable Information (PII) or other sensitive data will come into play in your audit, it's probably a good idea to remind your auditee of the proper means of getting this information to you within your institution's guidelines.

FOLLOW-UP

After the interview is complete, immediately type up an outline of what was discussed to help you better remember the conversation. Adjust your audit plan accordingly for insights you've gained. It's also important to send a follow-up email to the interviewee, thanking him for his time. This is an opportunity to briefly remind him of any action items that were open when you left his office. (e.g. “Thank you for your time today. ... I look forward to receiving the process documentation we discussed tomorrow.”)

The few hours invested in up-front preparation and a quality interview will pay big dividends throughout the remainder of the audit. It will help you identify your areas of greatest risk and can guide your focus to precisely where it needs to be. It will typically reduce the number of follow-up questions throughout the remainder of the audit (something your auditee will undoubtedly appreciate), and should generally prevent you from requesting and reviewing audit support that you don't need. Increasing the visibility of internal audit on campus also tends to foster a control mindset in management.

Face Time will give you a dramatically better understanding of the area you are auditing, which paves the way for an audit that is both more efficient and more robust.

Face Time will give you a dramatically better understanding of the area you are auditing, which paves the way for an audit that is both more efficient and more robust. Of course it makes sense for today's auditor to make full use of available technology. But getting out and talking to folks on campus provides a layer of understanding that can't be gleaned from a laptop screen alone. ■

ENDNOTES

¹ Sawyer's Internal Auditing: The Practice of Modern Internal Auditing, 4th Ed. by Lawrence B. Sawyer, Mortimer A. Dittenhofer, and James H. Scheiner. The Institute of Internal Auditors, 1996. The full quote is “Financial auditors deal mainly with figures. Management oriented internal auditors deal mainly with people.”

² https://acuamember.goamp.com/net/acuawcm/Member_Resources/Resource_Library/acuawcm/Resource_Library.aspx

Automated Techniques Enhance Grant Oversight

By Dr. Brett Baker, CPA, CISA

A federal grant is an award of financial assistance from a federal agency to carry out a public purpose of support or stimulation authorized by law. Recipients must expend grant funds in compliance with federal regulations and execute the programs and activities as described in the terms and conditions of the awards. The federal government made \$600 billion in financial assistance awards to 88,000 recipients annually. Grants management officials in 26 federal agencies are charged with ensuring that award requirements are accomplished and that federal funds are accounted for properly.

The federal government made \$600 billion in financial assistance awards to 88,000 recipients annually.

The National Science Foundation (NSF) reviews over 50,000 applications and makes approximately 11,000 awards totaling \$7 billion annually to more than 2,000 institutions. Because NSF accomplishes its mission to promote science, technology, engineering and mathematics primarily through grants to individual researchers and institutions, robust oversight of grants management is essential for proper accountability over scarce federal tax dollars intended to advance progress in science.

There is less visibility over grants than contracts because grant recipients request payments as an aggregate dollar amount and, unlike contractors, do not have to present supporting documentation such as invoices and receipts to receive payment from the agency. To address these challenges in its oversight mission, the NSF Office of Inspector General (OIG) is using automated techniques to:

- Identify high-risk awardees and target work
- Use fewer resources and save time
- Increase oversight from a sample of transactions at an institution for a small number of awards to 100 percent coverage of all transactions and all awards
- Conduct continuous monitoring in real time to expose problems sooner and prevent misuse of funds

Using automated techniques that extract from multiple databases enables us to compare and analyze data to identify anomalies in costs and expenditure patterns. The approach helps separate out and highlight potentially unallowable activity from the many grant expenditure transactions under review. These techniques provide a level of transparency for recipient spending that was unavailable using traditional methods. Some examples of the data sources we use are listed below. These sources integrated with automated tools and techniques significantly improve our oversight of grants.

- Internally available data – proposal budgets, progress reports and drawdown patterns
- Externally available data – Excluded Parties List System (EPLS) and Federal Audit Clearinghouse (tracks single audits)
- Recipient financial system data – general and subsidiary ledger, travel and purchase cards

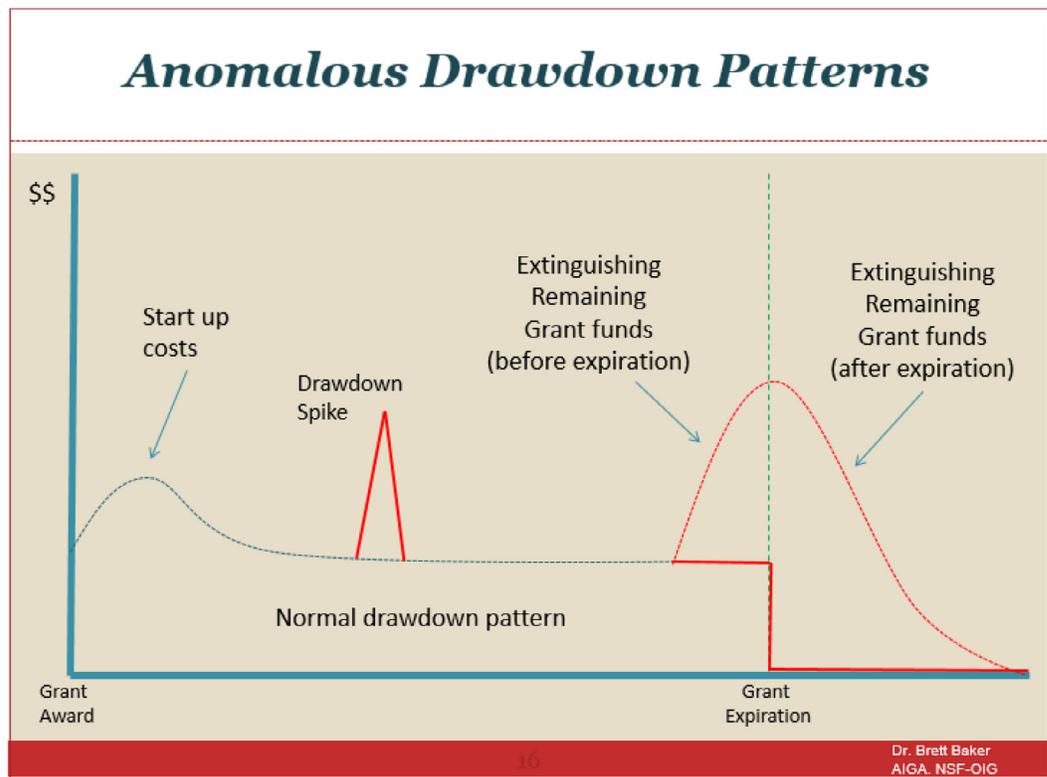
Agency proposal and award data combined with externally available information can show awardee activity over time, including anomalous patterns. Agencies maintain grant proposal and award financial information at the grant level and institution level as part of their award and post-award monitoring efforts. This information includes proposal narratives, panel scoring, quarterly reports, drawdowns and closeout reconciliation. This information can be



ABOUT THE AUTHOR

Dr. Brett Baker is the Assistant Inspector General for Audit at the National Science Foundation Office of Inspector General (NSF OIG). He is responsible for directing performance and financial audits of NSF programs, operations and awards. He is also a member of the GAO Green Book Advisory Council and Chair of the Federal Audit Executive Council.

extracted into an OIG database and combined with other open-source information (information available on the Internet) to produce an institution risk profile that can be compared against other institutions to surface outliers.



