

# FLORIDA INTERNATIONAL UNIVERSITY

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## Operational Audit



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Members of the Board of Trustees and President who served during the 2010-11 fiscal year are listed below:

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Miriam Lopez to 1-20-11 (4)  
Patrick O'Keefe from 5-01-11 (5)  
Claudia Puig  
Helena Ramirez to 4-30-11 (5)

Dr. Mark B. Rosenberg, President

- Notes: (1) Chair position remained vacant from January 7, 2011, through March 29, 2011.  
(2) Faculty senate chair.  
(3) Position remained vacant from June 22, 2011, through June 30, 2011.  
(4) Position remained vacant from January 21, 2011, through March 21, 2011.  
(5) Student body president.

The audit team leader was Pierre Chammas and the audit was supervised by Ramon A. Gonzalez, CPA. For the information technology portion of this audit, the audit team leader was Sue Graham, CPA, CISA, and the supervisor was Heidi G. Burns CPA, CISA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jimstultz@aud.state.fl.us](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 922-2263.

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**FLORIDA INTERNATIONAL UNIVERSITY**

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**SUMMARY**

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Our operational audit disclosed the following:

**RECEIVABLES**

**Finding No. 1:** The University's controls over parking citation receivables needed improvement.

**CAPITAL ASSETS**

**Finding No. 2:** The University's controls over tangible personal property needed improvement.

**MOTOR VEHICLE UTILIZATION**

**Finding No. 3:** Vehicle usage logs were not always complete and did not always include evidence of supervisory review.

**Finding No. 4:** The University's procedures for monitoring motor fuel consumption needed improvement.

**PROCUREMENT OF GOODS AND SERVICES**

**Finding No. 5:** The University's controls over its credit card programs needed improvement.

**Finding No. 6:** In some instances, purchases exceeding the bid threshold were made utilizing a University credit card without the benefit of a competitive selection process.

**INFORMATION TECHNOLOGY**

**Finding No. 7:** Some inappropriate or unnecessary information technology (IT) access privileges existed.

**Finding No. 8:** The University did not timely deactivate the IT access privileges of some former employees.

**Finding No. 9:** The University's IT security controls related to user authentication, logging and monitoring, and data loss prevention needed improvement.

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**BACKGROUND**

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The Florida International University (University) is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints 6 citizen members and the Board of Governors appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The faculty senate chair and student body president also are members.

The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting University policies, which provide governance in accordance with State law and Board of Governors' Regulations. The University President is selected by the Trustees and confirmed by the Board of Governors. The University President serves as the executive officer and the corporate secretary of the Trustees and is responsible for administering the policies prescribed by the Trustees for the University.

The results of our financial audit of the University for the fiscal year ended June 30, 2011, will be presented in a separate report. In addition, the Federal awards administered by the University are included within the scope of our Statewide audit of Federal awards administered by the State of Florida and the results of that audit, for the fiscal year ended June 30, 2011, will be presented in a separate report.

**FINDINGS AND RECOMMENDATIONS**

**Receivables**

**Finding No. 1: Parking Citations Receivable**

Department of Parking and Transportation (Department) records indicated that accounts receivable for parking citations totaled approximately \$1.5 million at June 30, 2011, which included amounts due from students and visitors. During the 2010-11 fiscal year, the University wrote-off approximately \$774,000 of parking citation receivables. The Department’s Collection Policy 11.9.1, requires that a hold be placed on student transcripts or diplomas for the nonpayment of parking citations older than 10 days and a hold on student registration records for citations older than 120 days.

Our test of 20 parking citations issued to students disclosed that for 5 students tested, with parking citations older than 10 days, a hold was not timely placed on student transcripts or diplomas (holds were placed from 16 to 85 days after the date the citation was issued). In response to our inquiry, University personnel indicated that the primary cause of not timely placing holds on these records was because the citations were not entered into the system in a timely manner. To place a hold, the system counts 10 days from the date the citation is entered into the system rather than from the date the citation is issued. In addition, holds are not placed if citations are under appeal or when a student has an existing hold and a new citation is issued. A similar finding was noted in our report No. 2010-096. The failure to timely place registration, transcript, or diploma holds on records of students that do not pay amounts owed for parking citations limits the University’s collection efforts.

**Recommendation:** The University should continue its efforts to ensure that timely holds are placed on students’ records for nonpayment of parking citations.

**Capital Assets**

**Finding No. 2: Tangible Personal Property and Computer Software**

To ensure proper accountability and safeguarding of tangible personal property and computer software, the University should maintain adequate records of property items. In addition, property items not located during physical inventory counts should be promptly reported to the property custodian, a thorough investigation made, and items not located after the investigation should be reported to the appropriate law enforcement agency. The University’s Property Control Manual (Manual) requires the Property Control Department (Department) to establish guidelines and procedures governing the accountability, control, transfer, and ultimate disposal of tangible personal property, including computer software. The Department is to be notified in writing when property items are transferred, deleted, or surplus.

The University reported tangible personal property and computer software of \$184 million at June 30, 2011. We selected 30 items from the property records for physical observation. As similarly noted in our report No. 2010-096, our audit disclosed the University’s controls over tangible personal property and computer software could be improved. Specifically, we noted that:

- Four items with a cost value of approximately \$27,000 could not be located. The items included computer software, a laptop computer, an elliptical machine, and motion capture software. University personnel were

unable to locate the computer software as of September 2011. The laptop computer and the motion capture software were determined to have been taken off campus by faculty members; however, forms authorizing the use of the items off campus had not been prepared. The elliptical machine was reported lost or stolen and steps were being taken to remove the item from the property records; however, University personnel had not reported the lost item to an appropriate law enforcement agency.

