Internal Audit and Compliance, University System of Georgia, 404- 656-2237

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

We have three strategic priorities:

1. **Anticipate and help to prevent and mitigate significant USG GRC issues.**
2. **Foster enduring cultural change that results in consistent and quality management of USG operations and GRC practices.**
3. **Build and develop the OIAC team.**

From the Chief Audit Officer

John M. Fuchko, III

It is a continued honor to be able to reach out to each of you and contribute to improving USG institutions. Those of us in the Office of Internal Audit and Compliance (OIAC) remain committed to providing assurance that our institutions are achieving their key objectives and to helping our institutions achieve those objectives through auditing, consulting engagements, guidance (such as this newsletter) and other assistance as required. Let me briefly highlight some of the special initiatives and other changes currently underway at Internal Audit and Compliance.

Our name has changed from the Office of Internal Audit to the Office of Internal Audit and Compliance. This change reflects our increased focus on compliance per the direction of the Chancellor.

The Board of Regents is scheduled to vote on a name change for the Audit Committee. The proposed new name is the Committee on Internal Audit, Risk, and Compliance. This proposed change reflects the tri-legged approach to increased accountability in the USG, i.e., internal auditing, Enterprise Risk Management, and the Compliance and Ethics Program.

Proactive identification of fraud AND appropriate response to suspected cases of employee malfeasance continues to grow in importance – particularly given the various reporting requirements pertaining to recipients of American Recovery and Reinvestment Act (ARRA) funding. I highly recommend reviewing our new website on Fraud, Waste, and Abuse reporting for additional guidance - http://www.usg.edu/audit/compliance/fraud_waste_and_abuse_reporting/.

OIAC continues to move forward with implementation of the USG Enterprise Risk Management (ERM) program (see http://www.usg.edu/audit/risk/) and the USG Compliance and Ethics Program (see http://www.usg.edu/audit/compliance/). OIAC is in the process of implementing an ERM pilot at the System Office and a Compliance pilot at Georgia Tech.

OAIC and our campus auditors will be conducting some audit work pertaining to ARRA reporting and internal controls. Recently, the USG Office of Fiscal Affairs issued BPM Section 22 (http://www.usg.edu/fiscal_affairs/bpm_acct/bpm-sect22.pdf) that pertains to the required oversight for ARRA funds. OIAC recommends that each USG institution review these BPM Section 22 requirements and additional guidance issued by the Office of Fiscal Affairs as these will form the basis of future audit procedures.

OIAC is in the process of forming an advisory council consisting primarily of USG CBOs and USG CIOs. This advisory council will meet on a periodic basis (3-4 times per year) for the purpose of offering advice, feedback and perspective on OIAC operations, risk issues, and opportunities for improvement.

In closing, please do not hesitate to contact our office with questions, concerns, or recommendations. It is an honor to serve.

Based on the OIAC's system-wide review of Study Abroad programs, we would like to remind you to please consider the following when creating or maintaining your institution's study abroad programs:

- Faculty travel and expenses should be paid from department E&G funds; faculty salaries must be paid from department E&G funds.
- Study abroad programs must be approved by the institution's president or president's designee and the Board of Regents.

New Credit Card Law Affects Students & Affinity Credit Card Programs

by Michelle Frazier

On May 22, 2009, President Barack Obama signed into law the "Credit Card Accountability Responsibility and Disclosure Act of 2009" (Act). Title III of the Act (Protection of Young Consumers) is directly relevant to institutions of higher education and their traditional college-aged students (18-21 years old) and to institutions involved in affinity credit card programs. The Act provisions discussed in this article will go into effect on February 22, 2010.

<u>Affect on College Students</u>
According to Title III, Section 301 of the Act, credit card companies can no longer issue credit cards to consumers under the age of 21 unless they have a co-signer. A student's parent, legal guardian, spouse or any other individual at least 21 years old may co-sign the credit card application with the student. Parents, spouses, or legal guardians of students under the age of 21 can continue to add under-age students as authorized users of credit cards of which the parents, spouses or legal guardians are the primary account holders. However, the parents, spouses or legal guardians must approve in writing any requests for an increase in the credit line. In addition, credit card companies are prohibited from issuing unsolicited credit cards to students under the age of 21.

The Act does not restrict all college students from obtaining credit cards. Students at least 21 years of age may still apply for credit cards. However, the students must submit an application for a credit card and include financial information adequate enough to prove that they will be able to independently repay their credit card debt.

<u>Effect on Institutions of Higher Education</u>
Title III, Section 304 of the Act requires institutions of higher education to publicly disclose any contracts or agreements made with credit card companies for the purpose of marketing a credit card. The Act also restricts credit card companies from offering any gifts or other tangible items to college students in order to induce them to apply for credit cards. The gift restriction applies on campus, near campus, and at any events sponsored by or related to the institution.

Furthermore, the Act provides specific guidance to institutions with regard to managing credit card companies' activities on campus and in educating students. Congress recommends that each institution adopt the following policies related to credit cards:

- Require credit card companies to notify the institution of the location(s) at which they plan to market the credit cards to students
- Limit the number of locations on the campus where credit card companies will be allowed to market credit cards to students

Understanding Identification & Access Control Management (IAM) of Sensitive or Confidential Information & Information System Services (part 3 of 3) by Erwin (Chris) L. Carrow

This article is the third in a three-part series which examines the implementation of an effective IAM process. This article focuses on the hiring, provisioning, transfer and eventual termination of employees.