Incorporating institution financial and program management data after an awardee has been selected helps identify the highest-risk areas and transactions on which to focus the audit review. Automated analytical tests of general ledger information can uncover questionable expenditures that review teams can test in depth for allowability, allocability and reasonableness.

The NSF OIG’s use of automated techniques is a starting point in its grant audit work, not an end point. These techniques complement traditional audit techniques. Automated techniques focus attention on higher risk awards and transactions and allow audit teams to more directly test allowability, allocability and reasonableness through interviews and review of supporting documentation. These automated

The NSF OIG’s use of automated techniques is a starting point in its grant audit work, not an end point. These techniques complement traditional audit techniques.

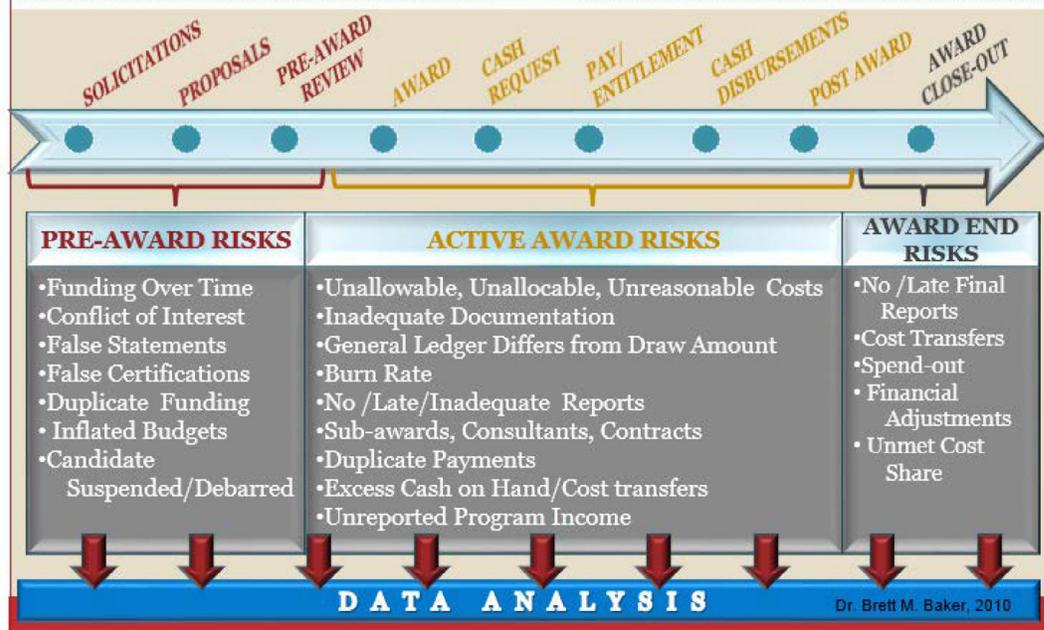
techniques are similar to those used in private industry and other governmental entities. For example, these are the types of tools banks and credit card companies use to flag usage anomalies that may indicate fraudulent credit card use. Similarly, government agencies charged with medical payment oversight use such techniques to examine millions of medical claim transactions to more readily identify costly providers and beneficiary fraud.

It is also important to note that the techniques we use can be used by the awardees themselves. Institutions can and should analyze their funding requests to federal agencies and test award expenditures in their institutions’ financial and program systems. Institutions also have access to open source grant award information, such as Single Audit Act reports. A number of research institutions have or are developing units to identify expenditure anomalies to complement and enhance their existing sponsored research oversight activities. Agency grants management officials are also able to perform similar funding request and project reporting analyses to identify anomalies, such as payment-request spikes, unusual award end-spend patterns, and uncommon items associated with completion of reporting requirements.

LIFECYCLE APPROACH TO GRANT OVERSIGHT

Automated audit techniques provide greater insight on risks and expand the capacity for oversight throughout the lifecycle of grant awards – solicitation, proposal review, award, research, payment and award closeout. Risks associated with each phase in the life cycle of grants—pre-award, active award and award/closeout – are shown below.

End to End Process for Grant Oversight



Risks during the pre-award phase can include those associated with inaccurate proposal information, unknown eligibility restrictions, or conflicts of interest in the evaluation process.

During the active award phase, recipients expend grant funds throughout the period of performance, which typically ranges from one to five years. Recipients request reimbursement payments from the awarding agency generally as an aggregate dollar amount, and unlike for contract payments, recipients do not provide an invoice or other billing detail to support the expenditures. While recipients provide quarterly, annual and final reports, those reports do not detail how the grant funds were expended, that is, what specifically the funds were used for. The limited visibility over expenditure information is a significant challenge for agency grants officials and makes it difficult to determine whether payments made to an institution have been used only for costs that were allowable, allocable or reasonable.

During the award end and closeout phase, no further costs are allowed to be incurred after the period of performance for a grant has ended. Thus, the recipient is responsible for reporting total expended award funds to the awarding agency, both to close the agency's award financial account and as part of the final project report that describes the results and benefits of the project financed with federal award funds. Inappropriate cost transfers and late, incomplete or missing final reporting are common risks during this phase.

Data analysis of agency award information combined with available external and awardee data can help identify higher risk institutions for planning purposes as well as surface anomalous and questionable grant expenditures during audit work.