- Five items with a cost value of \$23,000 were at locations other than those stated on the property records. Contrary to the Manual, forms authorizing the transfer of these property items to locations other than those noted in the property records were not prepared.

During the 2010-11 fiscal year, the University performed a physical count of its tangible personal property and computer software, as of June 30, 2011, and 13,749 property items with a cost of approximately \$56.7 million and a net book value of \$15.6 million had not been located. University records indicated that the last inventory dates for these property items ranged from January 2004 through June 2010; however, according to University personnel, these items had not been reported to a law enforcement agency. University personnel also indicated they have continued their efforts to locate these items subsequent to fiscal year end. We selected ten of these property items that had not been located to determine their status as of August 31, 2011. Subsequent to our inquiry regarding these ten property items, University personnel indicated that four of the items were located off-campus without the authorizing forms; five of the items were located at locations other than those stated on the property records; and one item had been disposed of as surplus property, but was not removed from the property records.

Failure to maintain accurate property records for tangible personal property and computer software limits accountability over this property and increases the risk that property items may become lost, stolen, or otherwise not properly accounted for. Failure to timely report property items considered to be lost or stolen to an appropriate law enforcement agency limits the University’s ability to locate or recover the missing property.

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**Recommendation:** The University should strengthen procedures to ensure that property records are complete and accurate, including investigating property items not located during annual physical inventory counts and reporting missing property to an appropriate law enforcement agency. Also, property transfer forms or off-campus use forms should be completed to document approval for transfers or off-campus use of property.

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<b>Motor Vehicle Utilization</b>
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**Finding No. 3: Vehicle Records**

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University records indicated that there were approximately 180 University-owned vehicles as of June 2011. University Policy 540.005, states that University vehicles are not to be used for personal use. Although the revised policy does not require that vehicle trip logs be maintained to document each trip taken by the vehicle user department, University personnel indicated that department heads are asked verbally to complete and submit vehicle logs to the Vehicles Services Department (Department). Department personnel verify the signatures and vehicle numbers and then file the logs in each vehicle’s folder.

Our review of 20 vehicles used for off-campus travel disclosed that vehicle trip logs continued to be used for 17 of the 20 vehicles. The vehicle trip log provided preprinted areas to document the driver’s name, destination, and purpose of the trip, date, time, and mileage. The log also provided an area for the driver’s supervisor to sign as evidence of supervisory review of the log. We reviewed the vehicle logs prepared for the 17 vehicles. We noted one or more of the following for 5 of the 17 vehicle logs tested:

- The logs for 3 vehicles did not always disclose the destination or purpose of the trips.
- The log for 1 vehicle had a gap of 2,075 miles between the ending mileage on one trip and beginning mileage on the next trip.
- The logs for 3 vehicles did not include a supervisor's signature to evidence supervisory review.

To ensure that the vehicles are used for an authorized University purpose, vehicle trip logs should provide information regarding the destination and purpose of the trip. Additionally, timely supervisory review of the logs would further enhance the completeness of these records and document the propriety of vehicle usage. A similar finding was noted in our report No. 2010-096.

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**Recommendation: The University should implement procedures to ensure that University-owned vehicle usage is adequately documented and includes supervisory approval.**

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#### **Finding No. 4: Monitoring Vehicle Fuel Consumption**

University records indicated during the 2010-11 fiscal year, fuel expenses totaled approximately \$397,000. The University has a computerized fuel system in place that is programmed to identify each University vehicle by wireless interface prior to fueling and automatically captures each vehicle's current odometer reading, date and time of transaction, fuel quantity, and fuel type. The system allows each vehicle to pump only up to its maximum capacity and prevents fueling of vehicles that are not equipped with the system. The system also provides for the input of an allotted number of gallons by month and fuel transaction limits for each vehicle. The system does not allow a vehicle to be fueled in excess of what is programmed for that vehicle by authorized personnel, unless this control is overridden. The automated process only takes place on those vehicles that had the fuel systems installed and programmed and the system generates several reports that provide management vehicle fuel usage information, such as transaction date, vehicle operator, odometer reading, and fuel quantity for each refueling. University procedures provide for the Vehicle Services Department (Department) to forward the fuel system reports with fuel bills to the appropriate department head for review. Any inconsistencies noted by the department heads are to be reported to the Department.

We selected 15 vehicles to determine the reasonableness of fuel consumption for the period January through March 2011. We reviewed the information shown on the fuel system reports for these vehicles such as, the odometer readings, miles per gallon computations, and the quantity of fuel pumped. We also compared the odometer readings shown on the fuel system reports to the applicable vehicle trip logs. The following deficiencies were noted for 10 of the 15 vehicles tested:

- For one vehicle, the mileage on the fuel system report remained unchanged during various dates in which the vehicle was fueled between January and March 2011. The vehicle trip logs had approximately 10,000 more miles reported than the mileage reported on the fuel system report. This error in odometer reading in the fuel system report distorted the calculation of miles driven between refueling and University records did not document supervisory review of the report or the resolution of the difference in mileage between the fuel system report and the vehicle trip log.
- For ten vehicles, the odometer readings, as shown on the fuel system reports on the dates of fueling the vehicles, were not within the range of miles driven for the same dates as shown on the vehicle's trip logs. The differences noted in odometer readings ranged from 306 to 51,869 miles. Procedures were not in place to compare these records and document the reasons for these differences.

