



Internal Audit Department

CERT: Conduct, Ethics, Reporting, and Transparency

**January 2016
Report Number FY 16-05**

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Northern Arizona University
CERT: Conduct, Ethics, Reporting, and Transparency
Audit Report
January 21, 2016

Summary

Our audit of NAU's Conduct, Ethics, Reporting, and Transparency Program (CERT) is in our Annual Audit Plan for FY 2016, as approved by the Audit Committee of the Arizona Board of Regents. This audit links to Northern Arizona University's goal of having efficient, effective, and accountable practices.

Background: NAU seeks to ensure that faculty and staff carry out their responsibilities with integrity and demonstrate the ethical behavior expected of public employees. The CERT Program was launched in 2012 to assist employees and NAU in meeting legal and ethical standards. The CERT Program requires all employees to electronically review and complete an Employee Conflict of Interest Disclosure (e-CERT) at least once annually and within 15 days of when e-CERT related circumstances change. Newly hired employees must complete their e-CERT disclosure within 30 days of their hire date. Employees log into the NAU CERT Program to complete their e-CERT by responding to closed-and open-ended questions related to common conflict of interest situations that include:

- outside employment,
- public office or board membership,
- relationships (professional and personal),
- substantial interest,
- sponsored projects and
- faculty authored textbooks

The CERT Program is a database linked to PeopleSoft, which allows tracking of all active NAU employees and their place in NAU's reporting structure, which is critical for appropriate evaluation and approval of conflict management plans by direct supervisors. Because of the complexity of the CERT Program, several departments assist in managing potential conflicts. These departments include:

- Human Resources
- Equity and Access
- Contracting and Purchasing Services
- Office of Sponsored Projects

Reports created within the CERT database are customized to notify the departments that have a responsibility for evaluation, follow-up and monitoring with the CERT Program. These customized reports are based on positive responses to questions specific to an area of CERT (i.e. outside employment, relationships, sponsored projects, etc.). Departments receive their custom report weekly via email from Human Resources for

Northern Arizona University
CERT: Conduct, Ethics, Reporting, and Transparency
Audit Report

evaluation and follow-up. Each department has a process to identify and document conflicts of interest.

Two databases critical to CERT monitoring are the eCERT Supervisor Follow-up Database and eCERT Disclosure Status Database. The Supervisor Follow-up Database stores disclosures made by employees. Each supervisor is required to access this database to review disclosures that require conflict management plans. The immediate supervisor's judgment determines whether a real or potential conflict of interest exists or may have the potential to occur, which may or may not result in the creation of a conflict management plan. Conflict management plans are documented within the Supervisor Follow-up Database. The Disclosure Status Database tracks employees not current on their eCERT disclosures. Each supervisor must periodically access this database to identify and follow-up with those individuals not current on their e-CERT disclosures.

The university expects administrative officers and other employees of the university to be independent and impartial in all actions involving the use of public resources, that public office or employment not be used for private gain, and that there be complete public confidence in the integrity of the university. Arizona laws prohibit participation by university employees in any decision where the employee has a substantial interest in the decision of the university.

NAU's Standards and Expectations of Conduct guidelines ("conduct guidelines") establish standards by those acting on behalf of the university, including administrators, faculty, staff, student employees, authorized volunteers and representatives acting as agents of the university (the "university community"). Members of the university community must be cognizant of and comply with all relevant policies, procedures, standards, laws, and regulations, and must be accountable for their own actions. Conduct guidelines expected of members of the university community include:

- **Integrity** by maintaining honesty and responsibility in all of their dealings, and by avoiding conflicts of interest;
- **Trustworthiness** by acting in a reliable and dependable manner;
- **Respect** by treating others with fairness, civility, and decency;
- **Stewardship** by protecting and safeguarding university property and resources;
- **Compliance** by following local, state and federal laws and regulations and Arizona Board of Regents (ABOR) and university policies and procedures;
- **Confidentiality** by protecting the security, and privacy of university information such as student records, employee files, patient records, and contract negotiation documents; and
- **Responsibility** by being accountable and fulfilling all obligations to the university.

Northern Arizona University
CERT: Conduct, Ethics, Reporting, and Transparency
Audit Report

Given the variety and complexity of questions regarding ethical conduct that may arise within the university community, conduct guidelines do not define specifically what each individual should and should not do, but rather communicate the university's expectations of proper conduct and provide guidance regarding what conduct the university values. Members of the university community are directed to seek clarification from administrators or supervisors, as needed, to ensure that the actions they take as members of the university community reflect the expectations of conduct set forth in university and ABOR policy as well as Arizona State Law.