CONCLUSION

In summary, using data analytics throughout the grant life cycle can provide oversight organizations with greater visibility and insight into how institutions are using federal funds, resulting in greater accountability and transparency. Data analysis of agency award information combined with available external and awardee data can help identify higher risk institutions for planning purposes as well as surface anomalous and questionable grant expenditures during audit work. While offices of inspectors general can enhance their oversight using this framework for grant oversight, other oversight organizations within federal agencies can also benefit from the approach. Collectively, these organizations can provide greater assurance to the public that government funds are being used appropriately. ■



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Reducing the Risk of Wage and Hour Litigation through Auditing

By Elizabeth Arce and Brian Walter

When it comes to making sure employees are paid for all hours worked, Benjamin Franklin's old adage "an ounce of prevention is worth a pound of cure" comes to mind. Although Franklin was giving fire-fighting advice when he said this famous phrase, his wisdom – that it is better to avoid problems in the first place than to repair the damage after it happens – is especially relevant to ensuring compliance with the Fair Labor Standards Act (FLSA) which regulates the payment of wages to employees. Taking a proactive approach to issues relating to employee compensation can benefit colleges and universities significantly by reducing legal challenges and associated costs.

The FLSA was enacted by Congress in 1938 during the Great Depression. The purpose of the FLSA was to protect workers from substandard wages and oppressive working hours and conditions that were detrimental to the health and well-being of workers. Consequently, the FLSA establishes minimum wage, overtime pay, recordkeeping, and child labor standards affecting full-time and part-time workers in the private sector and in federal, state, and local governments.

Plaintiffs' attorneys love suing employers for FLSA violations because it is essentially a strict liability law with few defenses. Further, since it is impossible to monitor all work performed by employees every minute of the day, employers have become easy targets for FLSA litigation. In the last decade, "wage and hour" litigation has been a lucrative business for plaintiffs' attorneys because of the potential for multi-million dollar verdicts and attorney's fees. Multi-million dollar verdicts are common in FLSA cases because an FLSA violation generally applies to large segments of employees in the workplace. While an attorney would not normally prosecute an overtime lawsuit for one employee where only a few thousand dollars in damages is available, the FLSA allows that attorney to bring the same lawsuit as a class or collective action on behalf of hundreds or thousands of employees where the potential exists for damages and attorneys' fees in excess of \$1 million dollars. Attorney's fees are mandatory if an FLSA violation is proved.

Because of the increase in wage and hour litigation and potential damages at stake, the need for colleges and universities to conduct an internal audit of their policies and practices regarding employee wages has never been greater. A comprehensive audit generally includes a review of the employer's written policies and other documents that impact how employees are compensated. These documents should include, among other things, payroll records, job descriptions and collective bargaining agreements. An audit should also involve interviews of select members of the employer's staff regarding their job duties and how they are recording their work hours. The objective of this process is to determine if the employer has any work practices that violate the FLSA. In addition, employers will be able to determine precisely what work is being performed by employees, when they are performing the work, and if the employer is compensating them appropriately under the FLSA.

When conducting an audit, particular attention should be paid to the following areas where FLSA mistakes are typically found.

CLASSIFICATION OF EMPLOYEES

Under the FLSA, there are employees who are exempt from overtime if they qualify for one of the so-called "white collar exemptions" – executive, administrative and professional. To qualify for an exemption, the employee must be paid a salary and receive a minimum of \$455



ABOUT THE AUTHORS

Elizabeth Arce, an Associate at Liebert Cassidy Whitmore, is an accomplished advocate for colleges and universities. She has experience litigating a wide array of labor and employment cases in state and federal trial and appellate courts. She regularly advises schools and helps them manage the risk on a wide variety of employment matters, including wage and hour.

Brian Walter, a Partner at Liebert Cassidy Whitmore, regularly advises and counsels schools to help them achieve full compliance with wage and hour laws, as well as other employment matters. This often includes conducting FLSA audits for clients, representing clients in DOL and DLSE audits, and presenting trainings on FLSA issues.

Often, employers misclassify employees as exempt based on nothing more than their job title and receipt of an annual salary.

per week, and meet the “primary duties test” for their particular exemption. This means the primary duty of the employee must be executive, administrative or professional. Often, employers misclassify employees as exempt based on nothing more than their job title and receipt of an annual salary. However, courts have routinely held that these factors do not determine whether an employee is exempt. Rather, it is the employees’ actual job responsibilities that determine whether they are exempt or non-exempt.

MEAL BREAKS

A substantial percentage of FLSA lawsuits that are filed in court seek compensation for missed meal breaks. Typically, employees are given an uncompensated meal break during their workday. Under the FLSA, meal breaks are not compensable when the employee is freed of duty. However, litigation can arise when employees work through their meal breaks and are not compensated for that time. Courts have broadly interpreted the term “work” to include situations where an employee eats at their desk and continues to work or where an employee is required to monitor other persons such as students during their meal break. Institutions with child development and learning facilities are especially vulnerable to such claims.

OFF-THE-CLOCK ACTIVITIES

Another huge area of liability for employers is allowing employees to perform work outside of their regular work hours without additional compensation. For example, requiring employees to report to work early to put on uniforms or to prepare equipment and other materials to be utilized during their shift may be compensable work. Also, allowing employees to access work emails through smartphones or from home by giving them remote access to the employer’s network increases the likelihood that work will be performed off-the-clock.

Another huge area of liability for employers is allowing employees to perform work outside of their regular work hours without additional compensation.

CAMPUS POLICE DEPARTMENTS

Many colleges and universities have police departments or security offices on campus. There are a number of FLSA rules that specifically apply to sworn peace officers who work in these departments. For example, police officers who hold the rank of lieutenant or higher are sometimes misclassified as exempt because of they are supervisors. However, the U.S. Department of Labor Regulations interpreting the FLSA state that safety supervisors who frequently respond to calls for service cannot be exempt. This so-called “first responder” regulation applies to all safety officers regardless of rank or pay level. Also, institutions with K-9 units are required to compensate officer-handlers for all off-duty hours spent caring and maintaining a police canine. Courts have uniformly held that this time counts as work hours that must be compensated. Police departments often fail to provide correct compensation for this canine “bonding” time.

ALTERNATIVE WORK SCHEDULES

Many employers offer their employees alternative work schedules for non-exempt employees, e.g., 9/80, 3/12 or 4/10. However, once an alternative work schedule is implemented, there are a number of mistakes unsuspecting employers often make which can inadvertently trigger overtime liability. These mistakes can include switching the employees regular day off with another work day, or allowing an employee to adjust his/her regular work hours on their alternating work day.

FLSA “REGULAR RATE OF PAY”

Under the FLSA, any overtime owed must be paid at one and one-half times the “regular rate” of pay. The regular rate of pay is not just the employee’s hourly wage multiplied by one and one-half times. The FLSA regular rate generally includes all items of compensation that compensate employees for skill, effort, or inconvenience, such as bonuses contained in collective bargaining agreements and additional pay for being bilingual or working in a special assignment. Many employers fail to calculate overtime compensation using the regular rate of pay. Rather, they use the base hourly rate.