Under these circumstances, the University has limited assurance of the accuracy of the fuel system reports that are being used by management to monitor the reasonableness of fuel consumption and there is increased risk that unauthorized use of University fuel may occur. A similar finding was noted in our report No. 2010-096.

**Recommendation:** The University should enhance procedures to monitor the reasonableness of fuel consumption by comparing odometer readings on the fuel system reports to vehicle odometer readings. University records should document supervisory review and resolution of differences between vehicle odometer readings and odometer readings listed on the fuel system reports.

### Procurement of Goods and Services

#### Finding No. 5: Credit Card Programs

The University's credit card programs include a purchasing card (P-card) program and a travel and entertainment credit card (T&E card) program.

##### P-card Program

The P-card program provides credit cards to authorized personnel to procure certain goods and services and to pay for employee travel costs. P-card charges are billed to the University, which is responsible for making payment to the bank. The University developed a Commodity Card Program (CCP) Manual for the purchase of goods and services and a Travel and Other Expenses Manual for the purchase of travel and entertainment services. Both manuals address the policies, procedures, and controls over P-cards. A total of 799 credit cards were outstanding as of June 30, 2011, and expenditures processed through the P-card program totaled \$21.8 million during the 2010-11 fiscal year.

As similarly noted in our report No. 2010-096, our test of 20 P-card transactions disclosed that the University's procedures for monitoring P-card purchases needed improvement. Specifically, we noted:

- Two purchases totaling \$1,834 included \$224 for Florida sales or use taxes. The University's CCP manual provides that before making a purchase, the cardholder should advise the vendor that the transaction is exempt from sales or use tax. The manual allows the cardholder to proceed with the transaction even if a vendor will not deduct the sales tax as long as the cardholder notes on the receipt that the vendor will not honor the exemption. In both instances, the cardholders did not document on the receipt the vendor's refusal to honor the University's sales tax exemption as required. Without an explanation of the reason for paying sales tax, the cardholder may have incurred unnecessary cost to the University.
- Five purchases totaling \$1,322 were for four employees' professional license renewals or license certifications. The employees' employment contract did not provide for such payments and professional licensure is a personal expense.
- One purchase totaling \$719 was for an air conditioner unit. The University's CCP Manual does not allow P-cards to be used to purchase appliances.
- One purchase totaling \$3,622 was for items classified as hazardous chemicals and lab supplies. The University has classified hazardous materials and chemicals as restricted commodities and is not an allowable purchase as provided in the University's CCP Manual. University personnel stated that based on the quantities purchased and the way the chemicals were utilized, they would be considered to be non-hazardous. However, Material Safety Data Sheets (MSDS) provided by the vendor indicated that some of the items purchased had a health hazard rating of (2), which is considered a "moderate hazard" regardless of the quantity purchased.
- For three purchases totaling \$8,438 for travel-related expenses, we noted \$1,087 of such expenses that were not in accordance with the University's Travel and Other Expenses Manual, as follows:

Date	Vendor Category	Description	Questioned Costs
11/12/10	Hotel	The charges were for lodging associated with a museum fundraising event totaling \$1,216. The University's Travel and Other Expenses Manual allows hotel accommodations as long as the maximum daily rate for the hotel room is based on the United States General Services Administration (GSA) rate (the GSA rate applies for all hotel rooms unless the room is at the "official" hotel for a meeting/convention). The charges for the hotel were \$269 a night; however, the GSA rate was \$104 per night, which resulted in \$519 in charges for lodging in excess of the amount allowed.	\$ 519
09/24/10	Restaurant	The charges were for a dinner for students enrolled in the professional MBA program at a cost of \$6,917, which included \$1,236, for a 20 percent gratuity. The gratuity exceeded the amount allowed by the University's Travel and Other Expenses Manual by \$309, based on the 15 percent gratuity allowed.	309
12/26/10	Auto Rental	The charges were for rental of a vehicle to transport seven passengers from an airport to a football game and back to the airport on the same day for \$305. The allowable rental of a van for 12 passengers was listed at \$46 per day. A list of passengers with their travel authorization numbers was not provided to support the need for this larger vehicle contrary to the University's Travel and Other Expenses Manual, and University records did not document justification for the rate charged for the vehicle.	259
<b>Total Questioned Costs</b>			<u>\$ 1,087</u>

**Travel and Entertainment Card Program**

The T&E card program is offered to faculty and staff as a method to pay for University business travel and entertainment expenses. The T&E card charges are billed to the employee, who is responsible for making payment to the bank. It is the responsibility of the cardholder to submit an expense report to the University for all authorized travel and entertainment expenses and, once the transactions are approved, the cardholder receives the reimbursement prior to the date required to make payment to the bank. The University developed a T&E Card Manual, which addresses the policies, procedures, and controls over the T&E card program. A total of 98 T&E credit cards were outstanding as of June 30, 2011, and expenditures processed through this program totaled \$302,000 during the 2010-11 fiscal year.