Audit Objectives: The primary objectives of the audit are:

- To assess the adequacy of compliance with the CERT Program; and
- To determine if adequate internal controls exist and exception situations receive adequate follow-up.

Scope: The scope of our audit included a review of all policies and procedures governing the management of the CERT Program as well as other procedures that helped us achieve our primary audit objectives. We conducted a review of documents and system reports supporting transactions that occurred from fall 2014 to fall 2015, as well as current practices and procedures.

Methodology:

- Reviewed the CERT Program website.
- Reviewed ABOR and NAU policies procedures related to the CERT Program.
- Interviewed staff of departments responsible for managing the CERT Program, which include Human Resources, Equity and Access, Contracting and Purchasing Services and the Office of Sponsored Projects.
- Reviewed documentation related to exception situations to determine whether the situation was adequately managed.
- Interviewed the Human Resources Information Systems staff to develop an understanding of system automation and monitoring.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

Conclusion: NAU complies with federal and state laws and regulations that require it to identify, manage, reduce, and if possible, eliminate any potential conflicts of interest. The response rate for e-CERT completion by NAU's 8,000 employees is approximately 95%. The CERT Program is continuously reviewed and updated to improve the response rate and to quickly identify potential conflicts of interest. Because of automation built into the

Northern Arizona University
CERT: Conduct, Ethics, Reporting, and Transparency
Audit Report

CERT Program as well as the collaborative effort in identifying and managing conflicts of interest, exception situations are adequately followed-up.

Observations: We noted:

- To allow for automated email notification for conflict management plans that need to be reviewed and approved, the CERT Program uses a PeopleSoft 'Reports To' Report. However, because Extended Campuses reporting relationships do not indicate direct supervisors in the PeopleSoft 'Reports To' Report, conflict management plans are not being reviewed and approved for faculty and staff affiliated with Extended Campuses. Extended Campuses is developing a customized table to be used in the CERT database that will link Extended Campuses employees with their direct supervisor. This customized table will be in use by January 20, 2016. This will allow a more appropriate review by the direct supervisor of potential conflicts identified by e-CERT.
- Select Survey is the tool used to create the questionnaire in the e-CERT disclosure. Select Survey does not have a reporting function; therefore, the information captured in Select Survey is transferred to an internally built reporting system. Select Survey does not allow the addition or removal of questions from the questionnaire without erasing previously captured information from employees from their most recent e-CERT response thus requiring employees to re-enter their responses. In the future, Human Resources/IT may create a custom application for CERT that will allow for both information capture and reporting functionality. This custom application is expected to be flexible in updating the questionnaire without diminishing the users' experience, and to eliminate the need to transfer data between two systems.
- A Conflict of Interest Committee (Committee) to address Sponsored Projects conflict of interest was established in 2012. The Committee reviewed and approved the Conflict of Interest in Sponsored Projects policy for sponsored projects. A conflict management plan template is being created and will be in use by February 2016. With this template, guidance will be provided to the researcher to find ways to manage, reduce or eliminate the conflict of interest. The Committee will then review the response to the template and determine if the resolution is adequate in maintaining the integrity of the research project.
- NAU's Faculty Handbook forbids faculty from personally profiting from the use of textbooks they have authored in classes they teach. This is more restrictive than state law and ABOR policy, as well as policies in effect at Arizona State University and the University of Arizona.
- Some faculty members are not complying satisfactorily with the NAU Faculty Handbook provision that "Faculty members are expected to submit book orders

Northern Arizona University
 CERT: Conduct, Ethics, Reporting, and Transparency
 Audit Report

with the NAU bookstore to meet the following deadlines for each session:

Summer	March 15 th
Fall	April 15 th
Winter and Spring	October 15 th ".

The Provost is working with the Bookstore to improve compliance in this area, so that NAU meets the requirements of the Higher Education Opportunity Act's Textbook Provision and ABOR Policy.

The control standards we considered during this audit and the status of the related control environment are provided in the following table.