Conducting a comprehensive audit is the only reliable means that an employer has to determine whether it is complying with the requirements of the FLSA and its regulations. It is only through an in-depth investigation into an employer’s timekeeping and compensation practices, and an analysis of how those particular practices measure up to FLSA requirements, that an employer can be fully assured of its compliance with the law. ■

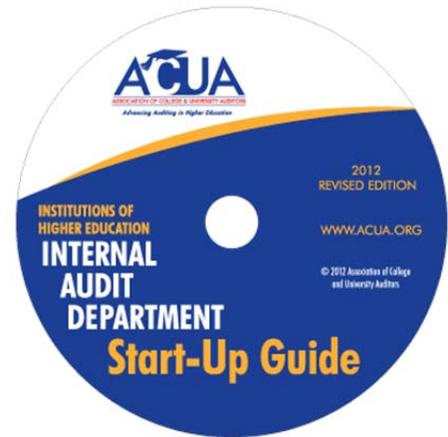


INSTITUTIONS OF HIGHER EDUCATION

INTERNAL AUDIT DEPARTMENT

START-UP GUIDE

The primary purpose of this guide is to serve as a reference tool, one of many you will likely use as you establish an audit function that best fits the needs and resources of your organization. The information and examples have been collected from very successful audit shops and truly represent many of the best practices in higher education internal audit. They may or may not fit your needs, but they will all provide valuable guidance and ideas as you work to establish your new audit department.



Contents of this guide include:

- Establishing the Authority of the Department with sample charters and policies
- Getting the Department Operational, with concrete advice on risk assessments, annual planning, quality assurance, fraud investigations, and marketing the new department
- Reporting to all constituencies, including examples of reports used by ACUA members
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Monitoring the Effectiveness of Youth Protection Efforts

By Omar Andujar, MBA

While the implementation of campus wide youth protection efforts is undeniably a step in the right direction, to be effective, monitoring and evaluation must be positioned at the heart of such efforts.

In recent years, colleges and universities across the country have sought ways to implement or strengthen measures aimed at protecting minors on campus and limiting associated risks. In the aftermath of serious cases of child abuse in higher education institutions, the emphasis of such measures have primarily focused on awareness and prevention of child abuse. These efforts have included the introduction of new training requirements, more frequent screening of those working with minors, central tracking systems, and the establishment of campus wide standards for youth activities.¹ However, what happens after the implementation of these types of efforts? How do you ensure widespread adoption of your *minors on campus* policies, and what systems are in place to measure program effectiveness and ensure compliance?

While the implementation of campus wide youth protection efforts is undeniably a step in the right direction, to be effective, monitoring and evaluation must be positioned at the heart of such efforts. Without a mechanism for monitoring and evaluating institutions' youth protection efforts, they will find themselves stumbling in the dark as they attempt to measure whether the established objectives are being met. This article will provide a framework for monitoring and evaluating controls to protect minors on campus and will share insights on how the University of Florida (UF) implemented this type of initiative.

FIRST THINGS FIRST: INSTITUTING YOUTH PROTECTION EFFORTS

The creation of dedicated offices, positions, or cross-functional committees responsible for youth protection is becoming increasingly common among colleges and universities. In 2012, UF took on this approach and was among one of the first institutions to create an office (the Office of Youth Conference Services) that would act as a clearinghouse for university-affiliated youth activities. One of the most instrumental primary steps UF took when developing this type of office was to assess its current conditions and youth protection practices. This involved scouring several internal and external environments on a number of fronts. In addition to taking inventory of its youth activities, UF focused on reviewing six key areas: existing policies, child protection laws, compliance controls, key partnerships, potential risks, and industry leading practices.

The information collected throughout this type of assessment can be particularly useful when shaping the direction of the initiative. For instance, results from an assessment may reveal that the number of campus youth activities is far greater and more diverse than previously reported. To strengthen an institution's ability to maintain an up-to-date inventory of campus youth activities and related risk exposures, they may elect to establish a central tracking mechanism and require that activities register in advance of program operations. Identifying and prioritizing how to address potential risk exposures is essential. A preliminary assessment will help detect an institutions exclusive needs and will provide a clear framework for developing measures for protecting minors and limiting institutional liability.

The creation of dedicated offices, positions, or cross-functional committees responsible for youth protection is becoming increasingly common among colleges and universities.



ABOUT THE AUTHOR

Omar Andujar is the Director of the Office of Youth Conference Services at the University of Florida. He oversees day-to-day matters, including identifying and mitigating risks associated with minors on campus, managing a comprehensive central tracking and registration process, developing training and educational resources for program effectiveness and compliance. He holds an MBA from Post University and a B.S. in Business Administration from Western Connecticut State University.

NEXT: PLAN TO MONITOR

Much like the need for a well thought out assessment is irrefutable during the design phase, a sound monitoring and evaluation plan is imperative during the implementation and post implementation phase. That being said, what does a plan for monitoring and evaluating campus youth protection efforts look like? What are the core-monitoring areas? What resources are required? What type of tools can be used to monitor? How often do oversight activities take place? How is the collected information used, and who are monitoring results shared with? These were among the many questions that arose when UF began to develop its monitoring plan.

As institutions seek to define and understand the specifics of their monitoring and evaluation efforts, it is important that the impetus and unique objectives of such efforts remain a focus.

One of the most common purposes for monitoring is to measure compliance with formal requirements. However, monitoring can serve a number of purposes. For instance, institutions can also direct their monitoring activities towards examining the effectiveness of existing policies and procedures. These activities will help uncover any gaps and determine whether policies have been consistently adopted throughout the institution. Monitoring can also help identify trending or emerging areas of concern, as well as best practices used by programs. For example, through its monitoring activities, an institution may find that its athletic camps have adopted exceptional drop-off and pick-up procedures and may recommend them as a model for other youth-serving programs. Another advantage of ongoing monitoring and evaluation is that it contributes to keeping the initiative a focus. It's not uncommon to see a high level of interest immediately after new institutional policies are announced and implemented; however, as time passes some may lose sight of the initiative. Regular oversight will help maintain awareness, promote accountability and keep relevant stakeholders engaged.