The T&E Card Manual provides that transactions made within the State of Florida are exempt from the State of Florida sales and use tax and requires that all cardholders submit a University Certificate of Exemption to all vendors. However, since T&E card charges are billed to the cardholder and not the University, the guidance provided by the T&E Card Manual is not consistent with Florida Department of Revenue Rule 12A-1.038(3)(a), Florida Administrative Code, which states that “purchases of property or services used for an exempt entity must be made with the purchasing entity’s funds and not with the funds of the entity’s authorized representative. When the purchases are made with an authorized representative’s personal funds, the purchases are subject to tax, even if the representative is subsequently reimbursed with the entity’s funds.”

The University’s T&E Card Manual also provides that all travel expenses must be made in accordance with the University’s travel and expense procedures. The Manual allows hotel accommodations as long as the maximum daily rate for the hotel room is based on the GSA rate and the United States Department of Defense (DOD) rate for domestic and foreign travel, respectively (the rates apply for all hotel rooms unless the room is at the “official” hotel for a meeting/convention). Our test of 25 T&E card transactions disclosed two purchases for travel expenses paid with University funds totaling \$2,738 that were not in accordance with the University’s T&E Card Manual, as follows:

Date	Vendor Category	Description	Questioned Costs
02/21/11	Hotel	The charges were for lodging in Jacksonville for student recruitment. The employee charged daily rates of \$179 and \$189 a night; however, the GSA maximum rate allowed was \$82 per night, which resulted in \$408 in charges for lodging in excess of the amount allowed.	\$ 408
02/27/11	Hotel	The charges were for lodging in San Juan, Puerto Rico with a daily rate of \$249 per night; however, the DOD rate allowed was \$195 per night, resulting in \$324 in charges for lodging in excess of the amount allowed.	324
<b>Total Questioned Costs</b>			<b>\$ 732</b>

**Recommendation:** The University should enhance its monitoring procedures to ensure that credit card programs are administered in accordance with established policies and procedures. In addition, the University should revise its T&E Card Manual to be consistent with applicable rules related to purchases that qualify as exempt from sales tax.

**Finding No. 6: Competitive Procurement**

Board of Governors Regulation (BOG) 18.001, Purchasing Regulations, requires each university board of trustees to establish a competitive solicitation threshold not greater than \$75,000 for the purchase of commodities or contractual services. Additionally, this regulation establishes that the purchase of commodities and contractual services shall not be divided (split purchase order) to avoid the requirement of competitive solicitation. Board of Trustees’ Purchasing Regulation 2201 and the University’s Purchasing Manual (Manual) required that all purchases of commodities and contractual services in excess of \$75,000 be made by competitive solicitation, unless otherwise exempted. In addition, the splitting of orders, and failure to combine orders, when practical, to keep the total cost below the competitive solicitation threshold is prohibited.

Our review of purchases made through the University’s credit card program, from July 2010 through June 2011, disclosed numerous credit card transactions for which orders of goods and services made from the same vendor were not combined or monitored to ensure compliance with the competitive solicitation requirements. As a result, in these instances, the University was precluded from the benefit of a competitive solicitation process, as noted below:

- Credit card charges at two vendors totaling \$514,000 and \$267,000, respectively, were for student meals for various masters’ programs and student certifications. These are programs for which value-added fees are collected from the students. University records did not evidence that these services were subject to a competitive selection process, nor was there evidence that such services were exempt from a competitive selection process.
- Credit card charges at one vendor totaling \$218,000 were for student meals related to various masters programs conducted at an off-campus facility. These are programs for which value-added fees are collected from the students. University personnel and our review indicated that the meals provided were pursuant to an agreement renewed during the 2010-11 fiscal year. University records did not evidence that these services were subject to a competitive selection process, nor was there evidence that such services were exempt from a competitive selection process.
- Credit card charges at three vendors totaling \$118,000, \$268,000, and \$79,000, respectively, were for booklets, brochures, business cards, catalogs, posters, invitations, checks, forms, letterheads, and envelopes. These purchases were made without benefit of a competitive selection process. University personnel indicated that printing was an exceptional purchase for which a competitive selection process was not required under BOG Regulation 18.001(3)(d). While BOG Regulation 18.001(3)(d) provides that printing is an exceptional

purchase as it relates to the requirements of Chapter 283, Florida Statutes, these services are not included in the competitive selection exceptions provided in BOG Regulation 18.001(5)(d).

- Credit card charges at one vendor totaling \$89,000 were for industrial supplies, outdoor tables, and benches and were made without benefit of a competitive solicitation process. Although the payments exceeded the \$75,000 competitive selection threshold, we were not provided with competitive selection documentation for these commodities, nor was there evidence that such commodities were exempt from a competitive selection process.

When goods and services are purchased without the benefit of a competitive selection process, the University is not assured that it is obtaining goods and services at the best price consistent with acceptable quality. A similar finding was noted in our report No. 2010-096.

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**Recommendation:** The University should ensure that goods and services are procured using a competitive selection process as required by laws, rules, and regulations, or properly document that such procurements are exempt from competitive selection requirements.

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<b>Information Technology</b>
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**Finding No. 7: Access Privileges**

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions outside of their areas of responsibility. Periodically reviewing IT access privileges assigned to employees promotes good internal control and is necessary to ensure that employees cannot access computer resources inconsistent with their assigned job responsibilities.

