# The STRAIGHT and NARROW

July 2014

The Office of Internal Audit & Compliance's (OIAC) mission is to support the University System of Georgia management in meeting its governance, risk management and compliance and internal control (GRCC) responsibilities while helping to improve organizational and operational effectiveness and efficiency. The OIAC is a core activity that provides management with timely information, advice and guidance that is objective, accurate, balanced and useful. The OIAC promotes an organizational culture that encourages ethical conduct.

<u>We have three strategic priorities</u>:

1. Anticipate and help to prevent and to mitigate significant USG GRCC issues.

2. Foster enduring cultural change that results in consistent and quality management of USG operations and GRCC practices.

3. Build and develop the OIAC team.

<u>Inside this issue:</u>

From
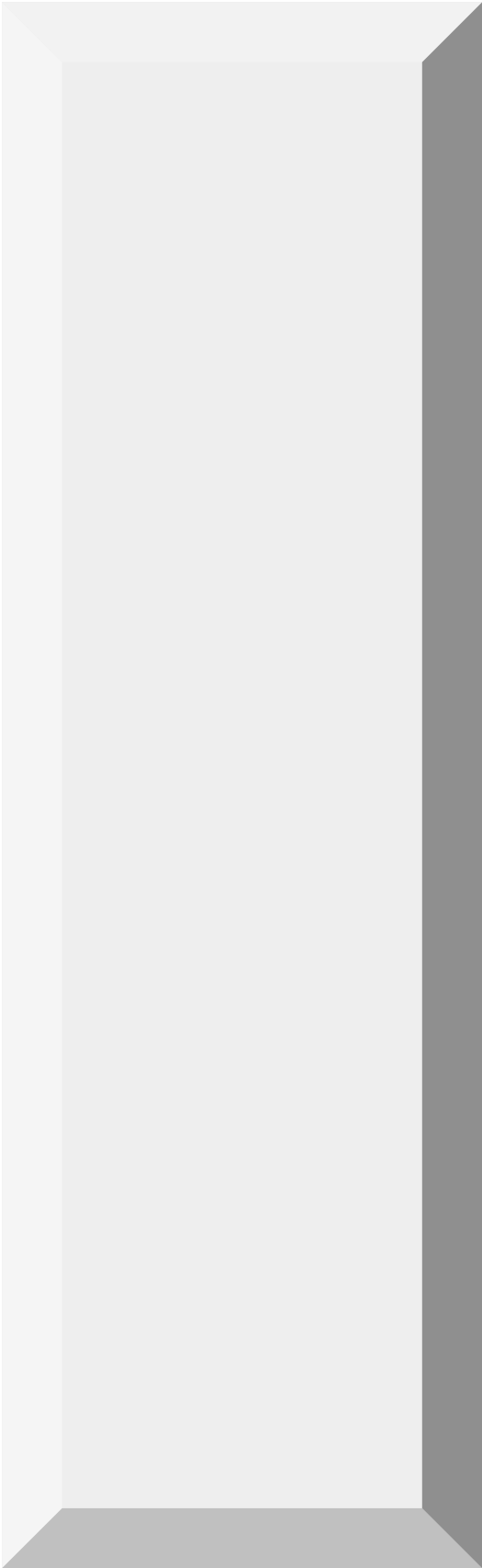
athletic associations and the conferences with which the institutions are affiliated (BoR minutes, March 2013).

The policy also defines the requirements for program oversight, identifies the person/entity responsible for the operation of the athletic program, and finally, establishes the approval process for an athletic program and/or expansion of an existing program. Most significantly, the policy outlines the institutions' responsibility for:

- x ensuring athletic program funding requirements are achieved
- x distributing athletic scholarships to students
- x maintaining financial viability
- x and providing audit reports to the USG Chief Audit Officer.

The BOR 4.5 is lengthy and very explicit on the role, responsibilities and requirements for maintaining an athletic program. This policy will establish the basis for the upcoming audit program.

Audit Program Objectives

The upcoming USG Audit will review all existing USG athletic programs. The audit will consist of an assurance and operational review. Our first objective is to assure the USG that proper safeguards are in place to adhere to policy, procedure and operational practices. We will also seek to identify potential best practices and other similar efficiencies that may be relevant to USG operations.

Our second objective is to determine the level of compliance of USG athletic programs with existing policies and procedures, especially those related to internal controls designed to mitigate significant risks (e.g. continued financial viability, inter athletic conference program participation, safety and athletic students success).

Our review will incorporate many different aspects of athletic operations, including the following:

- x Allocation and administration of out of state tuition waivers to student athletes
- x Governance structure and characteristics for athletic programs
- x Descriptive characteristics of the programs, ôA *ƒ*

deficiencies, ranging in impact from material weakness findings to verbal comments, were associated with this category of exceptions. The most severe of these exceptions identified "significant and material errors and omissions" within both budgetary and financial statements presented by the institution for audit. Other common

the Consolidated Annual Financial Statements as needed to enhance the accuracy and reliability of these materials.

Financial Management

The

and compliance requirements for federal financial aid by participating in collective enterprise meetings such as the USG Financial Aid Directors meetings and other state and nationally based organizations such as the Georgia Association of

You might wonder how it is that a person or an organization would consider or "think compliance first." We "think compliance first" by contributing to the development of a "Do the right thing" culture. To understand how we all contribute to such a culture, we need to evaluate the following definitions:

1. Culture is the set of shared values and goals that an organization follows. Culture is what sets an organization apart from its peers.

2. Values are often wide ranging ideals regarding the right course of action.

3. A value system is a set of consistent values and measures.

4. Compliance programs are systematic procedures established by an organization to ensure that requirements of the regulations imposed by a government agency are met.