CORE AREAS AND MONITORING STRATEGIES

Once the monitoring objectives are clearly defined, the next step is to decide what core areas will be included in the scope of monitoring activities. Because the number of risks identified during the assessment phase can be vast, attempting to simultaneously address them all may create challenges. A good place to begin, is to prioritize risk exposures by their level of impact. Common areas of potential vulnerability to minors on campus may include: inadequate supervision of minors, negligent hiring, lack of training, regulatory risks, mandatory reporting requirements, transportation risks, absence of waivers or releases, and privacy risks.²

With monitoring activities in place, institutions will need to determine how such efforts will be orchestrated. When instituting its monitoring functions, UF decided to use a series of strategies to evaluate the effectiveness of its youth protection efforts and verify compliance with relevant standards. Most notably, UF achieved this by using the following tools: program scorecards, onsite monitoring visits, and regular feedback gathering activities. These tools played a strategic role in UF's efforts to effectively monitor its *minors on campus* efforts.

1. Setting a Baseline

In an effort to systematically collect data that would help measure how university youth activities performed against established compliance metrics, UF developed and implemented a program scorecard process. The scorecards provided programs with initial feedback related to four key areas: adequate staff-to-participant ratios, adherence to training requirements, compliance with background screening policies and central registration of youth activities. Program sponsoring units and key stakeholders were informed of scorecard results and recommended next steps. The proactive intent of this process was to set a baseline that would contribute to the further enhancement of youth protection efforts and help strengthen overall program performance.

2. Establish a Visible Presence

While scorecards provide a consistent method for measuring progress related to specific indicators, there may be occasions where more in-depth reviews are needed. In an effort to continue to validate compliance with formal requirements and to provide targeted technical assistance, UF incorporated site visits to its monitoring and evaluation efforts. These type of visits are comprised of the following monitoring

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As institutions seek to define and understand the specifics of their monitoring and evaluation efforts, it is important that the impetus and unique objectives of such efforts remain a focus.

activities: interviews with key program personnel, program document reviews, observation of program activities and verification of staff requirements. The following table outlines suggestions that may provide a basis for developing an onsite monitoring process.

Monitoring Activities	Suggestion
Staff Interviews	The interview process provides a mechanism to engage appropriate parties and become further acquainted with programs. Additionally, this process creates a platform for two-way dialogue regarding established youth protection efforts. Consider developing interview questions that will help you identify risks to minors and assess whether programs have adequate systems to mitigate them.
Document Reviews	Institutions may want to examine the following documents during this phase: <ul style="list-style-type: none"> • Participant Rosters • Staff Rosters/Schedule/Duties • Check-in/Check-out Procedures • Program Rules/Behavioral Expectations • Description of Staff Training Requirements • Description of Monitoring Activities • Consents and Releases • Proof of Insurance
Program Observations	Another good practice institutions should consider is the observation of program activities. During program observations, determine whether required staff-to-participant ratios were met. Were activities coordinated in a way that prevented one-on-one interactions? Were minors properly accounted for? Were restroom protocols adhered to? These type of questions will help you determine whether established standards are being adopted.
Validation of Staff Requirements	Review personnel records to determine whether staff have suitable qualifications. Determine if staff have successfully completed required trainings. Ask whether all staff were properly screened. Was verification of background checks on file? Determine how program policies were shared with program staff. Were signed staff acknowledgements in place?

Because of the various elements involved in this type of in-depth review, it may be impossible to visit all university youth activities. A more practical approach is to visit a percentage of identified youth programs. Monitoring visits can be initiated through a simple random selection process or institutions can divide programs into categories (i.e., by age range, type of activity, level of risks, etc.) and use a stratified sampling method. Institutions can also establish a self-monitoring process and require program supervisors to use agreed upon tools to monitor for compliance. Though this is currently not common a practice, it may prove to be a reasonable approach and help promote greater accountability among the responsible parties. Site visits can then be used as a way to confirm that the self-monitoring actions are taking place as expected and more in-depth reviews can be geared towards programs in need of additional support.

3. Check-in with Key Stakeholders

In addition to the use of scorecards and site visits, UF regularly gathers feedback from key stakeholders. A good feedback system is essential to the success of campus youth protection efforts. These structured opportunities for reflection allow institutions to routinely evaluate whether their youth protection efforts are achieving the desired results, and if any future adjustments are necessary.

Navigating through the implementation process can be challenging without a strategy

GETTING STARTED

Navigating through the implementation process can be challenging without a strategy. Upon deciding to establish a system to monitor and evaluate youth protection controls, institutions must determine the steps it will take to successfully introduce such efforts.

While there is no “one size fits all” approach the following steps can be taken to help get the implementation process started.

1. **Set the “Tone from the Top”** – It’s important that leadership share their support for the initiative at the onset of the implementation process. Leaders can stress the importance of such efforts and clearly set forth expectations to ensure effective implementation. This will help further emphasize the institutions commitment to providing a secure environment for minors on campus and to foster a culture that promotes compliance with applicable child protection laws and policies.

2. **Define Roles** – Start by identifying which parties will be involved in the monitoring and evaluation process and to what extent. Designate who will be responsible for carrying out day-to-day monitoring activities (e.g., youth protection office, compliance, risk management, cross-functional committees, etc.). Who should be included in program interviews? Who should be notified of monitoring results? Who is responsible for follow-up? And, who has the authority to enforce compliance? Clear lines of responsibility will help ensure as seamless an implementation as possible.
3. **Involve Stakeholders** – One of the first steps UF took when instituting its monitoring functions, was to elicit feedback from key stakeholders. This helped further refine proposed monitoring objectives and strategies, and achieve greater buy-in. Because implementing this type of initiative is a campus wide effort, institutions should identify potential partners and look for ways to leverage existing resources. Potential partners include: legal counsel, risk management, internal audit, human resources, and program sponsoring units.
4. **Formally Announce** – Be intentional about announcing the initiative to the appropriate parties. Clearly communicate the impetus, implementation timelines, specific processes, concrete next steps, available resources and any additional information regarding the initiative. Develop quick reference guides in anticipation of the type of questions that may arise.

During implementation it is important to continually evaluate the process.

5. **Evaluate the Plan** – During implementation it is important to continually evaluate the process. Assess whether any changes are needed. Determine if existing resources are suitable. Reflect on the steps that have been taken and review the efficiency and effectiveness of practices and procedures.