Our audit test of selected access privileges to the finance application disclosed that some employees had access privileges that either permitted the employees to perform incompatible duties or were unnecessary for their job duties. Specifically:

- Five employees from the Controller’s Office and one employee from Purchasing Services had the ability to update vendor information. Also, five employees in the Controller’s Office and one Athletics Department employee had the ability to process electronic funds transfers (EFTs). Changes in job responsibilities resulted in these access privileges being no longer necessary for these employees.
- One employee from the Division of Research retained access privileges that were unnecessary for the employee’s new position. The access privileges included the ability to add and update vendors, approve vouchers, post journal entries, and process EFTs, contrary to an appropriate separation of duties.

Although the University performed limited reviews of specific access, these inappropriate or unnecessary access privileges indicated a need for improved University review of application access privileges. Without a comprehensive review, inappropriate and unnecessary access privileges may not be timely detected and addressed by the University, increasing the risk of unauthorized disclosure, modification, or destruction of University data and IT resources.

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**Recommendation:** The University should enhance its process of reviewing the appropriateness of IT application access privileges and timely remove or adjust any inappropriate or unnecessary access detected to ensure that access privileges are compatible with employee job duties.

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**Finding No. 8: Timely Deactivation of Access Privileges (1.1-2.5-1/2)**


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Effective management of system access privileges includes the timely deactivation of employee IT access privileges when employment is terminated. Prompt action is necessary to ensure that access privileges are not misused by former employees or others.

The University created an automated process to remove access to the finance application the next business day following the termination date for employees who terminate employment. However, our audit test of 176 employees who terminated from the University during the period July 1, 2010, through March 14, 2011, disclosed that the automated process was not working consistently, resulting in access privileges to the finance application for 13 former employees remaining active from 2 to 327 days after their termination of employment. In response to audit inquiry, University management indicated that 1 of the 13 former employees' finance application access privileges had been used up to 38 days subsequent to the termination date; however, this was for authorized purposes. The finance application access privileges of the other 12 former employees had not been used subsequent to their termination of employment. Although the access privileges had been deactivated for all former employees tested, failure to timely deactivate access privileges increases the risk that access privileges could be misused by former employees or others.

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**Recommendation:** The University should review and, as necessary, correct its automated process to ensure that access privileges of former employees are timely deactivated.

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**Finding No. 9: Security Controls – Authentication, Logging and Monitoring, and Data Loss Prevention**


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Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain University security controls related to user authentication, logging and monitoring, and data loss prevention that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising University data and IT resources. However, we have notified appropriate University management of the specific issues. Without adequate security controls related to user authentication, logging and monitoring, and data loss prevention, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that University data and IT resources may be subject to improper disclosure, modification, or destruction.

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**Recommendation:** The University should improve security controls related to user authentication, logging and monitoring, and data loss prevention to ensure the continued confidentiality, integrity, and availability of University data and IT resources.

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**PRIOR AUDIT FOLLOW-UP**

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Except as discussed in the preceding paragraphs, the University had taken corrective actions for findings included in our report No. 2010-096.

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**OBJECTIVES, SCOPE, AND METHODOLOGY**

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The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from March 2011 to October 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to: (1) obtain an understanding and make overall judgments as to whether University internal controls promoted and encouraged compliance with applicable laws, rules, regulations, contracts, and grant agreements; the economic and efficient operation of the University; the reliability of records and reports; and the safeguarding of assets; (2) evaluate management’s performance in these areas; and (3) determine whether the University had taken corrective actions for findings included in our report No. 2010-096. Also, pursuant to Section 11.45(7)(h), Florida Statutes, our audit may identify statutory and fiscal changes to be recommended to the Legislature.

The scope of this operational audit is described in Exhibit A. Our audit included examinations of various records and transactions (as well as events and conditions) occurring during the 2010-11 fiscal.

Our audit methodology included obtaining an understanding of the internal controls by interviewing University personnel and, as appropriate, performing a walk-through of relevant internal controls through observation and examination of supporting documentation and records. Additional audit procedures applied to determine that internal controls were working as designed, and to determine the University’s compliance with the above-noted audit objectives, are described in Exhibit A. Specific information describing the work conducted to address the audit objectives is also included in the individual findings.

**AUTHORITY**

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA  
Auditor General

**MANAGEMENT’S RESPONSE**

Management’s response is included as Exhibit B.

**EXHIBIT A**  
**AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Information technology (IT) policies and procedures.	Reviewed the University’s written IT policies and procedures to determine whether they addressed certain important IT control functions.
IT access privileges and separation of duties.	Tested application access privileges to determine whether access granted to sensitive finance functions promoted an appropriate separation of duties. Tested administrator accounts to determine whether the accounts were assigned to current users.
IT disabling of employee access.	Reviewed procedures to prohibit former employees’ access to electronic data files. Tested access privileges for former employees to determine whether their access privileges had been timely disabled.
IT data loss prevention.	Reviewed written security standards in effect governing the classification, management, and protection of sensitive and confidential information.
IT security incident response.	Reviewed written policies and procedures related to security incident response and reporting.
IT risk management and assessment.	Reviewed the University’s risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
IT authentication controls.	Reviewed supporting documentation to determine whether authentication controls were configured and enforced in accordance with IT best practices.
Fraud policy and related procedures.	Examined written policies, procedures, and supporting documentation related to the University’s fraud policy and related procedures.
Social security number requirements of Section 119.071(5)(a), Florida Statutes.	Examined supporting documentation to determine whether the University had provided individuals with a written statement of the purpose of collecting their social security numbers.
Identity theft prevention program (Red Flags Rule).	Reviewed University policies and procedures related to its identity theft prevention program for compliance with the Federal Trade Commission’s Red Flags Rule.
Parking citation receivables.	Tested parking citations to determine the effectiveness of collection procedures.
Works of art and historical treasures.	Reviewed controls over works of art and historical treasures to determine whether the University had established adequate safeguards to protect such assets from theft or loss.
Tangible personal property.	Examined tangible personal property records to determine whether they contained information necessary to account for and identify. Tested property items to determine whether the University’s property records accurately described the property item. Reviewed deleted property items to determine the authority and timeliness of the deletions.