Organizations communicate their value system through written standards of conduct, often referred to as a Code of Ethics or a Code of Conduct. These documents are the foundation of an organization's policies and procedures, and provide statements of the intention to comply with requirements it must meet. Values give us a sense of what is right and wrong, and help us to know the "right course of action" to take. One of the purposes of a compliance program is to help create a "Do the right thing" culture.

There are guidelines that tell organizations how to design and implement effective compliance programs. These guidelines address several requirements, including the need to create an ethical culture by

Understanding Data Breaches

Any institution that houses critical assets such as Social Security numbers, Credit Card numbers, intellectual property or other proprietary data is at risk of a data breach. The size of the institution does not matter. A data breach is an incident where personally identifiable data is accessed and/or stolen by an unauthorized source. The data can be compromised by an outside party, such as a hacker, or by an internal party (perhaps a disgruntled or recently terminated employee).

The US Secret Service 2011 Data Breach Investigations Report described common traits of data breaches as:

- x   83% of victims were targets of opportunity
- x   92% of attacks were not highly difficult
- x   96% of breaches were avoidable through simple or intermediate controls
- x   89% of victims subject to Payment Card Industry Data Security Standard (PCI DSS) had not achieved compliance
- x   76% of all data was compromised from servers
- x   86% were discovered by a third party

But, when a "data breach" is reported, many people associate violations with companies like Target, Neiman Marcus and Michael's. Why? Each of these companies have been victims of recent data breaches where the personal information of its customers was compromised.

Data breaches have also occurred at universities across the country. In February of this year, an outside source gained access to a University's secure records database and obtained more than 300,000 personal records for faculty, staff and students dating back to 1998. The records included name, social security number, date of birth and University identification number. The hackers did not change anything within the University's computer system, but did duplicate the information. In response to the intrusion, state and federal law enforcement authorities investigated the incident. The University contacted each of the affected individuals to offer free credit monitoring service.

Below are examples of data breaches that occurred at other Universities across the country this year:

- x   Unauthorized access to a database for one of its grand funded projects administered on the campus, containing personally identifiable information for an estimated 50,000 individuals.
- x   Staff error left Linformation on 146,000 students exposed for 11 months.
- x   Names, email addresses and phone numbers of as many as 1,307 current and former students were stolen from a web server and posted online by a hacker.
- x   Server containing the information of 291,465 former, current, and aspiring students and 784 employees was hacked.

Data Breaches can be costly to

PROMOTING AN ETHICAL CULTURE: THE ETHICS & COMPLIANCE REPORTING HOTLINE

In January of 2008 the University System of Georgia's (USG) Ethics & Compliance Reporting Hotline became operational. The hotline is just one part of a comprehensive ethics and compliance program which is designed to promote the highest standards of ethical and professional conduct within the USG. The following are the answers to frequently asked questions regarding the hotline.

Question: What is an <u>Ethics & Compliance Reporting Hotline</u>?

Answer: The hotline is a way to confidentially report concerns regarding fraud, waste, and abuse and any other improper, unprofessional or illegal activity within the USG. The hotline does not replace existing reporting mechanisms to include reporting concerns to an employee's supervisor, but rather serves as an additional reporting option, which may be used anonymously.

Question: How do I make a report?

Answer: Reports can be made online or by telephone 24 hours a day, 7 days a week. Each institution and the System Office have a hotline web address and a telephone number assigned to it. A list of the web addresses and telephone numbers for each institution and the system office can be accessed from the following web address:
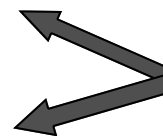
  http://www.usg.edu/audit/compliance/reporting_contacts

On the Ethics and Compliance contact page, select the link for your institution.

Question: Who can make a report?

Answer: Reports can be made by any USG employee, student or the public.

Question: Will my report by confidential?

Answer: All reports will be treated in a confidential and professional manner. Those who make reports can choose to identify themselves or remain anonymous. The hotline is administered by a 3rd party vendor which provides for confidential communication. Those making reports will be provided with a Personal Identification Number and instructions so they can follow up with additional information or simply check on the status of a report.

PROMOTING AN ETHICAL CULTURE: THE ETHICS & COMPLIANCE REPORTING HOTLINE

Frequently Asked Questions

Question: What should be reported?

Answer: Employees should report violations of state or federal law and violations of USG policies. Employees should also report concerns regarding unprofessional or unethical practices. Of special concern are fraud, waste and abuse in that these types of malfeasance directly affect our stewardship responsibilities.

Question: What should not be reported?

Answer: The hotline should not be used as a tool to harass, embarrass or undermine co-workers or supervisors or to settle old scores. Reports should only be made in good faith where there is a reasonable belief in the truth or accuracy of the information provided. Any employee who knowingly files a false report may be subject to disciplinary action up to and including termination.

Question: Would I be subject to retaliation?

Answer: State law and USG policy prohibit any employee from retaliating against another employee who, in good faith, has reported concerns or wrongdoing or who has cooperated with an authorized investigation. Employees may make reports of wrongdoing without fear of reprisal.

You can look forward in the next issue of this publication to information concerning the number and types of cases received on the USG hotline since 2008.

Do You Have Questions
about Ethics & Compliance
Practices or Issues?

What Type of Questions
would you like addressed?

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I would like to
hear from
you!

<u>Reference Reading</u>

Professional Aids

Fraud Auditing and Forensic Accounting, By Tommie W. Singleton, Aaron J. Singleton , John Wiley & Sons, 2012

Effective Interviewing and Interrogation Techniques, By William L Fleisher, Nathan J. Gordon , Academic Press, 2011