CONCLUSION

An increasing number of institutions have implemented positive measures to improve the campus climate for children and youth. One of the more tangible steps institutions have taken to achieve this is the creation or enhancement of *minors on campus* policies. However, without regular oversight it may be difficult to determine the effectiveness of such efforts. Monitoring and evaluation will help institutions measure the impact of their youth protection programs, promote accountability and transparency, engage stakeholders, and create opportunities to plan for future enhancements. Given the many benefits of monitoring and evaluation, it's hard to ignore the reasons why such efforts are becoming an essential piece of campus youth protection measures. The strategies presented in this article can be used to formulate and implement a system that would enable colleges and universities to strengthen their *minors on campus* protocols. ■

ENDNOTES

¹Andujar, Omar. "The Essentials: Core Strategies for Protecting Minors on Campus," University Risk Management and Insurance Association (URMIA) Insights, June 2014, <http://my.urmia.org/enews/2014/june>

²"Managing the Risk of Minors on Campus," Arthur J. Gallagher & Co., 2012, www.ajgrms.com/portal/server.pt/gateway/PTARGS_0_28406_581934_0_0_18/ManagingRiskMinorsPaper_6-14-12_final.pdf

Purchase Card Pitfalls

By Kristie Newby, MBA, CFE

Purchase cards are becoming widely used in all areas of colleges and universities across the country. Their popularity has increased for many reasons, such as:

- Providing a purchase card to staff members that frequently travel, such as recruiters, enables multiple trips to be performed while ensuring that staff members don't have to float personal funds for university business and be reimbursed later,
- Allowing staff members that travel with students, such as a coach, to pay expenses on a purchase card cuts down on the amount of travel advances issued, as well as eliminates the risk of travelling with large amounts of cash,
- Many businesses offer a discount, such as 2/10 net 30, to patrons that provide immediate payment,
- Credit card companies provide a "cash back" feature to the college/university, which allows the institution to be an even better steward of taxpayer dollars, and
- Paying for smaller expenses via one check for a purchase card bill vs. paying for each small expense with a check is more efficient and can cut payment expenses by 55%-80%.

In developing a proper risk assessment program, it is imperative that many internal control issues be considered.

As internal auditors in higher education, we applaud an institution's efforts to decrease expenses and increase efficiency, but realize that without proper internal controls and documentation, such a program results in more financial risk. We must, at a minimum, perform a purchase card risk assessment to determine that the college/university's internal control structure is designed to minimize purchase card risks. In designing our risk assessment program, we must be aware of purchase card pitfalls and plan accordingly.

In developing a proper risk assessment program, it is imperative that many internal control issues be considered. The following is a list (most certainly not a complete list) of areas to be considered:

What types of purchases are permitted?

Many universities limit their purchase card expenses to only office supplies and equipment, while others utilize purchase cards only for travel expenses for recruiters and personnel that travel with students/athletes. Many allow both types of expenses, but the purchases allowed should be tailored to meet your individual university's needs and risk tolerance.

Who is issued a purchase card?

You will see reactions to purchase cards on both ends of the spectrum in this area. Many that do not need a purchase card will insist that they be given one, while others will want nothing to do with a purchase card. Loosely issuing purchase cards to everyone can undermine financial security, even if departmental management watches purchases carefully. University management should evaluate departmental personnel positions to determine who needs a purchase card to ensure efficient continuation of the institution's mission. Those staff members being issued a purchase card should be full-time, permanent personnel, instead of temporary or limited time staff.

Is there a formal training presentation or handout given to purchase card holders before receipt of the card?

It is imperative that purchase card holders be trained on the acceptable ways that the card can be used, as well as how to document expenses and what approvals are necessary before/after



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Kristie Newby, MBA, CFE, has over 22 years of experience in financial accounting, senior level auditing in banking and higher education and federal government financial management. She may be contacted at kristie.newby@okstate.edu.

the fact. When university/state policies and procedures change, update/ refresher classes should be provided to all purchase card holders.

Has the purchase card holder signed a conflict of interest statement?

As with other purchasing responsibilities, it is essential that purchase card holders sign a conflict of interest statement, attesting to the fact that they understand that they should not conduct university purchasing business in a manner that would show preferential treatment to themselves, family members, friends, or a self-owned business. These signed statements should be kept on file by, at a minimum, the university department head, and accessible if needed.

Are the purchase cards secure, both before issuance and after receipt by the purchase card holder?

Most universities contract with a provider that sends the card directly from the company, but many have the purchase cards sent directly to the university's purchasing department to hold for issuance until the future purchase card holder completes purchase card training. In this instance, how are the purchase cards secured? Are they kept in a vault with restricted access? Is there an issuance form signed by the purchase card holder once the card is released? Furthermore, how does the purchase card holder secure their card? Do they keep it on their person at all times, such as in their personal wallet? Is the card kept in their office under lock and key? Or, is it simply thrown in an unlocked drawer for access by anyone? You would be surprised how many individuals are too trusting with securing their card, only to find unauthorized purchases showing up later once the bill arrives.

Purchasing limits should be initially set and periodically adjusted based upon the level of purchasing volume/responsibility.

Are purchase card limits appropriate with the level of purchasing responsibility?

Purchasing limits should be initially set and periodically adjusted based upon the level of purchasing volume/responsibility. For an administrative assistant who purchases an average of \$500 in office supplies each month, a limit of \$750 (with the option to call the purchase card administrator for a necessary one time limit increase) may be appropriate. However, limiting an information technology specialist who purchases supplies needed to service the entire university to only \$750/month when he/she purchases almost that much in one week is unrealistic.

Are proper approvals in place over expenses on purchase cards?

Although expenses on purchase cards at most universities typically occur before "official" approval, it is imperative that each expense have proper review and approval after the fact. First, the card holder should certify (typically online or on a purchase card log) via signature that all expenses are correct and for university purposes. At a minimum, a supervisor, such as a department head, should review expenses and corresponding receipts/documentation to ensure that the expense is appropriate, not prohibited by university/state policies or grant stipulations (if applicable) and consistent with the university mission. Many universities also have a departmental accountant review the expense to ensure that documentation is appropriate and that the expense was properly budgeted for. All approvals should either be obtained before the purchase card bill is paid or shortly after, just in case the expense needs to be credited back or the university needs to be reimbursed for the expense by the card holder.

Is the purchase card holder the only individual utilizing the card?

The card holder should be the only individual making purchases with the card. That is not to say that they can't pay for expenses for someone else, but they should be the only individual providing the card/number to a vendor. This dovetails with the concept of how secure the card is once provided to the card holder. If left unsecure, someone with less than honorable intentions could write down the card information and use it later, all while the unsuspecting card holder still has the card in their possession.

When university/state policies and procedures change, update/refresher classes should be provided to all purchase card holders.

be kept on file by, at a

Many universities also have a departmental accountant review the expense to ensure that documentation is appropriate and that the expense was properly budgeted for.

Is there segregation between purchasing and receiving?

Most, but not all, institutions insist that segregation be present between purchasing and receiving. Utilizing a purchase card should not exempt departments from continuing this practice. Remember, it is still only a different method of payment and does not change the internal controls of your institution.

If used for travel purchases, do the expenses still follow state and university guidelines and requirements?