**EXHIBIT A (CONTINUED)**  
**AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Cash collection procedures at decentralized collection points.	Reviewed control procedures at selected locations to determine the effectiveness of the University's collection procedures.
Florida residency determination and tuition.	Tested student registrations to determine whether the University documented Florida residency and correctly assessed tuition in compliance with Sections 1009.21, 1009.24, and 1009.286(2), Florida Statutes, and Board of Governors Regulation 7.005.
Tuition differential fees.	Reviewed tuition differential fees collected to determine whether the University assessed and used tuition differential fees in compliance with Section 1009.24(16)(a), Florida Statutes.
Distance learning fees and excess hour surcharges.	Determined whether distance learning fees and excess hour surcharges were assessed and collected as provided by Sections 1009.24(17) and 1009.286(2), Florida Statutes.
Continuing education programs.	Reviewed University policies and procedures to ensure that credit continuing education courses did not compete with, or replace, the regular on campus courses taken by degree seeking or special students.
Overtime payments.	Reviewed University policies, procedures, and supporting documentation evidencing the approval of and necessity for overtime payments. Performed analytical procedures to determine the reasonableness of overtime payments.
Terminal Pay.	Reviewed University policies and procedures for terminal pay to ensure policies and procedures are consistent with Florida law. Tested terminal pay to former employees and determined whether the University properly calculated terminal pay in accordance with University policies and procedures.
Procurement policies and procedures.	Examined University regulations related to procurement for compliance with the Board of Governors regulations. Tested bids and reviewed supporting documentation to determine compliance with competitive procurement requirements.
Electronic vendor payments.	Reviewed University policies and procedures related to electronic vendor payments and tested supporting documentation to determine if selected electronic vendor payments were properly authorized and supported.
Purchasing card transactions.	Reviewed transactions to determine whether purchasing cards were administered in accordance with University policies and procedures. Also, determined whether purchasing cards were timely cancelled upon termination of employment.
Vehicle usage records.	Tested University owned vehicles and reviewed vehicle logs to determine that vehicle usage was for University purposes.

**EXHIBIT A (CONTINUED)**  
**AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Vehicle fuel usage.	Tested vehicles and related fuel management reports to determine whether the reports were accurate and reviewed by supervisory personnel, and whether the vehicles' reported miles per gallon appeared reasonable.
Contractual agreements.	Tested payments for contractual services and examined supporting documentation to determine whether payments were properly documented, classified, and made in accordance with contractual terms.
Construction administration.	Reviewed major construction projects for compliance with University policies and procedures and provisions of law and rules. Also, for construction management contracts, determined whether the University monitored the selection process of architects and engineers, construction managers, and subcontractors.
Insuring architects and engineers.	Tested major construction projects in progress during the audit period to determine whether the University had obtained evidence of required insurance.
Direct material purchases.	Tested a construction project in progress and reviewed supporting documentation evidencing procedures used by the University when considering direct material purchases.

**EXHIBIT B**  
**MANAGEMENT'S RESPONSE**



February 21, 2012

Mr. David W. Martin, CPA  
Auditor General  
State of Florida  
G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, FL 32399-1450

Dear Mr. Martin,

Enclosed is our response to the preliminary and tentative findings and recommendations for the Operational Audit of Florida International University for the fiscal year ended June 30, 2011. We will implement the recommendations identified during the audit in accordance with the enclosed schedule of responses.

We appreciate the thoroughness and professionalism of your staff in completing the audit. The resulting recommendations will assist us in improving our operations and safeguarding our resources.

If you have any questions or need additional information, please do not hesitate to contact Dr. Kenneth Jessell, Chief Financial Officer & Senior Vice President for Finance & Administration, at [kjessell@fiu.edu](mailto:kjessell@fiu.edu).

Sincerely,

A handwritten signature in black ink, appearing to read "Mark B. Rosenberg", is written over a horizontal line.

Mark B. Rosenberg  
President

Cc: Douglas Wartzok, Provost & Executive Vice President  
Kenneth Jessell, Chief Financial Officer & Senior Vice President for Finance and Administration

OFFICE OF THE PRESIDENT

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**EXHIBIT B (CONTINUED)**  
**MANAGEMENT'S RESPONSE**

**FLORIDA INTERNATIONAL UNIVERSITY**  
**Responses to Preliminary and Tentative Findings**  
**Operational Audit - Fiscal Year Ended June 30, 2011**

**Finding No. 1: Parking Citations Receivable**

**Recommendation:**

The University should continue its efforts to ensure that timely holds are placed on students' records for nonpayment of parking citations.

**Response:**

We will revise our procedure to identify the exemptions in placing the hold on a student record(s). We have identified that citations placed under appeal and manually written citations constitute these exemptions.

For appealed citations the parking system will look at the appeal(s) result date before a hold is placed on the student records. During the beginning of each semester the amount of appeals received are substantially higher. Our process varies from 3-4 weeks during an off peak times and 6-8 weeks during peak times.