General Control Standard (The bulleted items are internal control objectives that apply to the general control standards, and will differ for each audit.)	Control Environment	Recommendation No.	Page No.
Reliability and Integrity of Financial and Operational Information			
<ul style="list-style-type: none"> System automated to meet CERT compliance 	Reasonable to Strong Controls in Place		
<ul style="list-style-type: none"> System automated to send periodic CERT reminders to employees 	Reasonable to Strong Controls in Place		
<ul style="list-style-type: none"> Departments responsible for areas of CERT know what is expected of them 	Reasonable to Strong Controls in Place		
<ul style="list-style-type: none"> New hires complete e-CERT within 30 days of hire date 	Reasonable to Strong Controls in Place		
<ul style="list-style-type: none"> Employees complete e-CERT annually. 	Reasonable to Strong Controls in Place		
<ul style="list-style-type: none"> Management reviews summary of conflict management plans for assurance that appropriate corrective action was taken 	Opportunity for Improvement	1	8
Safeguarding of Assets			

Northern Arizona University
 CERT: Conduct, Ethics, Reporting, and Transparency
 Audit Report

General Control Standard (The bulleted items are internal control objectives that apply to the general control standards, and will differ for each audit.)			
	Control Environment	Recommen- dation No.	Page No.
<ul style="list-style-type: none"> CERT software and data are backed up 	Reasonable to Strong Controls in Place		
<ul style="list-style-type: none"> Sensitive information is adequately protected 	Reasonable to Strong Controls in Place		
Effectiveness and Efficiency of Operations			
<ul style="list-style-type: none"> Policies and procedures exist for CERT compliance 	Reasonable to Strong Controls in Place		
<ul style="list-style-type: none"> The CERT Program tracks only active employee positions 	Reasonable to Strong Controls in Place		
<ul style="list-style-type: none"> The CERT Program extracts information from PeopleSoft based on established parameters 	Reasonable to Strong Controls in Place		
<ul style="list-style-type: none"> The Supervisor Follow-up database facilitates identification of employees requiring conflict management plans and documentation of the plans 	Reasonable to Strong Controls in Place		
<ul style="list-style-type: none"> The Disclosure Status database enables monitoring of employees whose CERT disclosures are not current 	Reasonable to Strong Controls in Place		
Compliance with Laws and Regulations			
<ul style="list-style-type: none"> NAU complies with ABOR policies related to CERT 	Reasonable to Strong Controls in Place		

We appreciate the assistance of the staff of the Human Resources Office as well as Equity and Access, Contracting and Purchasing Services, Office of Sponsored Projects, Research Compliance and the Comptroller's Office.

Northern Arizona University
CERT: Conduct, Ethics, Reporting, and Transparency
Audit Report

Management is supportive of our recommendations and has actively begun working to implement their identified action items.

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Northern Arizona University
CERT: Conduct, Ethics, Reporting, and Transparency
Audit Report

Audit Results, Recommendations and Responses

1. Next-level supervisors should attest to their review of identified conflicts where no conflict management plans exist.

Condition: Immediate supervisors have a tendency to select “no conflict exists” instead of considering that a situation may have the potential to present a conflict if not managed properly.

Criteria: NAU is obligated by federal and state laws and regulation to identify, manage, reduce, and if possible, eliminate any potential conflicts of interest. Conflict management plans help the supervisor and employee document a plan to manage, reduce or eliminate the risk of a conflict of interest.

Cause: Supervisors may not thoroughly understand their obligation to anticipate when a situation may present a possible conflict of interest and take the opportunity to discuss with employees how to prevent a conflict of interest and document a conflict management plan. This could also be due to the time commitment.

Effect: Without next-level supervisors’ review of potential conflicts identified with no corresponding conflict management plans, there is no assurance that adequate and appropriate action has been taken, exposing NAU to potential serious conflicts of interest.

Recommendation: CERT procedures should require next-level supervisors to attest to their review of identified potential conflicts of interest where no corresponding conflict management plan exists.

Response: Because the eCERT Supervisor Follow-Up Database cannot be easily reprogrammed to include higher level managers attest to the appropriateness of decisions regarding conflict management plans, the letter emailed to supervisors will be updated to include language encouraging a second level supervisor review of eCERT disclosures. Language will also include that conflict management plans are subject to review by senior management and during routine internal audits. The updated verbiage will be incorporated into the eCERT monitoring process by April 30, 2016.

Northern Arizona University
CERT: Conduct, Ethics, Reporting, and Transparency
Audit Report

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This report is intended for the information and use of the Arizona Board of Regents, NAU administration, the Arizona Office of the Auditor General, and federal awarding agencies and sub-recipients.