Many staff members are fully aware of state/university travel expense guidelines, but have the wrong impression that since they are using a purchase card, the requirements no longer apply. Because they are not completing a travel form for reimbursement, they may neglect to comply with maximum lodging/per diem rates or keep necessary receipts. It should be stressed that using a purchase card for travel does not exempt them from state law and/or university policies and procedures, but is merely another method of payment.

Many staff members are fully aware of state/university travel expense guidelines, but have the wrong impression that since they are using a purchase card, the requirements no longer apply.

If purchases are paid for with grant funds, are any of the expenses prohibited by the grantor or award document?

Just as with travel, just because a purchase card is utilized for payment of goods/services rendered, it does not release the university from compliance with grantor/award document stipulations regarding prohibited purchases. Furthermore, items considered covered under the indirect cost rate charged by the university should still not be purchased with grant funds, as they are to be provided by the university. In both cases, the only expenses allowed would be those under a Cost Accounting Standard (CAS) exception obtained by the Principal Investigator (PI) from the grantor in writing.

Are purchase cards reclaimed once the card holder leaves the department or employment with the university?

Reclaiming purchase cards should be on the supervisor's personnel exit checklist. You would be amazed at how many times I've heard that employees gave back keys and other pertinent property, but walked out with a purchase card.

When utilizing an online purchase card documentation/approval function where hard copy documentation is kept at the departmental level, an audit function should be present.

Is there an audit function related to the university purchase card?

When utilizing an online purchase card documentation/approval function where hard copy documentation is kept at the departmental level, an audit function should be present. A rotating schedule (where each card holder is audited at least every two years, if not more) should be present and performed by a purchasing department staff member with knowledge of the program.

Are certain purchases from websites with Level 3 detail being examined on a continuous basis?

Many vendors only provide Level 1 or 2 data descriptors for credit card purchases. However, for those that provide Level 3 data, it is advisable for the Level 3 descriptors to be examined for purchase accuracy and matched with other documentation to identify possible fraud. Level 3 data includes the customer code, card acceptor type, tax ID, sales tax, line item detail, and further transactional data. Many fraudulent purchases have been detected when accessing and reviewing the Level 3 data (which is provided by the vendor and can't be changed by the purchase card holder), as it contradicts other purchase documentation provided by the purchase card holder, such as an altered invoice to cover up personal purchases.

Many colleges and universities have discovered that using purchase cards provides a convenient method to pay for frequent travel expenses for recruiters or staff members traveling with students. Other higher education institutions use purchase cards to take advantage of early discounts, cash back programs, or reduced costs resulting from fewer checks issued for payment of expenses. However, it is imperative that strong internal controls be part of the higher education institution's purchase card program to promote good stewardship of taxpayer dollars while reducing financial risk. Examining the aforementioned areas, plus any others that you can think of, will help you ensure that you minimize any purchase card pitfalls. ■

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Techniques for Securing Vendor Accounts

By Allison MacFarlan, CISA, CISSP

You're probably aware of the Target department store hack that occurred just before the 2013 holiday season. There have been many articles written about the point-of-sales malware that was installed and not noticed by Target's IT staff. What's less well-known about this hack was that it was caused by lax management of a vendor's user account, specifically, a heating, ventilating, and air conditioning (HVAC) vendor¹ Target hired to manage several regional Pennsylvania stores. The hackers used that vendor account to perform reconnaissance, break into other user accounts, and install malware just in time for Black Friday.

The control of account provisioning and security are essential to university business and compliance.

If you work at a campus-based university, you probably also have HVAC and other systems that are co-managed by vendors. Contractual arrangements may require your facilities group to provide access to the manufacturer for monitoring or troubleshooting. When you provide a username and password to another organization, despite these vendor assurances, many individuals within the vendor's organization might know the username and password.

The Data Breach records for educational institutions at PrivacyRights.org² show at least eight data loss incidents in 2013-14, which involved some sort of account theft or privilege escalation. Although most of the incident descriptions are rather sparse, many colleges and universities have vendors, staff, faculty and students constantly moving into and off the active account directory. The control of account provisioning and security are essential to university business and compliance.

The strategy for protecting the important network resource account might rely on a combination of security controls, such as:

- Restricting vendor access to a specific VLAN,
- Logging and monitoring user access,
- Restricting account privileges with AD policy,
- Changing the password often, or
- Auditing vendor logins against an expected service window and looking for outliers.

The real problem with managing remote user accounts and local ones is that it's very difficult to verify who's actually sitting at the keyboard.

The real problem with managing remote user accounts and local ones is that it's very difficult to verify who's actually sitting at the keyboard. Forcing regular password changes may make an account less secure, because the vendor could post it on a board or a computer for the sake of convenience, to ensure everyone in the office would know what it is. Consequently, vendor access control needs a multi-pronged approach.

User control can also be asserted at login by the introduction of another factor,³ either by requiring a one-time password, or asking the user to provide biometric information. There are vendors that integrate fingerprint readers and Windows systems for remote user control. And many of you may have used RSA keys or a one-time password solution that displays a numeric code on your phone; this control at least requires the person to have that token when a user logs in, even if the whole vendor company knows the username and password.



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Allison MacFarlan, CISA, CISSP is the Senior Information Security Risk Analyst for Carnegie Mellon University in Pittsburgh, Pa. She coordinates IT audit work by outside auditors, and does application assessments and compliance reviews for new and existing IT projects. She has an MSIT in Information and Assurance from CMU.

There's no substitute for auditing, though, when it comes to determining if the remote user still exists. Periodic vendor verification can expose whether the account's being mismanaged by the company. Vendors should never log in with system accounts; there should always be a human associated with the account, who is held responsible for the company's access. Your contractual provisions should make the company responsible for immediately notifying the university when there's a change in personnel and for notifying your help desk so the account can be terminated.

Local university systems administrators should have a follow-up process for removing any access and possibly even changing system passwords to the affected servers.

If you issue tokens to the vendor for secure access, those tokens should be collected and returned when the vendor's representative leaves the company. Local university systems administrators should have a follow-up process for removing any access and possibly even changing system passwords to the affected servers.

User access can also be contained with effective network segmentation and isolation. In a university environment for instance, there should be no connections from the residence hall network to your facilities management servers. If there are, alarms should go off. Firewalls can restrict port services that are available to casual scanners and be the first line of defense for hosts that your vendor needs for remote access. Policies in your Windows domain can also restrict user activity, limiting applications the remote user can access, and their ability to install a new application.