University police officers manually written citations will be entered in the parking computerized system within 48 hours of issuance (taking into considerations non regular business hours/weekends and holidays). The student financial hold will be set from the day the citation was entered constituting a total of 12 days.

A report will be created to ensure that these procedures are followed and the holds are placed accordingly to policy and procedures. All exemptions shall be addressed in a timely manner.

**Final Implementation Date: March 31, 2012**

**Finding No. 2: Tangible Personal Property and Computer Software**

**Recommendation:**

The University should strengthen procedures to ensure that property records are complete and accurate, including investigating property items not located during annual physical inventory counts and reporting missing property to an appropriate law enforcement agency. Also, property transfer forms or off-campus use forms should be completed to document approval for transfers of off-campus use of property.

**Response:**

The University is aware of the importance of the accountability and safeguarding of tangible assets and therefore has made the following changes to its procedures to ensure that property records are complete and accurate.

The University has implemented the Asset Management Self-Service function within Peoplesoft to automate the transfer of property. The transfer of property between locations, accountable officer, or funding source will be through an approval processes within Peoplesoft and eliminate the current paper process.

**EXHIBIT B (CONTINUED)  
MANAGEMENT'S RESPONSE**

FIU RESPONSES TO PELIMINARY AND TENTATIVE FINDINGS FY10-11

The University is also in the process of eliminating our current paper forms to electronic forms, with electronic approvals, to streamline and maintain better records for those assets off campus and those requiring a Report of Survey.

The University has also strengthened its procedures for property that cannot be located. Departmental Accountable Officers will need to submit Reports of Survey within an acceptable time period. If no Report of Survey is submitted, Property Control will initiate the Report of Survey reporting the missing property to the appropriate law enforcement agency. Due to the unique nature of property that is listed as being research-related, Property Control will investigate further with the project manager/principle investigator of record to locate and account for research-related property.

**Final Implementation Date: AM Self-Serve, November 2011 and Electronic Forms, April 2012**

**Finding No. 3: Vehicle Records**

**Recommendation:**

The University should implement procedures to ensure that University-owned vehicle usage is adequately documented and includes supervisory approval.

**Response:**

Departments that currently have a vehicle will be required to record vehicle mileage and the purpose of the vehicle's usage. Policy 540.005 will be revised to ensure that all university vehicle users complete a mileage log for the vehicles assigned to them. Our department will immediately implement a form for verification of mileage for each vehicle. The items that will be verified are correct completion of form, mileage accountability and signature of supervisor. If any of these items are not completed correctly, mileage log will be returned to supervisor for clarification and verification.

**Final Implementation Date: Procedure Implementation March 31, 2012 and Policy Revision June 30, 2012**

**Finding No. 4: Monitoring Vehicle Fuel Consumption**

**Recommendation:**

The University should enhance procedures to monitor the reasonableness of fuel consumption by comparing odometer readings on the fuel system reports to vehicle odometer readings. University records should document supervisory review and resolution of differences between vehicle odometer readings and odometer readings listed on the fuel system reports.

**Response:**

Due to new federal law all fuel tanks needed to be replaced to ensure they were under EPA standards. Due to this requirement, university fuel tanks for MAM Campus were not functioning for the period of March 2010 to December 2011. Although Fuel Master Software was up and running for the BB Campus, accurate information on mileage may not have been recorded properly. In addition, approximately twenty five percent (25%) of the university fleet, excluding golf carts and mules, is comprised of newer vehicles that are capable of transmitting mileage information to the AIMS system due to their internal computer system.

**EXHIBIT B (CONTINUED)  
MANAGEMENT'S RESPONSE**

FIU RESPONSES TO PELIMINARY AND TENTATIVE FINDINGS FY10-11

Nevertheless, the department will update the procedure to identify the definition of a "trip". A trip to pump gas is considered a "trip" performed by the vehicle and must be logged in the mileage log. Vehicle Services department will review this log and match mileage versus consumption on a monthly basis. If discrepancies are noted, log will be sent back to department head for notification as noted on mileage log procedure.

**Final Implementation Date: February 28, 2012**

**Finding No. 5: Credit Card Programs**

**Recommendation:**

The University should enhance its monitoring procedures to ensure that credit card programs are administered in accordance with established policies and procedures. In addition, the University should revise its T&E Card Manual to be consistent with applicable rules related to purchases that qualify as exempt from sales tax.

**Response:**

The University has taken a multi-faceted approach to enhance its monitoring procedures and improve overall cardholder compliance.

The Credit Card Solutions Team has partnered with Quality Assurance Services to expand and enhance transaction review and monitoring.

Program participants are sent regular communications about program updates, as well as policy and procedure reminders.

During FIU's bank conversion for card services in October 2011, The Credit Card Solutions Program implemented a mandatory training for all cardholders (Departmental and Travel and Entertainment Card) and required the user to pass an assessment at the end of the training.

Participants were also required to sign an updated Cardholder Agreement Form, acknowledging their understanding of program policies and procedures.

The Travel and Entertainment Card Manual was revised to be consistent with applicable rules related to purchases that qualify as exempt from sales tax.

**Final Implementation Date: November 1, 2011**

**Finding No. 6: Competitive Procurement**

**Recommendation:**

The University should ensure that goods and services are procured using a competitive selection process as required by laws, rules, and regulations, or properly document that such procurements are exempt from competitive selection requirements.