Overview:

During reviews of IAM processes performed by the Department of Internal Audit (OIA), there continue to be a number of areas which are identified as requiring improved processes and increased controls. At its highest level, IAM involves Identifying a user, ensuring that the person is who they say they are (Authentication) and then granting the user rights to Access specific data or systems, (Authorization). As a user enters or leaves an institution, or a specific position, they must interact with the IAM system.

Problem:

Contractual obligations and operational practices for Limited Access Agreements or Third-Party security requirements were fragmented or non-existent and failed to be effectively defined, documented, or implemented. The root cause was due to management's failure to clearly define, document, and implement requirements for Limited Access Agreements and Third-Party Agreements for day to day operational support and security requirements.

Solution :

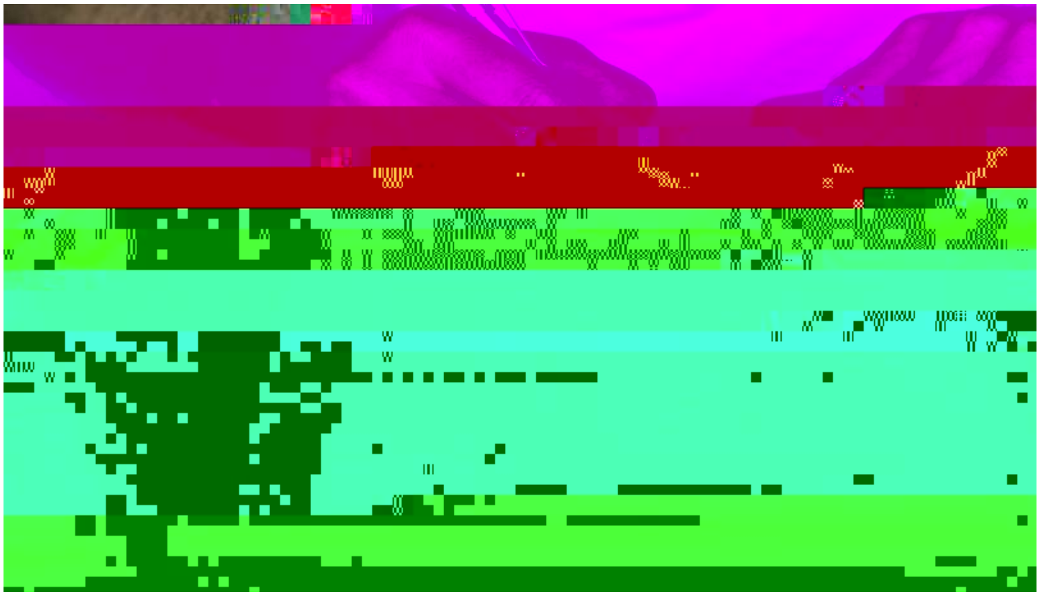
A clear definitive understanding and alignment of organizational processes to business strategy should be documented for out-sourced service and support operations and associated security requirements. Policies, standards, and procedures for out-sourced agency agreements will ensure proper management and control of access to resources for: day to day operations, handling of configuration and maintenance changes, defects and identifying of problems and needed solutions. All institutions should define, document, and implement effective and secure policies, standards, and operational procedures for Limited Access Agreements and Third-Party Agreements. You should ensure the processes for service and support are consistent, effectively communicated, and

(continued)

This list is not all-conclusive and only represents key elements to be given consideration for the needed documentation. Failure to clearly define, document, and periodically evaluate key processes will result in inconsistent and inefficient operaficiey0 Td( )8( )8( )30.74L2

UBIT – IRS Form 990-T Unrelated Business Income

by Sally Carter



A public university may have to file a 990-T by November 15, 2009 if it receives income from business that is not substantially related to the institution's exempt purpose. This means that the income does not contribute importantly to accomplishing the exempt purpose of the institution (i.e., higher education). If the business is conducted on a scale that is larger than is reasonably necessary to perform the exempt purpose, it does not contribute importantly to the exempt purpose.

<u>Risk Assessment:</u>

Compliance risk is medium to high since a survey questionnaire was sent out by the IRS in October2008 to 400 universities in order to determine compliance levels based on 2006 data. Chances are the IRS will increasingly scrutinize public universities' and associated cooperative organization's 990-T filing in the future.

Financial risk is low to medium since in most cases unrelated business income is a small portion of college/university income. However, the compliance threshold is low (**unrelated income greater than $1,000 must be reported**) and could easily apply to all schools. Non-compliance is subject to interest and penalties which can increase the tax burden.

Based on discussion with state auditors and several CBOs/controllers at Georgia universities, most CBOs are aware of UBIT either from CBO listserv discussions or NACUBO postings and articles. R1 universities have filed Form 990-T for several years. Medium to large universities knew of the survey and the Form 990-T requirements. However, all USG institutions should review these requirements in order to determine what compliance requirements apply to them.