To return to Target, it's unclear why the access policies that governed their point-of-sales network had anything to do with the facilities management network. So domain policy, segmentation and firewalling must have failed, or the hackers must have cracked an account that had privileges in both contexts. The learned lesson is that even the most trivial access can be the source of huge problems and that there should be enforced policies that identify and monitor the people who log into your infrastructure. ■

¹The vendor was Fazio Mechanical Services of Sharpsburg, PA.

²<https://www.privacyrights.org/data-breach>

³A "factor" is another one of the following: something you know, something you have, something you are.



What is the ACUA Risk Dictionary?

The ACUA Risk Dictionary is a comprehensive database of risks and their associated controls for areas specific to higher education. Higher Education audit departments can use the risk dictionary for identification of an audit universe specific to higher education which can be used for performing their annual risk assessments and preparing their annual audit plan.

The ACUA Risk Dictionary can also be used to prepare project level risk assessments for areas such as:

- NCAA Compliance
- Student Financial Aid
- Export Controls
- Research Compliance and many more!

After having identified the risks for your audit project, the ACUA Risk Dictionary contains the associated controls which can then be used to prepare an audit program to test whether the proper controls exist.

Is the ACUA Risk Dictionary for YOU?

Business officers, risk officers, compliance officers and other higher education leadership can use the ACUA Risk Dictionary to provide a comprehensive list of areas that could likely need their attention. For someone new to their position or new to higher education, the ACUA Risk Dictionary will be especially beneficial in identifying not only broad areas where inherent risks are common, but also specific risks within those areas and their associated controls.

In the absence of a formal risk management structure, the ACUA Risk Dictionary provides a concrete and comprehensive starting point for identifying, evaluating, and managing risks across the organization.

You now have the ability to submit new risks and controls for the dictionary. The Risk Dictionary is a living document, so check it out with an eye toward what you can contribute.

The ACUA Risk Dictionary is available for *FREE* as a benefit of ACUA membership or by subscription to non-members.

Awards Committee Report

By Gail Klatt, CIA, CRMA, Awards Committee

The Awards Committee announced the winners of the Outstanding Professional Contributions and the Member Excellence in Service Awards at the 2014 ACUA Annual Conference in Los Angeles.

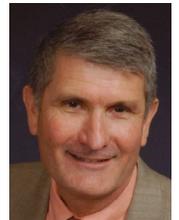
The Outstanding Professional Contribution Award was presented to **Kim Turner** from Texas Tech University. The Outstanding Professional Contribution Award recognizes a member who has made outstanding and noteworthy contributions to the profession of internal auditing in higher education by creating wider recognition of internal auditing in higher education, promoting cooperative relationships with other governance-related organizations, promoting high professional standards, and sustained service to higher education and internal auditing professional organizations.



Mrs. Turner has served and contributed to higher education internal auditing for many years in many different capacities, with one particular contribution that the committee felt was so significant as to be considered truly an Outstanding Professional Contribution – the creation, ongoing development and parenting of the ACUA Risk Dictionary.

Auditors throughout ACUA now consider this to be one of the most valuable resources that ACUA provides, and it would not have reached its current level of maturity without the dogged effort and commitment of Mrs. Turner.

The second award winner presented a unique situation for the committee and resulted in a “first” for the Awards Committee. This individual received multiple, and truly outstanding nominations, for both the Member Excellence in Service and Outstanding Professional Contribution Awards. The Committee was unanimous in its decision that **Dick Dawson**, from the University of Texas, San Antonio, was deserving of both awards.



The Member Excellence in Service Award recognizes a member who has made outstanding contributions to the mission of ACUA through exceptional service. Mr. Dawson has served ACUA members over 30 years as a proctor, presenter, committee chair, Treasurer, Vice President, President, and Board member.

As President, he spearheaded many innovative practices to continue ACUA’s track record of offering the highest quality services to its members at an affordable price. It was during his tenure as President that he led a seamless transition to our current management firm, Applied Measurement Professionals, that has provided us with excellent conference planning and membership management and services.

Mr. Dawson has also made exceptional contributions to the profession of internal auditing in higher education. As Co-Chair of the Risk Dictionary Committee, along with his compatriot Mrs. Turner, he has nurtured, championed, and polished the ACUA Risk Dictionary, growing it from merely a “good idea” using an Excel spreadsheet to a valuable “go to” web-based resource for higher education auditors. Mr. Dawson also served as one of the first executive sponsors and mentors for the ACUA *Leads!* program, giving his time and sharing his expertise to help prepare the next generation of leaders in higher education internal auditing.

The Awards Committee members had the privilege to review many outstanding nominations this year, and the difficult job of selecting those to be honored by these awards. The committee would like to thank all of the ACUA members who took the time to recognize the contributions and service of their colleagues.

The 2014 Awards Committee consists of Gail Klatt, University of Minnesota, (Chair); Robert Gerber, Cuyahoga Community College; Vallery Morton, University of Central Florida; Barbara Deily, University of Virginia; and Gail Nishida from Chapman University. ■



ABOUT THE AUTHOR

Gail Klatt is the Associate Vice President of Internal Audit for the University of Minnesota where she is responsible to the University’s Board of Regents for all internal audit work carried out on each of the five university campuses. She is a Certified Internal Auditor and is certified in risk management assurance (CRMA).

You Win When ACUA Wins!



ACUA has set a goal of obtaining at least 50 new member institutions in 2014. The Membership Committee will be pursuing several different tactics to obtain this goal, **we need your help!**

How can I help? Reach out to your friends and colleagues at non-member institutions, tell them about the value that you find in ACUA and invite them to join. It's just that simple!

How do I know if an institution is an ACUA member? A directory of all current ACUA members is posted on the [ACUA website](#). Simply log into the site and search the Directory located in the [Member Services area](#).

How does an institution join? Membership applications can be downloaded from the ACUA website. Applications can be found on the [Join ACUA tab](#) under the Membership menu.

What's in it for me? Prizes! The second question on the membership application asks applicants how they heard about ACUA. Ask the institution, that you have invited to join, to include your name on the line labeled "A Colleague". Every time that you are listed as a reference, your name will be entered into a drawing for one of three prizes. The more members that you recruit, the better your chances of winning.

Prizes Include:

Prize #1 – Hotel accommodations for four nights at the InterContinental Buckhead Atlanta for the 2015 Midyear Conference **OR** four nights at the JW Marriott Indianapolis for the 2015 Annual Conference.

Prize #2 – Complimentary registration at the 2015 ACUA Annual Conference

Prize #3 – Complimentary registration at the 2015 ACUA Midyear Conference



Membership applications must be received by December 31, 2014. Only ACUA members are eligible to win prizes. ACUA Board Members are not eligible to win prizes. An individual selected in the drawing may only win one prize.