**Response:**

**Student Meal Expenses**

The student meals were purchased to support the needs of assorted non-traditional master programs and student certifications, and as the Audit points out, "programs for which value-added fees [were] collected from the students." The value-added fees were collected by the

**EXHIBIT B (CONTINUED)**  
**MANAGEMENT'S RESPONSE**

FIU RESPONSES TO PELIMINARY AND TENTATIVE FINDINGS FY10-11

University on behalf of the students to pay expenses associated with the programs, such as meals, graduation and special events.

The accounting for university programs that are "off book," like these programs, is through an auxiliary account called "Continuing Education," pursuant to BOG Regulation 8.002. And, as provided by BOG Regulation 18.001(5)(d)(13), "programs, conferences, workshops, continuing education events or other university programs that are offered to the general public for which fees are collected to pay all expenses associated with the event or program" are not subject to competitive solicitation. Reading these two BOG regulations together, it has generally been accepted that expenditures made from these continuing education auxiliary accounts for related program expenses did not require a competitive solicitation.

While BOG Regulation 8.002 and 18.001 may permit student meal purchases associated with special program expenses, we do recognize the benefits a competitive solicitation process can provide. Accordingly, in light of the overall need to provide student meals for special events and programs at the university-wide level and the desire to do so in the most cost effective manner, the Purchasing Department is currently working with the Office of Business Services to competitively solicit a preferred list of caterers who can be utilized by all University units special programs and events.

**Printing**

Pursuant to Fla. Stat. §1001.706(2)(a) and (7)(a), BOG has the authority to regulate the SUS and adopt regulations as necessary to govern SUS operations and, in particular, to adopt a purchasing regulation. Pursuant to BOG Regulation 18.001(3)(d), printing is specified as an "exceptional purchase." BOG's Purchasing regulations do not define "exceptional purchase," but the term is defined under Florida Statute §287.012(12) as "any purchase of commodities or contractual services excepted by the law or rule from the requirements of competitive solicitation." And, while the SUS is not subject to Chapter 287, university procurement has, from a policy standpoint, generally followed Chapter 287. Additionally, the BOG regulation is clear that all other categories of "exceptional purchases" under 18.001(3) are exempt from competitive solicitation. As such, similar to the categories of "exceptional purchases" as defined in Chapter 287 and in the BOG regulation, it has been generally accepted that printing is also not subject to competitive solicitation requirements.

While competitive solicitation may not be required, the University does utilize competitive solicitations whenever the circumstances prove most advantageous to the University. The University has previously, on numerous occasions, competitively solicited for University printing (e.g. University stationary, student newspaper, etc.) and will continue to do so as appropriate based upon the printing needs.

**Final Implementation Date: Caterer Competitive Solicitation Completed July 2012**

**EXHIBIT B (CONTINUED)  
MANAGEMENT'S RESPONSE**

FIU RESPONSES TO PELIMINARY AND TENTATIVE FINDINGS FY10-11

**Finding No. 7: Access Privileges**

**Recommendation:**

The University should enhance its process of reviewing the appropriateness of IT application access privileges and timely remove or adjust any inappropriate or unnecessary access detected to ensure that access privileges are compatible with employee job duties.

**Response:**

The security access for all employees identified in the finding was changed to remove update vendor privilege and ability to process EFTs. The changes were recorded in PAWS via Tickets No FS-IS001094 thru FS-IS001102.

The above mentioned employee from the Division of Research had previous responsibilities as the Interim Controller. As such, she was going thru the transition of her previous responsibilities to the permanent Controller and, as an exception, retained her prior access. Even before audit conclusion, per Associate VP of Research request the employee's security was changed to reflect her new job responsibilities of Assistant VP Research Accounting. This was documented in the PAWS ticket FS-IS000903.

**Final Implementation Date: Completed on August 2011 and June 2011 respectively**

**Finding No. 8: Timely Deactivation of Access Privileges**

**Recommendation:**

The University should review and, as necessary, correct its automated process to ensure that access privileges of former employees are timely deactivated.

**Response:**

The automated process that was in place in the past was heavily depended on ADP limitations and as such had problems and deficiencies. In addition, there was a business process issue with how terminations were entered in ADP that was causing a delay in reflecting of these terminations within Financials. With HCM deployment (replacement of ADP), all terminations are entered on HR side in the timely manner and dynamically reflected in Financials within minutes.

**Final Implementation Date: Completed January 2, 2012**

**Finding No. 9: Security Controls - Authentication, Logging and Monitoring, and Data Loss Prevention**

**Recommendation:**

The University should improve security controls related to user authentication, logging and monitoring, and data loss prevention to ensure the continued confidentiality, integrity, and availability of University data and IT resources.

**EXHIBIT B (CONTINUED)**  
**MANAGEMENT'S RESPONSE**

FIU RESPONSES TO PELIMINARY AND TENTATIVE FINDINGS FY10-11

**Response:**

The Division of Information Technology has obtained approval for the implementation of a complete Data Loss Prevention (DLP) Program that will institute control for enhancing user authentication, logging and monitoring through McAfee Electronic Policy Orchestrator, desktop encryption, network monitoring for sensitive data flow in plain text, as well as email encryption for high risk areas and email monitoring for sensitive information. In addition, the division is implementing security awareness and training classes online for the university.

**Final Implementation Date: October 30, 2012**