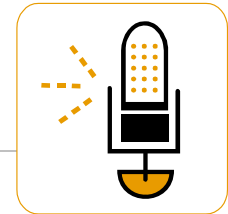


Office of Internal Audit, Board of Regents of the University System of Georgia, (404) 657-2237

The Office of Internal Audit has position openings for Auditor II and Auditor III. See the link below for additional details:

<http://www.usg.edu/employment/jobs/>



From the Desk of Ron Stark

Fact: Fraud risk elevates in a down economy.

All institution personnel should be aware of this fact and be particularly vigilant about:

- Keeping strong internal controls.

- Performing at least basic reviews of key reconciliations and processes.
- Observing changes in employee behavior, for example, not taking vacation time or poor attendance from a formerly reliable

employee.

- Leading by example. Don't be tempted to take short cuts that will compromise security.

Stay tuned for information about a USG Code of Ethics to be rolled out this fiscal year.

****Reminder****
Audit Finding Status Reports are due to BOR Office of Internal Audit by October 31, 2008.

Meet the Newest Member of the Office of Internal Audit
Auditor Matthew Harrell is featured on page 2.

Federal Financial Aid Audits

One of the institutions within the University System of Georgia received an audit by the Department of Education (DOE) of its Title IV, Higher Education Act (HEA) programs in which it participated.

In this case, DOE reviewed fiscal years 2004 through 2006. As a result of the audit, this institution was fined \$92,500 based upon the violations that were noted:

- The institution routinely failed to use the official "expected family contribution" (EFC) in making needs-analysis determinations for Federal Family Educational Loan (FFEL) recipients. Fine: \$27,500 per year times 3 years = \$82,500.
- The institution continued to use erroneous EFCs in its needs-analysis determinations, despite being instructed by the Department to discontinue the practice.

Fine: \$10,000.

Here is what the institution was doing incorrectly:

The institution was certifying loans for 12 months and was therefore required to use the 12-month EFC to certify its Federal Family Educational Loans (FFEL). The official 12-month EFC is found on page 3 of the Institutional Student Information Record (ISIR).

Instead of using the official 12-month EFC, the institution developed its own formula in BANNER and calculated 150 percent of the official nine-month EFC. The institution used this figure rather than the official EFC, which resulted in understating students' need.

In addition, the institution programmed BANNER to calculate 50 percent of the official nine-month EFC in instances where FFEL loans were certified for one term only, when the applicable

official EFC should have been used. This again resulted in understating students' need.

The Title IV, HEA statute and program regulations permit a fine of **up to \$27,500 for each violation** of any provision of Title IV, or of any regulation or agreement implementing that Title.

This institution might be considered "lucky" for receiving a fine of \$27,500 for each year reviewed. The fine could have been much more.

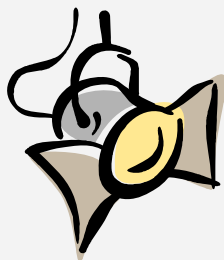
How will your institution fare if it is audited?



"Creating A More Educated Georgia"
www.usg.edu



From the
Office of
Internal Audit
– Reporting
Department



FY2009 YE Training – And the Winner Is:

Because of the budget constraints this year, we asked the Annual Financial Reporting contacts what option each would like to see for fiscal 2009 year-end training. Here are the results of that survey:

Number of Institutions that responded: **26**

Number of AFR contacts that responded: **34**

The following options were “voted” on:

Option 1 – Same format as in previous years (face to face) **24**

Option 2 – Video-Conference – which would need to be at 6 regional sites. **2**

Option 3 – Video-taped training for institutions to view. **5**

4 – Other Suggestions

Wimba **2**

Face to face if there are significant changes; if not, option 2 or 3. **1**

There were also 4 people with the same comment: *Make the training 1 day to cut down on the amount of overnight travel.*

Thanks for your input! We will plan on Option 1 and work on one-day training.

SAS 107 and the FY2008 Audit

The Department of Audits and Accounts is implementing Statement on Auditing Standards (SAS) 107 in their fiscal 2008 audits. What does this mean to your institution?

Institutions with Agreed Upon Procedures engagements should see no impact from SAS 107.

For the other two types of engagements (full audits and full disclosure management reports), here are the changes:

- Auditors will request Management to adjust

their AFR or Budget to Actuals reporting for any known misstatements exceeding 1% of their calculated materiality for the respective institution. This materiality is generally 3% of total operating expenses. For example, if materiality is \$1.5 million, then management will be asked to adjust reporting for misstatements greater than \$15,000.

- If Management declines to make the adjustments in their reporting, they must cite their reasons.

This should not result in an audit finding.

- Auditors will document the adjustments made or the reasons management cites for not making the adjustments.
- All misstatements will continue to be reported to the Board of Regents Audit Committee, although adjusted misstatements will reduce the total uncorrected misstatement amounts that are communicated.

Call BOR Reporting if you have questions!

Spotlight on Matthew Harrell

Meet the newest member of the Office of Internal Audit: **Matthew Harrell**, but we call him “Matt”.

Matt is a native of Atlanta and received his B.B.A. in Finance from Georgia State University.

He comes to the Board of Regents from Grant Thornton, LLC, where he

worked on Sarbanes-Oxley compliance and SAS 70 Audits.

On a personal note, Matt is getting married October 4th in Cincinnati AND he happens to be a fraternal twin.

We are very happy to have Matt on board and believe you will enjoy working with him as much as we do.



Travel Guideline Tips

All travel paid by University administered funds must comply with State travel regulations. These regulations apply to federal funds, auxiliary operations, general funds, restricted funds and any funds administered through a University account.

University System of Georgia travel regulations follow policies established by the State Accounting Office (SAO) and the Office of Planning and Budget (OPB). All employees are responsible for remaining current of travel regulations and procedures. These can be found at: http://www.usg.edu/fiscal_affairs/bpm_acct/ (reference Section 4.0 Travel) or at: <http://sao.georgia.gov> (click Financial Reporting and then Statewide Travel Regulations).

The basic rationale underlying the travel regulations is to incur only reasonable and necessary expenses. Agencies such as the University System of Georgia are authorized to establish policies that provide more definitive (restrictive) limitations/guidelines than the Statewide Travel Regulations, but can not set more lenient policies.

General Guidelines

- Be sure to include the "Purpose of Trip" on the Employee Travel Expense Statement.
- Both the traveler and approver must sign the form.
- Complete departure and arrival times for per diem claims.
- Registration fees should be processed using the Payment Request form.
- If a meal is included as part of a conference registration, the meal should not be considered in the calculation of per diem.
- Generally, lodging is only paid for travel more than fifty miles from home office, residence, or headquarters.
- Employees are encouraged to utilize university-owned or DOAS motor pool, unless personal vehicle is more cost efficient. The accessibility and negotiated rates of rental vehicles through the State's contract with Enterprise Rent-a-Car may affect the determination of "advantageous use" when determining the method of travel. Refer to DOAS Vehicle Cost Comparison Tool at: <http://ssl.doas.state.ga.us/vehcostcomp/>
- Generally, if an employee uses his/her own vehicle and departs from his/her own residence, mileage is calculated from the residence to the destination, with a reduction for normal one-way commuting miles. If the employee returns to their residence, return mileage is calculated based on the distance to the residence, with a reduction for normal one-way commuting miles. If the employee returns to headquarters, mileage is calculated based on the distance to

headquarters.

- If lodging is paid directly by the employee on official business within the State of Georgia, please remember to complete the hotel/motel tax-exemption form when you register upon check-in. This exempts the employee from paying the county or municipal excise tax.
- Mileage reimbursement rates for personal vehicles driven for business-use are changed only upon notification from SAO/OPM; new rates should not be applied solely upon federal General Services Administration updates.

There have been frequent questions in the past as to whether employees may claim the breakfast per diem if the hotel offers a complimentary breakfast. The answer is "yes". On travel departure and arrival days, eligibility is based solely on the time of departure or arrival. Another condition of eligibility is that the meal has not already been covered as part of a conference registration fee. On days when the employee is on travel status for the entire day (non-departure and arrival day), employees are eligible for per diem for all meals, except for conference provided meals.

Lastly, employees are eligible for high cost per diem amounts when traveling in certain designated "high cost areas". Additionally, when traveling out-of-state, reimbursement for meals may be paid at federal per diem amounts. The high cost or federal amount may only be claimed if the meal is consumed in the high cost or out-of-state location. For instance, Chatham County (Savannah) is designated as a high cost area. A meal consumed en route in a non-high cost county must be claimed at the customary per diem amount and not the high cost per diem amount.

For specific travel related questions, please consult with your local campus travel reimbursement specialist or contact the Office of Internal Audit at 404-656-3374.



Federal Effort Reporting

The Office of Management and Budget (OMB) Circular A-21, "Cost Principles for Educational Institutions" is the Federal government's cost principles for colleges and universities applicable to grants, contracts, and other agreements. See:

<http://www.whitehouse.gov/omb/circulars/a021/a021.html>

Section J.8 details the criteria for acceptable methods of charging salaries and wages to federally sponsored projects. There are two acceptable methods for payroll distribution – 1) Plan Confirmation or 2) After-the-fact Activity Records. Most schools use After-the-fact.

The basic requirements of After-the-fact Activity Records are detailed in Section J.8.c (2). This method requires that activity reports:

- 1) reflect the distribution of activity expended by employees covered by the system.
- 2) reflect an after-the-fact reporting of the percentage distribution of activity of employees. Charges may be made initially on a basis of estimates made before the services are performed, provided that the charges are promptly adjusted if significant differences are indicated by activity records.
- 3) be signed using a suitable means of verification that the work was performed.
- 4) reflect activity to each sponsored agreement.
- 5) be prepared for professorial and professional staff each academic term, but no less frequently than every six months.

In recent years, the Federal government has become very active in their review of effort reporting requirements and there have been numerous colleges and universities that have received large audit disallowances.

Some items to keep in mind include:

- A forty hour/week is not the definition of 100% effort. 100% effort is total hours actually spent within the scope of employment – this may be more or less than 40 hours.
- Research effort does not necessarily take place only on campus. Effort may take place at home, at research-related meetings and conferences, etc.
- Patterns that may indicate certification based on other than effort –
 - very large or small effort percentages
 - frequent retroactive adjustments to effort certification

If you have questions concerning effort reporting, please consult with your campus-based Office of Sponsored Projects or contact the Office of Internal Audit.

Board of Regents of the University System of Georgia

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